

# 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)  
Jun 14, 2023
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

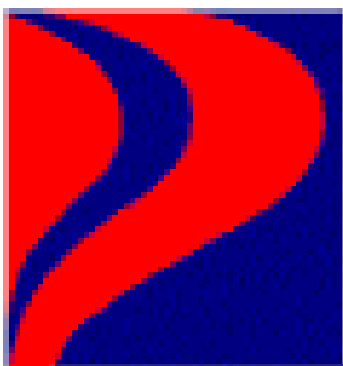
Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON (PCOR)	9,375,104,497
PREFERRED SERIES 3A (PRF3A)	13,403,000
PREFERRED SERIES 3B (PRF3B)	6,597,000
PCOR SERIES B BONDS DUE 2023 (IN MIL PESO)	7,000
PCOR SERIES C BONDS DUE 2024 (IN MIL PESO)	13,200
PCOR SERIES D BONDS DUE 2025 (IN MIL PESO)	6,800

PCOR SERIES E BONDS DUE 2025 (IN MIL PESO)	9,000
PCOR SERIES F BONDS DUE 2027 (IN MIL PESO)	9,000
TOTAL DEBT AS OF MARCH 31 2023 (IN MIL PESO-CONSO)	223,583

11. Indicate the item numbers reported herein

Item 9

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



**PETRON**

**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**

Receipt of the Order of Registration and Permit to Sell and the availability of the Final Prospectus for the 50,000,000 Series 4 Registration and Final Offer Supplement for 12,500,000 Series 4 Preferred Shares with oversubscription of up to 10,000,000 Shares.

**Background/Description of the Disclosure**

Receipt of the Order of Registration and Permit to Sell and the availability of the Final Prospectus for the 50,000,000 Series 4 Registration and Final Offer Supplement for 12,500,000 Series 4 Preferred Shares with oversubscription of up to 10,000,000 Shares.

The links to the Final Prospectus and the Final Offer Supplement are as follows:

<https://www.petron.com/wp-content/uploads/2023/06/Annex-A-1-Petron-Corporation-Series-4-Preferred-Shares-Prospectus-2>

<https://www.petron.com/wp-content/uploads/2023/06/Annex-A-2-Petron-Corporation-Series-4-Preferred-Shares-Offer-Supple>

**Other Relevant Information**

Please see attached current report in SEC Form 17-C.

**Filed on behalf by:**

<b>Name</b>	Jhoanna Jasmine Javier-Elacio
<b>Designation</b>	Assistant Vice President - General Counsel and Corporate Secretary/Compliance Officer





**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. **June 14, 2023**  
Date of Report (Date of earliest event reported)
2. SEC Identification Number **31171** 3. BIR Tax Identification No. **000-168-801**
4. **PETRON CORPORATION**  
Exact name of issuer as specified in its charter
5. **Philippines**  
Province, country or other jurisdiction of incorporation
6.  (SEC Use Only)  
Industry Classification Code:
7. **San Miguel Head Office Complex, 40 San Miguel Avenue, Mandaluyong City** **1550**  
Address of principal office Postal Code
8. **(63 2) 8884-9200**  
Issuer's telephone number, including area code
9. **(None)**  
Former name or former address, 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
<b>Common Stock</b>	<b>9,375,104,497 Shares</b>
<b>Preferred Stock Series 3A</b>	<b>13,403,000 Shares</b>
<b>Preferred Stock Series 3B</b>	<b>6,597,000 Shares</b>
<b>PCOR Series B Bonds Due 2023</b>	<b>P 7.0 billion</b>
<b>PCOR Series C Bonds Due 2024</b>	<b>P13.2 billion</b>
<b>PCOR Series D Bonds Due 2025</b>	<b>P 6.8 billion</b>
<b>PCOR Series E Bonds Due 2025</b>	<b>P 9.0 billion</b>
<b>PCOR Series F Bonds Due 2027</b>	<b>P 9.0 billion</b>
<b>Total Debt</b>	<b>P 223,583 Million (Consolidated as of March 31, 2023)</b>

.....

11. Indicate the item numbers reported herein: **Item 9**

**Item 9 (Other Events).**

Further to our disclosures dated March 6, 2023, March 17, 2023, June 9, 2023, and June 13, 2022, Petron Corporation (the “Company”) advises that it received today from the Securities and Exchange Commission the order rendering effective the registration statement for the shelf registration of up to 50 million perpetual Series 4 preferred shares of the Company (the “Order of Registration”) and the corresponding Certificate of Permit to Offer Securities for Sale for the first tranche consisting of 12.5 million perpetual Series 4 preferred shares of the Company, with an oversubscription option of up to 10 million perpetual Series 4 preferred shares (the “Permit to Sell”). Please find enclosed a copy of the Order of Registration and the Permit to Sell.

Please find likewise enclosed the Final Prospectus and the Final Offer Supplement, both dated June 13, 2023, in relation to the above-described shelf registration of the Company’s perpetual Series 4 preferred shares and the public offer of the first tranche consisting of 12.5 million perpetual Series 4 preferred shares of the Company, with an oversubscription option of up to 10 million perpetual Series 4 preferred shares.

**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 hereunto duly authorized.

**PETRON CORPORATION**  
Issuer

**June 14, 2023**  
Date



**JHOANNA JASMINE M. JAVIER-ELACIO**  
Assistant Vice President – General Counsel  
and Corporate Secretary



Republic of the Philippines  
Department of Finance  
Securities and Exchange Commission

Markets and Securities Regulation Department

IN THE MATTER OF : SEC MSRD Order No.: 33  
: Series of 2023  
:   
: Registration of Preferred Shares  
PETRON CORPORATION : (Shelf Registration)  
- Registrant - :  
:   
:   
X-----X

**ORDER OF REGISTRATION**

Upon consideration of the Amended Registration Statement and other papers and documents attached thereto ("Registration Statement") which were filed on behalf of **PETRON CORPORATION**, the Commission, resolved in its meeting of 1 June 2023 to favorably consider the same for the shelf registration of **up to Fifty Million (50,000,000)** cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, re-issuable Peso-denominated Perpetual **Series 4 Preferred Shares** with an **initial tranche of Twelve Million Five Hundred Thousand (12,500,000) Series 4 Preferred Shares** and an **oversubscription option of up to Ten Million (10,000,000) Series 4 Preferred Shares** with a par value of **One Peso (P1.00)** and at an offer price of **One Thousand Pesos (P1,000.00)**, in accordance with the requirements of Sections 8 and 12 of the Securities Regulation Code. The Series 4 Preferred Shares are to be issued in three (3) subseries: Series 4A Preferred Shares, Series 4B Preferred Shares, and Series 4C Preferred Shares.

In this regard and after determining that the company has complied with the required submissions as directed in the Pre-Effective Letter dated 2 June 2023, **the subject Registration Statement is now rendered effective.**

Let a **Certificate of Permit to Offer Securities for Sale** be issued in favor of subject company authorizing the sale and distribution of the aforementioned securities.

Let this **Order** be published at the expense of the Issuer in a newspaper of general circulation and uploaded in its website within two (2) business days from its issuance. The corporation is hereby directed to furnish the Commission with a copy of the affidavit of publication of this Order.

**SO ORDERED.**

The SEC Headquarters, Makati City, Philippines  
14 June 2023.

  
VICENTE GRACIANO P. FELIZMENIO, JR.  
Director





Republic of the Philippines  
Department of Finance  
**Securities and Exchange Commission**

**MARKETS AND SECURITIES REGULATION DEPARTMENT**

**CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE**

THE ISSUANCE OF THIS PERMIT IS PERMISSIVE ONLY AND DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT OF THE SECURITIES PERMITTED TO BE ISSUED

THIS IS TO CERTIFY that the securities of

**PETRON CORPORATION**

consisting of Twelve Million Five Hundred Thousand (12,500,000) Cumulative, Deferrable, Non-voting, Non-participating, Non-Convertible, Redeemable, Re-issuable Peso-denominated Perpetual Series 4 Preferred Shares, with Oversubscription Option of up to Ten Million (10,000,000) Series 4 Preferred Shares representing the first tranche of the Fifty Million (50,000,000) Series 4 Preferred Shares, under shelf registration and covered under MSRD Order No. 33, Series of 2023 may now be offered for sale or sold to the public subject to full compliance with the provisions of the Securities Regulation Code and its amended implementing rules and regulations, Revised Code of Corporate Governance and other applicable laws, regulations, circulars and other order as may be issued by the Commission.

Issued at Makati City, Philippines this 14<sup>th</sup> day of June Two Thousand and Twenty-three.



  
**VICENTE GRACIANO P. FELIZMENIO, JR.**  
Director



## **PETRON CORPORATION**

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

**Shelf Registration in the Philippines of up to  
50,000,000 Perpetual Series 4 Preferred Shares**

**To be offered within a period of three (3) years  
at an Offer Price of ₱1,000.00 per Preferred Share**

**To be listed and traded on the  
Main Board of The Philippine Stock Exchange, Inc.**

**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 June 13, 2023.**

## **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](http://www.petron.com)

This Prospectus (“**this Prospectus**” and, as the context may require, the term includes the relevant Offer Supplement, as defined below) relates to the shelf registration and each offer and sale in the Philippines within the Shelf Period as defined below (each an “**Offer**”) of up to 50,000,000 cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, reissuable peso-denominated Series 4 Preferred Shares with a par value of ₱1.00 per share (the “**Preferred Shares**” or “**Offer Shares**”) of Petron Corporation (“**Petron**”, the “**Company**” or the “**Issuer**”), a corporation duly organized and existing under Philippine law.

The Preferred Shares shall be offered, whether via issuance of primary shares or re-issuance of treasury shares, in tranches within a period of three (3) years from the effective date of the Registration Statement of the Preferred Shares, subject to applicable regulations (the “**Shelf Period**”). The offer and sale of the Preferred Shares, including the terms and conditions for each tranche, shall be at the sole discretion of the Company. The specific terms of the Preferred Shares 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**”). Each tranche of the Preferred Shares will be registered with the Securities and Exchange Commission (the “**SEC**”) and will be listed on the Main Board of The Philippine Stock Exchange, Inc. (“**PSE**”), subject to the respective approvals by the SEC and the PSE that will be secured for each tranche.

For each tranche of the Preferred Shares, 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 Preferred Shares and must be read in conjunction with this Prospectus and other Preferred Share Agreements (as defined in the relevant Offer Supplement). Full information on the Issuer and such offer of the Preferred Shares is only available through this Prospectus, the relevant Offer Supplement, and the other Preferred Share Agreements. All information contained in this Prospectus is deemed incorporated by reference in an Offer Supplement. In the event of any inconsistency between this Prospectus and the Offer Supplement, the more specific information provided between the two shall prevail. The Preferred Shares will be issued in one or more series for each tranche of the Preferred Shares.

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

On March 6, 2023, the Board of Directors authorized the sale and offer of the Preferred Shares under such terms and conditions as the management of Petron may deem advantageous to it. On April 4, 2023, stockholders representing 73.17% of the total outstanding common capital stock of the Company approved by way of written assent the listing with the PSE of up to 30,000,000 Series 4 preferred shares of the Company. On March 22, 2023, the Company filed an application with the Securities and Exchange Commission (“**SEC**”) for the shelf registration of the Preferred Shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799). On June 2, 2023, the Issuer obtained pre-effective clearance in respect of such application and upon compliance with the pre-effective conditions from the SEC, an order of registration is expected to be issued by the SEC for the Preferred Shares. The Listing Application was submitted to the PSE on March 17, 2023 and was officially filed on April 12, 2023 upon payment of the listing fee. As a listed company, Petron regularly disseminates such updates and information in its disclosures to the SEC and the PSE.

The Company has, likewise, applied for the listing of the Preferred Shares in the PSE. However, there is no assurance that such a listing will actually be achieved either before or after the relevant issue date of the Preferred Shares being offered at a particular time or whether such a listing will materially affect the liquidity of the Preferred Shares on the secondary market. Such listing will be subject to the Company’s execution of a listing agreement with PSE that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

The Preferred Shares will be offered to the public through underwriters that may be engaged by the Company for each tranche of the Preferred Shares (the “**Underwriters**”).



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

The distribution of this Prospectus and the offer and sale of the Preferred Shares 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 Preferred Shares 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 Preferred Shares 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 Preferred Shares, 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 Preferred Shares described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Preferred Shares 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 Preferred Shares, as set out in “*Risk Factors*” found on page 24 of this Prospectus, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Preferred Shares. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Preferred Shares. A person contemplating an investment in the Preferred Shares 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. Investing in the Preferred Shares involves a higher degree of risk compared to debt instruments.

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 Preferred Shares. Each person contemplating an investment in the Preferred Shares 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 Preferred Shares. A person contemplating an investment in the Preferred Shares 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 Preferred Shares 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 Preferred Shares, see the section on “*Risk Factors – Risks Relating to the Preferred Shares*” starting on page 42.

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 Company and 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 Preferred Shares, their distribution or their future performance.

The Company owns land as identified in the section on “*Description of Property*” on page 86. 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

SUBSCRIBED AND SWORN to before me on JUN 13 2023 in Mandaluyong City, Philippines, affiant exhibiting to me his Passport with No. \_\_\_\_\_ expiring on \_\_\_\_\_ as competent evidence of identity.

Doc. No. 387 ;  
Page No. 79 ;  
Book No. 11 ;  
Series of 2023.

  
**MARIA CRISSEIDA Y. TORCUATOR**  
Notary Public for Mandaluyong City  
40 San Miguel Avenue, 1550 Mandaluyong City  
Appointment No. 0582-23  
Until December 31, 2024  
Attorney's Roll No. 71094  
PTR No. 5113009/01-03-2023/Mandaluyong  
IBP No. 268623/01-04-2023/RSM  
MCLE Compliance No. VII-0021478/06-17-2022

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## **FORWARD-LOOKING STATEMENTS**

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

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

- changes in crude oil 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*” starting on page 24.

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.

## **DEFINITION OF TERMS**

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

AFAB.....	Authority of the Freeport Area of Bataan
APM .....	Malaysian automatic pricing mechanism
Applicant.....	A person, whether natural or juridical, who seeks to subscribe for the Offer of the Preferred Shares
ASEAN.....	Association of Southeast Asian Nations
bbl.....	Barrel
BIR.....	Philippine Bureau of Internal Revenue
Black Products.....	Fuel oil and asphalts
BNM.....	Bank Negara Malaysia
bpd.....	Barrels per day
BSP .....	<i>Bangko Sentral ng Pilipinas</i>
Business Day.....	A day, other than a public non-working holiday, Saturday, or Sunday on which the BSP's Philippine Payment and Settlement System (PhilPaSS) and the Philippine Clearing House Corporation (PCHC) (or, in the event of the discontinuance of their respective functions, their respective replacements) are open and available for clearing and settlement, and banks are open for business in Metro Manila, Philippines.
CBAs.....	Collective bargaining agreements
Chevron .....	Chevron Philippines, Inc.
CODO .....	Company-owned-dealer-operated service stations
Company, Issuer or Petron.....	Petron Corporation
CREATE Act.....	Corporate Recovery and Tax Incentives for Enterprises Act
CSA .....	Malaysian Control of Supplies Act, 1961
CTA.....	Philippine Court of Tax Appeals
CTSG.....	Corporate Technical Services Group
DENR.....	Philippine Department of Environment and Natural Resources
DODO .....	Dealer-owned-dealer-operated service stations
DOE .....	Philippine Department of Energy
DOJ.....	Philippine Department of Justice

DTI .....	Philippine Department of Trade and Industry
ECC .....	Environmental Compliance Certificate
EIS .....	Environment Impact Statement
EMB .....	Environmental Management Bureau
EMEPMI.....	ExxonMobil Exploration and Production Malaysia Inc.
EMS.....	Environmental Management System
EPF .....	Malaysian employees' provident fund
EQA .....	Malaysian Environmental Quality Act, 1974
ExxonMobil.....	Sellers of shares in PMRMB, PFISB and POM
FAB.....	Freeport Area of Bataan
FIA .....	Philippine Foreign Investments Act of 1991 (as amended)
GDP .....	Gross domestic product
IMS .....	Integrated Management System
Innospec .....	Innospec, Limited
ISO.....	International Organization for Standardization
KLIA.....	Kuala Lumpur International Airport
LGC .....	Philippine Local Government Code
LGU .....	Local Government Unit
Listing Date.....	The date when the Preferred Shares are listed in the PSE
LPG.....	Liquefied petroleum gas
LPS	Loss prevention system
LSWR .....	Low-sulfur waxy residue
MARINA.....	Philippine Maritime Industry Authority
MBIA .....	Malaysian Biofuel Industry Act, 2007
MDOE .....	Malaysian Department of Environment
MDTCC.....	Malaysian Ministry of Domestic Trade, Cooperative and Consumerism
Mean of Platts Singapore or MOPS	The daily average of all trading transactions between a buyer and a seller of petroleum products as assessed and summarized by Standard and

	Poor's Platts, a Singapore-based market wire service
MERALCO .....	Manila Electric Company
MITI.....	Malaysian Ministry of International Trade and Industry
MNHPI .....	Manila North Harbour Port Inc.
Mogas 95 .....	Formulated unleaded gasoline fuel with an octane index of 95
MPP .....	Multi-product pipeline
MT.....	Metric tonnes
NVRC.....	New Ventures Realty Corporation
Oil Deregulation Law Act.....	Philippine Downstream Oil Industry Deregulation Act of 1998
Ovincor .....	Overseas Ventures Insurance Corporation Ltd.
PAHL .....	Petrochemical Asia (HK) Limited
PCERP .....	Petron Corporation Employees' Retirement Plan
PDA .....	Malaysian Petroleum Development Act, 1974
PDB .....	Petronas Dagangan Berhad
PDTC.....	Philippine Depository and Trust Corporation
PetroFCC.....	Petrofluidized catalytic cracking
Petrogen .....	Petrogen Insurance Corporation
Petronas .....	Petroleum Nasional Berhad
Petron Bataan Refinery.....	The Company's refinery located in Limay, Bataan, Philippines
Petron Malaysia .....	Collectively, PMRMB, PFISB and POM
Petrophil.....	Petrophil Corporation
PFC.....	Petron Freeport Corporation
PFI	Petron Foundation Inc.
PFISB.....	Petron Fuel International Sdn. Bhd.
PFRS .....	Philippine Financial Reporting Standards
Philippine Peso, Peso, PHP or ₱....	Philippine Pesos, the legal currency of the Philippines
Philippines .....	Republic of the Philippines
PMC.....	Petron Marketing Corporation

PMRMB .....	Petron Malaysia Refining & Marketing Bhd.
PNOC .....	Philippine National Oil Company
PNS.....	Philippine National Standards
POGI.....	Petron Oil & Gas International Sdn Bhd.
POGM.....	Petron Oil & Gas Mauritius Ltd.
POM.....	Petron Oil (M) Sdn. Bhd.
POME .....	Palm oil methyl ester
Port Dickson Refinery .....	The Company's refinery in Port Dickson, Negeri Sembilan, Malaysia
POS .....	Point of sale
PPI .....	Philippine Polypropylene Inc.
Prospectus.....	The prospectus dated June 13, 2023 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Preferred Shares
PSE.....	The Philippine Stock Exchange, Inc.
PSMA.....	Malaysian Petroleum (Safety Measures) Act, 1984
PSTPL .....	Petron Singapore Trading Pte. Ltd.
Qualified Institutional Buyers .....	Qualified buyers, as defined in Section 10.1 (I) of the Securities Regulation Code (Republic Act No. 8799).
R.A. 8762.....	Philippine Retail Trade Liberalization Act of 2000
Registrar, Paying Agent or Stock Transfer Agent.....	SMC Stock Transfer Service Corporation
Registration Statement.....	The registration statement filed with the SEC in connection with the offer and sale to the public of the Preferred Shares
Revised Corporation Code.....	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
RIHL.....	Robinsons International Holdings Limited
Malaysian Ringgit, Ringgit or RM ...	Ringgit Malaysia, the legal currency of Malaysia
RON.....	Research Octane Number
RMP-2.....	Phase 2 of the Refinery Master Plan
RTC .....	Regional Trial Court
Saudi Aramco .....	Saudi Arabian Oil Company
Saudi CP.....	Saudi Aramco contract prices

SBM .....	Single buoy mooring
SBMI .....	Special Board of Marine Inquiry
SEA BV .....	SEA Refinery Holdings B.V.
SEA Refinery .....	SEA Refinery Corporation
SEC .....	Philippine Securities and Exchange Commission
Shell .....	Pilipinas Shell Petroleum Corporation
Shell Malaysia.....	Shell Malaysia Trading Sdn Bhd
SIRIM.....	Standard and Industrial Research Institute of Malaysia
SJS .....	Social Justice Society
SMC.....	San Miguel Corporation
SMS .....	Safety management system
SRC .....	Republic Act No. 8799 otherwise known as the Securities Regulation Code of the Philippines
SSHE .....	Safety, security, health and the environment
Subic Plant.....	The Company's fuel additives blending plant in the Subic Bay Freeport Zone in the Philippines
Tax Code .....	Philippine National Internal Revenue Code of 1997 (as amended)
TCCs.....	Tax Credit Certificates
TRAIN Law.....	Tax Reform for Acceleration and Inclusion
U.S. dollars, USD or US\$ .....	U.S. Dollars, the legal currency of the United States of America
VAT .....	Value-Added Tax
White Products .....	Diesel, gasoline, jet fuel, kerosene and LPG



## **EXECUTIVE SUMMARY**

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

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

### **Business**

Petron Corporation was incorporated under the Corporation Code of the Philippines and registered with the SEC on December 22, 1966. On September 13, 2013, the SEC approved the extension of the 50-year corporate term of the Company to 2066. As a general rule under the Revised Corporation Code, which took effect on February 23, 2019, corporations with certificates of incorporation prior to the effectivity of the Revised Corporation Code, and which continue to exist, shall have perpetual existence. By operation of law therefore, Petron shall now have perpetual existence. As at June 9, 2023, it has a market capitalization of ₱32,813 million.

Petron operates the only integrated oil refinery in the Philippines and is a leading oil marketing company. The Company had a retail market share of approximately 33.5%<sup>1</sup> of the Philippine oil market as of June 30, 2022 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the DOE.

Petron has also been a major industry player in the Malaysian market in the last eleven years. The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. As of December 31, 2022, 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 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. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. The Company also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

Through its network of around 1,900 retail service stations in the Philippines as of December 31, 2022,

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<sup>1</sup> Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the first half of 2022. Company estimates exclude direct imports of jet fuel by airlines, direct imports of naphtha as feedstock for petrochemical plants, direct imports of condensate as fuel for natural gas power plants, and lubes and greases.

representing approximately 19% of the country's total service station count, the Company sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 42% of service stations are CODOs and 58% are DODOs.<sup>2</sup> As of December 31, 2022, the Company's LPG distribution network includes more than 1,500 branch stores and about 1,900 service stations where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. Meanwhile, the Company's Lubes distribution network includes 47 car care centers and around 840 service stations selling lubes.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of December 31, 2022, the extent of the Company's programs includes about 560,000 Petron Fleet Cards, more than 8.7 million Petron Value Cards (including Petron Super Driver Cards), and approximately 3 million Petron Miles Privilege Cards ("PMILES") cardholder/member accounts in Malaysia.

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. Regional customers of Innospec and the Company's own requirements are served from the output of the Subic plant.

The Company diversified into petrochemicals and in 2000 added a mixed xylene recovery unit to the Petron Bataan Refinery and a propylene recovery unit in 2008. Its benzene-toluene extraction unit became operational in May 2009. On July 1, 2014, the Company acquired and took over from Philippine Polypropylene Inc. ("**PPI**"), an indirect subsidiary of the Company, the operations of the polypropylene plant in order to enhance the overall efficiency of its petrochemical operations. The polypropylene plant is located in Mariveles, Bataan and is owned by Robinson International Holdings Limited ("**RIHL**"), an indirect subsidiary of the Company, which has the capacity to produce 160,000 metric tons of polypropylene resin annually. The Company invested in the expansion of its polypropylene plant to capitalize on petrochemical margins. The expansion at the polypropylene plant, which will increase its production capacity from 160,000 MT to 225,000 MT annually, is expected to be completed in 2023.

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 LSWR. As of December 31, 2022, the Company had 10 product terminals, a palm oil methyl ester ("PME") plant, a network of more than 750 retail service stations, of which about 60% are CODO and 40% are DODO, and about 300 Treats convenience stores.

The Company also covers the industrial segment in Malaysia, selling diesel and gasoline to unbranded mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

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, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company's revenues from these export sales amounted to ₱40,343 million or 5% of total sales, as of December 31, 2022.

In 2020, 2021 and 2022, the Company's sales were ₱286,033 million, ₱438,057 million and ₱857,638 million, respectively, and net income (loss) was ₱(11,413) million, ₱6,136 million and ₱6,697 million, respectively.

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<sup>2</sup> CODO represents company-owned-dealer-operated service stations and DODO represents dealer-owned-dealer-operated service stations.

## **Strengths**

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

- Only Refinery in the Philippines
- 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;
- Capitalizing on the loyalty card program in the Philippines and successful rollout of the Petron App;
- Focus on higher yield products at the Petron Bataan Refinery;
- Established position in the Malaysian downstream oil sector; and
- Experienced management team and employees and strong principal shareholder in San Miguel Corporation.

See “Strengths” on page 53 of this Prospectus.

## **Areas of Strategic Focus**

The Company’s principal strategies are set out below:

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

See “Areas of Strategic Focus” on page 57 of this Prospectus.

## **Risks Relating to the Offer**

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Preferred Shares. These risks include the following, which are discussed in more detail under the section “Risk Factors” starting on page 24.

## **Risks Relating to the Company’s Business and Operations**

- Volatility of the price of crude oil and petroleum products;
- The COVID-19 pandemic, or the future outbreak of any other highly infectious or contagious diseases;
- Dependence on a number of suppliers for a significant portion of its crude oil requirements in the Philippines and Malaysia;
- Intense competition and cyclicalities in global and regional refining capacities;
- Disruption in operations or casualty loss at the Company’s refineries;
- Effect of Malaysian government policies and regulations relating to the marketing of fuel products;
- Compliance with and renewal of licenses, permits and other authorizations and continued compliance with safety, health, environmental and zoning laws and regulations;
- Failure to respond quickly and effectively to product substitution or government-mandated product

- formulations;
- Significant capital expenditures and financing are required to implement business strategies, and debt levels may adversely affect the Company's financial condition and results of operations;
- Changes in applicable taxes, duties and tariffs;
- Fluctuations in the value of the Philippine Peso and the Malaysian Ringgit against the U.S. dollar;
- Dependence on experienced, skilled and qualified personnel and management team;
- The Company's controlling shareholders may have interests that may not be the same as those of other shareholders;
- The Company may fail to integrate acquired businesses properly;
- The number or severity of claims for which the Company is self-insured increases;
- Existing or future claims against the Company, its subsidiaries, associates or joint ventures, or directors or key management; and
- Changes in applicable accounting standards.

### **Risks Relating to the Philippines and Malaysia**

- Economic instability and slow growth rates in the Philippines and Malaysia, as well as globally;
- Political instability, acts of terrorism, military conflict, or changes in laws or government policies in the Philippines or Malaysia;
- Territorial and other disputes with neighboring states;
- Natural or man-made catastrophes;
- Difficulties in enforcing judgments against the Company; and
- Foreign exchange controls.

### **Risks Relating to the Preferred Shares**

- The Preferred Shares may not be a suitable investment for all investors;
- The Preferred Shares are perpetual securities and investors have no right to require redemption;
- The Preferred Shares are subordinated obligations;
- There may be insufficient distributions upon liquidation;
- Holders may not receive dividend payments if the Company elects to defer dividend payments;
- The ability of the Company to make payments under the Shares is limited by the terms of the Company's other indebtedness;
- The market price of the Preferred Shares may be volatile, which may result in the decline in the value of investments of the investors;
- There may be a limited market for the Preferred Shares, so there may be low liquidity in the market;
- Holders of the Preferred Shares may not be able to reinvest at a similar return on investment; and
- The Preferred Shares have no voting rights.

### **Corporate Information**

Petron Corporation 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](http://www.petron.com). Information contained on the Company's website does not constitute a part of this Prospectus. The Company's Common and Outstanding Series 3A and Series 3B Preferred Shares are listed and traded on the PSE under the symbols "PCOR", "PRF3A" and "PRF3B", respectively.

## Timetable

The indicative timetable of the Shelf Registration is expected to be as follows:

<b>Particulars</b>	<b>Dates</b>
Filing of the Initial Registration Statement with the SEC	March 17, 2023
Receipt of SEC Pre-Effective Approval	June 2, 2023
Issuance of Order of Registration	June 14, 2023
Shelf Registration Period	June 14, 2023 to June 14, 2026

After the Registration Statement of the Company for the Offer Shares becomes effective, the Company will secure a permit to sell from the SEC for each tranche of the Offer.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information for the Company and should be read in conjunction with the auditors' reports and the Company's consolidated financial statements, including the notes thereto, and the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations" found on page 154 of this Prospectus.

The summary financial information presented below for the years ended December 31, 2020, 2021 and 2022 were derived from the consolidated financial statements of the Company, audited by R.G. Manabat and Co., a member firm of KPMG. The Company's financial information included in this Prospectus has been prepared in accordance with PFRS.

### Summary Consolidated Statements of Income

<i>(Amounts in millions of ₱, except per share data)</i>	<b>For the years ended December 31</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
Sales.....	286,033	438,057	857,638
Cost of goods sold.....	277,320	407,558	823,788
Gross profit.....	<b>8,713</b>	<b>30,499</b>	<b>33,850</b>
Selling and administrative expenses.....	(14,389)	(14,557)	(16,175)
Other operating income.....	1,047	1,273	1,538
Interest expense and other financing charges.....	(11,313)	(10,008)	(13,094)
Interest income.....	780	564	898
Share in net income of an associate	-	8	63
Other income (expenses)—net.....	(1,049)	(482)	1,021
	<b>(24,924)</b>	<b>(23,202)</b>	<b>(25,749)</b>
Income (loss) before income tax.....	(16,211)	7,297	8,101
Income tax expense (benefit) .....	(4,798)	1,161	1,404
	<b>(11,413)</b>	<b>6,136</b>	<b>6,697</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company.....	(11,380)	5,369	5,727
Non-controlling interests.....	(33)	767	970
Basic/ Diluted Earnings (Loss) per Common Share attributable to equity holders of the Parent Company.....	₱(1.58)	₱0.05	₱0.01

## Summary Consolidated Statements of Financial Position

	As of December 31,		
<i>(Amounts in millions of ₱, except per share data)</i>	2020	2021	2022
<b>Current assets:</b>			
Cash and cash equivalents.....	27,053	36,406	37,183
Financial assets at fair value.....	603	1,005	1,753
Investments in debt instruments.....	184	-	-
Trade and other receivables – net.....	27,195	51,745	81,979
Inventories.....	44,922	67,684	85,347
Other current assets.....	32,337	31,195	37,025
<b>Total current assets.....</b>	<b>132,294</b>	<b>188,035</b>	<b>243,287</b>
<b>Non-current assets:</b>			
Investments in debt instruments.....	197	-	-
Investment in shares of stock of an associate.....	-	1,012	1,075
Property, plant and equipment – net.....	168,831	171,602	170,153
Right-of-use assets - net.....	6,045	5,648	5,398
Investment property – net.....	30,049	29,175	28,437
Deferred tax assets – net.....	2,190	2,172	1,812
Goodwill – net.....	8,031	8,235	8,509
Other non-current assets – net.....	2,088	1,541	1,400
<b>Total non-current assets.....</b>	<b>217,431</b>	<b>219,385</b>	<b>216,784</b>
<b>Total assets.....</b>	<b>349,725</b>	<b>407,420</b>	<b>460,071</b>
<b>Current liabilities:</b>			
Short-term loans.....	77,704	109,196	137,886
Liabilities for crude oil and petroleum product importation.....	22,320	42,641	51,067
Trade and other payables.....	15,402	14,001	22,896
Lease liabilities – current portion.....	1,243	1,335	1,380
Derivative liabilities.....	1,124	997	723
Income tax payable.....	162	302	204
Current portion of long-term debt – net.....	31,114	21,580	13,399
<b>Total current liabilities.....</b>	<b>149,069</b>	<b>190,052</b>	<b>227,555</b>
<b>Non-current liabilities:</b>			
Long-term debt – net of current portion.....	88,340	81,065	93,662
Retirement benefits liability – net.....	3,705	3,327	3,261
Deferred tax liabilities – net.....	3,084	3,784	3,601
Lease liabilities – net of current portion.....	14,561	14,220	13,714

Asset retirement obligation.....	2,867	2,857	3,527
Other non-current liabilities.....	1,904	1,202	1,201
<b>Total non-current liabilities.....</b>	<b>114,461</b>	<b>106,455</b>	<b>118,966</b>
<b>Total liabilities.....</b>	<b>263,530</b>	<b>296,507</b>	<b>346,521</b>

	<b>As of December 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Equity Attributable to Equity Holders of the Parent Company*:</b>			
Capital stock.....	9,485	9,485	9,485
Additional paid-in capital.....	37,500	37,500	37,500
Capital securities.....	36,481	62,712	62,712
Retained earnings.....	29,799	30,232	30,357
Equity reserves.....	(18,371)	(18,341)	(16,887)
Treasury stock.....	(15,122)	(18,000)	(18,000)
<b>Total Equity Attributable to Equity Holders of the Parent Company.....</b>	<b>79,722</b>	<b>103,588</b>	<b>105,167</b>
Non-controlling interests.....	<b>6,423</b>	<b>7,325</b>	<b>8,383</b>
<b>Total equity.....</b>	<b>86,195</b>	<b>110,913</b>	<b>113,550</b>
<b>Total liabilities and equity.....</b>	<b>349,725</b>	<b>407,420</b>	<b>460,071</b>

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



## Summary of Consolidated Statement of Cash Flows

	For the years ended December 31		
	2020	2021	2022
Net cash flows provided by (used in) operating activities.....	2,533	(10,668)	(22,674)
Net cash flows used in investing activities.....	(8,437)	(9,759)	(2,382)
Net cash flows provided by financing activities.....	318	28,098	22,807
Effect of exchange rate changes on cash and cash equivalents.....	(1,579)	1,682	3,026
Net increase (decrease) in cash and cash equivalents.....	(7,165)	9,353	777
Cash and cash equivalents at beginning of year.....	34,218	27,053	36,406
Cash and cash equivalents at end of year.....	27,053	36,406	37,183

## Other Financial and Operating Data

	For the years ended December 31,		
	2020	2021	2022
Sales volume ('000 bpd)	215	225	309
Net debt <sup>(3)</sup>	170,105	175,435	207,764
Ratio of total debt to equity	2.29	1.91	2.16
EBITDA <sup>(4)</sup>	4,308	27,198	33,061
Capital expenditures <sup>(5)</sup>	8,480	9,532	5,933
Total debt <sup>(6)</sup>	197,158	211,841	244,947

<sup>3</sup> 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.

<sup>4</sup> EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.

<sup>5</sup> Capital expenditures represent the sum of additions to property, plant and equipment for the period.

<sup>6</sup> 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.

## **SUMMARY OF THE OFFERING**

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 Preferred Shares*” and “*Plan of Distribution*”, and agreements executed in connection with a particular offer of the Preferred Shares as a whole. Such overview may not contain all of the information that prospective investors should consider before deciding to invest in the Preferred Shares. Accordingly, any decision by a prospective investor to invest in the Preferred Shares should be based on a consideration of this Prospectus, such Offer Supplement and agreements executed in connection with a particular offer of the Preferred Shares as a whole.

## **DESCRIPTION OF THE PREFERRED SHARES**

The detailed terms and conditions of a particular tranche of Preferred Shares shall be set out in the relevant Offer Supplement under "*Description of the Preferred Shares*".

## **RISK FACTORS**

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

### **General Risk Warning**

An investment in the Preferred Shares 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 Preferred Shares. 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 Preferred Shares to decline. All or part of an investment in the Preferred Shares 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 — Strengths*" beginning on page 53, "*The Company — Areas of Strategic Focus*" beginning on page 57, "*Management's Discussion and Analysis of Financial Position and Results of Operations*" beginning on page 154, "*Corporate Governance and Management*" on page 118 and "*Board of Directors and Management of the Company*" beginning on page 119 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**

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

### **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 Company's actual results may differ significantly from the results discussed in the forward-looking statements. See section "*Forward-Looking Statements*" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Petron, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below.

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

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Preferred Shares. The Company's 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 crude oil that is the main raw material for these refined petroleum products. Crude oil accounted for approximately 35%, 37% and 39% of the Company's total cost of goods sold in 2020, 2021, and 2022, 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.

#### *COVID-19 Pandemic and Price War*

In 2020, the COVID-19 outbreak caused an unprecedented collapse in demand due to the implementation of global lockdowns and supply disruption from the closure of refineries globally causing prices to crash. In addition, in March 2020, Saudi Arabia initiated a price war on oil with Russia, further pressuring prices. As a result, Dubai price averaged \$42/bbl in 2020, a \$20/bbl drop from the prior year.

Crude prices began to recover to pre-pandemic levels in 2021, averaging \$69/bbl coming from the gradual reopening of economies and mass rollout of vaccines. In 2022, the number and severity of COVID-19 cases globally have significantly declined, and many governments have further lifted restrictions, subject to adherence to relevant safety protocols and guidelines. As a result, this boosted demand recovery with the return of travel demand and consumer confidence and has also supported faster recovery of oil prices.

In China, its zero-COVID policy that included frequent testing, restrictions on movement and lockdowns heavily damaged its economy. However, in end 2022, China started lifting its zero-COVID policy in key areas and started to reopen its borders. This bolstered demand for travel across the country and also raised hopes of significant economic recovery and oil demand.

#### *Russia-Ukraine War*

In February 2022, Russia launched a large-scale military action against Ukraine, causing oil supply issues and an ongoing humanitarian crisis in Europe. In response to the Russian military action against Ukraine, the European Union, United States, United Kingdom, and other jurisdictions have imposed, and may further impose, financial and economic sanctions and export controls against Russia. This has significantly disrupted global commodity and financial markets, leading to high volatility in prices with Dubai averaging \$113/bbl in June 2022, a \$44/bbl increase in just six months. The increase in prices of energy, oil, gas, and raw materials resulted in high inflation and interest rates, threatening global economic activity and oil demand. These economic concerns resulted in a drop in crude prices in the second semester of 2022, with Dubai falling by more than \$30/bbl to \$77/bbl in December.

On the other hand, volatility of product cracks may arise from changes in the supply and demand balance due to seasonal effects, disruptions in global refinery runs due to natural calamities or unplanned shutdowns, slower demand recovery or growth, geopolitical and other macro-economic factors, and changes in price trends of fuel substitutes such as coal or natural gas vs diesel. In 2022, similar to crude, product cracks have also been volatile due to the Russia-Ukraine war, with Diesel being particularly affected

as Russia is a major exporter. Product cracks rose to historical highs in the first half of 2022, with Gasoline and Diesel cracks peaking at \$42/bbl and \$64/bbl, respectively. However, the reduced economic activity in the second half capped the gains on prices with Gasoline cracks crashing to as low as \$4/bbl in October 2022 and Diesel cracks easing to \$37/bbl in December 2022.<sup>7</sup>

An escalation of the conflict between Russia and Ukraine or other global developments that will threaten supply and demand situation for oil will continue to impact global markets and prices of oil and affect the Company's financial performance.

Historically, the Company holds approximately two months and approximately one month 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. Moreover, 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. 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*".

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.

***Unexpected COVID-19 surges or complication, or an outbreak of any other highly infectious or contagious disease, could materially and adversely affect the Company's business, results of operations and financial condition. Further, the continuing effects of the COVID-19 pandemic may continue to cause disruptions in the Philippine and global economy and financial markets, and the Company's financial performance, among others.***

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<sup>7</sup> Gasoline and diesel cracks pertain to the price differential of these products between MOPS and Dubai.

Infectious disease outbreaks, such as the COVID-19 pandemic in 2020, have 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 numerous initiatives in place to mitigate the adverse impact of a pandemic, the duration and extent of the impact are beyond the control of the Company.

Due to numerous uncertainties and factors beyond the Company's control, it may be difficult to predict the impact of global disease to 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 any pandemic, including whether there are subsequent waves or other additional periods of increases or spikes in the number of cases in future periods in areas in which the Company operates;
- the extent and timeliness of the national and local government's response;
- restrictions on business operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or other measures;
- the health of, and effect of any 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;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties or the Company's actions in response thereto; and
- the pace of recovery.

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 or future outbreak of any other contagious disease 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 the pandemic, 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 that a 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 small 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, Kuwait Petroleum Corporation (“**KPC**”) and Abu Dhabi National Oil Company (“**ADNOC**”) for year 2023 to purchase various crudes. The pricing and payment mechanisms under these contracts are consistent with international market practice for Far East customers. Pricing is determined through a formula that is linked to international industry benchmarks. The contracts are either automatically renewed or negotiated annually. Particularly for Saudi Aramco, 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, KPC, ADNOC 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 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 term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. (“**EMEPMI**”) for a period of 2 years until March 2024, 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 52% 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 the second quarter of 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, increasing presence of electric vehicles (EVs), and cyclicity in global and regional refining capacities.***

The Company faces intense competition from many 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 largely driven by price as adjusted to account for differences in product specifications and transportation and distribution costs. Participants in the retail fuel and LPG sectors in the Philippines continue to rely on aggressive pricing and discounting 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 hinges on its ability to manage costs, improve the productivity of its service station network, increase and maintain efficiency at its refineries and terminal operations, 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.

The growing popularity and rising pressure to increase the presence of electric vehicles (EVs) all over the world also pose a risk to the oil refining business. Several countries have already implemented policies and programs to encourage and incentivize the use of EVs, and transition away from the use of fossil fuels and traditional vehicles. This could result in reduced demand for Gasoline and Diesel, which will adversely impact the Company's revenues. While it may take a longer time for EVs to proliferate in the Philippines and Malaysia due to infrastructure limitations, the Company continues to monitor market developments, pursue and evaluate investments in EV charging stations, and strengthen the Company's non-fuel businesses, to mitigate potential impact of increasing fleet share of EVs in the industry.

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. 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 retail pricing structure through the automatic pricing mechanism ("APM"), pursuant to which it mandates (i) the prices of certain refined petroleum products, and (ii) the product cost built-up. See "*Regulatory and Environmental Matters—Malaysia—Sale and Pricing of Refined Petroleum Products—Control of Supplies Act, 1961*". 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. The pump price is determined on a weekly basis under the APM policy. The compliance, enforcement and monitoring

is under Regulation 12A of the Control and Supply Regulations 1974 (Control of Supplies Act 1961). See *“Regulatory and Environmental Matters—Malaysia Sale and Pricing of Refined Petroleum Products—Control of Supplies Act, 1961.”* 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 and partial commercial diesel in Malaysia is subject to a quota system that applies to oil companies and eligible users and customers to ensure that subsidized diesel is not sold illegally to customers who are not entitled to the subsidies. Diesel sales that exceed the volumes permitted under the Company’s or its customers’ quotas are not eligible for government subsidies. See *“Regulatory and Environmental Matters — Malaysia — Sale and Pricing of Refined Petroleum Products — Control of Supplies Act, 1961.”* 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.

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 87). 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.

The Company currently leases foreshore areas in Rosario, Cavite; Alangan, Limay, Bataan; Maunlad, Puerto Princesa; La Paz, Iloilo; and Bacong, Negros Oriental, whose applications are all pending with the Department of Environment and Natural Resources (“DENR”). The Company continues to enjoy possession and use of the foreshore areas and has been paying the occupancy fees to the DENR. However, there is no assurance that the applications for the foreshore lease agreements would be approved by the DENR and the Company will be able to use the premises. To mitigate this risk, the Company is working with the DENR to process the applications of the foreshore lease and, in the interim, and is annually paying occupancy fees.

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 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.*” The submission of technical position paper and the lobbying efforts of CTSG-Environment through Technical Working Groups of Industry Association have contributed to the issuance of DAO 2021-19 relaxing the effluent standards for parameters of concern: Ammonia, Sulfate, Phosphate, Boron, Dissolved Copper and Fecal Coliform. Wastewater discharge from Petron Bataan Refinery is compliant with Clean Water Act effluent standards without the need to upgrade its wastewater treatment facility. 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 implementation of Euro IV standards in the Philippines in 2016 and of various Euro 4M and Euro 5 standards phased from 2015 through 2027 in Malaysia require the Company to make capital expenditures 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 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 and concerns over potential increase in pump prices, at a time when the oil market is highly volatile and economic activity and demand is threatened. 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 Langkawi, Labuan and Sarawak in 2020. Planned increase from 10% to 20% in Sabah and Peninsular Malaysia was temporarily put on hold from previous timeline of 2021 due to the pandemic.

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, and 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 and execution of its planned capital expenditure projects. Specifically, the Company intends to (i) reap the full benefits of its completed investments such as the new powerplant in the Petron Bataan Refinery, Diesel Hydrotreater and Marine Import Facility in the Port Dickson Refinery, (ii) continue investment in the Petron Bataan Refinery facilities to (a) ensure reliability and efficiency of critical refinery processes, and (b) maximize production of higher-value products; (iii) continue to build service stations in high-growth or high-volume sites and expand its retail network for its LPG, lubes, and non-fuel segment; (iv) expand and upgrade its logistics capacity and tank truck fleet, and (v) expand Malaysia operations with new service stations and facilities improvements in the Port Dickson Refinery and construction of new terminals to increase market reach 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% value-added tax ("**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, (the "**TRAIN Law**"), took effect. The TRAIN Law is the first package under the comprehensive tax reform program ("**CTRP**") of the Philippine government. 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 Corporate Recovery and Tax Incentives for Enterprises Act (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 11, 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 November 14, 2022, the House of Representatives approved House Bill No. 4339 (“**HB 4339**”) representing the fourth package of the CTRP. HB 4339 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 4339 approved by the House of Representatives, the proposed law includes the following tax reforms, among others: imposes a final tax of 20% on interest income earned from currency bank deposits, deposit substitutes, trust funds or similar arrangements; harmonizes the tax rates on interest, royalties, dividends and capital gains to a standard 15 percent; a single gross receipt tax rate of five percent will likewise be imposed on banks, quasi-banks and other non-bank financial intermediaries; shares of stock of a domestic corporation listed and traded in any foreign stock exchange will be subjected to the lower stock transactions tax instead of the 15 percent capital gains tax to allow the company to expand its sources of capital.

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 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.

***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, 2020, 2021 and 2022, approximately 55%, 45% and 38%, respectively, of the Company’s revenues were denominated in Philippine Pesos, approximately 33%, 34% and 36%, respectively, of its revenues were denominated in Malaysian Ringgit, while approximately 61%, 71% and 81%, respectively, of its cost of goods sold were denominated in U.S. dollars. In addition, as of December 31, 2022, 31% 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, 2020 to December 31, 2022, the value of the Peso against the U.S. dollar fluctuated from a low of ₱47.61 to a high of ₱59.00. In the same period, the value of the Malaysian Ringgit against the U.S. dollar fluctuated from a low of RM4.0391 per U.S. dollar to a high of RM4.6971 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 an effective 68.26% of the Company's outstanding common equity as of December 31, 2022. See "*Ownership and Corporate Structure*" of this Prospectus. SMC is not obligated to provide the Company with financial support. The interests of SMC may differ from those of the other shareholders. SMC may direct the Company in a manner that is contrary to the interests of the shareholders. There can be no assurance that conflicts of interest between SMC and the other shareholders will be resolved in favor of the Company's shareholders. If the interests of SMC conflict with the interests of the Company, the Company could be disadvantaged by the actions that SMC chooses to pursue.

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. To mitigate such risk, the Company conducts a thorough due diligence to identify any challenges and risks before any acquisition, and also develops a detailed integration plan with a dedicated team working on the project and its successful transition and integration. After any acquisition, the Company also continues to closely monitor and review the financial and operational performance of the acquired business and ensure smooth transition and integration.

***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 “*Business—Legal Proceedings*” of this Prospectus. Legal proceedings could cause the Company to incur unforeseen expenses, occupy a significant amount of

management's time and attention, and negatively affect the Company's business operations and financial position. Further, legal proceedings could continue for a prolonged period of time and be time-consuming with unpredictable outcomes and it is difficult for the Company to predict the possible losses, damages or expenses arising from such legal proceedings. An unfavorable outcome in these or other legal proceedings could have a material adverse effect on the 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 2021 and 2022 the Company derived approximately 66% and 64%, respectively, of its sales from its Philippine operations and approximately 34% and 36%, 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 and 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 who were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("ISIS"). Due to the clash between the Philippine 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. 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. The Philippine legislature passed the Anti-Terrorism Act of 2020 (Republic Act No. 11479), which has drawn criticism from, and sparked protests by, various sectors because of its controversial provisions on warrantless arrests and its broad definition of terrorist acts, which may be used to target government critics.

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. During the last general election in November 2022, no single party or political coalition gained simple majority to form a government. Anwar Ibrahim having the highest seats under the Pakatan Harapan coalition was appointed as the Prime Minister and formed the Unity Government after gaining support from other coalitions namely Barisan Nasional and political parties from Sabah and Sarawak. 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 Preferred Shares. 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 Preferred Shares, particularly with respect to actions for claims to which the Company has not consented to service of process outside the

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

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 in accordance with the relevant procedures set forth in the Rules of Court of the Philippines 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 against the Company in a court of a reciprocating country (as listed in the First Schedule of the Reciprocal Enforcement of Foreign Judgments Act 1958 (Revised 1972) of Malaysia (the “**Enforcement Act**”)) in respect of any sum payable by the Company may be recognized and enforced by the courts of Malaysia upon registration of the judgment with the courts of Malaysia under the Enforcement Act 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 against the Company 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 above. 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 debt 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 issued by Bank Negara Malaysia (“**BNM**”), which is the central bank of Malaysia, governed by the Financial Services Act 2013 (“**FSA**”) and the Islamic Financial Services Act 2013 (“**IFSA**”). Currently, there are (i) Rules Applicable to Non-Residents; and (ii) Rules Applicable to Residents. Under the Rules Applicable to Non-Residents issued by the BNM, there is no restriction for non-residents to invest in Malaysia in Ringgit or foreign currency assets either as direct or portfolio investments, and non-residents are free to repatriate any amount of funds in Malaysia at any time, including divestment proceeds, profits, dividends, or any income arising from the 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, 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 Preferred Shares**

#### ***The Preferred Shares may not be a suitable investment for all investors***

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

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

#### ***The Preferred Shares are perpetual securities and investors have no right to require redemption.***

The Preferred Shares are perpetual and have no fixed final maturity date. Holders have no right to require the Company to redeem the Preferred Shares at any time and they can only be disposed of by sale in the secondary market. Holders who wish to sell their Preferred Shares may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Preferred Shares. Therefore, holders of the Preferred Shares should be aware that they may be required to bear the financial risks of an investment in the Preferred Shares for an indefinite period of time.

#### ***The Preferred Shares are subordinated obligations.***

The obligations of the Company under the Preferred Shares will constitute the unsecured and subordinated obligations of the Company. In the event of the winding-up of the Company, the rights and claims of holders of the Preferred Shares will (subject to and to the extent permitted by applicable law) rank senior to the holders of the common shares of the Company and *pari passu* with each other, but junior to the claims of all other creditors and holders of the Capital Securities.

In the event of a winding-up of the Company, there is a substantial risk that an investor in the Preferred Shares will lose all of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Preferred Shares.

There are no terms in the Preferred Shares that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Preferred Shares.

***There may be insufficient distributions upon liquidation.***

Under Philippine law, upon any voluntary or involuntary dissolution, liquidation or winding up of the Company, holders of the Preferred Shares will be entitled only to the available assets of the Company remaining after the indebtedness of the Company is satisfied. If any such assets are insufficient to pay the amounts due on the Preferred Shares, then the holders of the Preferred Shares shall share ratably in any such distribution of assets in proportion to the amounts to which they would otherwise be respectively entitled. In the event of liquidation or winding-up, the unsubordinated obligations of the Company shall be preferred over the claims of holders of the Preferred Shares in respect of the Preferred Shares, which Preferred Shares shall rank *pari passu* with each other.

***Holders may not receive dividend payments if the Company elects to defer dividend payments.***

Cash dividends on the Preferred Shares may not be paid in full, or at all. Under the terms and conditions governing the Preferred Shares, the Company may pay no dividends or less than full dividends on a Dividend Payment Date. Holders of the Preferred Shares will not receive dividends on a Dividend Payment Date or for any period during which the Company does not have retained earnings out of which to pay dividends.

If dividends on the Preferred Shares are not paid in full, or at all, the Preferred Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Preferred Shares during such a period by a holder of Preferred Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Preferred Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Preferred Shares may be more volatile than that of other securities that do not have these limitations.

***The ability of the Company to make payments under the Preferred Shares is limited by the terms of the Company's other indebtedness.***

The Company has and will continue to have a certain amount of outstanding indebtedness. The current terms of the Company's financing agreements contain provisions that could limit the ability of the Company to make payments on the Preferred Shares. Also, the Company may, in the future, directly or indirectly through its subsidiaries, enter into other financing agreements which may restrict or prohibit the ability of the Company to make payments on the Preferred Shares. There can be no assurance that existing or future financing arrangements will not adversely affect the Company's ability to make payments on the Preferred Shares.

***The market price of the Preferred Shares may be volatile, which may result in the decline in the value of investments of the investors.***

The market price of the Preferred Shares could be affected by several factors, including: (i) general market, political and economic conditions; (ii) changes in earnings estimates and recommendations by financial analysts; (iii) changes in market valuations of listed stocks in general and other retail stocks in particular;

(iv) the market value of our assets; (v) changes to Government policy, legislation or regulations; and (vi) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Preferred Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Preferred Shares.

***There may be a lack of public market for the Preferred Shares.***

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions, and are not as highly regulated or supervised in the same manner or to the same degree as some of these other markets. The Company cannot guarantee that the market for the Preferred Shares will always be active or liquid upon their listing on the PSE.

***An active or liquid trading market for the Preferred Shares may not develop.***

The Company and the Underwriters are not obligated to create a trading market for the Preferred Shares and any such market-making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Preferred Shares will develop or if such a market develops, if it can be sustained. Consequently, a shareholder may have to hold his Preferred Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

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

On any Optional Redemption Date, as applicable and as may be defined in the relevant Offer Supplement, or at any time a Tax Event or an Accounting Event occurs, the Company may redeem the Preferred Shares for cash at the redemption price. See “*Description of the Preferred Shares*” of this Prospectus. At the time of redemption, dividend rates may be lower than at the time of the issuance of the Preferred Shares and, consequently, the holders of the Preferred Shares may not be able to reinvest the proceeds at a comparable yield or purchase securities otherwise comparable to the Preferred Shares.

***The Preferred Shares have no voting rights.***

Holders of Preferred Shares will not be entitled to elect the Directors of the Company. Except as provided by Philippine law, holders of Preferred Shares will have no voting rights. See “*Description of the Preferred Shares*” of this Prospectus.

**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 use of proceeds for each tranche of the Offer shall be set out in the relevant Offer Supplement.

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 relevant 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, PSE and the holders of the Preferred Shares in writing at least 30 calendar 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 PSE. In addition, the Company shall submit via the PSE's online disclosure system, the Electronic Disclosure Generation Technology ("**EDGE**"), the following disclosures to ensure transparency in the use of proceeds:

- i. material disbursements made in connection with the planned use of proceeds from the Offer;
- ii. quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;
- iii. annual summary of the application of the proceeds on or before January 31 of the following year; and
- iv. approval by the Board or the Executive Committee of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The Company shall submit a certification by the Company's Treasurer and external auditor on the accuracy of the information reported by the Company to the PSE, as well as a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the relevant Offer Supplement, if any, in the Company's quarterly and annual reports as required in items (ii) and (iii) above. Such detailed explanation will state the approval of the Board as required in item (iv) above.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Price of ₱1,000.00 is at a premium to the Preferred Share's par value per share of ₱1.00. The Offer Price was arrived at by dividing the desired gross proceeds of ₱50 billion by the amount of Preferred Shares allocated.

The Company's Outstanding Preferred Shares are listed and traded on the PSE under the stock symbol "PRF3A" and "PRF3B". The closing prices of the Outstanding Preferred Shares as of June 9, 2023 are ₱1,000.00 and ₱1,012.00, respectively.

## **PLAN OF DISTRIBUTION**

Petron plans to issue the Offer Shares to institutional and retail investors in the Philippines through a public offering to be conducted through the Underwriters. The Offer does not include an international offering.

The detailed plan of distribution and underwriting arrangements for each tranche of the Offer shall be as set out in the Offer Supplement.

The Underwriters are duly licensed by the SEC to engage in the underwriting or distribution of the Offer Shares. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business, for Petron or any of its subsidiaries.

The 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.

The Underwriters have no contract or other arrangement with Petron by which it may return to Petron any unsold Offer Shares.

### **Sale and Distribution**

The distribution and sale of the Offer Shares shall be undertaken by the Underwriters who shall sell and distribute the Offer Shares to third-party buyers/investors. The Underwriters are authorized to organize a syndicate of underwriters, soliciting dealers and/or selling agents for the purpose of the Offer. In connection with the foregoing, the Underwriters may enter into agreements, participation agreements, or like agreements with other co-lead managers and managers (who may be named or have been named in the Offer Supplement) and/or selling agents, as necessary. There is nothing in such agreements that allow the Underwriters to return to Petron any unsold Offer Shares.

The Company will not allocate any Offer Shares for the Local Small Investors Program of the PSE.

Prior to close of the Offer Period for each tranche of the Offer, any Offer Shares not taken up by the trading participants shall be distributed by the Underwriters directly to their clients and general public. All Offer Shares not taken up by the trading participants, general public, and the Underwriters' clients shall be purchased by the Underwriters pursuant to the terms and conditions of the relevant Underwriting Agreement.

### **Term of Appointment**

The term of the appointment of the Underwriters for each tranche of the Offer shall be as set out in the relevant Offer Supplement.

### **Manner of Distribution**

The Underwriters shall, at their discretion, determine the manner by which proposals for subscriptions to, and issuances of, the Offer Shares shall be solicited, with the sale of the Offer Shares to be effected only through the Underwriters. The Underwriters may appoint other entities, including trading participants, to sell on their behalf.

### **Offer Period**

The Offer Period for each tranche of the Offer shall be set out in the relevant Offer Supplement.

### **Application to Purchase**

The requirements to purchase the Offer Shares shall be set out in the relevant Offer Supplement.

**Minimum Purchase**

The minimum purchase requirement for the Offer Shares shall be set out in the relevant Offer Supplement.

**Payment of the Offer Shares**

The terms of payment of the Offer Shares shall be set out in the relevant Offer Supplement.

**Refunds**

The provision on refunds shall be set out in the relevant Offer Supplement.

**Secondary Market**

Petron may purchase the Offer Shares, then tradeable at that time, at any time without any obligation to make pro rata purchases of Offer Shares from all Shareholders.

**Registry of Shareholders**

The Offer Shares will be issued in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer, and lodged with The Philippine Depository & Trust Corp. (“**PDTC**”) as Depository Agent on Listing Date through PSE trading participants nominated by the applicants. Applicants shall indicate in the proper space provided for in the Application to Purchase the name of the PSE trading participant under whose name their Offer Shares will be registered.

Legal title to the Offer Shares will be shown in an electronic register of shareholders (the “**Registry of Shareholders**”) which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of Offer Shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of a given date thereof. Any request by the shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.

**Expenses**

All out-of-pocket expenses, including but not limited to, registration with the SEC, printing, publication, communication and signing expenses incurred by the Underwriters in the negotiation and execution of the transaction will be for the account of Petron, irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account. See “*Use of Proceeds*” on the relevant Offer Supplement for details of expenses.

## **DILUTION**

The Preferred Shares will not have any dilutive effect as these are non-voting, non-convertible and non-participating.

## **CAPITALIZATION**

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.

## THE COMPANY

### Overview

Petron Corporation was incorporated under the Corporation Code of the Philippines and registered with the SEC on December 22, 1966. On September 13, 2013, the SEC approved the extension of the 50-year corporate term of the Company to 2066. As a general rule under the Revised Corporation Code, which took effect on February 23, 2019, corporations with certificates of incorporation prior to the effectivity of the Revised Corporation Code, and which continue to exist, shall have perpetual existence. By operation of law therefore, Petron shall now have perpetual existence. As at June 9, 2023, it has a market capitalization of ₱32,813 million.

Petron is the only integrated oil refining and marketing company in the Philippines and is a leading player in the Malaysian market. The Company has a combined refining capacity of 268,000 barrels per day (“bpd”). The Company refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia.

In the Philippines, the Company operates the country’s only refinery in Bataan (the “**Petron Bataan Refinery**”), which supplies approximately 30% of the country’s total fuel requirements and has a production capacity of 180,000 bpd. The Company had a retail market share of 33.5%<sup>8</sup> of the Philippine oil market as of June 30, 2022.

The Petron Bataan Refinery processes crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical products such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan (“**RMP-2**”), a US\$2 billion project for the Petron Bataan Refinery, enabled the Company to convert Black Products into more valuable White Products<sup>9</sup>, and to increase the Company’s production of petrochemicals. The project also made the Company the first and only oil company in the Philippines capable of locally producing Euro IV-standard fuels.

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, 7 in the Visayas and 8 in Mindanao, as well as 4 airport installations in Luzon, 5 airport installations in Visayas and 3 airport installations in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers.

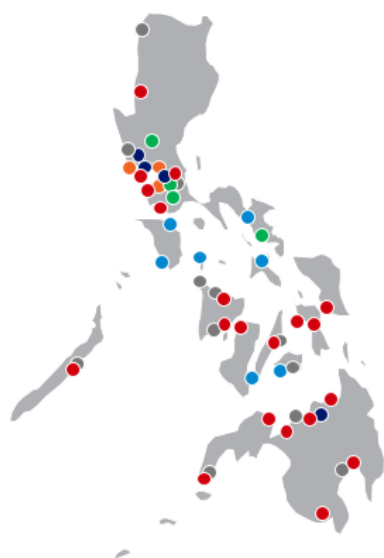
The map below shows the geographic reach of the Company’s terminals, airport installations, and manufacturing plants in the Philippines as of December 31, 2022.

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<sup>8</sup> Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for 1H2022. Company estimates exclude direct imports of jet fuel by airlines, direct imports of naphtha as feedstock for petrochemical plants, direct imports of condensate as fuel for natural gas power plants, and lubes and greases.

<sup>9</sup> Black Products refer to fuel oil and asphalts. White Products refer to diesel, gasoline, jet fuel, kerosene and LPG.

## Logistic Network<sup>1</sup>



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

Note:  
1 Represents the Company's terminals, airport installations, and manufacturing plants in the Philippines as of 31 Dec. 2022



Through its network of around 1,900 retail service stations in the Philippines as of December 31, 2022, representing approximately 19% of the country's total service station count, the Company sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 42% of service stations are CODOs and 58% are DODOs. CODOs are company-owned-dealer-operated stations where Petron's investments include civil works, site development and station hardware (i.e. canopies, pumps, signages, etc.). The Company usually owns or leases the land and owns the building and equipment while dealers provide the working capital and other minor station equipment. DODOs, on the other hand, are dealer-owned-dealer-operated stations where the dealers provide the civil works, site development, working capital and station equipment. The dealers also assume ownership or lease of the land. Under this arrangement, Petron provides the station hardware. Regulation of CODOs and DODOs are generally similar. Pricing is dictated more by logistics and competition rather than the classification of a station.

As of December 31, 2022, the Company's LPG distribution network includes more than 1,500 branch stores and around 1,900 service stations where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. Meanwhile, the Company's Lubes distribution network includes 47 car care centers, and around 840 service stations selling lubes.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of December 31, 2022, the extent of the Company's programs includes about 560,000 Petron Fleet Cards, more than 8.7 million Petron Value Cards (including Petron Super Driver Cards), and approximately 3 million Petron Miles Privilege Cards ("PMILES") cardholder/member accounts in Malaysia.

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. Regional customers of



Innospec and the Company's own requirements are served from the output of the Subic Plant.

The Company diversified into petrochemicals and in 2000 added a mixed xylene recovery unit to the Petron Bataan Refinery and a propylene recovery unit in 2008. Its benzene-toluene extraction unit became operational in May 2009. On July 1, 2014, the Company acquired and took over from Philippine Polypropylene Inc. ("PPI"), an indirect subsidiary of the Company, the operations of the polypropylene plant in order to enhance the overall efficiency of its petrochemical operations. The polypropylene plant is located in Mariveles, Bataan and is owned by Robinson International Holdings Limited ("RIHL"), an indirect subsidiary of the Company, which has the capacity to produce 160,000 metric tons of polypropylene resin annually. The Company invested in the expansion of its polypropylene plant to capitalize on petrochemical margins. The expansion at the polypropylene plant, which will increase its production capacity from 160,000 MT to 225,000 MT annually, is expected to be completed in 2023.

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. As of December 31, 2022, 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. The Company also covers the industrial segment in Malaysia, selling diesel and gasoline to unbranded mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. The Company owns and operates the Port Dickson Refinery in Malaysia, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue ("LSWR"). As of December 31, 2022, the Company had 10 product terminals, a palm oil methyl ester ("PME") plant, a network of more than 750 retail service stations, and about 300 Treats convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

The Company's products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical products, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company's revenues from these export sales amounted to ₱40,343 million or 5% of total sales, as of December 31, 2022.

In 2020, 2021 and 2022, the Company's sales were ₱286,033 million, ₱438,057 million and ₱857,638 million, respectively, and net income (loss) was (₱11,413) million, ₱6,136 million and ₱6,697 million, respectively.

The Company's common shares are listed for trading on the PSE under the symbol "PCOR", while its preferred shares are listed and traded on the same exchange under the symbols "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 Company's common shares for its subsidiary Petron Malaysia Refining & Marketing Bhd. are listed for trading on the Bursa Malaysia under the symbol "PETRONM."

## **Strengths**

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

### ***The Only Refinery in the Philippines***

Since the closure of the Shell Tabangao Refinery in the second half of 2020, the Petron Bataan Refinery has become the only oil refinery in the country. It has a total crude oil distillation capacity of 180,000 barrels per day, capable of processing imported crude. Being the only oil refiner in the Philippines, the Company can take advantage from refining margins while providing supply security to the domestic market.

Over the years, the Company has developed and maintained a strong core base of high-quality 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 has also recently completed constructing a new power plant to replace some of its old generators and generate power and steam that are more than sufficient for its internal consumption. Excess power will be sold to the grid. With the new power plant, use of fuel oil at the refinery will be eliminated, thereby allowing it to convert this fuel oil into high-value products. The power plant was completed in 2022. In addition, the Company invested in the expansion of its polypropylene plant to capitalize on petrochemical margins. The expansion at the polypropylene plant, which will increase its production capacity from 160,000 MT to 225,000 MT annually, is expected to be completed in 2023.

### ***Market leadership in the Philippine downstream oil sector***

With a retail market share of approximately 33.5% of the Philippine oil market as of June 30, 2022 in terms of sales volume based on the Company's 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 around 1,900 retail service stations in the country as of December 31, 2022, 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 840 branch stores as of December 31, 2022. 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 and industrial market segments.

### ***Logistically advantaged supply position in the Philippines***

In the Philippines, the Company transports its products from the Petron Bataan Refinery to its fuel terminal facilities throughout the Philippines. The Petron Bataan Refinery remains as the only petroleum refinery in the country.

The Company's extensive logistics network 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 Petron'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, and agribusiness, among others. The Company also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

The President of the Philippines signed the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE") into law on March 26, 2021. As part of Republic Act No. 11534 or the CREATE Act, local petroleum refineries are 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 will now pay taxes upon lifting of finished petroleum products from the refinery, similar to importers of refined fuel which pay taxes upon importation of finished products.

### ***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.

In January 2023, the International Monetary Fund (IMF) expects Philippines Gross Domestic Product (GDP) growth of 5.0% in 2023, and 6.0% in 2024. This provides a favorable economic environment to support energy and petroleum products demand growth in the country, despite lingering challenges on global growth and inflation. In addition, the Philippines has one of the lowest per capita car ownership, and consequently, among the lowest fuel consumption in the region, at 1.4 bbl and 1.1 bbl per capita in 2021 and YTD September 2022, respectively. The Company believes this presents potential room for growth that Philippines fuel retailers can capitalize upon.

For Malaysia, the IMF projects GDP growth of 4.4% in 2023 and 4.9% in 2024. Malaysia has a significantly higher per capita car ownership than the Philippines and has per capita fuel consumption of 5.4bbl in 2020.

The Philippines operates under a free market scheme 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 where pump prices are set by the government, and an automatic pricing mechanism (“APM”) is in place which provides stable returns to fuel retailers. Under this program, the government provides subsidies to oil companies if the pump price is lower than the price set per APM and conversely, the oil companies pay duties to the government if the pump price is higher than the APM price.

### ***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. As of December 31, 2022, the Company has around 1,900 retail service stations in the Philippines representing approximately 19% of the country’s total service station count, As of December 31, 2022, the Company’s LPG distribution network includes more than 1,500 branch stores and around 1,900 service stations where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. Meanwhile, the Company’s Lubes distribution network includes 47 car care centers, and approximately 840 service stations selling lubes.

In Malaysia, the Company’s retail business markets fuel, LPG and Lubes through a dealer network comprising more than 750 retail service stations located throughout Peninsular and East Malaysia as of December 31, 2022. The Company has approximately 300 Treats convenience stores, generating non-fuel income and improving traffic in the service stations.

Since 2013, the Company has partnered with the Royal Malaysia Police (RMP) to set up Go-To Safety Points (“GTSPs”) at Petron stations in Malaysia. The GTSPs are set up at service stations to allow the public to seek temporary shelter and to enable immediate reach out to the relevant authorities such as RMP, Fire & Rescue Department, ambulance etc. during emergency. Thus, motorists can enjoy the Company’s products and services in a safer and more secure environment.

### ***Enhanced loyalty card program 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 customers’ unique needs. 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, rewards and privileges. PMILES goes beyond fuel, as customers are able redeem instant fuel and mart items, enjoy partner offers through points conversion, promo codes and discounts across a wide range of products and services. Some of PMILES loyalty program partners include Malaysia Airline, Air Asia, Gloco, Sunway Lagoon Theme Park, Famsy, Fipper, BookDoc, Bungkusit, Zus Coffee and AXA, among others.

As of December 31, 2022, the extent of the Company’s programs includes more than 10,000 Petron Fleet Cards, more than 1,000 Petron Super Driver Cards, and more than 3 million PMILES cardholder/member accounts that are active 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 & roadside assistance and personal accident insurance.

With the extensive network of its loyalty card program and the Petron App, the Company believes that these programs have been able to foster brand loyalty and have enabled the Company to make more 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 Petron Bataan Refinery***

Over the years, the Company has developed and maintained a strong core base of high-quality 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 has also recently completed constructing a new power plant to replace some of its old generators and generate power and steam that are more than sufficient for its internal consumption. Excess power will be sold to the grid. With the new power plant, use of fuel oil at the refinery will be reduced, thereby allowing it to convert this fuel oil into high-value products. The power plant was completed in 2022. In addition, the Company invested in the expansion of its polypropylene plant to capitalize on petrochemical margins. The expansion at the polypropylene plant, which will increase its production capacity from 160,000 MT to 225,000 MT annually, is expected to be completed in 2023.

### ***Established position in the Malaysian downstream oil sector***

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

Petron’s network of service stations and distribution infrastructure in Malaysia facilitate the capture of a

growing share of the market. It includes more than 750 service stations, more than 300 Treats convenience stores, and 10 product terminals and manufacturing facilities as of December 31, 2022. Petron also has a presence in the aviation segment with a 20% ownership of a multi-product pipeline (“MPP”) to 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**”).

Petron’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. Petron 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, the Company has also completed constructing a new marine import facility in 2021 which generates freight cost savings and demurrage costs through decongestion of existing jetty.

The Malaysian government regulates the retail pricing structure through the APM, pursuant to which it mandates (i) the retail prices of certain refined petroleum products and (ii) the product cost built-up. 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, then Petron will receive subsidies from the Malaysian government. Conversely, if government-mandated prices are higher than the fuel products’ total built-up cost per the APM, then Petron will pay duties to the Malaysian government. This regulated environment provides stability to Petron’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 years for the Philippines and 8.3 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, with sales equivalent to 7.6% of the country’s GDP in 2022. Its broad range of businesses includes beverages, food, packaging, properties, fuel and oil, energy, infrastructure, property, and car distributorship and investment in 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.

### **Areas of Strategic Focus**

The Company’s principal strategies are set out below:

## **Optimize Refinery Operations to Maximize Refining Margins**

### ***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 to reap the full benefits of its existing facilities and to remain opportunistic in optimizing operations to focus production of 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 by optimizing Refinery operations to take advantage of refining margins.

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) by diversifying its crude slate; (ii) investing in new receiving and storage facilities and improving the existing facilities to attain greater sourcing flexibility and support new growth areas; and (iii) managing crude oil freight costs and availability of terminal-compliant vessels with contracts of affreightment that are competitive with the spot market.

## **Volume Growth and Sustainable Margins**

### ***Maximize volume growth and further increase market share in the downstream oil markets in the Philippines and in 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) a continuous assessment and calibration of its price positioning to remain competitive in a time of elevated prices; (ii) strategically increasing its retail outlets for fuels, LPG, and lubricants to improve accessibility and availability to its customers; (iii) improving productivity of the existing service station and other sales networks; (iv) introducing new products with differentiated and superior qualities; (v) continuing to expand its non-fuel businesses with the relaunch of Treats and the optimization of available site space to provide customers with a one-stop full-service experience; and (vi) intensifying its dealer and sales personnel training to further improve customer service experience.

These initiatives will support the Company's goal to increase market presence and its growing retail business.

### ***Innovation as tool for customer retention and growth***

Petron 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 and are now offered in more than 1,600 service stations nationwide as of December 31, 2022. Petron'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.

Petron will continue to position itself as a premium brand with premium fuel and lubricants offerings in addition to other related products. Petron 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.

### ***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.

### **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 barrels per day.
1998	The lubricant oil blending plant in Pandacan, Manila was modernized, replacing facilities that were built in 1968.
2000	The mixed xylene plant in the Petron Bataan Refinery commenced operations, marking the Company's entry into the petrochemicals market.
2008	<p>The petrofluidized catalytic cracking ("<b>PetroFCC</b>") 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.</p> <p>The propylene recovery unit in the Petron Bataan Refinery commenced operations, enabling the recovery of propylene from the LPG produced by the PetroFCC unit.</p> <p>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.</p>
2009	<p>Debottlenecking of the Company's continuous catalyst regeneration reformer unit and its mixed xylene plant was completed, enabling the recovery of more mixed xylene.</p> <p>The benzene-toluene extraction unit in the Petron Bataan Refinery commenced operations, enabling the Company to produce benzene and toluene.</p>

- 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 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.

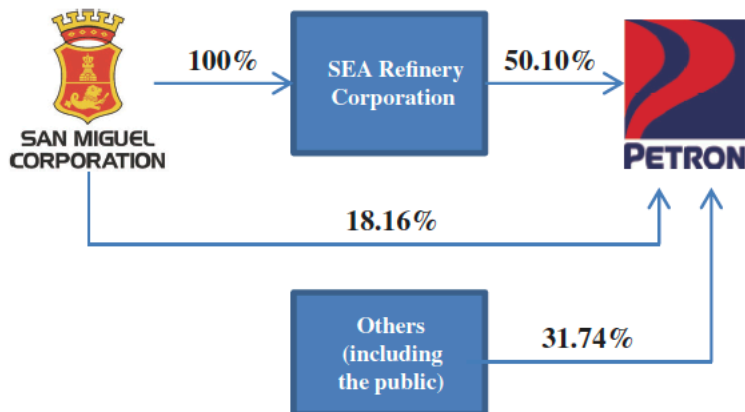
In March 2021, the Company acquired from San Miguel Foods, Inc. and Foodcrave Marketing, Inc. the Treats convenience store business for an aggregate purchase price of P64 million. On June 29, 2021, the Company acquired additional Treats assets from Foodcrave Marketing, Inc.

2022 In February 2022, the Company acquired 100% of the authorized capital stock of Mema Holdings, Inc., which is now the holding company of Petrofuel Logistics Inc. (PLI) that undertakes the fuel-hauling and logistics services for Petron.

In July 2022, the phase 3 of the power plant was completed and commissioned. The construction of the CME plant was likewise approved to further bolster the biofuels/ESG initiative of the Company.

### 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 December 31, 2022.



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 December 31, 2022, the Company has 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.

<b>Name of Company</b>	<b>Place (Date) of Incorporation/ Form of Organization</b>	<b>Company's Equity Interest</b>	<b>Principal Business</b>
Overseas Ventures Insurance Corporation Ltd. (" <b>Ovincor</b> ")	Bermuda (1995)/ exempt company	100%	Reinsurance
Petron Freeport Corporation (" <b>PFC</b> ")	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. (" <b>PSTPL</b> ")	Singapore (2010)/ company	100%	Procurement of crude oil, trading of petroleum and petrochemical products, vessel chartering and risk management
Petron Oil & Gas International Sdn Bhd (" <b>POGI</b> ")	Malaysia (2011)/ company	100% indirect interest	Investment holding
Petron Malaysia Refining & Marketing Bhd (" <b>PMRMB</b> ")	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. (" <b>PFISB</b> ")	Malaysia (1961)/ company	100% indirect interest	Marketing of petroleum products in Peninsular Malaysia
Petron Oil (M) Sdn. Bhd. (" <b>POMSB</b> ")	Malaysia (1969)/ company	100% indirect interest	Marketing of petroleum products in East Malaysia
New Ventures Realty Corporation (" <b>NVRC</b> ")	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, 2020, 2021, 2022, the Company's subsidiaries' contribution to total revenue were ₱111,622 million or 39%, ₱200,989 million or 46%, and ₱426,904 million or 50%, respectively.

## **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**

<b>Product Name</b>	<b>Product Type</b>	<b>Description</b>
<b><u>The Philippines</u></b>		
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.
<b><u>Malaysia</u></b>		
Petron Blaze 100	Gasoline	Malaysia's first 100-octane premium grade gasoline that meets Euro 4M and MS 118-3:2011 standards. It provides optimum

		performance in terms of power, acceleration, and combustion efficiency.
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 and MS 118-3:2011 standards.
Petron Blaze 95	Gasoline	A 95-octane regular gasoline formulated with advanced additive technology to provide optimum engine performance that meets Euro 4M and MS 118-3:2011 standards.
Petron Turbo Diesel Euro 5	Diesel	A premium plus diesel fuel with 7% PME that meets Euro 5 and MS 123-3:2019 specifications. 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.
Petron Diesel Max Euro 5	Diesel	A premium diesel fuel with 7%, 10% or 20% PME that is specially formulated to provide improved fuel economy and reduced exhaust emissions. It meets Euro 5 and MS 123-3:2019 specifications or MS 123-5:2020 specifications.
Petron Diesel (Commercial Diesel B7)	Diesel	A high-quality diesel fuel with 7% PME. It is formulated with enhanced cleaning technology that provides improved fuel economy and reduced exhaust emissions. It meets Euro 5 and MS 123-3: 2019 specifications.
Petron Gasul	LPG	A premium LPG product used as fuel for cooking 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.

## **Scope of Business**

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

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

In line with the Company's efforts to increase its presence in the regional market, it exports various petroleum and non-fuel products to Asia-Pacific countries such as South Korea, Taiwan, China, Vietnam, Singapore, India 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 also operates a lube oil blending plant in Tondo, Manila. Its fuel additives blending plant in Subic Bay Freeport supplies the Company's requirements and serves as Asian supply hub of Innospec.

## **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. It has its own product piers and two offshore berthing facilities, one of which can accommodate very large crude oil carriers, or "VLCCs."

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. 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 fuel fired Circulating Fluidized Bed boilers with a combined capacity of 800 tonne per hour ("TPH"). This ensures the sufficient and reliable supply of steam and power for the Petron Bataan Refinery and export excess power to the grid.

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.

The Company 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 a petroleum refinery complex located in Port Dickson, Negeri Sembilan. The Port Dickson Refinery has a crude oil distillation capacity of 88,000 barrels per day.

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

Crude oil for the Port Dickson Refinery is received by means of a single buoy mooring (“**SBM**”) and crude pipeline facilities that are jointly owned with 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 all 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.

### **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.

In July 2022, the phase 3 of the power plant was completed and commissioned, adding 44MW to the existing co-gen facility. The project aims to benefit the Company by freeing up fuel oil previously used as Refinery fuel for conversion instead to high-value products. Likewise, it will also provide revenues through the generation of incremental power for selling to the grid.

#### **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.

Petron 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 2023 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 has 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 2023 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 for year 2023 to purchase Asphalt, LPG and high RON Gasoline. These term contracts are tendered annually, and it is awarded to the most competitive supplier(s). Pricing is calculated using a formula based on an international standard price benchmark for these products.

Petron may import gasoline, diesel, and jet fuel. These imports are necessary if there is higher demand in the Philippines and during maintenance of the Petron Bataan Refinery. Petron 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 the products being imported.

#### **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 term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**") for a period of 2 years until March 2024, supplemented by other short-term supply contracts and spot crude purchases. Currently, about 52% 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 78,000 metric tons as of December 31, 2022. 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 7%/10%/20% PME: 93%/90%/80% 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, or 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 natural 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. With the completion of RSFFB Phase 3 in 2022, the cogeneration power plant now consists of six turbo generators with a combined capacity of 184 mega-watts and six solid fuel fired Circulating Fluidized Bed boilers with a combined capacity of 1,200 tons per hour.

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 a retail market share of 33.5%<sup>10</sup> of the Philippine oil market as of June 30, 2022 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 around 1,900 retail service stations in the Philippines as of December 31, 2022, 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 December 31, 2022, approximately 42% of the Company's retail service stations in the Philippines were CODOs, and approximately 58% 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 December 31, 2022, about 450 Petron *Bulilit* Stations are in operation.

To improve traffic in the Company's service stations and increase potential revenues of the Company's non-fuel business, the Company established Treats convenience stores and leases space to quick-serve restaurants and other consumer service shops in strategic service stations nationwide. The Treats convenience stores were rebranded under the brand name San Mig Food Avenue in 2011 pursuant to an agreement with San Miguel Foods Inc. The convenience stores are operated by dealers through a franchise obtained from San Miguel Foods, Inc. 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 acquired additional *Treats* assets from Foodcrave Marketing, Inc. 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 December 31, 2022, there are about 78 *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 December 31, 2022, the Company had installed POS terminals in approximately 1,306 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 557 direct industrial account customers as of December 31, 2022.

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<sup>10</sup> Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy as of June 30, 2022. Company estimates exclude all direct imports of end users.

## *LPG*

The Company is a leading market participant in the Philippine LPG market in terms of market share. The Company has set up approximately 1,517 branch stores through its *Gasul* and *Fiesta Gas* LPG dealers as of December 31, 2022. The Company has commissioned 14 mini-refilling plants in the Philippines as of December 31, 2022 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 47 Car Care Centers, 38 Petron Lube Distributors, and 14 Key Accounts, which includes Original Engine Manufacturers (OEM) and Franchise Car Dealers (FCDs), throughout the Philippines as of December 31, 2022. 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 December 31, 2022, approximately 550,000 Petron Fleet Cards had been issued in the Philippines. 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 December 31, 2022, the Company has issued approximately 8.7 million Petron Value Cards (including Petron Super Driver Cards).

## *Malaysia*

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

### *Retail Business*

The retail business markets fuel and its related products through a dealer network comprising more than 750 retail service stations located throughout Peninsular and East Malaysia as of December 31, 2022. In Malaysia, the Company uses the CODO and DODO operating structures for its retail service stations. CODO accounted for approximately 60% of the total retail service station network of the Company while

DODOs made up the 40% 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 December 31, 2022, 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 December 31, 2022, the Company has approximately 320 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 46% of its industrial sales by volume in 2022. 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 December 31, 2022, the Company had about 130 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 December 31, 2022, the Company has more than 130 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.

#### *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 December 31, 2022, the Company has about 3 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, India, 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 ₱15,529 million, or 5% of total sales, in 2020, ₱26,387 million, or 6% of total sales, in 2021, and ₱40,383 million, or 5% of total sales, for the year ended December 31, 2022.

Below is the summary of the percentage of sales or revenues of domestic and export sales of the Company and its subsidiaries from 2020 to 2022:

	<b>Domestic</b>	<b>Exports/International</b>	<b>Total</b>
2020 (in millions)	₱166,820 58%	₱119,213 42%	₱286,033
2021 (in millions)	₱223,222 51%	₱214,835 49%	₱438,057
2022 (in millions)	₱412,743 48%	₱444,895 52%	₱857,638

#### **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, 2020, 2021, and 2022:

	Reseller	Lube	Gasul (in ₱ millions)	Industrial	Others <sup>b</sup>	Total
<b>2020</b>						
Revenue	149,406 53%	3,577 1%	20,259 7%	57,889 20%	52,754 19%	283,885
Property, plant and equipment <sup>b</sup>	9,057 5%	37 0%	258 0%	13 0%	158,924 95%	168,289
Capital expenditures <sup>b</sup>	2,382 10%	1 0%	12 0%	- 0%	22,234 90%	24,629
<b>2021</b>						
Revenue	206,337 47%	5,318 1%	24,947 6%	71,354 16%	127,626 30%	435,582
Property, plant and equipment <sup>b</sup>	7,943 5%	32 0%	217 0%	9 0%	162,828 95%	171,029
Capital expenditures <sup>b</sup>	1,363 9%	4 0%	22 0%	1 0%	14,433 91%	15,823
<b>2022</b>						
Revenue	395,183 46%	6,403 1%	33,126 4%	156,307 18%	263,693 31%	854,712
Property, plant and equipment <sup>b</sup>	7,920 5%	27 0%	149 0%	23 0%	160,880 95%	168,999
Capital expenditures <sup>b</sup>	1,170 9%	4 0%	- 0%	1 0%	12,360 91%	13,535

<sup>a</sup> Under the "Others" account, revenue includes exports and sale to other oil companies.

<sup>b</sup> "Property, plant and equipment" and "Capital expenditures" include assets at the refinery and terminals.

Gasoline and diesel continue to be the top sales contributors comprising 73% to 76% of total revenue, with Gasoline at 35% to 37% and Diesel at 38% to 39%. The rest of the products currently contribute below 10% each, ranging from 1% to 7%. 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, San Fernando City in Pampanga, and San Pablo, Laguna.

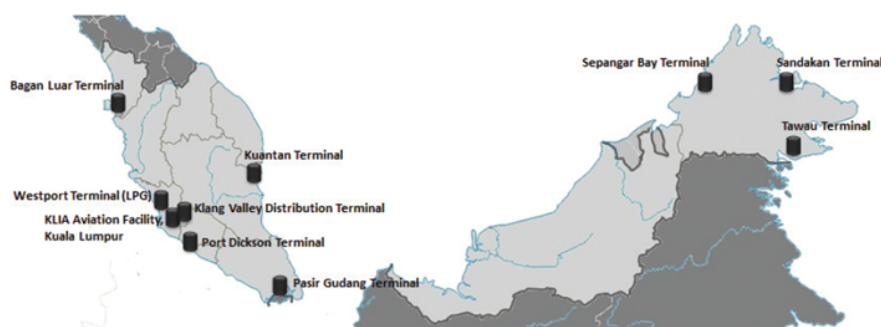
Lubricants and greases in various packages are transported by container vans to bulk plants and terminals outside Metro Manila. Package trucks owned by third parties are utilized to deliver these lubricants and greases to various customers in Metro Manila and Luzon. Sales counters throughout the Philippines 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. The Company has presence in the airports of NAIA, Laoag, Puerto Princesa and Clark in Luzon, Mactan, Bohol, Kalibo, Caticlan and Iloilo City in the Visayas, as well as in Zamboanga City, Davao, and Laguindingan 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 December 31, 2022:



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 eleven as of December 31, 2022. 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 completed the construction of a new power plant, RSFFB-3, in 2022 that replaced some of its old generators and generated incremental power and steam. In addition, products previously used as refinery fuel will be converted to high-value products. Other investments in the Petron Bataan Refinery include the expansion of the polypropylene plant and construction of a CME Plant. Another ongoing project is the Propylene Transfer Line from the refinery to Polypropylene Plant (PPP) to provide more efficient and reliable means of supplying propylene feed to PPP.

#### *Philippine Retail Network Expansion*

To support growing fuel demand in the Philippines, the Company will continue to build service stations in strategic 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. The Company will also continue to invest in more fuel and LPG trucks for more efficient distribution of fuels.

#### *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 Q2 2021 to comply with Euro-5 diesel specifications.

## **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<sup>11</sup> by three major oil companies: the Company, Shell and Chevron, which, together constituted 45% of the Philippine market based on sales volume. Deregulation has seen the entry of approximately 400 other industry market participants, rendering the petroleum business highly competitive. The Company 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, Seoil and other new participants in major thoroughfares. The Company has around 1,900 retail service stations as of December 31, 2022, reaching more customers throughout the Philippines. 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 a retail market share of about 33.5% of the Philippine oil market as of June 30, 2022. Approximately 400 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 as of June 30, 2022. The Company’s retail sales volumes for the years ended December 31, 2020, 2021, and 2022 were approximately 39,000 bpd, 42,000 bpd, and 44,000 bpd, respectively. The Company’s non-retail sales volumes (including industrial and LPG) for the years ended December 31, 2020, 2021, and 2022 The Company’s non-retail sales volumes (including industrial and LPG) for the years ended December 31, 2020, 2021, and 2022 were approximately 64,000 bpd, 67,000 bpd, and 95,000 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.

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<sup>11</sup> PH Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy as of June 30, 2022. 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, supply reliability and availability. 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.

The Company continues to grow its retail market share to more than 21%<sup>12</sup>, with over 750 service stations in Malaysia as of December 31, 2022. 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 and does not cover sales of industrial and bulk LPG. 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, 2020, 2021, and 2022 were approximately 68,000 bpd, 67,000 bpd, and 93,000 bpd, respectively. In the years 2020 and 2021, retail sales volume was affected by Movement Control Order (MCO) that restricted travel and business activities 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 December 31, 2022, the Company had 2,957 employees, of which 280 are managerial employees and 2,677 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 December 31, 2022, approximately 10% of the Company's employees had worked with it for over 20 years. The average tenure of the Company's employees is approximately 9 years in the Philippines and approximately 8.3 years in Malaysia. Within the ensuing

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<sup>12</sup> MY Market share is derived 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

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 (“**CBA**s”) with three labor unions in the Philippines: (1) Petron Employees Association with 190 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 43 members has a CBA effective from January 1, 2022 to December 31, 2024; and (3) the Bataan Refiners Union of the Philippines with 329 members is affiliated with the Philippine Transport and General Workers Organization and has a CBA effective from January 1, 2022 to December 31, 2024. As of December 31, 2022, approximately 25% 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 134 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 December 31, 2022, approximately 25% 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, 2022, the Company is expected to contribute about ₱514.6 million to its defined benefit plans in 2023.

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

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 is 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, improve 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**") conducts in various technical research and testing activities to develop and enhance the performance of the products and optimize production processes. In addition to research and product development, it also engages in quality control and technical training. The development, enhancement 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 latest and proven 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 ₱61.72 million in 2021, and approximately ₱61.07 million in 2022.

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 generate operating cost avoidance 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 December 31, 2022, R&D has 27 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. In addition, the Company has registered industrial designs for its Petron Specialty Lubricant Bottle (1L container), Petron Engine Oil Bottles (4L and 6L container), Petron Fiesta 2.7kg LPG Cylinder, and Petron Gasul 2.7kg LPG Cylinder. The Company has not had any significant disputes with respect to any of its trademarks or copyrights.

As of December 31, 2022, the Company has filed 176 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.”

## ***Environmental, Social, and Governance (“ESG”) Overview***

Petron recognizes the importance of ESG in the Company and has put forth certain steps towards building the Company’s sustainability map. Alongside its parent company SMC, Petron has established an ESG Council that aims to align initiatives and reports by each of the subsidiaries within the Group.

Under this ESG Council is a technical working group (“TWG”) that is mandated to craft a working sustainability roadmap that will integrate the Company’s efforts in being a sustainable business. The Company intends to publish a standalone Sustainability Report in 2023 adopting the latest Global Reporting Initiative (GRI) standards. Petron’s ESG Council is co-headed by its CFO, Mr. Emmanuel Erana, together with its General Manager, Mr. Lubin Nepomuceno. At the SMC level, the sustainability efforts are driven by SMC’s President and CEO Mr. Ramon Ang.

### ***Social and Sustainability Strategies***

Petron has demonstrated a commitment to sustainability via a consistent reduction in its Greenhouse Gas (“GHG”) emissions on a year-on-year basis. This is a positive step considering the industry that the Company is operating in, and the Company has set targets in terms of reducing its GHG emissions.

In terms of sustainability, the Company is focused on building its existing programs and developing a decarbonization roadmap for the future. The Company places emphasis on ESG initiatives with these three (3) steps:

1. Measuring GHG emissions: Petron has been proactively monitoring GHG emissions even longer than the regulatory mandates.
2. Reducing GHG emissions: The Company in 2021 has reduced its Refinery GHG emissions by 5.8% and terminal / depot operations GHG emissions by 11.25%. It has likewise set a target to reduce Refinery GHG emissions by more than 25% by 2025. Lastly, for its terminal and depot operations specifically, it aspires to be carbon neutral by 2027.
3. Meeting the target GHG emissions: This is accomplished through various carbon reduction and carbon sequestration projects as follows:
  - Operational improvements in the Petron Bataan Refinery
  - Flare gas recovery

- Replacement of the thermal plant with new circulating fluidized bed (“**CFB**”) power plant; self-sustaining plant in a sense that the by-product of the refinery is what is used to fire up the power plant.
- Operational and energy efficiency in the 14 terminals nationwide which will allow these assets to be carbon neutral by 2027 via various offsetting programs.
- Energy efficiency by LED lighting and use of solar energy not only in the refinery but also in the terminals, depots and service stations. The Company already used around 14,350 kwh of solar energy in 2021 and this is only expected to grow annually.
- Transitioning into less carbon intensive products. About 10% of Petron’s product profile are petrochemicals (being carbon neutral). The Company also has taken the shift to renewable fuels or biofuels, which is best exemplified by the cleaner products that the Company has introduced in the market over the past years. Petron has products that are according to Euro6 standards, even better than the regulatory requirement of Euro4. To further drive its commitment to becoming more environmentally friendly, the Company will use higher mix of Coco-Methyl Ester (“**CME**”) into its diesel products.
- Tree planting programs which started 20 years ago. The Company has already planted more than a million trees since 2000 throughout the Philippines, mostly in areas near or adjacent its terminals and refinery. They have also collectively adopted 30 hectares of mangroves in the Visayas region, being the most efficient in terms of capturing carbon with additional hectares in the pipeline. The target is to plant more than a million more trees by 2025 hoping the sequestration rate by that time is around 10K MT of carbon per annum.
- Research and the introduction of other ways to sequester carbon like the Company’s interest in “seaweeds / macro algae”. The Company is currently monitoring literature and related data that suggest seaweeds have the potential to harvest up to 6x more carbon compared to trees.

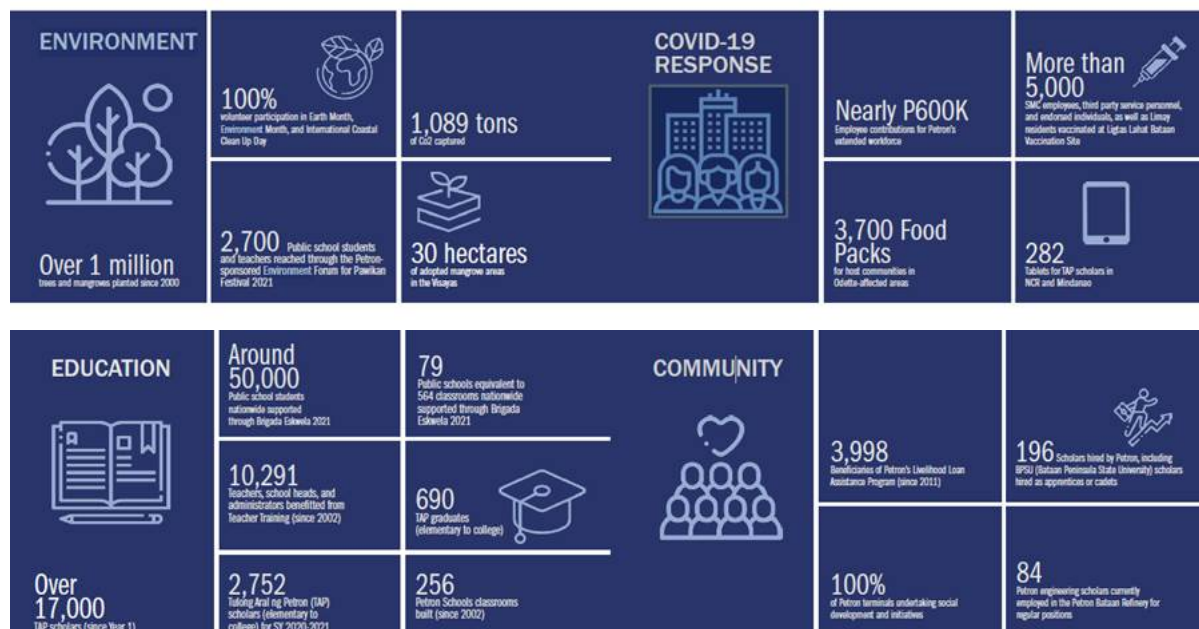
Internally, Petron has also held its first ever virtual Environment Forum attended by various departments in order to further incorporate sustainable practices in each aspect of its operations. This milestone served as a commitment for Petron’s employees to take on a holistic approach to sustainability – starting small with individual efforts, then working together to make a lasting impact.

On the operations front, Petron has been contributing towards group-wide efforts to reduce energy consumption, fitting several of its stations with solar panels, partially supplying the stations’ electricity requirements. Petron has likewise shifted to using LED lighting fixtures in more and more of its stations since 2014. Both programs are continuously expanding to make Petron’s around 1,900 strong service station network a more environmental-friendly operation.

Petron has also worked on volunteer activities committed towards environmental and social causes in its communities. To that end, Petron has maintained 100% volunteer participation for all terminals for its Earth Month, Environment Month and International Coastal Cleanup Day activities. These projects are aimed at caring for members of its host communities, as well as enriching the environment in these communities. Since 2000, Petron employees and their fenceline communities have planted over one (1) million trees and mangroves. Adding to this effort, Petron has adopted over 30 hectares of mangrove areas in Visayas under its *Puno ng Buhay* program. For 2022, an additional six (6) hectares of land for reforestation will be adopted and targeted to be planted with some 15,000 mangrove propagules in various areas.

Petron has cultivated an internal circle of plant enthusiasts called the **Sow Green Community**, where employees share their knowledge on basic home and urban gardening to encourage a greener, more sustainable lifestyle. A summary of Petron’s ESG initiatives are captured in the figure below:

### Petron’s ESG Initiatives Summary



Source: Company’s Annual Report

Whilst Petron has not announced specific carbon neutrality targets, the Company has implemented various initiatives and programs towards the ultimate goal of carbon neutrality, at least in the SMC Group level. The Company is also focused on business development efforts including use of bio-fuel.

As part of its commitment to achieving Carbon Neutrality as a Group, the Company has hired a consultant to assist the Company in its sustainability journey and help with its publishing of a sustainability report.

The Company is also beholden to its domestic country’s developing country status, which thus far still entails a heavy reliance on carbon-based fuels.

As the Philippines remains a developing country, it continues to rely heavily on fossil fuels for energy requirements to power its growth and development. Despite this, Petron is implementing various initiatives and programs that aim to contribute to carbon neutrality at the SMC Group-level. It is working to define specific carbon reduction targets that will allow it to substantially manage its environmental footprint, including the use of bio-fuels. In an effort to document, monitor, and effectively implement its ESG efforts, the Company has engaged the University of Asia & the Pacific-Center for Social Responsibility to help develop and produce its 2022 sustainability report based on current GRI standards.

#### Energy Sources and Product Mix

Petron has been committed to use petcoke, a by-product of the refinery, as one of the feedstocks for the power plant in the refinery

Petron has also been able to reduce reliance on the grid and has been able to sell power back to the grid when there is excess generation now that its power plant has additional boilers installed. The refinery was also upgraded in 2017 (RMP-2) to cater to the lower-carbon intensive products and to fully eliminate



fuel oil from product mix (which used to comprise around 25% of product mix pre RMP-2) and create white products with it. Further upgrades may be possible in the next 3 to 5 years.

Petron is also investing in a CME plant which it is putting up within the refinery. This will produce its own CME which will be used as an additive to current products thereby allowing Petron to introduce more superior products like the Blaze100 which complies with Euro6 standard (unparalleled in the country) versus the minimum Euro4 standards which what is required by the regulators. In the medium to long term, the Company aspires to put out cleaner fuels and lower-carbon intensive products in the market, using higher mix of bio-fuels.

### **Malaysian Operations**

Philippine operations and Malaysian operations have slightly different paths in terms of emission standards, targets and even reporting, hence the adopted strategies by Petron Malaysia will be different. For now, the Company is looking into establishing a separate TWG in Malaysia that will be engaged in the Malaysia business ESG discussions and roadmap.

## DESCRIPTION OF PROPERTY

### **Operating Sites**

#### ***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 the following manufacturing facilities: the Subic Plant, the lube oil blending plant in Tondo, Manila, a grease plant in Pandacan, 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 ₱290 million in 2020, ₱311 million in 2021, and ₱320 million in 2022. See "*Legal Proceedings – Leases with PNOC.*"

As of December 31, 2022, the Company leases from NVRC 111 sites for service stations and terminals and pursuant to 25-year lease contracts renewable upon agreement of the parties. Expenses relating to the NVRC leases amounted to ₱198 million in 2020, ₱172 million in 2021, and ₱172 million in 2022.

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 December 31, 2022, there were leases covering 677 service stations: 441 in Luzon, 133 in the Visayas and 103 in Mindanao. Expenses under these leases amounted to ₱1,226 million in 2020, ₱1,154 million in 2021, and ₱1,272 million in 2022.

#### ***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 December 31, 2022, the Company owned approximately 260 parcels of land and leased about 340 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 RM35 million in 2020, RM23 million in 2021 and RM18 million in 2022. 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 P3.0 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:

1. Certificate of Incorporation issued by the Securities and Exchange Commission ("SEC"), together with the latest Certificate of Filing Amended Articles of Incorporation dated December 23, 2022
2. Business permits of Petron Corporation ("Petron") and its Philippine operating subsidiaries — New Ventures Realty Corporation and Petron Freeport Corporation ("PFC")
3. Import and Export Certificate of Registration issued by the Bureau of Customs ("BOC") in favor of Petron and PFC
4. Permit to discharge and shipside permits from the BOC, in favor of Petron\*
5. Permit to Produce Biofuel- Blended Gasoline (E-10 / E-Gasoline) issued by the Bureau of Internal Revenue ("BIR"), in favor of Petron\*
6. Authority to Release Imported Goods issued by BIR (or Subic Bay Metropolitan Authority ("SBMA"), as applicable), in favor of Petron / PFC\*
7. Permit to Export issued by BIR (or SBMA, as applicable), in favor of Petron / PFC\*
8. BOC Authority to Load and Export Declaration, in favor of Petron\*
9. Department of Energy ("DOE") Import Notice, in favor of Petron\*
10. BIR and DOE denaturing request for bioethanol, including the permit to transport bioethanol, in favor of Petron\*
11. BIR permit to buy local ethanol, in favor of Petron\*
12. Environmental Compliance Certificate ("ECC") issued by the Department of Environment and Natural Resources ("DENR")
13. DENR foreshore lease agreements (or proof of payment of occupational fees for pending applications for foreshore lease agreements) of Petron and NVRC

14. Certificate of Compliance issued by Energy Regulatory Commission for the Refinery Solid Fuel-Fired Boiler Power Plant, which is valid for the period covering May 6, 2018 to May 5, 2023
15. Certificate of Registration issued by The Authority of the Freeport Area of Bataan (“AFAB”) in favor of Petron and NVRC
16. LPG Manufacturing and Gasoline and Diesel Manufacturing permits issued by the Ministry of Domestic Trade, Co-operatives & Consumerism of Malaysia
17. Master Manufacturing licenses issued by the Ministry of Domestic Trade, Co-operatives & Consumerism of Malaysia
18. Storage License permits issued by the Majlis Perbandaran Port Dickinson (Port Dickinson Municipal Office) of Malaysia
19. Customs Bonded Warehouse License, Sales Tax License, and Permit for Loading and Discharge of Products issued by the Royal Malaysian Customs
20. Statement of Compliance for Marine Facility issued by the Jabatan Laut Malaysia (Malaysian Marine Department)
21. Company Registration issued by the Companies Commission of Malaysia
22. Annual Listing and Bursa Link Access licenses issued by the Bursa Malaysia Securities Berhad
23. Petrol Development Act Licenses and Control Supply Act Licenses issued by the Ministry of Domestic Trade, Co-operatives & Consumerism of Malaysia
24. Storage and trading licenses issued by the local councils of Malaysia
25. Biodiesel license issued by the Ministry of Plantation Industries and Commodities of Malaysia
26. Statement of Compliance for Marine Facility issued by the Jabatan Laut Malaysia (Malaysian Marine Department)
27. Authority to Handle Goods or Cargo Over Foreshore issued by the Penang Port Commission of Malaysia
28. License for the sale, purchase, transfer and storage of biodiesel issued by the Malaysian Palm Oil Board
29. License for the manufacturing of palm oil products issued by the Majlis Perbandaran Manjung (Manjung Municipal Office) of Malaysia

*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 Annex B 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, Petron Engineering Scholarship which has employed a total of 206 engineers in the Petron Bataan Refinery and Limay Terminal, 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 CO2 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 (U.N. Sustainable 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 September 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 September 27, 2027. 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 Department 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 Department of Labor and Employment (“**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 Philippine DOLE.

From January to December 2022, a total of 10,084,183 safe man- hours were achieved by the corporate head office, the Petron Bataan Refinery and the terminals.

The Environment Department of CTSG (“**CTSG-Environment**”) provides, among others, technical assistance and consultancy services on compliance to six Environmental Laws. The Department also

monitors, profiles, and consolidates required material environmental indicators of all businesses to support the Sustainability Reporting and ESG roadmap of the Company. CTSG-Environment continues to provide mandated (40 hours) Basic Pollution Control Training to designated Pollution Control Officers of the various business units of the Company. It has sustained its accreditation as a training organization since 2014, when DENR-Environmental Management Bureau 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 eighth year of implementation in 2022, the ECOWATCH program has recognized eleven Hall of Famer awardees from the Operations Division who were assessed to have sustained matured Environmental Management practices and compliance to the six Environmental Laws since 2014 when the program was conceptualized. 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 multi-functional 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 December 31, 2022, the Company is in material compliance with applicable environmental laws in the Philippines.

In 2021 and 2022, the Company spent approximately ₱40 million and ₱41 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)<sup>13</sup>, Petroleum (Safety Measures) Act 1984 (Act 302), and the Occupational Safety and Health Act 1994 (Act 514)<sup>14</sup>, 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 in year 2018 (Act A1568), and regulations made pursuant thereto, which are administered by the Malaysian Fire and Rescue Department.

The Company's safety, security, health and environment ("SSHE") functions are embedded within the main business lines. SSHE 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

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<sup>13</sup> The Factories and Machinery Act 1967 (Act 139) has been revoked in March 2022. However, its practices, implementation and enforcement are still being carried out until new regulations are established (estimated mid 2023) and parked under the new OSHA amendment act (*see succeeding footnote*)

<sup>14</sup> The Occupational Safety and Health Act 1994 (Act 514) has been replaced with the Occupational Safety and Health (Amendment) Act 2022 from March 2022 and new regulations from the Factories and Machinery Act 1967 (Act 139) will be included under this Act. However, the full implementation of this amended act and regulations will only be enforced by June 2023.

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, National Energy Award 2021 runner-up for Energy Renewable Category for the Lumut PME plant, and gold merit for 2021 Annual Quality Environmental Challenge Award for Bagan Luar terminal.

In 2021 and 2022, the Company spent approximately RM1.4 million and RM2.2 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, RM76 million in 2021 and RM25 million in 2022 on the construction of a diesel hydrotreater process unit to comply with Malaysian government legislation on the Euro 5 ADO specification. The diesel hydrotreater process unit was commissioned in the second quarter of 2021.

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 16 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.



## **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.

### **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 Philippine DOTr Communication 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.

The cases for damages are pending in the Regional Trial Court, Branch 65, Jordan, Guimaras.

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 sought 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.

The court-mandated mediation and judicial dispute resolution proceedings were terminated without any agreement between the parties. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper.

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.

In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Company and PNOC and affirmed the resolution of the trial court. The Court of Appeals upheld the position of the Company that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate the Company's lease thereby depriving the Company a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that the Company paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements.

On January 11, 2022, the Company filed its motion for reconsideration insofar as the decision dismissed the Company's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Company and PNOC.

In consideration of the possible delay in the resolution of the case if the Company were to proceed with the filing of a petition for review with the Supreme Court and the decision in favor of Petron on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the trial court and the Court of Appeals, the Company decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review with the Supreme Court in December 2022. The Company await orders from the court.

### **Other Proceedings**

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

## **REGULATORY AND ENVIRONMENTAL MATTERS**

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

### **GENERAL BUSINESS REGULATORY FRAMEWORK**

#### **Revised Corporation Code**

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the notable amendments in the Revised Corporation Code are as follows: (i) corporations are now generally given a perpetual existence; (ii) a new section on one-person corporation was added; (iii) the requirement that at least 25% of the authorized capital stock must be subscribed, and at least 25% of the subscribed shares must be paid-up upon incorporation was removed; (iv) stockholders can now vote in absentia; (v) incorporators now include any person, partnership, association or corporation; and (vi) the powers of the SEC to prosecute and investigate offenses under the Revised Corporation Code have been expanded.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

#### **The Philippine Competition Act**

Republic Act No. 10667, otherwise known as the Philippine Competition Act (“PCA”), was signed into law on July 21, 2015 and took effect on August 8, 2015. This Act aims to codify anti-trust laws in the Philippines and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities. It prohibits anti-competitive agreements between or among competitors, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (“PCC”), an independent quasi-judicial agency to be composed of five commissioners. Among the PCC’s powers are to: review proposed mergers and acquisitions, conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

On June 3, 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act (“IRR”). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion (“Size of Party”) and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the IRR (“Size of Transaction”); while Parties to a joint venture transaction shall also be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

The Size of Party and Size of Transactions have been gradually increased by the PCC to ensure that the thresholds maintain their real value over time and relative to the size of the economy. Beginning March 1, 2019 and for every subsequent year, the notification thresholds will be indexed based on the official estimates by the Philippine Statistics Authority of the nominal GDP growth for the previous calendar year rounded up to the nearest hundred million.

Under Commission Resolution No. 02-2020, effective March 1, 2020, the threshold in relation to the Size of Party was increased to ₱6,000,000,000.00, and the threshold for the Size of Transaction was increased to ₱2,400,000,000.00.

On September 11, 2020, in response to the COVID-19 pandemic, President Rodrigo Duterte signed into law Republic Act No. 11494, otherwise known as the “Bayanihan to Recover as One Act” which became effective on September 15, 2020. Under the Bayanihan to Recover as One Act, all mergers and acquisitions entered into within a period of two (2) years from its effectivity, with transaction values below ₱50 billion shall be exempt from compulsory notification under the PCA. In addition, the PCC’s power to review mergers and acquisitions motu proprio shall be suspended for one (1) year from effectivity of the Bayanihan to Recover as One Act. The PCC issued Memorandum Circular No. 20-003 reiterating the foregoing exemptions and clarified that mergers and acquisitions entered into prior to the Bayanihan to Recover as One Act which exceed the following thresholds: (a) Size of Party exceeds ₱6.0 billion; and (b) Size of Transaction exceeds ₱2.4 billion, are still subject to compulsory notification under the PCA, and all mergers and acquisitions entered into prior to the effectivity of the Bayanihan to Recover as One Act may still be subject to the motu proprio review of the PCC. On October 5, 2020, the PCC issued the Rules for the Implementation of Section 4 (eee) of Republic Act No. 11494, Otherwise Known as the “Bayanihan to Recover as One Act”, Relating to the Review of Mergers and Acquisitions.

With the lapse of the two-year period provided under the Bayanihan to Recover as One Act and the growth of the nominal Gross Domestic Product of the country, Commission Resolution No. 18-2022 was issued, effective September 16, 2022, to increase the threshold in relation to the Size of Party to ₱6,100,000,000.00, and the threshold for the Size of Transaction to ₱2,500,000,000.00. The thresholds were further increased with the issuance of Commission Resolution No. 04-2023. Effective March 1, 2023, parties to a merger or acquisition are required to provide notification when the Size of the Party exceeds ₱7,000,000,000.00 and the Size of Transaction exceeds ₱2,900,000,000.00.

### **Foreign Investments Act of 1991**

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 (“**FIA**”), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh Regular Foreign Investment Negative List (the “**Negative List**”). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, mining and the operation of public utilities.

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. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40.0%. A corporation with more than 40.0% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens may

engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants. However, the Philippine Department of Justice (“DOJ”) issued an opinion to the effect that the exploration, development and utilization of solar, wind, hydro and ocean or tidal energy sources is not subject to the 40% foreign equity limitation and thus, may be wholly-owned by foreign nationals. In DOJ Opinion No. 21, Series of 2022 dated September 29, 2022, the DOJ opined that solar, wind, hydro and ocean or tidal energy sources are inexhaustible and, therefore, not within the ambit of the term “natural resources” in Article XII, Section 2 of the Philippine Constitution.

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

- a citizen of the Philippines;
- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100.0% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of Philippine Nationals;
- Provided, That where a corporation and its non-Filipino stockholders own stocks in a SEC-registered enterprise, at least 60.0% of the capital stocks outstanding and entitled to vote of both corporations must be owned and held by citizens of the Philippines and at least 60.0% of the members of the Board of Directors of both corporations must be citizens of the Philippines, in order that the corporations shall be considered a Philippine national.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the “**Narra Nickel Case**”), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders’ own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation’s Filipino equity falls below 60.0%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

## **Land Ownership**

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that, save in cases of hereditary succession, no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

## **Intellectual Property Code**

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten (10) years and may be renewed for periods of ten (10) years at its expiration.

## **Data Privacy Act of 2012**

Republic Act No. 10173 or the Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission ("Privacy Commission").

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its IRR took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the Privacy Commission. The IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

## **Electronic Commerce Act**

Republic Act No. 8792 or the Electronic Commerce Act of 2000 ("**R.A. No. 8792**") aims to facilitate domestic and international dealings, transactions, arrangement agreements, contracts and exchanges and storage of information through the utilization of electronic, optical and similar medium to promote the universal use of electronic transaction in the government and general public.

R.A. No. 8792 restricts access to an electronic file, or an electronic signature of an electronic data message or electronic document only in favor of the individual or entity having a legal right to the possession or the use of plaintext, electronic signature or file and solely for the authorized purposes. The law also ensures confidentiality and prohibits any person who obtains access to any electronic key, electronic data message, electronic document, book, register, correspondence, information, or other material pursuant to any powers conferred under the said law, from conveying to or sharing the same with any other person, except for purposes expressly authorized by law. The implementing rules of the law provides that the electronic key for identity or integrity shall not be made available to any person or party without the consent of the individual or entity in lawful possession of that electronic key.

The law clarifies that violations of the Consumer Act of the Philippines or Republic Act No. 7394 and other related laws through transactions covered by or using electronic data messages or electronic documents shall be penalized with the same penalties as provided therein.

## **Registration under the BOI**

Under the Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25.0% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday, (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

On April 12, 2019, Republic Act No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under Executive Order No. 226, as amended, and any other applicable laws for 10 years from the effectivity of the Act. Said energy efficiency projects shall also be exempt from the requirements provided under Article 32(1) of Executive Order No. 226. Energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto: provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

In view of the effectivity of the CREATE Law (discussed below), registered business enterprises with incentives granted prior to the effectivity of the CREATE Law 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 law shall be allowed to continue to avail of 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 law 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 10-year limit under the CREATE Law; and
- (iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue of such tax incentive for 10 years.

### **Local Government Code**

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 (“**LGC**”) establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every LGU shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

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

### **Labor and Employment**

The Department of Labor and Employment (“**DOLE**”) is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines and the Occupational Safety and Health Standards (which sets out, among others, the guidelines applicable to different establishments intended for the protection of every workingman against the dangers of injury, sickness or death through safe and healthful working conditions), as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

### ***Social Security System, PhilHealth, and the Pag-IBIG Fund***

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 11199, the Social Security Act of 2018 to ensure coverage of employees following procedures set out by the law and the SSS. Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

The failure of the employer to comply with any of its obligations may lead to sanctions, including the imposition of a fine of not less than ₱5,000.00 nor more than ₱20,000.00, or imprisonment for not less than six years and one day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.



Employers are likewise required to ensure enrolment of its employees in a National Health Insurance Program (“**NHIP**”) administered by the Philippine Health Insurance Corporation, a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, the National Health Insurance Act of 2013.

On February 20, 2019, Republic Act No. 11223, the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types: (i) direct contributors, and (ii) indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program. An employer who fails or refuses to register its employees, regardless of their employment status, or to deduct contributions from its employees’ compensation or remit the same to our Corporation shall be punished with a fine of not less than ₱5,000.00 multiplied by the total number of employees of the firm.

Under Republic Act No. 9679, the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2.0% of the employee’s monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2.0% of the employee’s monthly compensation, and remit the contributions to the HDMF. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but not more than twice the amount involved, or imprisonment of not more than six years, or both such fine and imprisonment. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines and deportation when the offender is a foreigner.

### ***The Labor Code***

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month’s salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, “one-half month’s salary” shall include all of the following: fifteen days’ salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

### ***Other Labor-Related Laws and Regulations***

#### Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a “trilateral relationship” among: (i) the principal

who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the DOLE issued DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, as Amended (“**D.O. No. 174-17**”), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No. 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal, and the contractor or subcontractor does not have substantial capital, or the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. D.O. No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

The Department Order provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor’s or subcontractor’s employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

#### DOLE Mandated Work-Related Programs

Under Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

## *Consumer Act of the Philippines*

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

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

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

## **REGULATIONS RELATING TO THE FUEL AND OIL BUSINESS**

### **Philippines**

#### **Oil Deregulation Act**

The Oil Deregulation Act provides the regulatory framework for the downstream oil industry of the country. Under the Oil Deregulation Act, any person or entity may import or purchase any quantity of crude oil and petroleum products from foreign and domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirement, provided that, among others such person or entity complies with certain requirements such as giving of prior notice to the DOE for monitoring purposes. 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 Act on March 11, 1998 through Department Circular No. 98-03-004. 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 Act, 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 Act include the following:

- 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;

- monitoring the refining and manufacturing processes of local petroleum products to ensure clean and safe technologies are applied;
- maintaining a periodic schedule of present and future total industry inventory of petroleum products to determine the level of supply;
- immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and
- 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***

In November 2017, the DOE promulgated Department Circular No. DC 2017-11-011, or the Revised Rules and Regulations Governing the Business of Retailing Liquid Petroleum Products, (the “**Revised Retail Rules**”). The Revised Retail Rules apply to all persons engaged or intending to engage in the business of retailing liquid fuels such as 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 years. The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a Certificate of Compliance. 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 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.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. Prohibited acts 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.

### **LPG Laws and Regulations**

#### ***LPG Industry Regulation Act***

Republic Act No. 11592 or the LPG Industry Regulation Act (“**LPG Industry Regulation Act**”), was signed into law on October 14, 2021. The law lists down the responsibilities of LPG Industry Participants, including compliance with Philippine National Standards and LPG-related issuances and guidelines, observation of safety practices and entering into contracts only with authorized LPG Industry Participants. The law also provides additional responsibilities specific to each type of LPG Industry Participant, including bulk suppliers, bulk distributors, haulers, refillers, trademark owners, dealers and retail outlets. These players must be registered in a central database to be created by the DOE. The law further provides for the requirement of securing a License to Operate from the DOE to be an authorized LPG Industry Participant.

The LPG Industry Regulation Act introduced two (2) new programs: the LPG Cylinder Improvement Program and the LPG Exchange and Swapping Program. The LPG Cylinder Improvement Program is a system that aims to ensure the quality of all LPG cylinders in circulation with the goal of protecting the end-consumers. The LPG Exchange and Swapping Program is a system that allows end-consumers to exercise

their freedom of choice in the purchase of LPG-filled cylinders through LPG cylinder exchange and LPG cylinder swapping.

The law likewise provides for prohibited acts, including engaging in LPG industry-related activities without the required licenses, certificates, and permits, manufacturing, selling, fabricating or refilling filled and unfilled LPG cylinders without the express approval of the trademark owner, and selling or distributing refilled LPG cartridges and cylinders without a seal or tampered seal.

The Implementing Rules and Regulations of the LPG Industry Regulation Act as provided by the DOE-DTI Joint Department Circular No. JDC2022-05-0001 establishes the regulatory framework for the safe operations of the LPG industry, delineating the powers and functions of various government agencies, defining, and penalizing certain prohibited acts.

***B.P. 33***

Batas Pambansa Blg. 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 LPG 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 LPG which are not property identified, tagged and set apart and removed or taken out from the display area and made accessible to the public by marketers, dealers, sub-dealers or retail outlets are presumed to be for sale;
- b. In the case of a dispensing pump in a petroleum products retail outlet selling such products to the public, the absence of an out-of-order sign, or padlocks, attached or affixed to the pump to prevent delivery of petroleum products therefrom shall constitute a presumption of the actual use of the pump in the sale or delivery of such petroleum products; and
- c. When the seal, whether official or of the oil company, affixed to the dispensing pump, tank truck or LPG cylinder, is broken or is absent or removed, it shall give rise to the presumption that the dispensing pump is underdelivering, or that the LPG cylinder is underfilled, or that the tank truck contains adulterated finished petroleum products or is underfilled.

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

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

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

## **Republic Act No. 9514 IRR**

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

## **LPG Industry Rules**

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

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

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

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

In January 2022, the DOE issued Joint Department Circular No. JDC2022-05-0001, or the Rules and Regulations Implementing the LPG Industry Regulation Act (the "**LPG Industry Regulation Act IRR**") to establish the regulatory framework for the safe operations of the LPG industry, delineating the powers and functions of various government agencies, defining, and penalizing certain prohibited acts. The LPG Industry Regulation IRR states that the LPG Regulation Act applies to (a) importation, refining, storing, exporting, refilling, transportation, distribution, and marketing of LPG; (b) importation, manufacture, requalification, repair, exchange, swapping improvement, and scrapping of LPG pressure vessels, whichever is applicable; and (c) safe operations of the entire LPG industry including all LPG facilities and the residential, commercial, industrial, and automotive use of LPG.

## **Rules Pertinent to Auto-LPG Motor Vehicles**

On February 13, 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 for Automotive Use" (the "**Auto-LPG Rules**"). The Auto-LPG Rules govern the business of supplying, hauling, storage, handling, marketing and distribution of LPG for automotive use.

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

maintained by the Auto-LPG Dispensing Stations, for a period of thirty (30) days immediately preceding the period of tight supply or price increase.

The Land Transportation Office (“**LTO**”) also issued Memorandum Circular No. RIB-2007-891 or the “Implementing Rules and Regulations in the Inspection and Registration of Auto-LPG Motor Vehicles”. The Circular requires the device for the use of LPG as fuel by any motor vehicle to be installed only by the conversion/installing shop duly certified by the Bureau of Product and Standards (“**BPS**”) of the DTI under its Philippine Standards Certification Mark (“**PS Mark**”) scheme. The converted vehicle shall be subjected to an annual maintenance and inspection by the BPS certified conversion/installing shop. The BPS certified conversion/installing shop shall issue a corresponding Certificate of Inspection and Maintenance Compliance (“**CIMC**”).

### **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 Liquid Fuels. 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 or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a Certificate of Compliance. 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.

The recently enacted LPG Industry Regulation Act IRR also regulates liquid petroleum products.

## **Environmental Laws**

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

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

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

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

### ***The Biofuels Act of 2006***

Republic Act No. 9367, also known as “The Biofuels Act of 2006”, aims to reduce the dependence of the transport sector on imported fuel and, pursuant to such law, regulations mandate that all premium gasoline fuel sold by every oil company in the Philippines should contain a minimum 10% blend of bioethanol starting August 6, 2011. For diesel engines, the mandated biodiesel blend in the country was increased from 1% to 2% starting February 2009.

In June 2015, the DOE issued Department Circular No. DC 2015-06-005, or the Amended Guidelines on E-10 Implementation, which temporarily waives compliance by oil companies with the required bioethanol blend for premium plus grade gasoline products when supply of locally produced bioethanol products are insufficient to meet demand.



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

### ***Oil Pollution Compensation Act of 2007***

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

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

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

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

named the Oil Pollution Management Fund, will be in addition to the requirement under the 1992 Civil Liability Convention and 1992 Fund Convention and will be administered by the Maritime Industry Authority (“**MARINA**”).

In April 2016, the Department of Transportation (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 500 tons deadweight tonnage by the end of 2008 for transporting Black Products; and (ii) Circular No. 2010-01 for transporting White Products in certain circumstances by 2011.

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

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

### **Other Regulatory Requirements**

Petroleum products 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.

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

## Other Relevant Tax-related Regulations

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

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

Republic Act No. 9337, also known as the "Expanded VAT Law", imposed a VAT of 10% on certain goods and services, including petroleum products and its raw materials, particularly the sale and importation thereof. The rate was further increased to 12% effective February 1, 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on November 21, 2006, removed the 70% ceiling on the credit of input VAT to output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to P4.35 per liter of volume capacity. In February 2012, the BIR issued Revenue Regulation No. 2-2012 stating that VAT and excise taxes due on all petroleum and petroleum products that are imported and/or brought from abroad to the Philippines, including from the freeport and economic zones shall be paid by the importer to the Bureau of Customs.

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**") took into effect. The TRAIN Law amended provisions of the Philippine Tax Code, among others, increasing excise tax rates of petroleum products. Excise tax rates on gasoline products were increased from P4.35 per liter to P7.00 per liter effective January 1, 2018, P9.00 per liter on January 1, 2019 and P10.00 per liter in January 1, 2020. Diesel and bunker fuel products which were previously not subject to excise taxes were imposed excise taxes at P2.50 per liter effective January 1, 2018 and increased further to P4.50 per liter on January 1, 2019 and P6.00 per liter on January 1, 2020.

Also in compliance with the TRAIN, the Philippine government is currently implement a Philippine Fuel Marking Program to mark imported and refined petroleum products such as gasoline, diesel and kerosene to ensure that all downstream fuels are tax and duty paid. The fuel marking fee was paid by the government to the Fuel Marking Service Provider for the first year of implementation. For the second to fifth year of implementation, said fee shall be borne by petroleum companies on top of duties and taxes to be collected by the Bureau of Customs or the Bureau of Internal Revenue.

Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE Act**") took effect on April 11, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives. The corporate income tax rate for domestic corporations and resident foreign corporations has been reduced to 25% effective July 1, 2021 and on January 1, 2021 for non-resident foreign corporations. Domestic corporations and 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 shall be lowered to 1%. Under the CREATE Act, persons that directly import petroleum products for resale in the Philippine customs territory and/or in free zones will be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of 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. The CREATE Act also provides for the rationalization of tax incentives that may be granted by investment promotion agencies (such as the AFAB) to qualified registered business enterprises. 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 will 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, will 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.

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

## **Malaysia**

### ***Petroleum Development Act, 1974***

The Petroleum Development Act, 1974 (the “**PDA**”), which took effect on October 1, 1974, and the Petroleum Regulation 1974, which was enacted pursuant to the PDA (the “**Petroleum Regulation**”), are the primary legislation governing upstream and 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 and Cost of Living (“**MDTCOL**”) – formerly known as Ministry of Domestic Trade, Cooperative and Consumerism (“**MDTCC**”), which is responsible for regulating the marketing and distribution of petroleum products.

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

### ***Petroleum (Safety Measures) Act, 1984***

The storage and handling of crude oil and oil products and the utilization of equipment and/or appliances used in the downstream oil industry in Malaysia are controlled and governed by the Petroleum (Safety Measures) Act, 1984 (the “**PSMA**”) and the regulations made thereunder. The PSMA also regulates the transportation of petroleum by road, railway, water, air and pipeline.

Beginning 2015, the entire regulations under PSMA are fully enforced by the Department of Occupational Safety and Health (DOSH) under the Ministry of Human Resources.

### ***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% PME and 95% diesel. The MBIA 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) any other biofuel is to be made mandatory. The MBIA limits the percentage of PME that can be used in a biodiesel mix to a maximum of 5%.

In October 2014, the Malaysian Government announced the implementation of the B7 programme (blending of 7% PME and 93% diesel) for the subsidized sector. Implementation was completed in the second quarter of 2015. The use of B7 Bio-Diesel was implemented for use in the industrial sector, with an exception being given to power generation companies or other industries where the use of Bio-Diesel would not be possible due to mechanical specifications. In December 2018, the Government implemented the sale of B10 Bio-Diesel (blending of 10% PME and 90% diesel) from the current B7 Bio-Diesel in service stations.

PME content in retail diesel was increased from 10% to 20% starting with Langkawi and Labuan in January 2020 and Sarawak in September 2020, whereas the implementation in Sabah and Peninsular Malaysia has been delayed due to COVID-19 pandemic.

### ***Sale and Pricing of Refined Petroleum Products***

#### *Control of Supplies Act, 1961*

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

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

#### *Automatic Pricing Mechanism (“APM”)*

The compliance, enforcement and monitoring of APM is under Regulation 12A of the Control and Supply Regulations 1974 (Control of Supplies Act 1961).

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 products in Malaysia. The Malaysian government subsidizes sales of these products using a formula known as the 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 (as described below) of such product. Conversely, a duty is payable by the Company if the mandated price of the relevant product exceeds the total built-up cost of such product.

Since January 2020, the total built-up cost is determined by aggregating the cost of the relevant product and certain predetermined government-specified amounts, as follows:

	<b>Mogas 95</b>	<b>Mogas 97</b>	<b>Diesel</b>	<b>Retail LPG</b>
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/MT
Freight, Distribution and Marketing Cost*	9.54 sen/liter	9.54 sen/liter	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	35.00 sen/kg

*\*Prior to 2018 Operating Cost standardization, the freight, distribution and marketing cost for Sabah and Sarawak were 8.98 sen/liter and 8.13 sen/liter, respectively.*

The specified amounts for alpha, freight, distribution and marketing cost, oil company margin and dealer margin are fixed by the Malaysian government and subject to change. The Malaysian government 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 all states. For retail LPG, the alpha and dealer margin for all states, and the freight, distribution and marketing costs 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 diesel on a weekly basis based on MOPS.

As of February 2021, the Malaysian government-mandated retail prices for the products that are covered by 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. In addition, the government also provides additional subsidy to selected public transportation and fisheries sectors. The government-mandated diesel price for the fisheries sector is RM1.65 per liter whereas RM 1.8810 (Peninsular Malaysia), RM 1.8840 (Sabah) and RM 1.8780 (Sarawak) per liter applies to the public transportation sector.

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

The sale of diesel at the retail station in Malaysia is subject to a quota system to ensure that subsidized diesel is not sold illegally to industrial customers at unregulated prices. The Company's quotas are provided and regulated by the MDTCOL. 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 permitted under the approved quotas. The Company has a quota to sell diesel at all of its retail service stations in Malaysia. Customers in the 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. If the Company requires an increase in its approved quota due to higher demand, it may apply with the MDTCOL for a quota increase. However, if the Company sells more subsidized diesel than is permitted under the approved quotas, it will not be eligible to receive government subsidy in respect of the sales that exceed the approved quotas.

Customers in the selected public transportation and fisheries sectors are required to obtain their own quotas in order to be able to purchase diesel from the Company at the price mandated by the government for both sectors. The Company has also been licensed to supply distributors that are appointed by the Malaysian government to sell diesel to mini stations and to collect subsidies in respect of such sales.

### **Environmental Laws**

#### *Environmental Quality Act, 1974*

The Environmental Quality Act, 1974 (the “**EQA**”) governs the prevention, abatement and control of pollution and enhancement of the environment in Malaysia and covers, among other things, oil spills and pollutants on land and in Malaysian waters. The EQA, which was introduced by the Malaysian government to promote environmentally sound and sustainable development restricts atmospheric, noise, soil and inland-water pollution without a license, prohibits the discharge of oil and waste into Malaysian waters without a license and prohibits open burning. The Department of Environment (the “**MDOE**”) is the regulatory body 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 Euro 4M and Euro 5 standards in Malaysia, which are the Malaysian equivalent of Euro IV and Euro V-standards. The main change from Euro 2M standards to Euro 4M and Euro 5 standards for Mogas and Diesel is 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 5 fuels will be in phases: Euro 4M for RON 95 had been implemented since January 1, 2019, Euro 5 (sulfur specification only) for Diesel by April 1, 2021, and Euro 5 (of all other parameters) for Diesel by April 1, 2023, RON 95 and RON 97 by the year 2027.

The Malaysian government has mandated that RON 95 and RON 97 sold in Malaysia must comply with Euro 5 specifications by 2027. The Malaysian government, however, has proposed to accelerate the date of implementation, subject to the agreement of all stakeholders, to 2025. This is in line with the move by downstream oil companies in Malaysia, including the Company, that introduced and supplied Euro 5 standards earlier in service stations. Hence, Euro 5 compliance for Mogas will be done in phases starting 2025 and full compliance in 2027.

### **Other Laws**

#### *Companies Act, 2016*

The Companies Act which came into effect on January 1, 2017, governs the incorporation and registration of companies in Malaysia. The agency that oversees such incorporation is the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia) (“**CCM**”).

Under the Companies Act, a corporation’s existence does not have an expiration but may be terminated through dissolution by: (i) the winding up of the company, either voluntarily or pursuant to an order of the court; or (ii) the striking out by the Registrar and Paying Agent, in the exercise of its discretionary powers, of the name of 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 takes 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 (Amendment) Act 2022 (replacing Occupational Safety and Health Act, 1994) and the regulations made thereunder to (a) provide and maintain plants and systems of work that are, to the extent practicable, safe and without risks to health, (b) provide information, instruction, training and supervision to ensure, to the extent practicable, the safety and health of the Company's employees at work and (c) provide a working environment that is, to the extent practicable, safe, without risk to health and adequate with respect to facilities related to employee welfare at work. The Company also has a duty to ensure, to the extent practicable, that other persons who are not employees of the Company are not affected by, and are not exposed to risks to their safety or health by, the conduct of the Company's business. As the Company employs more than 100 employees in Malaysia, it must employ a safety and health officer, who is tasked with ensuring the due observance of statutory obligations with respect to workplace health and safety and the promotion of safe work conduct at the workplace.

## CORPORATE GOVERNANCE AND MANAGEMENT

On May 8, 2017, the Board of Directors approved the new Corporate Governance Manual of the Company, which was primarily based on the Code of Corporate Governance for Publicly-Listed Companies approved by the SEC pursuant to its Memorandum Circular No. 19 (2016) (the “**Company Corporate Governance Manual**”). The Company Corporate Governance Manual institutionalizes the principles, programs, and procedures of good corporate governance in the entire organization.

The Company Corporate Governance Manual sets forth policies and guidelines with respect to the following, among others:

- Appointment of a Compliance Officer to ensure adherence to corporate principles and best practices;
- Protection and enforcement of the shareholders' right to vote, right to information, right to dividends, appraisal right, pre-emptive right and participation right;
- Composition, qualifications, responsibilities, specific duties and functions of the Board of Directors;
- Establishment of board committees to support the effective performance of the functions of the Board of Directors, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns such as nomination and remuneration;
- Adoption of an annual evaluation system to assess the performance of the Board of Directors, board committees and individual directors; and
- Requirement for all directors to attend a seminar or training program on corporate governance at least once a year or as often as may be legally required.

With the election of three (3) independent directors to the Company's Board of Directors; the election of the members of the Audit, Risk Oversight, Related Party Transaction and Corporate Governance Committees; the conduct of regular board meetings and committee meetings, and the faithful attendance of the directors at such meetings; the proper discharge of duties and responsibilities by the directors; the conduct of a regular training/seminar for corporate governance for directors and key officers; and adherence to national and local laws pertaining to its business operations, including applicable accounting standards and disclosure requirements, the Company is in compliance with its Company Corporate Governance Manual.

Aside from the Company Corporate Governance Manual, several other manuals and policies have been instituted by Management to guide the employees in carrying out their respective functions and duties, address business operations, set contracting and bidding procedures, and promote and further business ethics, office decorum and employee discipline.

In addition to the foregoing, to instill a stable and transparent process of conducting business and to identify accountability at all times, the Company has a system of approvals set out in a resolution that is yearly reviewed and endorsed by the Audit Committee and approved by the Board of Directors (and amended with the approval by the Board of Directors as exigencies arise) whereby only authorized individual(s) can approve a particular business transaction based on an authorized amount.

The Company is continuously keeping abreast with developments on corporate governance, including reviewing existing policies and considering the formulation of new ones to address gaps.

The Company is in material compliance with its Manual of Corporate Governance. There has been no non-compliance with respect to the Manual of Corporate Governance by any director, officer or employee.

## BOARD OF DIRECTORS AND MANAGEMENT OF THE COMPANY

### Directors

The Board of Directors of Petron is composed of 15 members, three (3) of whom are independent directors, in accordance with the requirements of the SRC and the SEC's New Code of Corporate Governance for Publicly Listed Companies. 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
Ricardo C. Marquez . . . . .	Independent Director	2022

Certain information on the business and working experiences of each Director, including their qualifications and their current and past positions held, are 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. In his capacity as President, Mr. Ang is acting and performing the functions of the Chairman. 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"), New Ventures Realty Corporation ("NVRC"), Petron Freeport Corporation ("PFC"), Petron Fuel International Sdn. Bhd. (Malaysia) ("PFISB"), Petron Malaysia Refining & Marketing Bhd. (Malaysia) ("PMRMB"), Petron Oil (M) Sdn. Bhd. ("POMSB") (Malaysia), and Eagle Cement Corporation; Chairman and President of Mariveles Landco Corporation ("MLC"), Petrochemical Asia (HK) Ltd. ("PAHL"), and Robinson International Holdings Ltd. (Cayman Islands) ("RIHL"); 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 Chief Executive Officer and President and Chief Operating Officer of SMC Global Power Holdings Corp., Chairman and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc, and Privado Holdings Corporation; Chairman of San Miguel Brewery Inc. ("SMB"), San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation ("SMYPC"), Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Petrogen Insurance Corporation ("Petrogen"), and Philippine Diamond Hotel and Resort, Inc.; Chairman, President and Chief Executive Officer of SMC TPLEX Corporation (formerly, Private Infra Dev Corporation); President and Chief Executive Officer of Northern Cement Corporation; Chairman and Chief Executive Officer of SMC Asia Car Distributors Corp.; and President of San Miguel Northern Cement, Inc. He is also the sole director

and shareholder of Master Year Limited. Mr. Ang formerly held the following positions, among others: Chairman of Cyber Bay Corporation and Liberty Telecoms Holdings, Inc.; President and Chief Operating Officer of PAL Holdings, Inc., and Philippine Airlines, Inc.; Director of Air Philippines Corporation; 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 Executive Officer of San Miguel Corporation ("SMC") and San Miguel Food and Beverage, Inc. ("SMFB"); President and Chief Executive Officer of Top Frontier Investment Holdings Inc. ("Top Frontier"); Chairman of PMRMB (a company publicly listed in Malaysia) and San Miguel Brewery Hongkong Limited (a company publicly listed in Hong Kong); 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, MLC, RIHL and Petron Singapore Trading Pte. Ltd. ("PSTPL"), SMYPC and San Miguel Yamamura Packaging International, Ltd.; Chairman and Chief Executive Officer of Petron Foundation, Inc. ("PFI"); Chairman and President of Mema Holdings, Inc.; and Chairman of Overseas Ventures Insurance Corporation Ltd. ("Ovincor") and Petrofuel Logistics, Inc. Mr. Nepomuceno has held various board and executive positions in the San Miguel Group. He started with SMC as a furnace engineer at the Manila Glass Plant in 1973 and rose to the ranks to become the General Manager of the San Miguel Packaging Group in 1998. He was also formerly the Senior Vice President and General Manager of the Company (September 2009 - 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.

**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, 31<sup>st</sup> 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.

**Jose P. de Jesus**, Filipino, born 1934, has served as a Director of the Company since May 20, 2014. He is an Independent Director and the Chairman of Converge ICT 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 SMC Skyway Corporation, SMC TPLEX Corporation, SMC SLEX, Inc., Comstech Integration Alliance, Inc., as well as an independent director of Alvierra Country Club. He is a Trustee of the Kapampangan Development Foundation and Holy Angel University, and a Member of the Board of Advisors of Bantayog ng mga Bayani Foundation. 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 under university scholarship and Fulbright grant.

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

**Ron W. Haddock**, American, born 1940, has served as a Director of the Company since December 2, 2008. He holds the following positions, among others: Chairman and Chief Executive Officer of AEI Services, L.L.C.; and lead independent director 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.

**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 and Betamek Electronics (M) 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.

**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; President of Petrogen; Director of SMC, PMRMB, POGM, POGI, PMC, PFC, PSTPL, SEA Refinery, NVRC, LLCDC, 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 is also a director of MORE Electric and Power Corporation. He has been a Professorial Lecturer in Constitutional, Administrative, Remedial and Corporation Law at the University of the Philippines College of Law since 1993. Justice Jardeleza is currently the Chairman of the International and Maritime Law Department of the Philippine Judicial Academy.

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.

**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 and 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 Villareal Law Offices (June 1985 - May 1993) and an Associate of SyCip, Salazar, Feliciano & Hernandez Law Office (1981 - 1985). Atty. Jacinto is an Associate Professor of Law at the University of the Philippines. He obtained his law degree from the University of the Philippines (*cum laude*) where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard University.

Atty. Jacinto does not hold 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 was a columnist in two columns of the Manila Bulletin for more than 34 years and resigned recently. She was also a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas 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), and Undersecretary for the Regional Operations Group of the DTI (May 2000 - 2005). 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 seventh place in the bar examinations.

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

**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, SMC Global Power Holdings Corp, since June 1, 2021, SMFB since June 2, 2021 and Top Frontier since July 9, 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 KB 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 currently holds directorships, parent companies Top Frontier and SMC, Petron affiliate SMFB is also listed with the PSE.

**Artemio V. Panganiban**, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is the Chairman of the Related Party Transaction Committee and a member of the Audit and Corporate Governance Committees. He is a columnist of the Philippine Daily Inquirer, and an officer, adviser or consultant to several other business, civic, educational and religious organizations. He was the Chief Justice of the Philippines in 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 authored over a dozen books and received various awards for his numerous accomplishments, most notably the "Renaissance Jurist of the 21<sup>st</sup> 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. He co-founded and headed the National Union of Students of the Philippines in 1957-1959.

Apart from Petron, Chief Justice Panganiban is an Independent Director of the following listed companies: MERALCO, JG Summit Holdings, Inc., PLDT, Inc., Metro Pacific Investments Corp., RL Commercial REIT, Inc., GMA Network, Inc., GMA Holdings, Inc., and Asian Terminals, Inc. and is 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 and currently sits as 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., 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.

**Ricardo C. Marquez**, Filipino, born 1960, has served as an independent director of the Company since May 17, 2022. He currently holds the following positions: an independent director and the Chairman of the Risk Oversight Committee of SMFB (since March 2017); an independent director and the Chairman of the Risk Oversight Committee of Eagle Cement Corporation (since February 2017); an independent director of Top Frontier (since June 2022) and a member of the Board of Trustees of the Public Safety Mutual Benefit Fund, Inc. (beginning July 2015), after serving as its Chairman from July 2015 to June 2016. He served the Philippine National Police (“PNP”) in various capacities before he became the PNP Chief in July 2015. He was awarded twice the Philippine Legion of Honor by the President of the Philippines, and feted by his alma mater with her highest award, the Cavalier Award as the Most Outstanding Alumnus in Special Operations. He completed the Senior Leadman Course of the University of the Philippines Open University; Leaders in Development Executive Program of the Harvard Kennedy School; the Strategic Business Economics Program of the University of Asia and the Pacific; the 224<sup>th</sup> Session of the Federal Bureau of Investigation National Academy; and the Senior Crisis Management Course of the Anti-Terrorism Assistance Program, Department of Homeland Security in Washington, D.C. He graduated from the Philippine Military Academy and holds a Master in Management degree from the Philippine Christian University.

Of the companies in which Gen. Marquez currently holds directorships other than Petron, Petron-affiliate SMFB is also listed with the PSE.

### 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
Freddie P. Yumang	Senior Vice President – Chief Risk Officer	2023
Susan Y. Yu . . . . .	Vice President, Procurement	2009
Maria Rowena O. Cortez. . . . .	Vice President, Supply	2009
Albertito S. Sarte . . . . .	Deputy Chief Finance Officer and Treasurer	As Treasurer: 2009; as Deputy Chief Finance Officer: 2021
Jaime O. Lu . . . . .	Vice President and Executive Assistant to the President on Petron Malaysia Operations and Refinery Special Projects	2018
Ma. Rosario D. Vergel de Dios	Vice President, Human Resources Management	2018
Magnolia Cecilia D. Uy . . . . .	Vice President, Retail Sales	2020
Myrna C. Geronimo . . . . .	Vice President and Controller	



		As Controller: 2019; As Vice President: 2020
Allister J. Go . . . . .	Vice President, Refinery	2020
Reynaldo V. Velasco, Jr. . . . .	Vice President, Refinery Plant Operations	2020
Virgilio V. Centeno . . . . .	Vice President, Industrial Sales	2021
Mark Tristan Caparas . . . . .	Vice President and Chief Finance Officer, Petron Malaysia	2022
Jonathan F. Del Rosario . . . . .	Vice President, Operations and Corporate Technical Services Group	2023 (effective April 1)
Lemuel C. Cuezon . . . . .	Vice President, Marketing	2023
Jhoanna Jasmine M. Javier- Elacio	Assistant Vice President – General Counsel, Corporate Secretary and Compliance Officer	As Assistant Vice President – General Counsel: 2023 As Corporate Secretary and Compliance Officer: 2022

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; Chairman and President of South Luzon Prime Holdings Inc. (“SLPHI”) and Parkville Estates Development Corporation (“PEDC”); President and Chief Executive Officer of NVRC; President of PFI and SEA Refinery; Vice President of Ovincor; Director of PFC, PMC, Abreco Realty Corporation (“ARC”), PPI, Mema, Weldon, PLI, PFISB, POMSB, and Petron Finance (Labuan) Limited; and Alternate Director of POGM and POGI. 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.

**Freddie P. Yumang**, Filipino, born 1958, has served as the Senior Vice President – Chief Risk Officer of the Company since January 1, 2023. He held the following positions in the Company: as Petron Consultant (January 2020 – December 2022), Senior Vice President – Bataan Refinery (February 2018 – December 2019) and Vice President – Bataan Refinery (June 2009 – January 2018). He is a Director of MLC, PAHL and RIHL. He was formerly the President of the National Association of Mapua Alumni, former President of the Foundation of Outstanding Mapuans, the President of Mechanical Engineering Alumni of Mapua, and the National Director of the Philippine Society for Mechanical Engineers. He is the current President of Philippine Society of Industrial Plant Specialists. Mr. Yumang is a Professional Mechanical Engineer who graduated from the Mapua Institute of Technology, with earned units for a master’s degree in Business Administration from the De La Salle University and completed short Management courses at the Asian Institute of Management.

**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 Overseas Ventures Insurance Corporation Ltd. and Petron Singapore Trading Pte. Ltd. (“PSTPL”), a Trustee of Petron Foundation, Inc., and the Treasurer of Petrogen Insurance Corporation. She is also the Vice President & Corporate Procurement Head of San Miguel

Corporation, Vice President for Procurement at SMC Infrastructure, Vice Chairman of SMC TPLEX Corporation, President of WISELINK Investment Holdings Inc., and a Director of TPLEX Operations and Maintenance Corporation, Trans Aire Development Holdings Corp., SMC Skyway Corporation, and SMC SLEX Inc. Ms. Yu was formerly the Assistant Vice President and Senior Corporate Procurement Manager of San Miguel Brewery Inc., Assistant Vice President and Senior Corporate Procurement Manager of SMC Corporate Procurement Unit (July 2003 - February 2008), and Fuel Purchasing and Price Risk Management Manager of Philippine Airlines (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.

**Maria Rowena O. Cortez**, Filipino, born 1964, has served as the Vice President for Supply of the Company since November 2013. She is also a Director of PSTPL, PPI, PAHL, RIHL and MLC. 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, University of Oxford in Oxfordshire, UK and ExecOnline-Columbia University. She has attended local and foreign trainings and seminars on leadership, market research, supply chain, commodity risk management, petroleum, petrochemicals and energy oil trading.

**Albertito S. Sarte**, Filipino, born 1967, has served as Deputy Chief Finance Officer since May 1, 2021, and as Vice President - Treasurer since August 2009. He is also the Treasurer of most of the Company's subsidiaries. Mr. Sarte served as Assistant Vice President for SMC International Treasury until June 2009. He graduated from the Ateneo de Manila University in 1987 with a Bachelor of Science degree in Business Management and has attended the Management Development Program of the AIM in 1995.

**Jaime O. Lu**, Filipino, born 1963, has served as the Company's Vice President and Executive Assistant to the President on Petron Malaysia, Retail Engineering and Network Development, and other Special Projects since November 2018. He is also a director of PLI, PFISB and POMSB. Mr. Lu was formerly the Company's Vice President – Operations Manager for Petron Malaysia (April 2012 – October 2018), and Vice President - 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.

**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.

**Magnolia Cecilia D. Uy**, Filipino, born 1966, has served as Vice President for Retail Sales since October 1, 2021. She was formerly the Vice President for Management Services Division of the Company from February 13, 2020 to September 30, 2021. 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 is Chief Executive Officer and President of PFC; Director of PMC, NVRC and LLCDC; and a Trustee of PFI. She has a Bachelor of Science degree in Computer Science and a master's degree in Business Administration from the University of the

Philippines.

**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 PFC, PMC, NVRC, LLCDC, MLC, PPI, Mema and PLI; Director, Controller and Treasurer of SLHPI and PEDC; and Director of PSTPL. 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. He is Director of MLC, ARC, PPI, PAHL and RIHL. He is also a Trustee of PFI. Other positions he has held include Head of Refinery Plant Operations (February 2018 – November 2019), Assistant Vice President for Refinery Production A (January 2018), Officer-in-Charge of Refinery Production A (April 2017 – December 2017), Operations Manager of Refinery Production B (July 2014 – March 2017), Project Manager of RMP2 Project (December 2010 – June 2014), Supply Head, Supply Division (June 2010 – November 2010), Manager of Production Division B Expansion Facilities (June 2009 – May 2010), Manager of Refinery Planning and Quality Control (January 2007 – May 2009), Refinery Engineering Technology Manager (April 2003 – Dec 2006), and Assistant Manager of Business Development, Corporate Planning (June 2001 – March 2003), Business Development Officer, Corporate Planning (March 1995 – May 2001). He joined the Company as a Refinery Process Design Engineer in May 1988 and has handled several positions in the refinery, including Linear Program Engineer, prior to his assignment in Corporate Planning. He graduated from Adamson University in 1987 with a Bachelor of Science degree in Chemical Engineering and placed Top 2 in the November 1987 Chemical Engineering Licensure Exam. He has attended the Management Development Program of the Asian Institute of Management in 2002 as well as several foreign and local trainings and seminars, including an Engineering Design Course at UOP in Illinois, USA in 1993.

**Reynaldo V. Velasco, Jr.**, Filipino, born 1965, has served as Vice President for Refinery Plant Operations since February 13, 2020. He was formerly Assistant Vice President – Technical Services Refinery (November 2018 – January 2020), Assistant Vice President – Production B Refinery (January 2018 – October 2018), Officer-in-Charge – Production B Refinery (April 2017 – December 2017), Manager – Technical Services B Refinery (July 2014 – March 2017), Project Manager – Block B RMP 2 Refinery (December 2010 – June 2014), Manager – PBR SPG Technology Operations (November 2009 – November 2010), Area Manager – Operations Process Block 1 (January 2007 – November 2009), Area Manager – Operations Process Block 2 (July 2005 – December 2006), Area Manager – Operations Process Block 1 (July 2003 – June 2005), Process Specialist (January 2002 – June 2003), Senior Process Engineer (April 2000 – December 2001), Shift Supervisor – PBR Operations (November 1998 – March 2000), Operations Engineer – PBR Engineering (September 1993 – October 1998), Process Design Engineer – PBR Engineering (July 1990 – August 1993). He has a Bachelor of Science degree in Chemical Engineering from the University of Sto. Tomas.

**Virgilio V. Centeno**, Filipino, born 1969, has served as Vice President for Industrial Sales since October 1, 2021. Other positions he has held include Vice President for LPG and Strategic Business Development (May 1, 2021 – September 30, 2021), Assistant Vice President – LPG Business Group (September 2019 – April 2021), Assistant Vice President – LPG, Lubes & Greases/Commercial Sales (June 2018 – August 2019), Assistant Vice President – Lubes & Greases/National Sales (September 2016 – May 2018), Lubes & Greases Trade Manager/National Sales (March 2016 – August 2016), Card Sales Manager/Reseller Trade/National Sales (August 2013 – February 2016), Card Sales Manager/LPG, Lubes & Greases, and Cards/National Sales (July 2012 – July 2013), National Accounts Manager/Industrial Trade (June 2009 – June 2012), Fleet Cards Sales Manager/Cards Business Group (August 2006 – June 2009), Business Development Coordinator/Direct Retail/Convenience Retail (November 2005 – July 2006), IMD Account Executive/Industrial Trade (February 2003 – October 2005), Special Projects Engineer/Technical Services (April 2002 – January 2003), Field Technical Services Engineer/Technical Services (February 1993 – March 2002) and Analyst, EDD/Geothermal (February 1992 – January 1993). Mr. Centeno has a BS Mechanical Engineering degree from the Bulacan College of Arts and Trades (*magna cum laude*).

**Mark Tristan D. Caparas**, Filipino, born 1983, has served as Vice President for Petron Malaysia since March 8, 2022. He is the Chief Finance Officer of PMRMB, PFISB and POMSB. He is a Director of SLPHI and PEDC. Other positions he has held include Assistant Vice President and Chief Finance Officer for Petron Malaysia (February 13, 2020 – March 7, 2022), Chief Finance Officer for Petron Malaysia (July 1, 2019 – February 12, 2020), Assistant Controller, Office of the CFO (September 2015 – June 2019), Financial Analysis and Compliance Manager (August 2014 – August 2015), Finance Manager, Philippine Polypropylene Inc./Office of the CFO (July 2010 – July 2014), Financial Analyst (April 2009 – June 2010) and Credit Analyst, Credit/Finance Subsidiaries (February 2006 – March 2009). Mr. Caparas has a Bachelor of Science degree in Business Administration and Accountancy (*magna cum laude*) from the University of the Philippines and has a master's degree in Business Administration from the Ateneo Graduate School of Business and is a licensed CPA.

**Jonathan F. Del Rosario**, Filipino, born 1967, is the Vice President for Operations and Corporate Technical Services Group of the Company appointed on March 6, 2023 effective April 1, 2023. Other positions he has held include Assistant Vice President for Operations and CTSG OIC (April 1, 2022 – March 2023), Assistant Vice President for Metro Manila and Manufacturing District (March 8 – July 31, 2022), Manager – Metro Manila and Manufacturing District (August 2021 – March 7, 2022), Manager – Lube Manufacturing (January 2021 – July 2021), Manager – Special Assignment (November 2020 – December 2020), Manager – Visayas Operations (September 2019 – November 2020), Manager – Batangas Terminal (April 2015 – August 2019), Manager – Limay Terminal (October 2012 – April 2015), Manager – Pandacan Terminal (May 2011 – October 2012), Manager – Limay Terminal (May 2005 – April 2011), Engineer – Luzon Operations (August 2000 – May 2005), Engineer – Luzon Operations/Poro (December 1996 – July 2000) and Engineer – Pandacan Terminal (December 1991 – November 1996). Mr. Del Rosario has a Bachelor of Science degree in Electrical Engineering from the FEATI University.

**Lemuel C. Cuezon**, Filipino, born 1965, has served as Vice President for Marketing since March 6, 2023. Other positions he has held include Assistant Vice President for Marketing Division of the Company (April 4, 2022 – March 2023), Assistant Vice President - Market Planning, Research and Sales Information (February 13, 2020 – April 3, 2022), National Manager – Market Planning, Research and Sales Information (June 2018 – February 12, 2020), Luzon Regional Manager – Reseller Luzon (December 2017 – May 2018), VisMin Regional Manager – Reseller VisMin (July 2014 – November 2017), Metro Area Sales Manager – Reseller South Metro (February 2012 – June 2014), Mindanao Area Sales Manager – Reseller VisMin (June 2008 – January 2012), Marketing Coordinator – Retail Luzon (November 2003 – May 2008), Planning and Economics Coordinator – MPRAD (June 2003 – October 2003), Pricing and Business Coordinator – MPRAD (January 2001 – May 2003), Senior Pricing and Business Analyst – MPRAD (January 1999 – July 2000) and HR Assistant (February 1989 – December 1993). Mr. Cuezon has a Bachelor of Science degree in Industrial Engineering from the University of the Philippines.

**Jhoanna Jasmine M. Javier-Elacio**, Filipino, born 1972, has served as the Assistant Vice President – General Counsel, Corporate Secretary and Compliance Officer of the Company since March 6, 2023. She was the Corporate Secretary and Compliance Officer from March 31, 2022 to March 5, 2023, Assistant Corporate Secretary and Alternate Compliance Officer from May 15, 2012 until March 31, 2022. She is also the Corporate Secretary of the majority of the domestic subsidiaries of the Company. Atty. Javier-Elacio was also the Legal Manager of Petron Corporation and the Assistant Corporate Secretary of Petron Foundation, Inc. and a number of the domestic subsidiaries of the Company (May 15, 2012 – March 31, 2022). She previously held the positions of Associate General Counsel of San Miguel Yamamura Packaging Corporation (January 2010-February 2012), Manager for Corporate Restructuring and Reorganization of San Miguel Corporation (December 2007-December 2009) and legal counsel of San Miguel Corporation (October 2005-November 2007). She has also acted as Corporate Secretary and Assistant Corporate Secretary of various subsidiaries of San Miguel Corporation. She was a former associate at the law firm SyCip Salazar Hernandez & Gatmaitan. Atty. Javier-Elacio holds a Bachelor of Arts degree in English (*cum laude*) and a Bachelor of Laws degree from the University of the Philippines, and a master's degree in law from the Kyushu University in Fukuoka, Japan.

## **Identify Significant Employees**

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

## **Family Relationship 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 or 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 Information Statement.

## **Certain Relationships and Related Transactions**

The major stockholders of the Company holding at least 5% of its common shares, with their respective stockholdings as of March 31, 2023, are as follows:

SEA Refinery Corporation – 50.10%  
PCD Nominee Corporation (Filipino) – 19.95%  
San Miguel Corporation – 18.16%

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

The Company has no transactions or proposed transactions with any of its directors or officers.

## **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 of each board committee were appointed at the last organizational meeting held on May 17, 2022.

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) 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 former Chief Justice Artemio V. Panganiban, with independent directors Mr. Margarito B. Teves and Mr. Ricardo C. Marquez, 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. Ricardo C. Marquez, 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 Ricardo C. Marquez, with independent director Mr. Margarito B. Teves, and Ms. Aurora T. Calderon as members.

### ***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.

### **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 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 2023 are Ramon S. Ang (President and Chief Executive Officer), Lubin B. Nepomuceno (General Manager), Emmanuel E. Eraña (Senior Vice President and Chief Finance Officer), Freddie P. Yumang (Senior Vice President – Chief Risk Officer), and Susan Y. Yu (Vice President, Procurement).  For 2022, Ramon S. Ang (President and Chief Executive Officer) is joined by Lubin B. Nepomuceno (General Manager), Emmanuel E. Eraña (Senior Vice President and Chief Finance Officer), Rowena O. Cortez (Vice President, Supply), and Susan Y. Yu (Vice President, Procurement).  For 2021, Ramon S. Ang (President and Chief Executive Officer) is joined by Lubin B. Nepomuceno (General Manager), Emmanuel E. Eraña (Senior Vice President and Chief Finance	2023 (estimated)	₱123.44 Million	₱31.15 Million	₱1.93 Million	₱156.52 Million
	2022	₱114.12 Million	₱62.01 Million	₱2.45 Million	₱178.58 Million
	2021	₱108.33 Million	₱22.57 Million	₱2.97 Million	₱133.87 Million



NAME	YEAR	SALARY (Including Fee and Per Diem Allowance of Directors)	BONUS	OTHERS	TOTAL
Officer), Archie B. Gupalor (Vice President, Retail Sales) and Susan Y. Yu (Vice President, Procurement).					
All other officers and directors as a group unnamed	2023 (estimated)	₱98.33 Million	₱23.79 Million	₱4.86 Million	₱126.98 Million
	2022	₱72.67 Million	₱36.17 Million	₱3.50 Million	₱112.34 Million
	2021	₱86.52 Million	₱16.91 Million	₱4.28 Million	₱107.71 Million
All Directors as a Group	2023 (estimated)	₱17.25 Million	-	-	₱17.25 Million
	2022	₱15.46 Million	-	-	₱15.46 Million
	2021	₱14.69 Million	-	-	₱14.69 Million

The Company provides each non-executive directors with reasonable per diem of ₱75,000 and ₱50,000 for each board and board committee meeting attended, respectively, in addition to monthly fees and monthly fuel allowances. In 2022, the Company paid the following fees to these directors (in pesos):

Directors	Per Diem for Board and Board Committee Meetings	Directors' Fees	Total
Estelito P. Mendoza	₱625,000.00	₱441,000.00	₱1,066,000.00
Jose P. de Jesus	₱525,000.00	₱320,000.00	₱845,000.00
Ron W. Haddock	₱525,000.00	₱608,000.00	₱1,133,000.00
Mirzan Mahathir	₱525,000.00	₱608,000.00	₱1,133,000.00
Aurora T. Calderon	₱775,000.00	₱608,000.00	₱1,383,000.00
Ret. Justice Francis H. Jardeleza	₱525,000.00	₱608,000.00	₱1,133,000.00
Virgilio S. Jacinto	₱575,000.00	₱608,000.00	₱1,183,000.00
Nelly Favis-Villafuente	₱525,000.00	₱608,000.00	₱1,133,000.00
Horacio C. Ramos	₱525,000.00	₱608,000.00	₱1,133,000.00
John Paul L. Ang	₱525,000.00	₱608,000.00	₱1,133,000.00
Ret. Chief Justice Artemio V. Panganiban	₱825,000.00	₱608,000.00	₱1,433,000.00
Margarito B. Teves	₱825,000.00	₱608,000.00	₱1,433,000.00

Carlos Jericho L. Petilla (served as independent director until May 16, 2022)	₱250,000.00	₱246,000.00	₱496,000.00
Ricardo C. Marquez (served as independent director starting May 16, 2022)	₱400,000.00	₱414,000.00	₱814,000.00
<b>TOTAL</b>	<b>₱7,950,000.00</b>	<b>₱7,505,000.00</b>	<b>₱15,455,000.00</b>

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 2022 were reviewed and favorably endorsed by the Corporate Governance Committee and approved by the Board of Directors on March 8, 2022. The matter was ratified by the stockholders at the Annual Stockholders' Meeting held on May 17, 2022.

## CERTAIN RELATIONSHIPS AND RELATED 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 29 to the Company's audited consolidated financial statements as of and for the period ended December 31, 2022, 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:

In million pesos	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	<b>2022</b>	<b>P58</b>	P-	<b>P894</b>	P-	On demand; interest bearing	Unsecured; no impairment	
		2021	78	-	1,138	-			
		2020	93	-	1,543	-			
	a	<b>2022</b>	-	-	-	-	On demand; Non-interest bearing	Unsecured; no impairment	
		2021	-	-	-	-			
		2020	-	-	19	-			
Intermediate Parent	b, e, f, h, i	<b>2022</b>	<b>20</b>	<b>207</b>	<b>16</b>	<b>453</b>	On demand; non-interest bearing	Unsecured; no impairment	
		2021	18	167	17	333			
		2020	7	174	11	251			
Under Common Control	b, c, d, h, i, j, k, l, m	<b>2022</b>	<b>16,473</b>	<b>4,625</b>	<b>6,278</b>	<b>2,178</b>	On demand; non-interest bearing	Unsecured; no impairment	
		2021	7,705	4,095	2,584	2,307			
		2020	4,443	4,445	1,097	1,918			
	m	<b>2022</b>	-	<b>35</b>	-	<b>3,345</b>	On demand; interest bearing	Unsecured; no impairment	
		2021	-	-	-	-			
		2020	-	-	-	-			
Associate	b, h, l, k	<b>2022</b>	<b>200</b>	<b>100</b>	<b>90</b>	<b>56</b>	On demand; non-interest bearing	Unsecured; no impairment	
		2021	-	159	283	101			
		2020	-	-	-	-			
Joint Ventures	c, g, h	<b>2022</b>	-	-	<b>2</b>	-	On demand; non-interest bearing	Unsecured; no impairment	
		2021	-	-	2	-			
		2020	-	-	4	-			
Associates and Joint Ventures under Common Control	b, h, n	2022	365	-	71	19	On demand; non-interest bearing	Unsecured; no impairment	
		2021	206	-	45	3			
		2020	321	-	60	5			
	n	2022	-	101	-	2,865	Short-term; interest bearing	Unsecured; no impairment	
		2021	-	64	-	2,000			
		2020	-	137	-	3,183			
			<b>2022</b>	<b>P17,116</b>	<b>P5,068</b>	<b>P7,351</b>	<b>P8,916</b>		
			2021	P8,007	P4,485	P4,069	P4,744		
			2020	P4,864	P4,756	P2,734	P5,357		

- a. As of December 31, 2022 and 2021, 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 various lease agreements with San Miguel Properties, Inc. for office space covering 6,747 square meters and certain parcel of lands where service stations are located.
- e. The Parent Company has existing lease agreements with SMC covering certain parcel of lands where service stations are located.
- f. The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.
- g. TBSB, an operator of LPG bottling plant, provides bottling services to PFISB and another venturer.
- h. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.
- i. Amounts owed to related parties consist of trade and non-trade payables.
- j. In 2015, NVRC leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.
- k. On February 4, 2021, Petrogen became an associate of the Parent Company as a result of loss of control following the decrease in ownership interest from 100% to 25.06% with SMC's subscription to 1,494,973 shares in Petrogen.
- l. On February 22, 2021, the Asset Purchase Agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. for the acquisition of the Treats convenience store business by the Group was executed, for an aggregate purchase price of P68.
- m. Amounts owed to entities under common control include interest-bearing advances from San Miguel Insurance Company Ltd.
- n. Amounts owed to associate of entities under common control include interest-bearing short-term loans payable to Bank of Commerce.

### **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 ₱4,864 million, ₱8,007 million, and ₱17,116 million for the years ended December 31, 2020, 2021 and 2022, 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 December 2022, 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 2020, 2021 and 2022 amounted to approximately ₱198 million, ₱172 million, and ₱172 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 ₱78,357 million, ₱149,751 million, and ₱295,863 million for the years ended December 31, 2020, 2021 and 2022, respectively.

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

**Ownership and Capitalization**

As of March 31, 2023, the Company had the following outstanding capital stock:

<b>Title of Each Class</b>	<b>Number of Shares of Common and Preferred Stock Outstanding</b>	
Common Shares	9,375,104,497	
SUB-TOTAL (Common Shares)		<u>9,375,104,497</u>
Series 3A Preferred Shares	13,403,000	
Series 3B Preferred Shares	6,597,000	
SUB-TOTAL (Preferred Shares)		<u>20,000,000</u>
<b>TOTAL Outstanding Shares</b>		<b>9,395,104,497</b>

As of March 20, 2023, a total of 202,682,234 common shares, 54,905 Series 3A Preferred Shares, and 46,355 Series 3B Preferred Shares equivalent to 2.16% of the Company's total issued and outstanding capital stock, are owned by foreigners while the remaining 97.84% of the Company's total issued and outstanding capital stock are owned by Filipinos.

**Security Ownership of Certain Beneficial Owners**

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent to Total Outstanding Capital Stock</b>
Common	San Miguel Corporation	San Miguel Corporation	Filipino	1,702,870,560	18.16%
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	50.10%
Common	PCD Nominee Corporation (Filipino / Non-Filipino) Makati City	Various individuals/ Entities	Filipino / Non-Filipino	2,067,826,604	19.95%
Series 3A Preferred Shares				13,394,100	
Series 3B Preferred Shares				6,568,700	

Other than the abovementioned, the Company has no knowledge of any person who, as of March 31, 2023, was directly or indirectly the beneficial owner of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to, shares comprising more than five percent (5%) of the Company's outstanding common shares of stock.

**List of Top 20 Stockholders**

As of March 31, 2023, the Company had 9,375,104,497 common shares and 20,000,000 preferred shares issued and outstanding.

The table below sets forth the Company's top 20 holders of common shares as of February 28, 2023:

	<b>Stockholder Name</b>	<b>No. of shares</b>	<b>% to Total</b>
1	SEA Refinery Corporation	4,696,885,564	50.10
2	PCD Nominee Corp. (Filipino)	1,870,633,532	19.95
3	San Miguel Corporation	1,702,870,560	18.16
4	Petron Corporation Employees Retirement Plan	459,156,097	4.89
5	PCD Nominee Corp. (Non-Filipino)	197,193,072	2.10
6	F. Yap Securities Inc.	15,704,918	0.17
7	Ernesto Chua Chiacco &/or Margaret Sy Chua Chiacco	6,000,000	0.06
8	Sysmart Corp.	4,000,000	0.04
9	Margaret S. Chuachiacco	3,900,000	0.04
10	Mary Felicci B. Ongchuan	2,950,100	0.03
11	Genevieve S. Chuachiacco	2,735,000	0.03
12	Ernesson S. Chuachiacco	2,732,000	0.03
13	Q-Tech Alliance Holdings, Inc.	2,648,500	0.03
14	Genevieve S. Chua Chiacco	2,490,000	0.03
15	Benedict Chua Chiacco	2,365,000	0.03
16	Anthony Chua Chiacco	2,008,000	0.02
17	Shahrad Rahmanifard	2,000,000	0.02
18	Manuel Awiten Dy	2,000,000	0.02
19	Kristine Chua Chiacco	1,956,000	0.02
20	Ching Hai Go &/or Martina Go	1,500,000	0.02

As of March 31, 2023, the Issuer had 144,306 shareholders of its common shares.

The table below sets forth the Company's top 20 holders of the preferred shares as of March 31, 2023:

### Series 3A Preferred Shares

	<b>Stockholder Name</b>	<b>No. of shares</b>	<b>% to Total</b>
1	PCD Nominee Corporation (Filipino)	13,339,195	99.52
2	PCD Nominee Corporation (Non-Filipino)	54,905	0.41
3	Felix Belen Chavez or Aida Tang Lee Say Chavez or Irene Tang Lee Say Chavez	3,500	0.03
4	Mila Leonina Diaz Justiniano	2,000	0.01
5	Luz dela Cruz Canlapan	1,500	0.01
6	Carolina N. Dionisio	1,000	0.007
7	Ana Uy Gan or Albert David Uy Gan, Edwin Ferdinand Uy Gan or Philip Benjamin Uy Gan	500	0.004
8	Alma Florence A. Logronio	300	0.002
9	NSJS Realty & Development Corporation	50	0.0004
10	Enrico dela Llana Yusingco	50	0.0004

### Series 3B Preferred Shares

	<b>Stockholder Name</b>	<b>No. of shares</b>	<b>% to Total</b>
1	PCD Nominee Corporation (Filipino)	6,522,345	98.87
2	PCD Nominee Corporation (Non-Filipino)	46,355	0.70
3	Can Asia Inc Retirement Plan	5,000	0.08
4	SMHC Multi-Employer Retirement Plan	5,000	0.08
5	Distileria Bago Incorporated 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	Felix Bellen Chavez or Aida Tang Lee Say Chavez or Irene Tang Lee Say Chavez	1,000	0.02

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	Ma. Teresa L. Yusingco	500	0.008
17	Angelo De Guzman Macabuhay or Maritess Sigua Macabuhay	400	0.006
18	Michelle Marie Y. San Juan	100	0.002
19	Jose Manuel R. San Juan	100	0.002
20	Henry P. Yusingco IV	100	0.002

## Security Ownership of Directors and Officers

### Directors

The security ownership of directors as of March 20, 2023 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
<b>Directors</b>					
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500 225,000	D I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Francis H. Jardeleza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Horacio C. Ramos	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	John Paul L. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.



Series 3B Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Ricardo C. Marquez	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.

## Officers

The security ownership of executive officers as of March 20, 2023 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
<b>Executive Officers</b>					
Common	Ramon S. Ang (same as above)	Filipino	-	-	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno (same as above)	Filipino	-	-	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Emmanuel E. Eraña	Filipino	-	-	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Freddie P. Yumang	Filipino	352,600	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Susan Y. Yu	Filipino	791,600	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			12,000	I	N.A.
Common	Albertito S. Sarte	Filipino	765,500	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			5,000	I	N.A.
Common	Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jaime O. Lu	Filipino	14,200	I	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Ma. Rosario Vergel de Dios	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Magnolia Cecilia D. Uy	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Myrna C. Geronimo	Filipino	-	-	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 3A Preferred			-	-	N.A.
Series 3B Preferred			300	I	N.A.
Common	Reynaldo V. Velasco, Jr.	Filipino	5,200	D	N.A.
Series 3A Preferred			17,100	I	N.A.
Series 3B Preferred			-	-	N.A.
Common	Virgilio V. Centeno	Filipino	13,200	D	N.A.
Series 3A Preferred			1,532	I	N.A.
			-	-	N.A.

Series 3B Preferred			300	I	N.A.
Common			2,000	I	N.A.
Series 3A Preferred	Mark Tristan D. Caparas	Filipino	-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common			-	-	N.A.
Series 3A Preferred	Jonathan F. Del Rosario	Filipino	-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common			42,939	D	N.A..
Series 3A Preferred	Lemuel C. Cuezon	Filipino	-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common			-	-	N.A.
Series 3A Preferred	Jhoanna Jasmine M. Javier-Elacio	Filipino	200	I	N.A.
Series 3B Preferred			-	-	N.A.
<b>Directors and Executive Officers as a Group</b>		Common	<b>2,266,982</b>		<b>0.00%</b>
		Series 3A Preferred	<b>700</b>		<b>0.00%</b>
		Series 3B Preferred	<b>20,300</b>		<b>0.00%</b>

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 March 20, 2023 is 2,266,982 common shares, 700 Series 3A Preferred Shares and 20,300 Series 3B Preferred Shares for a total of 2,287,982 or approximately 0.02% of the outstanding capital stock of the Company.

Except as indicated in the above table, the above-named directors and executive officers have no indirect beneficial ownership in the Company.

Except as aforementioned, no other key executive officers of the Company hold, directly or indirectly, shares in 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

As of the date of this Prospectus, the Issuer is not aware of any arrangements that may result in a change in Control of the Company.

#### 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", "PRF3A", and "PRF3B". On June 9, 2023, the closing price of the Company's common shares was ₱3.50 with a market capitalization of ₱32,812,865,739.50.

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

(in ₱)	2023		2022		2021		2020	
	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	3.73	2.37	3.94	3.17	3.98	3.00	4.27	2.04
2nd Quarter	N/A	N/A	3.52	3.01	3.50	2.93	3.39	2.56
3rd Quarter	N/A	N/A	3.11	2.55	3.64	3.03	3.19	3.02
4th Quarter	N/A	N/A	2.58	2.27	4.02	3.11	4.27	2.99

The high and low prices of the PRF3A for each quarter of the last three fiscal years and the first quarter of this year are indicated in the table below:

(in ₱)	2023		2022		2021		2020	
	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	1,030.00	980.00	1,080.00	1,015.00	1,119.00	1,015.00	1,070.00	1,001.00
2nd Quarter	N/A	N/A	1,070.00	1,043.00	1,118.00	1,020.00	1,065.00	993.00
3rd Quarter	N/A	N/A	1,058.00	980.00	1,117.00	1,041.00	1,062.00	1,021.00
4th Quarter	N/A	N/A	1,015.00	941.00	1,195.00	1,000.00	1,072.00	1,010.00

The high and low prices of the PRF3B for each quarter of the last three fiscal years and the first quarter of this year are indicated in the table below:

(in ₱)	2023		2022		2021		2020	
	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	1,048.00	1,008.00	1,140.00	1,050.00	1,140.00	1,080.00	1,080.00	990.00
2nd Quarter	N/A	N/A	1,117.00	1,060.00	1,159.00	1,080.00	1,075.00	1,006.00
3rd Quarter	N/A	N/A	1,070.00	1,021.00	1,169.00	1,101.00	1,100.00	1,065.00
4th Quarter	N/A	N/A	1,047.00	1,000.00	1,189.00	1,070.00	1,119.00	1,075.00

## 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 of and Dividends on the Issuer's Common Equity and Related Stockholder Matters" on page 138 of this Prospectus. Other than the foregoing, the Company does not have a specific dividend policy.

### Dividend Declarations and Payments

The Company declared cash dividends as follows:

#### 2023

On March 6, 2023, the Board of Directors approved a cash dividend of ₱0.10 per share to all common shareholders with a record date of March 20, 2023 and a pay-out date of April 4, 2023.

#### 2022

On November 8, 2022, the Board of Directors approved cash dividends of (i) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2022, with a record date of November 29, 2022 and a pay-out date of December 26, 2022 (with December 25, 2022 falling on a Sunday); (ii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2022, with a record date of November 29, 2022 and a pay-out date of December 26, 2022 (with December 25, 2022 falling on a Sunday); (iii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2023, with a record date of March 2, 2023 and a pay-out date of March 27, 2023 (with March 25, 2023 falling on a Saturday); and (iv) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2023, with a record date of March 27, 2023 (with March 25, 2023 falling on a Saturday).

On August 1, 2022, the Board of Directors approved cash dividends of (i) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2022, with a record date of August 31, 2022 and a pay-out date of September 26, 2022 (with September 25, 2022 falling on a Sunday); and (ii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2022, with a record date of August 31, 2022 and a pay-out date of September 26, 2022 (with September 25, 2022 falling on a Sunday).

## **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).

On August 3, 2021, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2021 with a record date of October 7, 2021 and a pay-out date of November 3, 2021; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2021, with a record date of November 29, 2021 and a pay-out date of December 27, 2021 (December 25, 2021 being a holiday falling on a Saturday); and (iii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2021, with a record date of November 29, 2021 and a pay-out date of December 27, 2021 (December 25, 2021 being a holiday falling on a Saturday).

On November 3, 2021, the Company completed the redemption of all of the Series 2B Preferred Shares it issued in 2014.

On November 9, 2021, the Board of Directors approved cash dividends of (i) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2022, with a record date of March 3, 2022 and a pay-out date of March 25, 2022; (ii) ₱17.8475 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2022, with a record date of March 3, 2022 and a pay-out date of March 25, 2022; (iii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2022, with a record date of June 3, 2022 and a pay-out date of June 27, 2022 (with June 25, 2022 falling on a Saturday); and (iv) ₱17.184575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2022, with a record date of June 3, 2022 and a pay-out date of June 27, 2022 (with June 25, 2022 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.

### **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:

<b>Subsidiary</b>	<b>2022 (in ₱ Millions)</b>	<b>2021 (in ₱ Millions)</b>	<b>2020 (in ₱ Millions)</b>
Petron Freeport Corporation	-	90	100
Petron Oil & Gas (Mauritius) Ltd.	1,149	372	275
Petron Singapore Trading Pte Ltd	1,127	850	811

### **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\$500,000,000.00 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 in 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.

### **Registered Debt Securities**

The following are the registered debt securities of the Company:

<b>Name of Security</b>	<b>Amount</b>	<b>Issue Date</b>	<b>Interest Rate</b>
Series B Bonds Due 2023	Php7.0 billion	27 October 2016	4.5219% p.a.
Series C Bonds Due 2024	Php13.2 billion	19 October 2018	7.8183% p.a.
Series D Bonds Due 2025	Php6.8 billion	19 October 2018	8.0551% p.a.
Series E Due 2025	Php9.0 billion	12 October 2021	3.4408% p.a.
Series F Due 2027	Php9.0 billion	12 October 2021	4.3368% p.a.

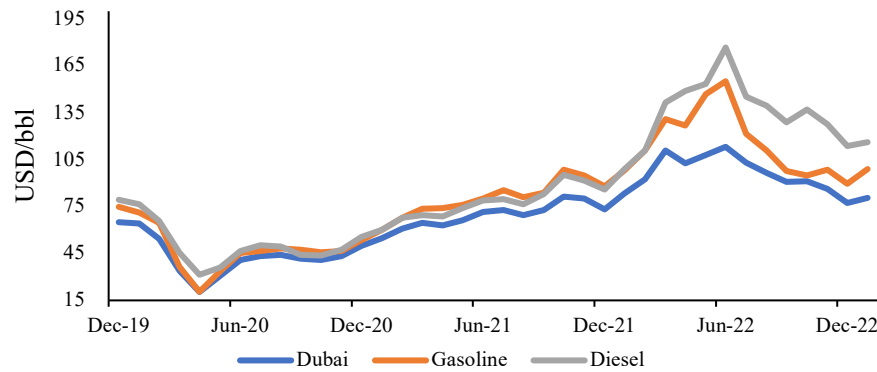
## INDUSTRY OVERVIEW

The information and data contained in this section has been generally taken from publicly available sources, including the International Energy Agency, Malaysia Energy Information Hub, World Bank, and the Philippine Department of Energy, unless indicated otherwise. The Company does not have any knowledge that the information provided herein is inaccurate in any material respect. Neither the Company, the Underwriters nor any of their respective affiliates or advisors has independently verified the information included in this section.

### GLOBAL AND REGIONAL OIL MARKET

The Russia-Ukraine war that broke out in February 2022 significantly disrupted global commodity and financial markets and caused high volatility in oil prices. Dubai reached \$113/bbl in June 2022, the highest level seen since 2013. Petroleum product prices also rallied in 1H 2022, with Gasoline and Diesel cracks peaking at \$64/bbl and \$42/bbl, respectively, in June 2022. The Organization of Petroleum Exporting Countries (“OPEC+”) output has also been lower than its production quotas for most of 2022 as members faced technical and financial difficulties amidst the Russia-Ukraine war, adding pressure to supply. The increase in prices of oil, gas and raw materials led to high inflation and interest rate hikes, threatening global economic activity and oil demand in the second semester of 2022. These economic concerns resulted in a steep drop in oil prices, with Dubai falling to \$77/bbl in December, a drop of more than \$30/bbl from June levels. Gasoline cracks fell to as low as \$4/bbl in October 2022 while Diesel eased but remained elevated at \$37/bbl in December 2022 as supplies remained tight.

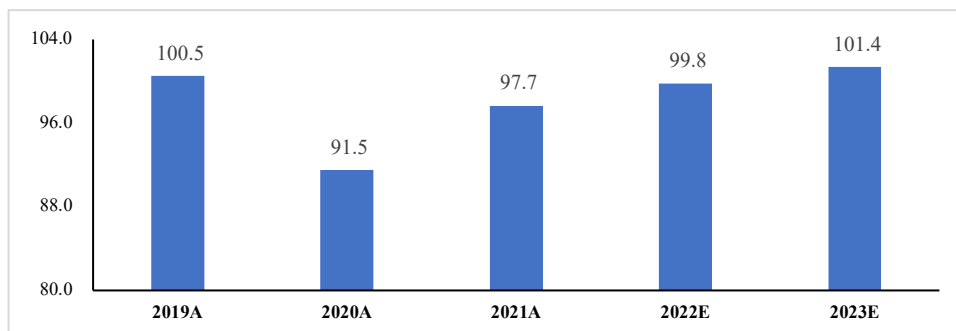
Figure 1: Oil prices



Source: Third-Party Consultant

According to the International Energy Agency (“IEA”), global oil demand showed partial recovery in 2021, growing 6.7% to hit 97.7 million barrels per day (mmbd), after a contraction in 2020 when the COVID-19 limited economic activities, mobility, and demand. In 2022, oil demand further grew by 2.1 mmbd to 99.8 mmbd as more countries reopened given waning pandemic concerns. In 2023, despite the forecasted economic slowdown, global oil demand is expected to further rise by 1.6 mmbd to 101.4 mmbd, with China’s recovery accounting for nearly half the growth. Sustained recovery in travel demand will also support the increase in overall demand.

Figure 2: Global oil demand (2019A to 2023E)



Source: International Energy Agency November 2022 Oil Market Report

IEA estimates global oil demand growth of 2.2% in 2022, with Asia exhibiting a modest growth of 0.1% as growth in other countries such as India (8.0%) and Saudi Arabia (5.4%) was offset by China's 3.9% contraction with its implementation of stringent measures to curb down rising cases of COVID-19 in the country. Meanwhile in 2023, China is expected to rebound with 5.2% growth, driving the 4.8% growth in Asian demand.

Table 1: Global oil demand (2022A to 2023E)

	2020	1Q 21	2Q 21	3Q 21	4Q 21	2021	Gr % vs 2020	1Q 22	2Q 22	3Q 22	4Q 22	2022	Gr % vs 2021	1Q 23	2Q 23	3Q 23	4Q 23	2023	Gr % vs 2022	
<b>Demand (mb/d)</b>																				
Americas	22.45	22.93	24.39	24.79	25.13	24.32	8.3%	24.77	24.98	25.30	25.00	25.01	2.8%	24.73	25.05	25.37	25.17	25.08	0.3%	
Europe	12.41	11.95	12.68	0.00	13.96	13.13	5.8%	13.15	13.43	14.09	13.95	13.66	4.0%	13.36	13.51	14.09	13.87	13.71	0.4%	
Asia Oceania	7.17	7.68	7.00	7.07	7.78	7.38	2.9%	7.85	6.98	7.18	7.77	7.44	0.8%	7.99	7.14	7.39	7.92	7.61	2.3%	
<b>Total OECD</b>	<b>42.03</b>	<b>42.56</b>	<b>44.07</b>	<b>31.86</b>	<b>46.87</b>	<b>44.83</b>	<b>6.7%</b>	<b>45.77</b>	<b>45.39</b>	<b>46.57</b>	<b>46.72</b>	<b>46.11</b>	<b>2.9%</b>	<b>46.08</b>	<b>45.70</b>	<b>46.85</b>	<b>46.96</b>	<b>46.40</b>	<b>0.6%</b>	
Asia Oceania	26.92	28.62	28.67	28.34	29.59	28.81	7.0%	29.52	28.43	28.15	29.23	28.83	0.1%	29.53	30.03	29.94	31.31	30.21	4.8%	
Middle East	8.07	8.16	8.43	8.90	8.43	8.48	5.1%	8.53	9.17	9.51	8.74	8.99	6.0%	8.63	9.23	9.57	8.77	9.05	0.7%	
Americas	5.45	5.74	5.80	6.12	6.09	5.94	9.0%	5.91	6.07	6.14	6.12	6.06	2.0%	5.94	6.11	6.19	6.16	6.10	0.7%	
FSU	4.56	4.63	4.74	4.97	5.05	4.85	6.4%	4.71	4.73	5.10	4.87	4.85	0.0%	4.60	4.61	4.90	4.82	4.73	-2.5%	
Africa	3.77	4.03	3.94	3.90	4.10	3.99	5.8%	4.20	4.12	4.05	4.18	4.14	3.8%	4.13	4.10	4.05	4.20	4.12	-0.5%	
Europe	0.72	0.76	0.76	0.78	0.79	0.77	6.9%	0.78	0.77	0.79	0.81	0.79	2.6%	0.76	0.77	0.79	0.80	0.78	-1.3%	
<b>Total Non-OECD</b>	<b>49.49</b>	<b>51.94</b>	<b>52.34</b>	<b>53.01</b>	<b>54.05</b>	<b>52.84</b>	<b>6.8%</b>	<b>53.65</b>	<b>53.29</b>	<b>53.74</b>	<b>53.95</b>	<b>53.66</b>	<b>1.6%</b>	<b>53.59</b>	<b>54.85</b>	<b>55.44</b>	<b>56.06</b>	<b>54.99</b>	<b>2.5%</b>	
<b>World</b>	<b>91.52</b>	<b>94.50</b>	<b>96.41</b>	<b>84.87</b>	<b>100.92</b>	<b>97.67</b>	<b>6.7%</b>	<b>99.42</b>	<b>98.68</b>	<b>100.31</b>	<b>100.67</b>	<b>99.77</b>	<b>2.2%</b>	<b>99.67</b>	<b>100.55</b>	<b>102.29</b>	<b>103.02</b>	<b>101.39</b>	<b>1.6%</b>	
of which: US	18.19	18.58	20.13	20.30	20.54	19.89	9.3%	20.22	20.27	20.42	20.36	20.32	2.2%	20.06	20.29	20.44	20.42	20.30	-0.1%	
Europe 5*	6.91	6.67	7.06	7.66	7.81	7.31	5.8%	7.39	7.60	7.86	7.80	7.66	4.8%	7.49	7.58	7.84	7.76	7.67	0.1%	
China	14.20	14.88	15.59	15.59	15.64	15.43	8.7%	15.40	14.41	14.79	15.21	14.95	-3.1%	14.98	15.59	15.82	16.52	15.73	5.2%	
Japan	3.36	3.77	3.07	3.17	3.66	3.41	1.5%	3.70	3.03	3.17	3.63	3.38	-0.9%	3.79	3.07	3.28	3.68	3.45	2.1%	
India	4.58	5.04	4.49	4.52	5.02	4.77	4.1%	5.25	5.14	4.93	5.28	5.15	8.0%	5.44	5.31	5.17	5.50	5.35	3.9%	
Russia	3.42	3.50	3.58	3.76	3.76	3.65	6.7%	3.63	3.61	3.96	3.66	3.71	1.6%	3.48	3.47	3.73	3.58	3.56	-4.0%	
Brazil	2.87	2.91	2.92	3.13	3.06	3.01	4.9%	2.95	2.99	3.06	3.09	3.02	0.3%	3.01	3.07	3.12	3.14	3.09	2.3%	
Saudi Arabia	3.45	3.24	3.53	3.76	3.44	3.49	1.2%	3.34	3.83	3.97	3.59	3.68	5.4%	3.36	3.85	4.04	3.60	3.71	0.8%	
Canada	2.17	2.22	2.13	2.35	2.34	2.26	4.1%	2.24	2.21	2.41	2.25	2.27	0.4%	2.29	2.25	2.45	2.36	2.34	3.1%	
Korea	2.45	2.54	2.49	2.59	2.69	2.58	5.3%	2.73	2.49	2.54	2.64	2.60	0.8%	2.76	2.59	2.64	2.73	2.68	3.1%	
Mexico	1.60	1.63	1.66	1.61	1.72	1.65	3.1%	1.76	1.99	1.96	1.87	1.89	14.5%	1.83	1.98	1.95	1.86	1.91	1.1%	
Iran	1.76	1.90	1.81	1.81	1.81	1.83	4.0%	1.91	1.84	1.83	1.82	1.85	1.1%	1.91	1.86	1.84	1.82	1.86	0.5%	
<b>Total</b>	<b>64.96</b>	<b>65.52</b>	<b>58.94</b>	<b>65.21</b>	<b>66.76</b>	<b>64.12</b>	<b>-1.3%</b>	<b>65.87</b>	<b>67.32</b>	<b>69.28</b>	<b>70.22</b>	<b>68.19</b>	<b>6.3%</b>	<b>69.27</b>	<b>69.79</b>	<b>70.83</b>	<b>70.92</b>	<b>70.21</b>	<b>3.0%</b>	
<b>% of World</b>	<b>71.0%</b>	<b>69.3%</b>	<b>61.1%</b>	<b>76.8%</b>	<b>66.2%</b>	<b>65.6%</b>		<b>66.3%</b>	<b>68.2%</b>	<b>69.1%</b>	<b>69.8%</b>	<b>68.3%</b>		<b>69.5%</b>	<b>69.4%</b>	<b>69.2%</b>	<b>68.8%</b>	<b>69.2%</b>		

Source: International Energy Agency November 2022 Oil Market Report

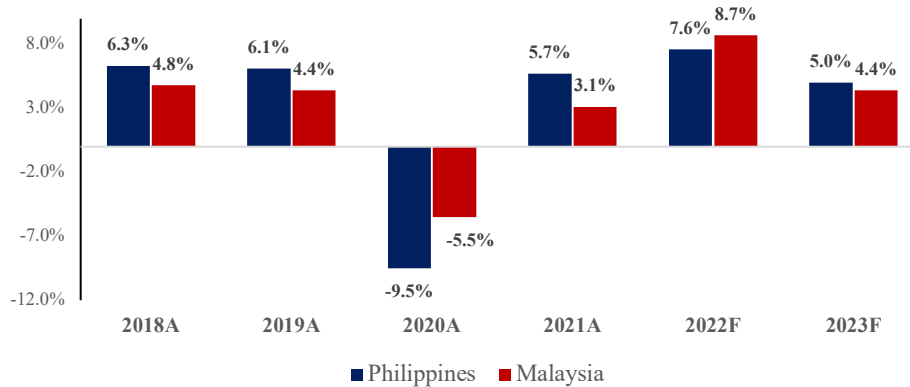


## OVERVIEW OF THE PHILIPPINE AND MALAYSIAN OIL MARKETS

### Real GDP Growth

As the Philippines and Malaysia recover from the COVID-19 pandemic, both economies are exhibiting better domestic environment, wider economic reopening, returning public mobility and more relaxed travel restrictions, resulting in a 2022 real GDP growth rate of 7.6% and 8.7% for Philippines and Malaysia respectively. Growth outlook for 2023 remains positive, albeit threatened by economic headwinds such as high inflation and interest rates. IMF projects real GDP growth rate for Philippines and Malaysia at 5.0% and 4.4% respectively in 2023.

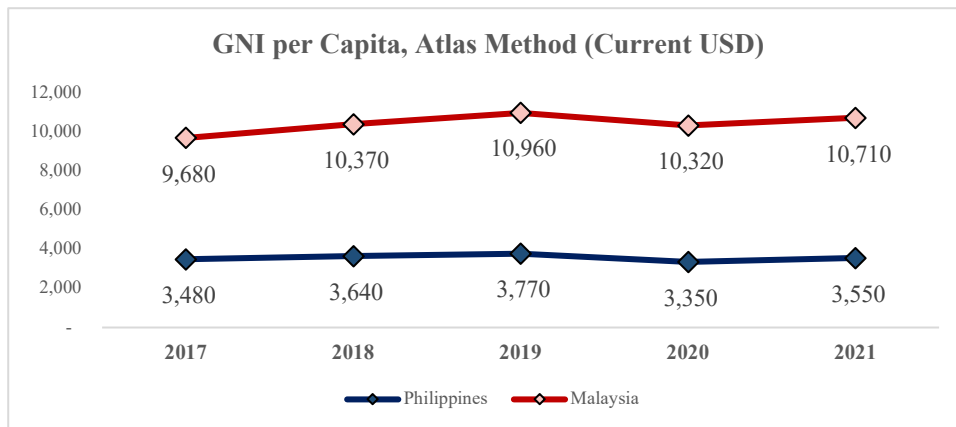
Figure 3: Real GDP Growth (2018A to 2023F)



Source: IMF World Economic Outlook (January 2023)

### Key Drivers of Fuel Demand

Figure 4: GNI per capita



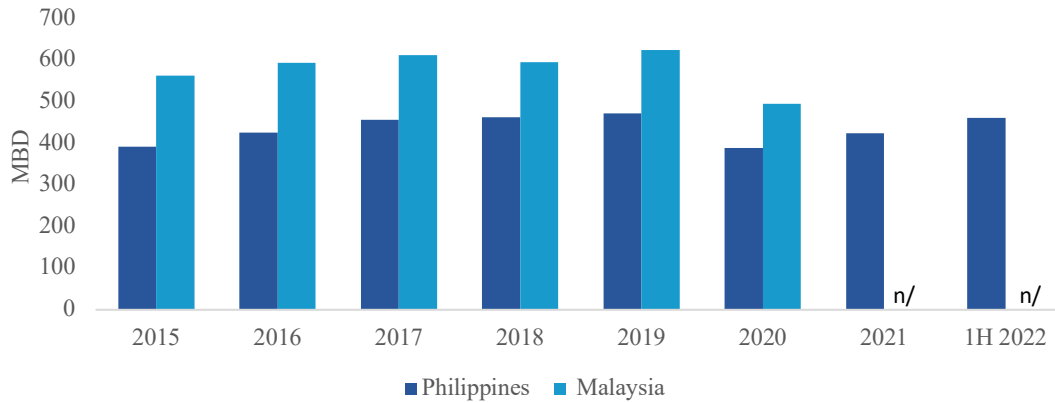
Source: World Bank

The market's demand for oil is mainly driven by the nation's economic activities, population and per capita income growth. Infrastructure developments also support demand as it leads to expansion of economic activities.

On the other hand, government policies promoting clean energy investments may slow down petroleum demand growth in the long term. These policies include increasing renewables in the power sector, incentivizing electric vehicles and increasing vehicle engine efficiencies.

Consumption of Petroleum Products and Import Ratio

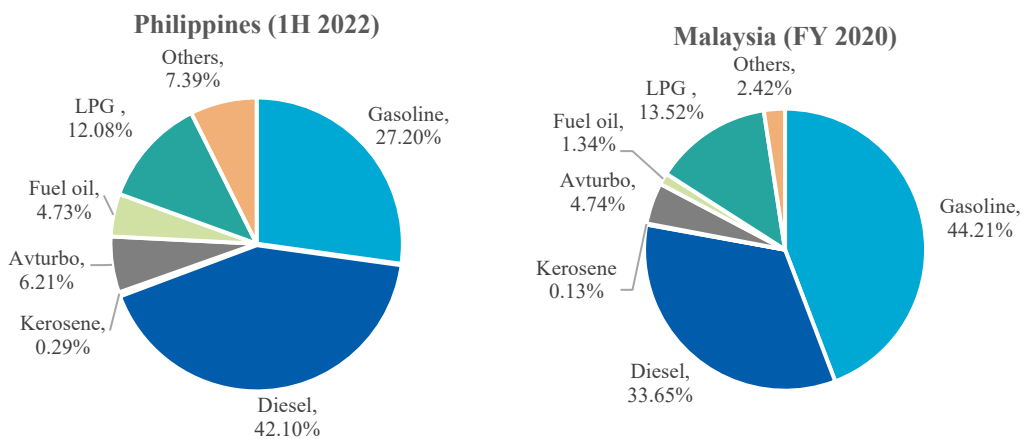
Figure 5: Consumption of Total Petroleum Products



Sources: Philippine Department of Energy, Malaysia Energy Information

From 2015 to 2019, oil consumption in the Philippines and Malaysia have shown steady growth, reflecting a CAGR of 4.7% for the Philippines and 2.6% for Malaysia. Total oil consumption for the Philippines and Malaysia fell by 17.6% and 20.7%, respectively in 2020 as the COVID-19 pandemic resulted in a disruption in demand due to the implementation of travel restrictions. Meanwhile, growth in demand in 2021 was supported by increasing economic activity with less stringent mobility restrictions and reopening of businesses. For the Philippines, total demand for petroleum products increased by about 9.0% as of FY2021 vis-à-vis FY2020. In 2022, demand continued to recover with 1H volumes attaining 98% of pre-pandemic level. The values with respect to Malaysia for 2021 and 2022 are not available.

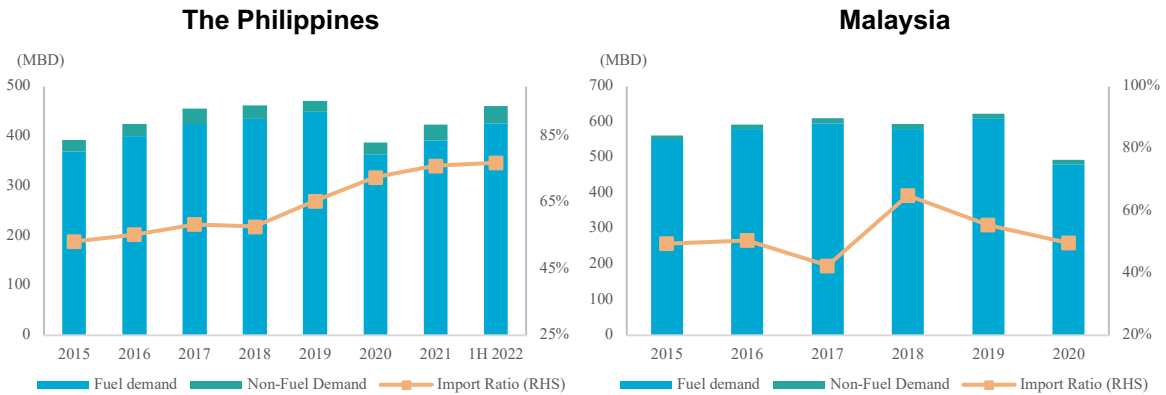
Figure 6: Demand Mix



Sources: Philippine Department of Energy, Malaysia Energy Information (with data up to 2020 only)

Philippine demand is heavy on Diesel, followed by Gasoline and LPG. Meanwhile in Malaysia, gasoline dominates demand, followed by Diesel and LPG.

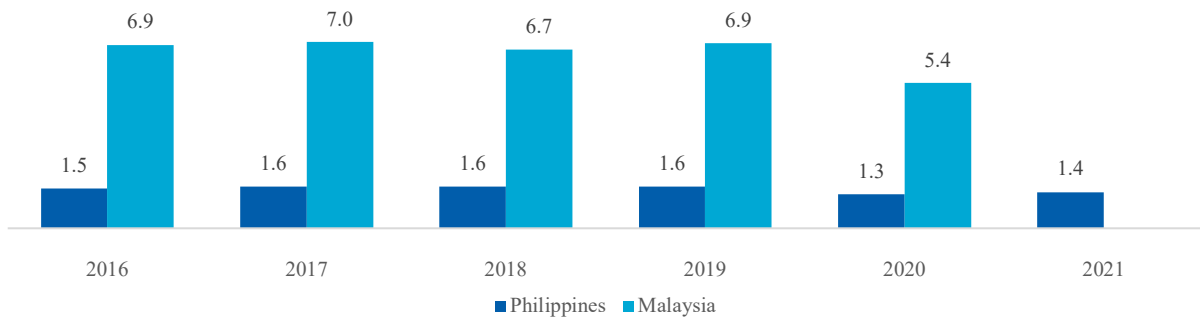
Figure 7: Gross imports as a Percentage of Total Petroleum Products Demand in the Philippines and Malaysia



Sources: Philippine Department of Energy, Malaysia Energy Information (with data up to 2020 only)

The charts above show total demand and imports as a percentage of total demand for the periods indicated. The Philippines and Malaysia are both major importers of finished petroleum products, importing more than 50% of total consumption. In the Philippines, imports increased to more than 70% starting 2020, as the Petron Bataan Refinery became the only refinery operating in the country after Shell permanently closed its refinery in 2021.

Figure 8: Per Capita Fuel Consumption in the Philippines and Malaysia (bbl)



Sources: Philippine Department of Energy, Malaysia Energy Information (with data up to 2020 only), United Nations World Population Prospects 2022

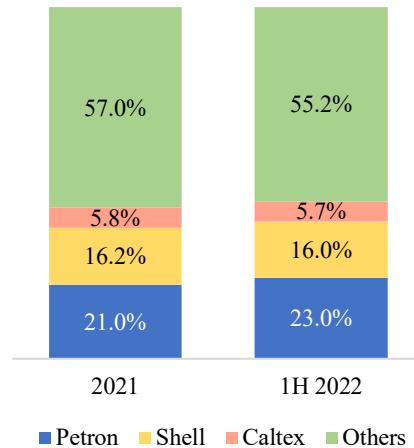
The per capita fuel consumption in the Philippines averaged 1.5 barrels per year in 2016-2020 and declined to 1.4 barrels in 2021, while the per capita fuel consumption in Malaysia averaged 6.9 barrels per year in 2016-2019 and declined to 5.4 barrels in 2020.

## OIL MARKET PLAYERS

**Philippines.** The Company has historically maintained a leading market share of total petroleum products in the Philippines, with an overall market share of about 23.0%<sup>15</sup> as of the first six months of 2022 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the Philippine Department of Energy.

The chart below provides market share data for the Philippine oil industry for the periods indicated.

Figure 9: 2021 and 1H 2022 Philippine Petroleum Product Demand Market Share of Oil Players <sup>15</sup>



## PRODUCT PRICING

**Philippines.** Product pricing in the Philippines has been free market-based since 1998. Amidst the increases in oil prices and consistent with its statutory mandate to protect the public, the DOE has been closely monitoring actual oil price movements, both in the international and domestic markets, to prevent unreasonable adjustments and abuses. Consistent with the regime of deregulation, the Oil Deregulation Law does not prescribe a specific formula and oil companies set prices on a weekly basis considering the movements in the international market. The government imposes excise duties on certain products and VAT of 12% for products sold in the domestic market.

**Malaysia.** Malaysia's downstream segment remains regulated, with the government continuing to exert influence over pricing and margins. The Ministry of Domestic Trade and Consumer Affairs has regulated the pump prices of retail fuels and household LPG in Malaysia through the use of the Automatic Pricing Mechanism since 1983. The mechanism is comprised of fixed elements, such as operating expenses, dealers' commissions, and company profits, in addition to variable costs and does not factor in other ancillary costs like advertising and merchandising. Since February 2021, the government has maintained a price ceiling for RON95 gasoline and diesel sold at service stations to protect consumers from the global oil price increase.

## NON-FUEL RELATED BUSINESS

In tandem with the growing fuel demand, changing retail trends for the non-fuel related business in service stations and networks are set to revolutionize the industry. In both the Philippines and Malaysia, there is an increasing consumer demand for additional services and options in convenience store shopping. As such, oil marketing companies expand and add convenience stores and other services and offerings such as vehicle maintenance, F&B, package pickup and drop-off collaboration. In addition, consumers'

<sup>15</sup> Market share is calculated based on Company information and industry data from the Philippine Department of Energy, excluding direct imports by end-users

preferences for faster, contact-free purchase experiences provide room for innovations, including self-service kiosks, electronic labeling and drive-thru purchasing.

## OTHER DEVELOPMENTS

### The Philippines

**Fuel marking.** The Philippine government implemented a fuel marking program, where oil products are injected with a chemical marker indicating payment of correct tax and duties as a form of regulation. The government claims that the fuel marking program increased tax revenues and curbed oil smuggling.

**Taxation.** The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act) or Republic Act No. 11534 was enacted into law last March 26, 2021. Key provisions of the CREATE Act include 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 not exceeding ₱5 million and total assets excluding land not exceeding ₱100 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% directly-owned by a domestic corporation. In addition, local petroleum refineries are exempted from paying taxes and duties upon crude importation, but will instead be subject to applicable taxes and duties on finished petroleum products upon lifting of refined petroleum products from the refinery. This provision levels the playing field with the importers of finished products who are taxed only upon lifting from terminals.

**LPG Law.** The LPG Industry Regulation Act, which aims to ensure consumer protection against malpractices and define the best conduct and practices in the industry, was implemented last October 2021. The law is expected to benefit millions of Filipino households through the removal and replacement of unsafe cylinders with new and non-defective ones, which will significantly prevent LPG-related explosions and fires. The new law also defines LPG cylinder ownership by the trademark permanently marked in the cylinder, and institutionalizes the “LPG Cylinder Exchange, Swapping and Improvement Program” where, for a period of three years, good generic cylinders without trademarks can be converted and permanently marked by the company which is in possession of the cylinders.

**EV Law.** Republic Act No. 11697, or an Act Providing for the Development of the Electric Vehicle Industry (EVIDA Law) became effective in April 2022. The law outlines the regulatory framework and creates a comprehensive roadmap for the development of the Electric Vehicle (EV) industry and the operation of EVs in the Philippines.

### Malaysia

**Euro 5 for Diesel in Malaysia.** The Malaysian government implemented a Euro 5 emission standard for Diesel (10ppm sulfur) effective October 2021. To comply with this requirement, the Company invested and completed the construction of its diesel hydrotreater process unit in the Port Dickson Refinery in 2021.

**B20 Biodiesel program for the transport sector.** A B20 mandate increasing the palm oil methyl ester content in Diesel in the transport sector from 10% to 20% was proposed and first rolled out by the Malaysian government in January 2020. However, implementation was delayed as the country suffered from the COVID-19 pandemic. Currently, there is no information on a new implementation date for the B20 program.

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

### **Overview**

Petron Corporation is the only integrated oil refining and marketing company in the Philippines and is a leading player in the Malaysian market. The Company has a combined refining capacity of 268,000 barrels per day (“bpd”). The Company refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia.

Petron operates the Philippines’ largest and most modern refinery in Bataan, the Limay Refinery, which supplies approximately 30% of the country’s total fuel requirements and has a production capacity of 180,000 bpd. The Company had a retail market share of 33.5%<sup>16</sup> of the Philippine oil market as of June 30, 2022.

The Petron Bataan Refinery processes crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical products such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan (“RMP-2”), a US\$2 billion project for the Petron Bataan Refinery, enabled the Company to convert black products into more valuable White Products,<sup>17</sup> and to increase the Company’s production of petrochemicals. The project also made the Company the first and only oil company in the Philippines capable of locally producing Euro IV-standard fuels.

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, 7 in the Visayas and 8 in Mindanao, as well as 4 airport installations in Luzon, 5 airport installations in Visayas and 3 airport installations in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers.

Through its network of around 1,900 retail service stations in the Philippines as of December 31, 2022, representing approximately 19% of the country’s total service station count, the Company sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 42% of service stations are CODOs and 58% are DODOs.<sup>18</sup> As of December 31, 2022, the Company’s LPG distribution network includes more than 1,500 branch stores and around 1,900 service stations where the Company sells its LPG brands Petron Gasul and Fiesta Gas to households and other consumers. Meanwhile, the Company’s Lubes distribution network includes 47 car care centers, and around 840 service stations selling lubes.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of December 31, 2022, the extent of the Company’s programs includes about 560,000 Petron Fleet Cards, more than 8.7 million Petron Value Cards (including Petron Super Driver Cards), and approximately 3 million Petron Miles Privilege Cards (“PMILES”) cardholder/member accounts in Malaysia.

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

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<sup>16</sup> Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for 1H2022. Company estimates exclude direct imports of jet fuel by airlines, direct imports of naphtha as feedstock for petrochemical plants, direct imports of condensate as fuel for natural gas power plants, and lubes and greases.

<sup>17</sup> White Products refer to diesel, gasoline, jet fuel, kerosene and LPG.

<sup>18</sup> CODO represents company-owned-dealer-operated service stations and DODO represents dealer-owned-dealer-operated service stations.

agreement with Innospec, Limited (“Innospec”), a global fuel additives supplier. Regional customers of Innospec and the Company’s own requirements are served from the output of the Subic Plant.

The Company diversified into petrochemicals and in 2000 added a mixed xylene recovery unit to the Petron Bataan Refinery and a propylene recovery unit in 2008. Its benzene-toluene extraction unit became operational in May 2009. On July 1, 2014, the Company acquired and took over from Philippine Polypropylene Inc. (“PPI”), an indirect subsidiary of the Company, the operations of the polypropylene plant in order to enhance the overall efficiency of its petrochemical operations. The polypropylene plant is located in Mariveles, Bataan and is owned by Robinson International Holdings Limited (“RIHL”), an indirect subsidiary of the Company, which has the capacity to produce 160,000 metric tons of polypropylene resin annually. The Company invested in the expansion of its polypropylene plant to capitalize on petrochemical margins. The expansion at the polypropylene plant, which will increase its production capacity from 160,000 MT to 225,000 MT annually, is expected to be completed in 2023.

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil’s downstream oil business in Malaysia. As of December 31, 2022, 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. The Company also covers the industrial segment in Malaysia, selling diesel and gasoline to unbranded mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. The Company owns and operates the Port Dickson Refinery in Malaysia, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue (“LSWR”). As of December 31, 2022, the Company had 10 product terminals, a palm oil methyl ester (“PME”) plant, a network of more than 750 retail service stations, and about 300 Treats convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

The Company’s products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical products, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company’s revenues from these export sales amounted to ₱40,343 million or 5% of total sales, as of December 31, 2022.

In 2020, 2021 and 2022, the Company’s sales were ₱286,033 million, ₱438,057 million and ₱857,638 million, respectively, and net income (loss) was ₱(11,413) million, ₱6,136 million and ₱6,697 million, respectively.

### **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 2022, crude oil accounted for approximately 39% of the Company’s total cost of goods sold. Because of the commodity nature of oil products, competition in the Philippine and international markets for refined petroleum products is based primarily on price, as adjusted to account for differences in product specifications and transportation and distribution costs. Therefore, the prices of the Company’s principal products are highly dependent on international crude oil prices.

The Company is exposed to fluctuations in the price of crude oil, which is subject to volatile price movement caused by a number of factors beyond the Company's control, including changes in global supply and demand for crude oil, international economic conditions, global conflicts or acts of terrorism, weather conditions and domestic and foreign governmental regulation. The Company holds crude oil and finished petroleum products inventory of approximately two months in the Philippines and approximately one month 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. In 2013, the Company also started implementing measures to shorten the pricing cycle gap between its crude oil purchases and finished petroleum product sales. However, volatile crude oil prices could still adversely affect the Company, as the Company may not be able to pass on the effects of crude oil price changes to consumers in a timely manner.

## **Results of Operations**

### **Year ended December 31, 2022 compared to year ended December 31, 2021**

	Years ended		Horizontal Analysis	
	December 31		Favorable (Unfavorable)	
	2022	2021	Amount	%
	(in Millions)			
Sales	857,638	438,057	419,581	96%
Cost of Goods Sold	(823,788)	(407,558)	(416,230)	(102%)
Gross Profit	33,850	30,499	3,351	11%
Selling and Administrative Expenses	(16,175)	(14,557)	(1,618)	(11%)
Other Operating Income	1,538	1,273	265	21%
Interest Expense and Other Financing Charges	(13,094)	(10,008)	(3,086)	(31%)
Interest Income	898	564	334	59%
Share in Net Earnings of an Associate	63	8	55	high
Other Income (Expense) - net	1,021	(482)	1,503	high
Income before Income Tax	8,101	7,297	804	11%
Income Tax Expense	(1,404)	(1,161)	(243)	(21%)
Net Income	6,697	6,136	561	9%

### **Sales**

Sales escalated to ₱ 857.64 billion from ₱ 438.06 billion in previous year driven by the 37% increase in sales volume and record high prices that prevailed in 2022.

### **Cost of Goods Sold**



Cost of Goods Sold (CGS) more than doubled to ₱ 823.79 billion from ₱ 407.56 billion in the previous year brought about by the spike in the price of benchmark Dubai crude oil averaging US\$96/barrel in 2022 versus US\$69/barrel in 2021.

### ***Gross Profit***

Gross profit improved by 11% from ₱ 30.50 billion to ₱ 33.85 billion largely attributed to volume growth and sustained strength in product cracks but tempered by higher crude and finished product importations costs.

### ***Selling and Administrative Expenses***

Selling and Administrative Expenses (OPEX) increased to ₱ 16.18 billion, 11% or ₱ 1.62 billion more than the previous year traced to higher maintenance and repairs related to service stations, terminals and information technology, outsourced services, advertising expenses and employee costs.

### ***Other Operating Income***

Other Operating Income was at ₱ 1.54 billion, higher by 21% compared to last year's ₱ 1.27 billion due to higher rental income.

### ***Interest Expense and Other Financing Charges***

Interest Expense and Other Financing Charges was up by 31% at ₱ 13.09 billion from ₱ 10.01 billion in 2021 due to higher borrowing levels due to the increase in working capital as well as higher average interest rates.

### ***Interest Income***

Interest Income increased by 59% to ₱ 898 million from ₱ 564 million on account of higher average placements and interest rates versus previous year.

### ***Share in Net Earnings of an Associate***

Share in Net Earnings of an Associate was at ₱ 63 million versus ₱ 8 million from previous year, representing the Company's share in net income of Petrogen Insurance Corporation.

### ***Other Income (Expense) – net***

Other Income – net amounted to ₱ 1.02 billion in 2022 as against ₱ 482 million Other Expense – net in 2021 mainly from unrealized gains from mark-to-market valuation of commodity hedges.

### ***Income Tax Expense***

Income tax expense was at ₱ 1.40 billion, 21% higher than last year's ₱ 1.16 billion on account of higher pre-tax income, expired Minimum Corporate Income Tax (MCIT) and Net Operating Loss Carryover (NOLCO).

## Year ended December 31, 2021 compared to year ended December 31, 2020

	Year ended		Horizontal Analysis	
	December 31		Favorable (Unfavorable)	
	2021	2020	Amount	%
	(in Millions)			
Sales	438,057	286,033	152,024	53%
Cost of Goods Sold	(407,558)	(277,320)	(130,238)	(47%)
Gross Profit (Loss)	30,499	8,713	21,786	high
Selling and Administrative Expenses	(14,557)	(14,389)	(168)	(1%)
Other Operating Income	1,273	1,047	226	22%
Interest Expense and Other Financing				
Charges	(10,008)	(11,313)	1,305	12%
Interest Income	564	780	(216)	(28%)
Share in Net Earnings of an Associate	8	-	8	high
Other Expense - net	(482)	(1,049)	567	54%
Income before Income Tax	7,297	(16,211)	23,508	high
Income Tax Benefit (Expense)	(1,161)	4,798	(5,959)	(high)
Net Income (Loss)	6,136	(11,413)	17,549	high

### Sales

Sales more than doubled to P 438.06 billion from P286.03 billion in prior year traced to the steady rise in regional reference MOPS prices during the year.

### Cost of Goods Sold

Cost of Goods Sold (CGS) likewise surged by 47% to P 407.56 billion from P 277.32 billion mainly due to higher cost per liter. Benchmark crude Dubai breached the \$80/bbl-mark in the 4<sup>th</sup> quarter and averaged US\$69/bbl for the year, up by 64% from US\$42/bbl average in 2020.

### Gross Profit

Gross profit climbed up to P 30.50 billion traced to the absence of inventory losses and improved refining cracks.

### Selling and Administrative Expenses

Selling and Administrative Expenses at P 14.56 billion was the same level as previous year. Savings on terminalling and storage expenses, outsourced services and increase in rent income were offset by higher maintenance and repairs related to service stations, depot and information technology as well as higher LPG cylinder purchases.

### Other Operating Income

Other Operating Income rose by 22% to P 1.27 billion owing to higher rental income.

### Interest Expense and Other Financing Charges

Interest Expense and Other Financing Charges declined by 12% to P 10.01 billion largely due to reduced borrowing level and interest rates.

### **Interest Income**

Interest Income dropped to ₱ 564 million from 780 million the previous year traced to lower average placements and interest rates.

### **Share in Net Earnings of an Associate**

Share in Net Earnings of an Associate amounted to ₱ 8 million representing share in earnings of Petrogen Insurance Corporation (PIC) which became an associate of the Parent Company starting February 4, 2021. Prior to the said date, PIC was a wholly owned subsidiary of the Parent Company.

### **Other Expense – net**

Other Expense – net declined by 54% to ₱ 482 million traced mainly to lower unrealized losses on commodity hedges versus 2020.

### **Income Tax Benefit (Expense)**

Income tax expense amounted to ₱ 1.16 billion in contrast to last year's ₱ 4.80 billion tax benefit from huge loss before tax.

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

	Years ended		Horizontal Analysis	
	December 31	December 31	Favorable (Unfavorable)	
	2020	2019	Amount	%
	(in Millions)			
Sales	286,033	514,362	(228,329)	(44%)
Cost of Sales	(277,320)	(483,855)	206,535	43%
Gross Profit	8,713	30,507	(21,794)	(71%)
Selling and Administrative Expenses	(14,389)	(15,815)	1,426	9%
Other Operating Income	1,047	1,507	(460)	(31%)
Interest Expense and Other Financing				
Charges	(11,313)	(13,490)	2,177	16%
Interest Income	780	1,340	(560)	(42%)
Other Expense - net	(1,049)	(312)	(737)	(high)
Income before Income Tax	(16,211)	3,737	(19,948)	(high)
Income Tax Benefit (Expense)	4,798	(1,434)	6,232	high
Net Income (Loss)	(11,413)	2,303	(13,716)	(high)

### **Sales**

Sales dropped by 44% to ₱ 286.03 billion from ₱ 514.36 billion in 2019 due to reduced volume and lower average selling price, compounded by the impact of P= 2.18 appreciation of the peso against the US dollar, partly offset by incremental excise taxes with the implementation of the last tranche of the TRAIN law.

### **Cost of Goods Sold**

Cost of Goods Sold declined to ₱ 277.32 billion from PY's ₱ 483.86 billion traced to lower sales volume and average cost per liter as benchmark crude Dubai plunged from an average of US\$64/bbl in 2019 to US\$42/bbl, partly offset by higher excise taxes.

***Gross profit***

Gross profit fell to ₱ 8.71 billion from the ₱ 30.51 billion in 2019 largely on account of the volume drop, inventory losses and product cracks narrowing, which partly mitigated by improved marketing margins.

***Selling and Administrative Expenses***

Continuous cost reduction measures led to the 9% dip in Selling and Administrative Expenses to ₱ 14.40 billion compared to previous year's ₱ 15.82 billion. The savings mainly came from outsourced services, advertising and promotional expenses, service station & depot maintenance & repairs, and employee costs.

***Other Operating Income***

Other Operating Income dropped to ₱ 1.05 billion from ₱ 1.51 billion in previous year due to decrease in rent income.

***Interest Expense and Other Financing Charges***

Interest Expense and Other Financing Charges was also down by 16% from ₱ 13.49 billion to ₱ 11.31 billion attributed to the decline in interest expense at the back of lower average borrowing rates.

***Interest Income***

Interest Income declined by 42% to ₱ 780 million from lower interest rates versus previous year.

***Other Expense – net***

Other Expense – net rose to ₱ 1.05 billion owing to higher marked-to-market losses on commodity hedges.

***Income Tax Benefit (Expense)***

Income tax benefit amounted to ₱ 4.80 billion owing to the loss before tax position, as against the ₱ 1.43 billion income tax expense in the previous year.

## Financial Position

Year ended December 31, 2022 compared to year ended December 31, 2021

	December 31		Horizontal Analysis Increase (Decrease)	
	2022	2021	Amount	%
Cash and cash equivalents	37,183	36,406	777	2%
Financial assets at fair value	1,753	1,005	748	74%
Trade and other receivables - net	81,979	51,745	30,234	58%
Inventories	85,347	67,684	17,663	26%
Other current assets	37,025	31,195	5,830	19%
<b>Total Current Assets</b>	<b>243,287</b>	<b>188,035</b>	<b>55,252</b>	<b>29%</b>
Investment in shares of stock of an associate	1,075	1,012	63	6%
Property, plant and equipment - net	170,153	171,602	(1,449)	(1%)
Right of Use - net	5,398	5,648	(250)	(4%)
Investment property - net	28,437	29,175	(738)	(3%)
Deferred tax assets - net	1,812	2,172	(360)	(17%)
Goodwill - net	8,509	8,235	274	3%
Other noncurrent assets - net	1,400	1,541	(141)	(9%)
<b>Total Noncurrent Assets</b>	<b>216,784</b>	<b>219,385</b>	<b>(2,601)</b>	<b>(1%)</b>
<b>Total Assets</b>	<b>460,071</b>	<b>407,420</b>	<b>52,651</b>	<b>13%</b>
Short term loans	137,886	109,196	28,690	26%
Liabilities for crude oil and petroleum products	51,067	42,641	8,426	20%
Trade and other payables	22,896	14,001	8,895	64%
Current portion of lease liability	1,380	1,335	45	3%
Derivative liabilities	723	997	(274)	(27%)
Income tax payable	204	302	(98)	(32%)
Current portion of long-term debt - net	13,399	21,580	(8,181)	(38%)
<b>Total Current Liabilities</b>	<b>227,555</b>	<b>190,052</b>	<b>37,503</b>	<b>20%</b>

	December 31		Horizontal Analysis Increase (Decrease)	
	2022	2021	Amount	%
Long-term debt - net of current portion	93,662	81,065	12,597	16%
Retirement benefits liability - net	3,261	3,327	(66)	(2%)
Deferred tax liabilities - net	3,601	3,784	(183)	(5%)
Lease liability - net of current portion	13,714	14,220	(506)	(4%)
Asset retirement obligation	3,527	2,857	670	23%
Other noncurrent liabilities	1,201	1,202	(1)	(0%)
<b>Total Noncurrent Liabilities</b>	<b>118,966</b>	<b>106,455</b>	<b>12,511</b>	<b>12%</b>
<b>Total Liabilities</b>	<b>346,521</b>	<b>296,507</b>	<b>50,014</b>	<b>17%</b>
Capital stock	9,485	9,485	-	0%
Additional paid-in capital	37,500	37,500	-	0%
Capital securities	62,712	62,712	-	0%
Retained earnings	30,357	30,232	125	0%
Equity Reserves	(16,887)	(18,341)	(1,454)	(8%)
Treasury stock	(18,000)	(18,000)	-	0%
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>105,167</b>	<b>103,588</b>	<b>1,579</b>	<b>2%</b>
<b>Non-controlling Interests</b>	<b>8,383</b>	<b>7,325</b>	<b>1,058</b>	<b>14%</b>
<b>Total Equity</b>	<b>113,550</b>	<b>110,913</b>	<b>2,637</b>	<b>2%</b>
<b>Total Liabilities and Equity</b>	<b>460,071</b>	<b>407,420</b>	<b>52,651</b>	<b>13%</b>

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end-2022 amounted to **₱ 460.07 billion**, 13% or ₱ 52.65 billion higher than end-2021 balance of ₱ 407.42 billion. The increase in total assets can be traced to higher inventories and receivables.

**Financial assets at fair value** went up to **₱ 1.75 billion** from ₱ 1.01 million due to higher gains on outstanding currency hedges.

**Trade and other receivables - net** increased by 58% to **₱ 81.98 billion** owing to higher sales volume and prices.

**Inventories** rose by ₱ 17.66 billion to **₱ 85.35 billion** mainly from higher prepaid taxes and unused creditable withholding taxes.

**Investment in shares of stock of an associate** grew by 6% to **₱ 1.08 billion** following the recognition of share in net income for the year.

**Deferred tax assets – net** went down from ₱ 2.17 billion to **₱ 1.81 billion** with the partial utilization of previous years' Net Operating Loss Carry Over and net decrease in temporary differences between tax and financial reporting related to depreciation, inventory valuation and unrealized forex loss.

**Other noncurrent assets – net** declined to **₱ 1.40 billion** from ₱ 1.54 billion mostly from the amortization of catalyst and deferred input tax.

**Short-term loans** jumped by 26% from ₱ 109.20 billion to **₱ 137.89 billion** with the availment of additional loans to cover the increase in working capital requirements during the year.

**Liabilities for crude oil and petroleum products** stood higher at **₱ 51.07 billion** compared to end-2021 level of ₱ 42.64 billion owing primarily to the increase in prices during the period.

**Trade and other payables** jumped by 64% to **₱22.90 billion** due to higher outstanding liabilities to contractors and vendors, advances from a related party, and higher excise tax payable.

**Derivative liabilities** declined by 27% to **₱ 723 million** with the lower expected settlement on outstanding commodity and currency hedging transactions.

**Income tax payable** went down from ₱ 302 million to **₱ 204 million** as tax liabilities of foreign subsidiaries decreased.

**Long-term debt including current portion** increased to **₱ 107.06 billion** mainly from the revaluation of outstanding US Dollar-denominated loans and availment of long-term loans, net of maturities paid during the period.

**Deferred tax liabilities – net** dropped by 5% to **₱ 3.60 billion** from ₱ 3.78 billion level of end-2021 due to the net decrease in temporary differences with respect to depreciation and capital allowance of qualifying assets and leases.

**Asset retirement obligation** rose by 23% to **₱ 3.53 billion** compared to end-2021 level of ₱ 2.86 billion owing to the provision for accretion booked during the period and the remeasurement of future liability.

The **negative balance of Equity reserves** decreased from ₱ 18.34 billion to **₱ 16.89 billion** mainly from the translation gain on its investments in foreign subsidiaries following the weakening of the peso against the US dollar.

**Non-controlling interests** rose by 14% to **₱ 8.38 billion** mainly from its proportionate share in net income during the period, net of dividends paid.

**Year ended December 31, 2021 compared to year ended December 31, 2020**

	December 31		Horizontal Analysis	
			Increase (Decrease)	
	2021	2020	Amount	%
Cash and cash equivalents	36,406	27,053	9,353	35%
Financial assets at fair value	1,005	603	402	67%
Investments in debt instruments	-	184	(184)	(100%)
Trade and other receivables - net	51,745	27,195	24,550	90%
Inventories	67,684	44,922	22,762	51%
Other current assets	31,195	32,337	(1,142)	(4%)
<b>Total Current Assets</b>	<b>188,035</b>	<b>132,294</b>	<b>55,741</b>	<b>42%</b>
Investment in debt instruments	-	197	(197)	(100%)
Investment in shares of stock of an Associate	1,012	-	1,012	high
Property, plant and equipment - net	171,602	168,831	2,771	2%
Right of Use - net	5,648	6,045	(397)	(7%)
Investment property - net	29,175	30,049	(874)	(3%)
Deferred tax assets - net	2,172	2,190	(18)	(1%)
Goodwill - net	8,235	8,031	204	3%
Other noncurrent assets - net	1,541	2,088	(547)	(26%)
<b>Total Noncurrent Assets</b>	<b>219,385</b>	<b>217,431</b>	<b>1,954</b>	<b>1%</b>
<b>Total Assets</b>	<b>407,420</b>	<b>349,725</b>	<b>57,695</b>	<b>16%</b>
Short term loans	109,196	77,704	31,492	41%
Liabilities for crude oil and petroleum products	42,641	22,320	20,321	91%
Trade and other payables	14,001	15,402	(1,401)	(9%)
Current portion of lease liability	1,335	1,243	92	7%
Derivative liabilities	997	1,124	(127)	(11%)
Income tax payable	302	162	140	86%
Current portion of long-term debt - net	21,580	31,114	(9,534)	(31%)
<b>Total Current Liabilities</b>	<b>190,052</b>	<b>149,069</b>	<b>40,983</b>	<b>27%</b>



	Horizontal Analysis			
	December 31		Increase (Decrease)	
	2021	2020	Amount	%
Long-term debt - net of current portion	81,065	88,340	(7,275)	(8%)
Retirement benefits liability - net	3,327	3,705	(378)	(10%)
Deferred tax liabilities - net	3,784	3,084	700	23%
Lease liability - net of current portion	14,220	14,561	(341)	(2%)
Asset retirement obligation	2,857	2,867	(10)	(0%)
Other noncurrent liabilities	1,202	1,904	(702)	(37%)
<b>Total Noncurrent Liabilities</b>	<b>106,455</b>	<b>114,461</b>	<b>(8,006)</b>	<b>(7%)</b>
<b>Total Liabilities</b>	<b>296,507</b>	<b>263,530</b>	<b>32,977</b>	<b>13%</b>
Capital stock	9,485	9,485	-	0%
Additional paid-in capital	37,500	37,500	-	0%
Capital securities	62,712	36,481	26,231	72%
Retained earnings	30,232	29,799	433	1%
Equity Reserves	(18,341)	(18,371)	30	(0%)
Treasury stock	(18,000)	(15,122)	(2,878)	19%
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>103,588</b>	<b>79,772</b>	<b>23,816</b>	<b>30%</b>
<b>Non-controlling Interests</b>	<b>7,325</b>	<b>6,423</b>	<b>902</b>	<b>14%</b>
<b>Total Equity</b>	<b>110,913</b>	<b>86,195</b>	<b>24,718</b>	<b>29%</b>
<b>Total Liabilities and Equity</b>	<b>407,420</b>	<b>349,725</b>	<b>57,695</b>	<b>16%</b>

The consolidated assets of Petron Corporation and its Subsidiaries as of end-2021 amounted to **₱ 407.42 billion**, 16% or **₱ 57.69 billion** lower than end-2020 balance of **₱ 349.73 billion**. The increase in total assets can be traced to higher inventories, trade and other receivables, and cash and cash equivalents.

**Cash and cash equivalents** increased by **35%** to **₱ 36.41 billion** from **₱ 27.05 billion** mainly from the proceeds of perpetual securities issuance and availment of loans, reduced by cash dividend and distribution payments, spending for capital projects and increase in working capital requirements during the year.

**Financial assets at fair value** went up to **₱ 1.01 billion** from **₱ 603 million** due to higher gains on outstanding currency hedges.

**Investments in debt instruments** (current and non-current) became **nil** from the **₱ 381 million** balance as of end-2020 with the deconsolidation of Petrogen Insurance Corporation (PIC) from the Petron Group.

**Trade and other receivables - net** rose by 90% to **₱ 51.75 billion** attributable to the increase in trade receivables owing to higher prices, further elevated by the increase in government receivables of Petron Malaysia, partly countered by the decrease in non-trade receivables of the Parent Company.

**Inventories** increased by **₱ 22.76 billion** to **₱ 67.68 billion** mainly from higher prices partly offset by lower volume of finished products versus the end 2020 level.

**Investment in shares of stock of an associate** amounting to **₱ 1.01 billion** is a result of the decrease in ownership interest of the Parent Company in PIC from 100% to 25.06% effective February 2021.

**Right of use asset – net** declined by 7% or ₱ 397 million to **₱ 5.65 billion** due to depreciation for the period.

**Other noncurrent assets – net** declined to **₱ 1.54 billion** from ₱ 2.09 billion mostly from the amortization of deferred input tax.

**Short-term loans** increased to **₱ 109.20 billion** from end-2020 level of ₱ 77.70 billion due to borrowings to support the increase in working capital requirements.

**Liabilities for crude oil and petroleum products** stood higher at **₱ 42.64 billion** compared to end-2020 level of ₱ 22.32 billion owing primarily to the continuous increase in prices during the period.

**Trade and other payables** declined by 9% or ₱ 1.40 billion to **₱ 14.00 billion** due to lower outstanding liabilities to contractors and vendors.

**Derivative liabilities decreased** by 11% to **₱ 997 million** with the lower expected payout on outstanding commodity hedges, as well as currency hedges under hedge accounting.

**Income tax payable** grew by 86% from ₱ 162 million to **₱ 302 million** as tax liabilities of Petron Malaysia increased.

**Long-term debt** (including current portion) declined to **₱ 102.65 billion** from end-2020 balance of ₱ 119.45 billion as a result of the Parent Company's prepayment and amortization of existing peso and dollar loans partly offset by the issuance of retail bonds.

**Retirement benefits liability – net** decreased by 10% to **₱ 3.33 billion** after considering the contributions made to the retirement fund during the year.

**Deferred tax liabilities – net** went up to **₱ 3.78 billion** from ₱ 3.08 billion due to Petron Malaysia's temporary differences with respect to depreciation of qualifying assets.

**Other noncurrent liabilities** stood at **₱ 1.20 billion**, 37% lower than end-2020 level due to lower customer deposits and liabilities from cash flow hedges.

**Capital Securities** moved up by 72% to **₱ 62.71 billion** traced to the issuance of the US\$550 million Senior Perpetual Capital Securities.

**Treasury Stock** increased by 19% to **₱ 18.00 billion** attributed to redemption of preferred shares.

**Non-controlling interests** rose by 14% to **₱ 7.33 billion** mainly from its proportionate share in net income during the period.

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

	December 31		Horizontal Analysis	
			Increase (Decrease)	
	2020	2019	Amount	%
Cash and cash equivalents	27,053	34,218	(7,165)	(21%)
Financial assets at fair value	603	864	(261)	(30%)
Investments in debt instruments	184	109	75	69%
Trade and other receivables - net	27,195	44,657	(17,462)	(39%)
Inventories	44,922	72,210	(27,288)	(38%)
Other current assets	32,337	27,430	4,907	18%
<b>Total Current Assets</b>	<b>132,294</b>	<b>179,488</b>	<b>(47,194)</b>	<b>(26%)</b>
Investment in debt instruments	197	311	(114)	(37%)
Property, plant and equipment - net	168,831	168,267	564	0%
Right of Use - net	6,045	5,509	536	10%
Investment property - net	30,049	29,935	114	0%
Deferred tax assets - net	2,190	262	1,928	high
Goodwill - net	8,031	8,319	(288)	(3%)
Other noncurrent assets - net	2,088	2,744	(656)	(24%)
<b>Total Noncurrent Assets</b>	<b>217,431</b>	<b>215,347</b>	<b>2,084</b>	<b>1%</b>
<b>Total Assets</b>	<b>349,725</b>	<b>394,835</b>	<b>(45,110)</b>	<b>(11%)</b>
Short term loans	77,704	71,090	6,614	9%
Liabilities for crude oil and petroleum products	22,320	39,362	(17,042)	(43%)
Trade and other payables	15,402	28,741	(13,339)	(46%)
Current portion of lease liability	1,243	1,295	(52)	4%
Derivative liabilities	1,124	738	386	52%
Income tax payable	162	267	(105)	(39%)
Current portion of long-term debt - net	31,114	16,881	14,233	84%
<b>Total Current Liabilities</b>	<b>149,069</b>	<b>158,374</b>	<b>(9,305)</b>	<b>(6%)</b>

	December 31		Horizontal Analysis	
	2020	2019	Increase (Decrease)	
			Amount	%
Long-term debt - net of current portion	88,340	116,196	(27,856)	(24%)
Retirement benefits liability - net	3,705	3,565	140	4%
Deferred tax liabilities - net	3,084	6,348	(3,264)	(51%)
Lease liability - net of current portion	14,561	14,454	107	1%
Asset retirement obligation	2,867	1,720	1,147	67%
Other noncurrent liabilities	1,904	1,748	156	9%
<b>Total Noncurrent Liabilities</b>	<b>114,461</b>	<b>144,031</b>	<b>(29,570)</b>	<b>(21%)</b>
<b>Total Liabilities</b>	<b>263,530</b>	<b>302,405</b>	<b>(38,875)</b>	<b>(13%)</b>
Capital stock	9,485	9,485	-	0%
Additional paid-in capital	37,500	37,500	-	0%
Capital securities	36,481	25,183	11,298	45%
Retained earnings	29,799	45,510	(15,711)	(35%)
Equity Reserves	(18,371)	(16,899)	(1,472)	9%
Treasury stock	(15,122)	(15,122)	-	0%
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>79,772</b>	<b>85,657</b>	<b>(5,885)</b>	<b>(7%)</b>
<b>Non-controlling Interests</b>	<b>6,423</b>	<b>6,773</b>	<b>(350)</b>	<b>5%</b>
<b>Total Equity</b>	<b>86,195</b>	<b>92,430</b>	<b>(6,235)</b>	<b>(7%)</b>
<b>Total Liabilities and Equity</b>	<b>349,725</b>	<b>394,835</b>	<b>(45,110)</b>	<b>(11%)</b>

**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 from lower prices and volume.

**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 – net** 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 2<sup>nd</sup> and 3<sup>rd</sup> 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.

## 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 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:

	(Audited)		
	2020	2021	2022
	(in millions of ₱)		
Net cash flows provided by (used in) operating activities.....	2,533	(10,668)	(22,674)
Net cash flows used in investing activities.....	(8,437)	(9,759)	(2,382)
Net cash flows provided by financing activities.....	318	28,098	22,807
Effect of exchange rate changes on cash and cash equivalents .....	(1,579)	1,682	3,026
Net increase (decrease) in cash and cash equivalents.....	(7,165)	9,353	777
Cash and cash equivalents at beginning of year.....	34,218	27,053	36,406
Cash and cash equivalents at end of year .....	27,053	36,406	37,183

### **Net Cash Flows Provided by Operating Activities**

Net cash flows used in operating activities for the year ended December 31, 2022 was ₱22,674 million. The Company's income before income tax was ₱8,101 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱31,946 million. The Company paid interest of ₱12,086 million and income taxes of ₱1,001 million for the period.

Net cash flows used in operating activities for the year ended December 31, 2021 was ₱10,668 million. The Company's income before income tax was ₱7,297 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱28,453 million. The Company paid interest of ₱9,274 million and income taxes of ₱365 million for the 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 Used in Investing Activities**

Net cash flows used in investing activities was ₱2,382 million in 2022. This is primarily reflected in additions

to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱9,759 million in 2021. This is primarily reflected in additions to property, plant and equipment and investment property.

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 Provided by Financing Activities**

Net cash flows provided by financing activities was ₱22,807 million in 2022. The main component of this were proceeds from loans of ₱373,935 million. This was offset in part by payment of loans and lease liabilities of ₱345,001 million and payment of cash dividends and distribution of ₱6,127 million.

Net cash flows provided by financing activities was ₱28,098 million in 2021. The main component of this were proceeds from loans and issuance of capital securities of ₱253,288 million. This was offset in part by payment of loans and lease liabilities of ₱217,657 million, payment of cash dividends and distribution of ₱4,655 million, and redemption of preferred shares of ₱2,878 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.

### **Capital Resources**

As of December 31, 2022, the Company had cash and cash equivalents of ₱37,183 million. As of the same date, the Company had total outstanding short-term debt of ₱137,886 million in the form of unsecured Peso and Ringgit loans.

As of December 31, 2022, the Company had total outstanding long-term debt (excluding current portion of long-term debt) of ₱93,662 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 2023 to 2027 and beyond as of December 31, 2022:

### **Payments Due by Period**

	<b>Amount</b>
	(in millions of ₱)
2023.....	13,472
2024.....	31,177
2025.....	31,225
2026.....	10,885
2027 and beyond.....	21,637
Total.....	<u>108,396</u>

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 December 31, 2022.

<b>Currency</b>	<b>Amount</b>
	(in millions of ₱)
Peso.....	69,463
USD .....	33,070
Yen .....	4,528
Total outstanding long-term debt .....	<u>107,061</u>

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 December 31, 2022.

	<b>Amount</b>
	(in millions of ₱)
Fixed rate .....	69,463
Floating rate .....	37,598
Total outstanding long-term debt .....	<u>107,061</u>

### **Capital Expenditures**

Over the past several years, the Company has made significant capital expenditures to maintain and upgrade the refineries in Bataan and Port Dickson, and to expand and upgrade its retail service station network in the Philippines and in Malaysia. In 2020, 2021 and 2022, the Company's capital expenditures were ₱8,480 million, ₱9,532 million, and ₱5,933 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.

Following the completion of the Company's major projects such as the Power Plant Phase 3 in Bataan, Marine Import Facility and the Diesel Hydrotreater in Port Dickson Malaysia, the Company plans to continue investments focusing on the following projects:

- Retail network expansion and improvements for both Philippine and Malaysian operations
- New CME plant in Bataan to serve internal requirements
- Second reactor at the Polypropylene Plant (PP Plant) expanding capacity to 225KTA
- Propylene Transfer Line to provide more efficient transfer of Propylene from the Bataan Refinery to PP Plant
- Expansion of the Company's truck fleet for more efficient transport of our products
- Environment-related projects such as wastewater treatment facilities, flood control and sewage treatment upgrades, EV charging stations and solar panels

These capital expenditures are expected to be funded through internally generated cash. The Company's capital expenditures may change as projects are reviewed and subject to various factors including market conditions, the general state of the Philippine and Malaysian economies, the Company's operating performance and cashflow.

### **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 35 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2022, included elsewhere in this Prospectus.

### Financial Soundness Indicators

Financial Ratios	Formula	December 31, December 31	
		2022	2021
<b>Liquidity</b>			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.07	0.99
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	0.53	0.47
<b>Solvency</b>			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^b}{\text{Total Equity}}$	2.16	1.91
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	4.05	3.67
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	1.62	1.73
<b>Profitability</b>			
f) Return on Equity	$\frac{\text{Net Income}^a}{\text{Average Total Equity}}$	5.97%	6.23%
g) Return on Assets	$\frac{\text{Net Income}^a}{\text{Average Total Assets}}$	1.54%	1.62%
<b>Operating Efficiency</b>			
h) Volume Growth	$\left( \frac{\text{Current Period Volume}}{\text{Prior Period Volume}} - 1 \right)$	37.17%	4.66%
i) Sales Growth	$\left( \frac{\text{Current Period Sales}}{\text{Prior Period Sales}} - 1 \right)$	95.78%	53.15%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	2.24%	3.93%

**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 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 and the ongoing war between Russia and Ukraine which pose 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.* 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) and/or Khafji Crude Oil (Khafji) at pricing based on latter's standard KEC/Khafji prices. The contract with Saudi Aramco is from November 1, 2013 to December 31, 2014 with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice while the contract with KPC is from July 1, 2022 to June 30, 2023.

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 52% of crude and condensate volume processed in 2022 are from EMEPMI with balance of around 48% 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, 2022 and 2021.

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 P110, P96 and P97 in 2022, 2021 and 2020, 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 P191, starting 2017, 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 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year 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, 2022 and 2021, Petron leases other parcels of land from PNOC for its bulk plants and service stations.

- The effects of seasonality or cyclicity 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 December 31, 2022.

## **INTEREST OF NAMED EXPERTS AND COUNSEL**

### **Legal Matters**

All legal issues relating to the issuance of the Preferred Shares which are subject of this Offer 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.

### **Independent Auditors**

The consolidated financial statements of Petron as at December 31, 2022, 2021 and 2020 and for the years ended December 31, 2022, 2021 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 and Risk Management Committee of the Board reviews and approves the scope of audit work of the independent auditors and the amount of audit fees for a given year. The financial statements will then be presented for approval by the stockholders in the annual meeting. As regards to services rendered by the external auditor other than the audit of financial statements, the scope of and amount for the same are subject to review and approval by the Audit and Risk Management Committee.

The Company’s audit fees for each of the last three fiscal years for professional services rendered by the external auditor were ₱6.7 million, ₱6.7 million and ₱7.2 million for 2022, 2021 and 2020, respectively. Said fees include compensation for audit services and other related services such as review and agreed-upon procedures. There were no fees paid for accounting, compliance, advisory, planning and any other form of tax. 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.

## **TAXATION**

*The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Preferred Shares. The statements made regarding taxation in the Philippines are based on the laws in force at the date of this Prospectus and are subject to any changes in law occurring after such date. The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Shares. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Preferred Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates or tax incentives under special laws. Prospective purchasers of the Preferred Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Preferred Shares.*

*The tax treatment applicable to a holder of the Preferred Shares 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 Preferred Shares.*

*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 Preferred Shares:*

- *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 Preferred Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

### **Philippine Taxation**

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN**") Law took effect. The TRAIN Law, which contained an initial package of the tax reforms, amended provisions of the NIRC including provisions on DST, tax on income and other distributions, capital gains tax on the sale and disposition of shares of stock, estate tax, and donor's tax. On April 11, 2021, the second package of the Comprehensive Tax Reform Program ("**CTRP**") became effective. While the first package of the TRAIN Law brought about extensive changes to individual income taxation, the second package, Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**"), lowered corporate income tax rates for micro-, small-, and medium-sized enterprises, from 30% to 20%; while Large Corporations are now taxed at a lowered rate of 25%. CREATE also provided for a uniform tax rate of 15% imposed on capital gains from sale of shares of stock not traded in the stock exchange on all types of taxpayers, as well as other forms of tax relief and a new tax incentive system.

### **Taxes on Transfer of Shares Listed and Traded on the PSE**

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax, a sale, barter, exchange or other disposition of shares of stock listed at and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts such sale from the said tax. The stock transaction tax is classified as a percentage tax and is paid in lieu of the capital gains tax. In addition, a value added tax of 12% is imposed on the commission earned by the PSE-registered broker who

facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the minimum public ownership (“MPO”) requirement (*i.e.*, the rule that requires listed companies to maintain a minimum percentage of listed securities held by the public or “public float” at 10% of such companies’ issued and outstanding shares, exclusive of treasury shares, at all times) after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. For further discussion on the MPO, see section on *The Philippine Stock Exchange - Amended Rule on Minimum Public Ownership*.

The sale of such listed company’s shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax.

### **Capital Gains Tax, if the Sale was Made Outside the PSE**

The net capital gains realized by an individual taxpayer or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to a final tax at the rate of 15% beginning January 1, 2018. Net capital gains realized by resident and non-resident foreign corporations during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at but effected outside of the facilities of the local stock exchange, are also subject to the final tax rate of 15% based on the net capital gains realized during the taxable year.

Capital gains tax will also apply if the publicly listed company that issued the shares sold does not comply the MPO requirement.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor’s tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm’s length and free from donative intent) will be considered as made for an adequate and full consideration in money or money’s worth and will not be subject to donor’s tax.

Exemption from capital gains tax may be provided under income tax treaties executed between the Philippines and the country of residence or domicile of the non-resident holder. If an applicable income tax treaty exempts net gains from such sale from capital gains tax, either a request for confirmation on the propriety of the withholding tax applied or an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains, documentary stamp taxes, and other internal revenue taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

### **Tax on Dividends**

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to income tax at the rate of 10%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines from a domestic corporation are subject to a 20% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines from a domestic corporation are subject to tax at 25% of the gross amount, subject, however, to the

applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are subject to withholding tax at the rate of 25%.

The 25% final withholding tax rate for inter-corporate cash and/or property dividends paid by a domestic corporation to a non-resident foreign corporation may be reduced depending on the country of domicile of the non-resident foreign corporation if it has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate depending on the provisions of the corresponding tax treaties. On the other hand, the tax rate for a country without a tax treaty may be reduced to 15% if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (ii) if the country of domicile of the non-resident foreign corporation allows a credit equivalent to 15% for taxes deemed to have been paid in the Philippines. Provided, effective July 1, 2020, the credit against tax due shall be equivalent to the difference between the regular income tax rate and the 15% of tax dividends.

In order to avail of the 15% tax sparing rate, a non-resident foreign corporation must file an application with the BIR for a confirmatory ruling on its entitlement pursuant to Revenue Memorandum Order No. 46-20 (Guidelines and Procedures for the Availment of the Reduced Rate of 15% on Intercompany Dividends Paid by a Domestic Corporation to a Non-resident Foreign Corporation Pursuant to Section 28 (B) (5) (b) of the National Internal Revenue Code of 1997, as Amended, dated December 23, 2020). The application has to be filed within 90 days from "the remittance of the dividends or from the determination by the foreign tax authority of the deemed paid tax credit/non-imposition of tax because of the exemption, whichever is later." A domestic corporation is not required to first secure a ruling from the BIR in order to use the tax sparing rate when it remits the dividends. However, it is required to determine if under the law of the country of domicile of the non-resident foreign corporation, such non-resident foreign corporation is granted the applicable "deemed paid" tax credit, or an exemption from income tax on such dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder (please see discussion on tax treaties below.) Most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, 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 dividend-earning interest is effectively connected with such permanent establishment.

The BIR revised its procedures for availment of tax treaty relief on dividends by issuing Revenue Memorandum Order No. 14-21 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated March 31, 2021) as clarified by Revenue Memorandum Circular No. 77-21 (Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21, dated June 15, 2021). In accordance with the foregoing regulations, all income items derived by nonresident taxpayers entitled to tax treaty relief shall be confirmed by the BIR through filing of: (i) a request for confirmation by the withholding agent, or (b) a tax treaty relief application by the nonresident taxpayer, with the required supporting documents in either case.

#### *Request for Confirmation ("RFC")*

The withholding agent/income payor may apply the preferential tax treaty rate on the dividend income of the non-resident foreign shareholder by relying the submission by such shareholder of the following documents before the dividend income is paid: (a) on an application form for treaty purposes (BIR Form 0901-D for dividends), an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the shareholder, and (c) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on dividend income. If the tax treaty rate was applied, the



withholding agent/income payor must file with the BIR's International Tax Affairs Division ("ITAD") a request for confirmation of the use of the tax treaty rate. The request for confirmation must be filed after the payment of the withholding tax and in no case later than the last day of the fourth month following the close of the relevant taxable year. Revenue Memorandum Circular No. 77-21 prescribes the filing of one consolidated request for confirmation per nonresident income recipient, regardless of the number and type of income payments during the year. Revenue Memorandum Circular No. 77-21 also provides for a list of all documentary requirements that have to be submitted in support of the request for confirmation.

If the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that the non-resident taxpayer is not entitled to treaty benefits, the request for confirmation will be denied and it will require the withholding agent/income payor to pay the deficiency taxes plus surcharge, interest and penalties.

#### *Tax Treaty Relief Application ("TTRA")*

In case the withholding agent/income payor used the regular rate under the Tax Code, the non-resident foreign shareholder may, at any time after its receipt of the dividend income, file a TTRA with ITAD. Similar to a request for confirmation, the must also be supported by the documents specified in Revenue Memorandum Circular No. 77-21.

If the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits, and the shareholder may apply for a refund of excess withholding tax within the two-year period provided in Section 229 of the Tax Code. The claim for refund of the shareholder may also be filed simultaneously with the TTRA.

The Company shall withhold taxes at a reduced rate on dividends to a non-resident holder if the nonresident submitted to the Company a Tax Residency Certificate ("**TRC**") and BIR Form No. 0901-D prior to the payment of dividends. TRC is a certificate issued by the tax authority of the country of residence and shall establish the fact of residency in a contracting state of the non-resident.

On March 31, 2021, the BIR issued Revenue Memorandum Order No. 14-2021 ("**RMO 14-2021**"). RMO 14-2021 was issued to streamline the procedures and documents for the availment of the tax treaty benefits. To avail of the tax treaty relief benefits, the following guidelines and procedures will be observed:

1. The non-resident income recipient should submit to the withholding agent or income payor the submitted Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by the non-resident income recipient. The documents should be submitted to each withholding agent or income payor prior to the payment of income for the first time. The failure to provide the said documents when requested may lead to the withholding using the regular withholding rates without the tax treaty benefit rate.
2. When the preferential tax rates have been applied by the withholding agent, it shall file with the ITAD a request for confirmation on the propriety of the withholding tax rates applied by the withholding agent. On the other hand, if the regular withholding rates have been imposed on the income, the non-resident income recipient shall file a tax treaty relief application ("**TTRA**") with ITAD. In either case, each request for confirmation and TTRA shall be supported by the documentary requirements set out in the issuance.
3. The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth month following the close of each taxable year. On the other hand, the filing of the TTRA may be filed by the non-resident income recipient at any time after the receipt of the income.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the nonresident income recipient is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the nonresident income recipient's entitlement to the treaty benefits. In this case, the nonresident income recipient may apply for a refund of the excess withholding tax.

The original or certified true copy of the following documents, as may be applicable, shall be submitted to the International Tax Affairs Division of the BIR when claiming the tax treaty relief:

A. General Requirements

1. Letter-request
2. Application Form duly signed by the non-resident income earner or its/his/her authorized representative
3. Tax Residency Certificate for the relevant period, duly issued by the tax authority of the foreign country in which the Bondholder is a resident
4. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing the payment/remittance of income
5. Withholding tax return with Alphalist of Payees
6. Proof of payment of withholding tax
7. Notarized Special Power of Attorney issued by the non-resident income earner to its/his/her authorized representative(s), which shall expressly state the authority to sign the Application Form as well as to file the tax treaty relief application or request for confirmation

B. Additional general requirements for legal persons and arrangements, and individuals:

1. Authenticated copy of the non-resident legal person or arrangement's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language.
2. Original copy of the Certificate of Non-Registration of the Bondholder or certified true copy of License to Do Business in the Philippines duly issued by the Philippine SEC for legal persons and arrangements, or original copy of the Certificate of Business Registration/Presence duly issued by the Department of Trade and Industry for individuals.

C. Additional general requirements for fiscally transparent entities:

1. A copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the foreign fiscally transparent entity;
2. List of owners/beneficiaries of the foreign entity;
3. Proof of ownership of the foreign entity; and
4. Tax Residency Certificate issued by the concerned foreign tax authority to the owners or beneficiaries of the fiscally transparent entity.

The BIR may require additional documents during the course of its evaluation as it may deem necessary. Upon the confirmation of the entitlement to the tax treaty benefit or confirmation of the correctness of the withholding tax rates applied, the BIR will issue a certification to that effect. Any adverse ruling may be appealed to the Department of Finance within 30 days from receipt.

If the income of the nonresident Shareholder has been subjected to regular withholding rates, the Shareholder may file a claim for refund with the BIR independently of, or simultaneously with, the TTRA. Nonetheless, all claims for refund shall be filed within the two-year prescriptive period provided under Section 229 of the National Internal Revenue Code, as amended.

Transfer taxes (*e.g.*, documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro-rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is

subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

If the dividends of the non-resident taxpayer have been subjected to the regular rate, he/she/it may subsequently 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 his/her/its entitlement to treaty benefits. For this purpose, a duly accomplished BIR Form No. 1913 shall be filed together with the letter-request. The claim for refund may be filed independently of, or simultaneously with, the TTRA. (See RMO 14-2021, sec. 10). However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund.

**Preferential Rates under Income Tax Treaties**

The following table lists some of the countries with which the Philippines has income tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	<b>Dividends (%)</b>	<b>Stock transaction tax on sale or disposition effected through the PSE (%)<sup>(9)</sup></b>	<b>Capital gains tax due on disposition of shares outside the PSE (%)</b>
Canada .....	25 <sup>(1)</sup>	0.6	May be exempt <sup>(13)</sup>
China .....	15 <sup>(2)</sup>	Exempt <sup>(10)</sup>	May be exempt <sup>(13)</sup>
France .....	15 <sup>(3)</sup>	Exempt <sup>(11)</sup>	May be exempt <sup>(13)</sup>
Germany .....	15 <sup>(4)</sup>	Exempt <sup>(12)</sup>	May be exempt <sup>(13)</sup>
Japan .....	15 <sup>(5)</sup>	0.6	May be exempt <sup>(13)</sup>
Singapore .....	25 <sup>(6)</sup>	0.6	May be exempt <sup>(13)</sup>
United Kingdom .....	25 <sup>(7)</sup>	0.6	Exempt <sup>(14)</sup>
United States .....	25 <sup>(8)</sup>	0.6	May be exempt <sup>(13)</sup>

**Notes:**

- (1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.
- (3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.
- (4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.
- (5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.
- (6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.
- (7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the National Internal Revenue Code provided certain conditions are met.

- (9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the National Internal Revenue Code as amended by the Section 39 of the TRAIN.
- (10) Article 2(2)(b)(ii) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.
- (11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.
- (12) Article 2(3)(a)(iv) of the Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.
- (13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.
- (14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a certification on the exemption from capital gains tax pursuant to the tax treaty from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the company's stock and transfer book of the issuing corporation. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the certification from the BIR confirming the capital gains tax exemption of the seller should be submitted to the BIR office processing the CAR.

The requirements for an RFC or TTRA in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 14-21 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated March 31, 2021) as clarified by Revenue Memorandum Circular No. 77-21 (Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21, dated June 15, 2021). The requirements include an application form for treaty purposes (BIR Form 0901-C for capital gains) and an authenticated/apostilled tax residency certificate duly issued by the tax authority of the foreign country where the seller is a resident. If the seller is a juridical entity, authenticated or an apostilled certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence. The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which in respect of capital gains tax, is before the due date for the payment of the DST on the sale of shares.

Revenue Memorandum Circular No. 77-21 clarified that the deadline for filing of a request for confirmation by the withholding agent/income payor is any time after the transaction but must not be later than the last day of the fourth month following the close of the taxable year when the income is paid or when the transaction is consummated.

### **Documentary Stamp Tax**

The original issuance of shares is subject to a documentary stamp tax ("**DST**") of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The Philippines also imposes a DST upon the transfer outside of the PSE of shares of stock issued by a Philippine corporation at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the par value of the shares. The DST is imposed on the person making, signing, issuing, accepting, or transferring the document and is thus payable by either or both the vendor or the vendee of the shares. Conversely, the sale, barter, or exchange of shares of stock listed on and traded through the PSE are exempt from DST.

## **Estate and Gift Taxes**

Shares issued by a corporation organized or constituted in the Philippines in accordance with Philippine laws are deemed to have a Philippine situs and their transfer by way of succession or donation is subject to Philippine estate and donor's taxes.

The transfer by a deceased individual to his heirs of the Offer Shares by way of succession, whether such individual was a citizen of the Philippines or an alien and regardless of residence, shall be subject to an estate tax at a rate of 6% of the net estate of the deceased individual.

The transfer of the Offer Shares by way of gift or donation by an individual or corporate holder, whether or not a citizen or resident of the Philippines, shall be subject to donor's tax at a rate of 6% based on the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year.

In case the Offer Shares 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 Offer Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Offer Shares, based on Section 100 of the NIRC, provided that a transfer of property made in the ordinary course of business (a transaction which is a *bona fide*, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

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 Offer Shares, shall not be collected: (1) if the decedent, 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 (2) if the laws of the foreign country of which the decedent 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.

## **Taxation Outside the Philippines**

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above. Sales or other dispositions of shares of stock in a domestic corporation through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, are, however, subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

**EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING, AND DISPOSING OF THE PREFERRED SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NATIONAL TAX LAWS.**

## **THE PHILIPPINE STOCK MARKET**

*The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Underwriters, or any of their respective subsidiaries, affiliates or advisors in connection with the offer and sale of the Preferred Shares.*

### **Brief History**

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was established on August 8, 1927, and the Makati Stock Exchange, which was established on May 27, 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government resulted in the unification of the two bourses into the PSE. The PSE was incorporated on December 23, 1992 by officers of both the Makati and the Manila Stock Exchanges. On March 4, 1994, the SEC granted the PSE its license to operate as a securities exchange and simultaneously canceled the licenses of the two exchanges. The PSE maintains a single, unified trading floor in Bonifacio Global City in Taguig City.

On June 29, 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 3, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

The PSE has an authorized capital stock of ₱120 million. As of December 31, 2022, the PSE has 85,477,846 issued and outstanding shares, of which 3,513,952 are treasury shares, resulting in 81,963,894 total shares outstanding. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. In 2013, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board, or the SME Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in a company's articles of incorporation of the Issuer. Each index represents the numerical average of the prices of component shares.

The PSE has a benchmark index, referred to as the PSEi (previously "**PHISIX**"), which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On July 26, 2010, the PSE launched a new trading system, PSE Trade.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE has adopted an online daily disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In December 2013, the PSE replaced its online disclosure System with a new disclosure system, the PSE Electronic Disclosure Generation Technology ("**EDGE**"). The PSE EDGE, a new disclosure

system co-developed with the Korea Exchange, went live. The PSE EDGE system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors, with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors' disclosure searching and viewing experience, and (iii) enhance overall issuer transparency in the market.

The main index for PSE is the PSEi, which is a capitalization-weighted index composed of stocks representative of the Industrial, Properties, Services, Holding Firms, Financial and Mining & Oil Sectors of the PSE. It measures the relative changes in the free float-adjusted market capitalization of the 30 largest and most active common stocks listed at the PSE. The selection of companies in the PSEi is based on a specific set of public float, liquidity and market capitalization criteria. There are also six sector-based indices as well as a broader all shares index.

In June 2015, the PSE Trade system was replaced by PSE Trade XTS which utilizes NASDAQ's X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the Exchange received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2021, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

<b>Year</b>	<b>Composite Index at Closing</b>	<b>Number of Listed Companies</b>	<b>Aggregate Market Capitalization (in ₱ billions)</b>	<b>Combined Value of Turnover (in ₱ billions)</b>
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7

2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.1	2,172.5
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	271	16,710.0	1,770.0
2020	7,139.7	271	15,890.0	1,770.0
2021	7,122.63	276	18,081.1	2,233.1
2022	6,566.4	286	16,558.5	1,788.7

Source: *Philippine Stock Exchange, Inc. and PSE Annual Reports*

### Amended REIT Listing Rules

On February 7, 2020, the PSE issued Memorandum No. 2020-0005 on the Amended Listing Rules for Real Estate Investment Trusts ("Amended REIT Listing Rules"). Under the Amended REIT Listing Rules, a REIT must meet the following criteria in addition to the criteria in the PSE Listing Rules:

- A REIT must be a stock corporation established in accordance with the Revised Corporation Code of the Philippines and the rules and regulations promulgated by the Commission principally for the purpose of owning income-generating real estate assets.
- A REIT must have a dividend policy of distributing annually at least ninety percent (90%) of its distributable income as dividends to its shareholders in accordance with the REIT Act of 2009 and its IRR.
- A REIT must be a public company upon and after listing, and to be considered as such, a REIT must have at least one thousand (1,000) public shareholders each owning at least fifty (50) shares of any class of shares who in the aggregate own at least one-third (1/3) of the outstanding capital stock.
- A REIT must have a minimum paid-up capital of Php 300 million.
- At least seventy-five percent (75%) of the deposited property of the REIT must be invested in, or consist of, income-generating real estate; provided, that a REIT shall not invest in real estate located outside the Philippines which exceeds more than forty percent (40%) of its deposited property and, provided further, that the REIT shall at all times secure a special authority from the securities and exchange commission in making such investment outside the Philippines.
- At least 1/3 of the board of directors of a REIT must be independent directors, which in no case shall be less than two (2).
- A REIT must appoint a qualified fund manager and property manager in accordance with the REIT Act of 2009 and its IRR, as may be amended.
- Directors or officers of the REIT, fund manager, property manager, distributor and other REIT participants are subjected to the fit and proper rule under the REIT Act of 2009 and its IRR.
- A newly formed REIT which invokes the track record or operating history of its income-generating real estate assets shall submit audited financial statements and any other supporting documents that reflect the back record or operating history of the REIT's income-generating real estate assets for the applicable period.
- The Articles of Incorporation and By-Laws of the REIT shall provide that all of the shares of stock of the REIT shall be issued in the form of uncertificated securities and an investor may not require the REIT to issue a certificate in respect of any share recorded in their name.
- Pursuant to Section 8 of these Rules, the REIT shall submit a firm undertaking on the part of its sponsors/promoters which transferred income-generating real estate to the REIT to reinvest in real estate or infrastructure projects in the Philippines any monies realized by such sponsors/promoters from (a) the subsequent sale of REIT shares or other securities issued in exchange of income-generating real estate transferred by such sponsors/promoters to the REIT; or (b) the sale of any income-generating real estate to the REIT. The firm undertaking shall also state the firm commitment to regularly report to the REIT the status of implementation of the Reinvestment Plan.



## Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Generally, equities trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one-hour lunch break. In the afternoon, trading resumes at 1:00 p.m. and ends at 3:00 p.m. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed and such other days as may be declared by the Philippine SEC or the PSE, to be a non-trading day.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for a company's shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated through the enforcement of static and dynamic thresholds.

The upper static threshold enforces a 50%, while the lower static threshold enforces a 30%, trading band within which the price of a stock is allowed to move. When the price of a listed security moves up by 50% (price ceiling) or down by 30% (floor price) on a particular day (to be reckoned from the last closing price or the last adjusted closing price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the corporation or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the subject corporation fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the subject corporation is disseminated, subject again to the trading ban.

The dynamic threshold is the maximum allowable price difference between an update in the Last Traded Price ("LTP") of a given stock or group of stocks and its preceding LTP that is equal to a percentage set by the PSE, subject to the classification of a stock or a group of stocks based on its trade frequency. The Dynamic Threshold of a listed stock may vary from 10%, 15% and 20% depending on its trade frequency.

In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.
- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

## Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the

transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

## **Settlement**

The Securities Clearing Corporation of the Philippines (“**SCCP**”) is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP started its commercial operations on January 3, 2000 received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through delivery versus payment clearing and settlement of transactions of clearing members, who are also PSE trading participants;
- guaranteeing the settlement of trades in the event of a trading participant’s default through the implementation of its fails management system and administration of the Clearing and Trade Guaranty Fund; and
- performance of risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE trading participant maintains a cash settlement account with one of the nine existing settlement banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc., Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement (“**CCCS**”) system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

## **Scripless Trading**

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders’ meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO, RCBC, Metrobank, DB, HSBC, Unionbank, and Maybank Philippines.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation (“**PCD Nominee**”), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. “Immobilization” is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation’s registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant’s aggregate holdings, in the PDTC system, and with respect to each beneficial owner’s holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged, and the shares will no longer be eligible for settlement through the PCD system. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry is in the recording of ownership of the shares in the issuing corporations’ books. In the depository set-up, shares are simply immobilized, wherein customers’ certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee’s name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company’s transfer agents’ books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current “de facto” custodianship role.

### **Amended Rule on Lodgment of Securities**

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities

of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.
- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a registry confirmation advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

*“For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.”*

*“On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the Company's registry as a confirmation date.”*

### **Issuance of Stock Certificates for Certificated Shares**

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a registry confirmation advice to the PDTC covering the new number of shares lodged under PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

### **Amended Rule on Minimum Public Ownership**

On December 1, 2017, the Philippine SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("**SEC MC 13-2017**") on the rules and regulations on minimum public ownership ("**MPO**") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) the purpose of investment; and (c) the extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

Notwithstanding the quarterly public ownership report requirement of the PSE, listed companies listed on the PSE are required to (a) establish and implement an internal policy and procedure to monitor its MPO levels on a continuous basis; and (b) immediately report to the Philippine SEC within the next business day if its MPO level falls below 20%. Listed companies are also required to submit to the Philippine SEC a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from, within ten days from knowledge that its MPO has become deficient. Listed companies are also required to submit to the Philippine SEC a public ownership report and progress report on any such submitted business plan within 15 days after end of each month until such time that its MPO reaches the required level.

The MPO requirement also forms part of the requirement for the registration of securities. Non-compliance with these MPO requirements subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC.

On August 4, 2020, the PSE issued Memorandum CN-No. 2020-0076 (Guidelines on MPO Requirement for Initial and Backdoor Listings), effective immediately. Under the guidelines, companies applying for initial listing through an IPO are required to have a minimum public offer size of 20% to 33% of its outstanding capital stock, as follows:

**Market Capitalization**

Not exceeding ₱500 million  
Over ₱500 million to ₱1 billion  
Over ₱1 billion

**Minimum Public Offer**

33% or ₱50 million, whichever is higher  
25% or ₱100 million, whichever is higher  
20% or ₱250 million, whichever is higher

A company listing through an IPO is required to maintain at least 20% public ownership level at all times, whether the listing is initial or through backdoor listing. A company applying for listing by way of introduction is required to have at least 20% public float upon and after listing. For companies doing a backdoor listing, the 20% MPO requirement shall be reckoned from the actual issuance or transfer (as may be applicable) of the securities which triggered the application of the Backdoor Listing Rules or from actual transfer of the business in cases where the Backdoor Listing Rules are triggered by a substantial change in business.

## ANNEXES

**PETRON CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME FOR  
THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020**





**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, 2022 and 2021**, 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.



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



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**EMMANUEL E. ERAÑA**  
Senior Vice President and Chief Finance Officer

Signed this 6th day of March 2023

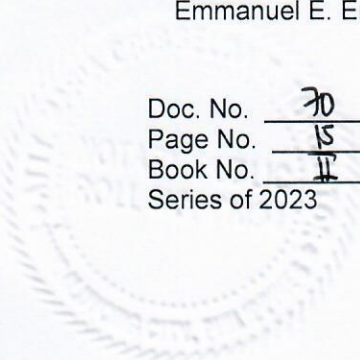
# ANNEX A

**SUBSCRIBED AND SWORN TO** before me, a Notary Public for and in the City of Mandaluyong, Metro Manila, this MAR 06 2023, 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  
Ramon S. Ang  
Emmanuel E. Eraña

Competent Evidence of Identity    Date/Place of Issue

Doc. No. 70 ;  
Page No. 15 ;  
Book No. II ;  
Series of 2023

  
**MARIA CRISSELDA T. TORCUATOR**  
Notary Public for Mandaluyong City  
40 San Miguel Avenue, 1550 Mandaluyong City  
Appointment No. 0582-23  
Until December 31, 2024  
Attorney's Roll No. 71094  
PTR No. 5113009/01-03-2023/Mandaluyong  
IBP No. 268623/01-04-2023/RSM  
MCLE Compliance No. VII-0021478/06-17-2022

# **PETRON CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2022, 2021 and 2020**

With Independent Auditors' Report



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## 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, 2022 and 2021, 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, 2022, and notes, comprising 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, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, 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.

#### Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

*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 (P857,638 million)*

Refer to Note 3, *Significant Accounting Policies* and Note 38, *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 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 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 (P85,347 million)*

Refer to Note 3, *Significant Accounting Policies*, Note 4, *Use of 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 (P8,509 million)*

Refer to Note 3, *Significant Accounting Policies*, Note 4, *Use of Judgments, Estimates and Assumptions* and Note 13, *Business Combination, 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 the review of component auditor's work and use of their own valuation specialist to assist 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, where applicable, 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, 2022, 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, 2022 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.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and determine whether the other information needs to be revised.

*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.

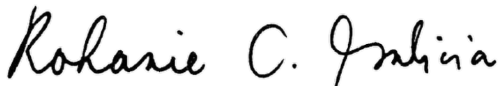
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely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

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 Rohanie C. Galicia.

**R.G. MANABAT & CO.**

ROHANIE C. GALICIA

Partner

CPA License No. 0118706

SEC Accreditation No. 118706-SEC, Group A, valid for five (5) years  
covering the audit of 2022 to 2026 financial statements

Tax Identification No. 249-773-914

BIR Accreditation No. 08-001987-044-2021

Issued September 2, 2021; valid until September 1, 2024

PTR No. MKT 9563827

Issued January 3, 2023 at Makati City

March 16, 2023

Makati City, Metro Manila

# ANNEX A

## PETRON CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Amounts in Million Pesos)

		December 31	
	Note	2022	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5, 35, 36	<b>P37,183</b>	P36,406
Financial assets at fair value	6, 15, 35, 36	<b>1,753</b>	1,005
Trade and other receivables - net	4, 8, 29, 35, 36	<b>81,979</b>	51,745
Inventories - net	4, 9	<b>85,347</b>	67,684
Other current assets	15, 29	<b>37,025</b>	31,195
<b>Total Current Assets</b>		<b>243,287</b>	188,035
<b>Noncurrent Assets</b>			
Investment in shares of stock of an associate	2, 14	<b>1,075</b>	1,012
Property, plant and equipment - net	4, 10, 12, 38	<b>170,153</b>	171,602
Right-of-use assets - net	4, 11	<b>5,398</b>	5,648
Investment property - net	4, 10, 12	<b>28,437</b>	29,175
Deferred tax assets - net	4, 28	<b>1,812</b>	2,172
Goodwill - net	4, 13	<b>8,509</b>	8,235
Other noncurrent assets - net	4, 6, 15, 35, 36	<b>1,400</b>	1,541
<b>Total Noncurrent Assets</b>		<b>216,784</b>	219,385
		<b>P460,071</b>	P407,420
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term loans	16, 34, 35, 36	<b>P137,886</b>	P109,196
Liabilities for crude oil and petroleum products	17, 29, 32, 35, 36	<b>51,067</b>	42,641
Trade and other payables	18, 29, 31, 34, 35, 36, 40	<b>22,896</b>	14,001
Lease liabilities - current portion	4, 32, 34, 35	<b>1,380</b>	1,335
Derivative liabilities	35, 36	<b>723</b>	997
Income tax payable		<b>204</b>	302
Current portion of long-term debt - net	19, 34, 35, 36	<b>13,399</b>	21,580
<b>Total Current Liabilities</b>		<b>227,555</b>	190,052
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion	19, 34, 35, 36	<b>93,662</b>	81,065
Retirement benefits liability - net	31	<b>3,261</b>	3,327
Deferred tax liabilities - net	28	<b>3,601</b>	3,784
Lease liabilities - net of current portion	4, 32, 34, 35	<b>13,714</b>	14,220
Asset retirement obligation	4, 20	<b>3,527</b>	2,857
Other noncurrent liabilities	21, 35, 36	<b>1,201</b>	1,202
<b>Total Noncurrent Liabilities</b>		<b>118,966</b>	106,455
<b>Total Liabilities</b>		<b>346,521</b>	296,507

Forward

# ANNEX A

		December 31	
	Note	2022	2021
<b>Equity Attributable to Equity Holders of the Parent Company</b>	22		
Capital stock		<b>P9,485</b>	P9,485
Additional paid-in capital		<b>37,500</b>	37,500
Capital securities		<b>62,712</b>	62,712
Retained earnings		<b>30,357</b>	30,232
Equity reserves		<b>(16,887)</b>	(18,341)
Treasury stock		<b>(18,000)</b>	(18,000)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>		<b>105,167</b>	103,588
<b>Non-controlling Interests</b>	13	<b>8,383</b>	7,325
<b>Total Equity</b>		<b>113,550</b>	110,913
		<b>P460,071</b>	P407,420

See Notes to the Consolidated Financial Statements.

# ANNEX A

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
(Amounts in Million Pesos, Except Per Share Data)

	<i>Note</i>	<b>2022</b>	2021	2020
<b>SALES</b>	29, 32, 38	<b>P857,638</b>	P438,057	P286,033
<b>COST OF GOODS SOLD</b>	23	<b>823,788</b>	407,558	277,320
<b>GROSS PROFIT</b>		<b>33,850</b>	30,499	8,713
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>	24	<b>(16,175)</b>	(14,557)	(14,389)
<b>OTHER OPERATING INCOME</b>	4, 30	<b>1,538</b>	1,273	1,047
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>	27, 38	<b>(13,094)</b>	(10,008)	(11,313)
<b>INTEREST INCOME</b>	27, 38	<b>898</b>	564	780
<b>SHARE IN NET INCOME OF AN ASSOCIATE</b>	14	<b>63</b>	8	-
<b>OTHER INCOME (EXPENSE) - Net</b>	27	<b>1,021</b>	(482)	(1,049)
		<b>(25,749)</b>	(23,202)	(24,924)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>8,101</b>	7,297	(16,211)
<b>INCOME TAX EXPENSE (BENEFIT)</b>	28, 37, 38	<b>1,404</b>	1,161	(4,798)
<b>NET INCOME (LOSS)</b>		<b>P6,697</b>	P6,136	(P11,413)
<b>Attributable to:</b>				
Equity holders of the Parent Company	33	<b>P5,727</b>	P5,369	(P11,380)
Non-controlling interests	13	<b>970</b>	767	(33)
		<b>P6,697</b>	P6,136	(P11,413)
<b>BASIC/DILUTED EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	33	<b>P0.01</b>	P0.05	(P1.58)

See Notes to the Consolidated Financial Statements.

# ANNEX A

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
(Amounts in Million Pesos)

	<i>Note</i>	<b>2022</b>	2021	2020
<b>NET INCOME (LOSS)</b>		<b>P6,697</b>	P6,136	(P11,413)
<b>OTHER COMPREHENSIVE LOSS</b>				
<i>Item that will not be reclassified to profit or loss</i>				
Equity reserve for retirement plan	31	<b>(626)</b>	(597)	(631)
Income tax benefit (expense)	28	<b>156</b>	(213)	191
		<b>(470)</b>	(810)	(440)
<i>Items that may be reclassified to profit or loss</i>				
Income on cash flow hedges	36	<b>73</b>	202	100
Exchange differences on translation of foreign operations		<b>2,137</b>	880	(1,330)
Unrealized fair value gains on investments in debt instruments at fair value through other comprehensive income	7	-	-	1
Share in other comprehensive income of a joint venture		-	-	10
Income tax expense	28	<b>(19)</b>	(65)	(30)
		<b>2,191</b>	1,017	(1,249)
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax</b>		<b>1,721</b>	207	(1,689)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax</b>		<b>P8,418</b>	P6,343	(P13,102)
<b>Attributable to:</b>				
Equity holders of the Parent Company		<b>P7,181</b>	P5,399	(P12,852)
Non-controlling interests	13	<b>1,237</b>	944	(250)
		<b>P8,418</b>	P6,343	(P13,102)

See Notes to the Consolidated Financial Statements.

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
(Amounts in Million Pesos)

	Note	Equity Attributable to Equity Holders of the Parent Company									Non-controlling Interests	Total Equity	
		Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves			Treasury Stock			Total
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves					
<b>As of December 31, 2021</b>		<b>P9,485</b>	<b>P37,500</b>	<b>P62,712</b>	<b>P7,003</b>	<b>P23,229</b>	<b>(P5,962)</b>	<b>(P12,379)</b>	<b>(P18,000)</b>	<b>P103,588</b>	<b>P7,325</b>	<b>P110,913</b>	
Net income on cash flow hedges - net of tax	36	-	-	-	-	-	-	54	-	54	-	54	
Exchange differences on translation of foreign operations		-	-	-	-	-	-	1,875	-	1,875	262	2,137	
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(475)	-	-	(475)	5	(470)	
Other comprehensive income (loss)		-	-	-	-	-	(475)	1,929	-	1,454	267	1,721	
Net income for the year		-	-	-	-	5,727	-	-	-	5,727	970	6,697	
Total comprehensive income (loss) for the year		-	-	-	-	5,727	(475)	1,929	-	7,181	1,237	8,418	
Cash dividends	22	-	-	-	-	(1,044)	-	-	-	(1,044)	(179)	(1,223)	
Distributions paid	22	-	-	-	-	(4,545)	-	-	-	(4,545)	-	(4,545)	
Share issuance cost of a subsidiary		-	-	-	-	(13)	-	-	-	(13)	-	(13)	
Transactions with owners		-	-	-	-	(5,602)	-	-	-	(5,602)	(179)	(5,781)	
<b>As of December 31, 2022</b>		<b>P9,485</b>	<b>P37,500</b>	<b>P62,712</b>	<b>P7,003</b>	<b>P23,354</b>	<b>(P6,437)</b>	<b>(P10,450)</b>	<b>(P18,000)</b>	<b>P105,167</b>	<b>P8,383</b>	<b>P113,550</b>	

Forward

# ANNEX A

	Equity Attributable to Equity Holders of the Parent Company											
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves			Total	Non-controlling Interests	Total Equity
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves	Treasury Stock			
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
Net income on cash flow hedges - net of tax	36	-	-	-	-	-	-	137	-	137	-	137
Exchange differences on translation of foreign operations		-	-	-	-	-	-	707	-	707	173	880
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(814)	-	-	(814)	4	(810)
Other comprehensive income (loss)		-	-	-	-	-	(814)	844	-	30	177	207
Net income for the year		-	-	-	-	5,369	-	-	-	5,369	767	6,136
Total comprehensive income (loss) for the year		-	-	-	-	5,369	(814)	844	-	5,399	944	6,343
Cash dividends	22	-	-	-	-	(1,899)	-	-	-	(1,899)	(42)	(1,941)
Distributions paid	22	-	-	-	-	(3,037)	-	-	-	(3,037)	-	(3,037)
Issuance of capital securities	22	-	-	26,231	-	-	-	-	-	26,231	-	26,231
Redemption of preferred shares	22	-	-	-	-	-	-	-	(2,878)	(2,878)	-	(2,878)
Appropriation of retained earnings	22	-	-	-	3	(3)	-	-	-	-	-	-
Reversal of appropriation	22	-	-	-	(8,000)	8,000	-	-	-	-	-	-
Transactions with owners		-	-	26,231	(7,997)	3,061	-	-	(2,878)	18,417	(42)	18,375
As of December 31, 2021		P9,485	P37,500	P62,712	P7,003	P23,229	(P5,962)	(P12,379)	(P18,000)	P103,588	P7,325	P110,913

Forward



# ANNEX A

	Equity Attributable to Equity Holders of the Parent Company											
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves			Total	Non-controlling Interests	Total Equity
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves	Treasury Stock			
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	36	-	-	-	-	-	-	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	22	-	-	-	-	(2,515)	-	-	-	(2,515)	(100)	(2,615)
Distributions paid	22	-	-	-	-	(1,816)	-	-	-	(1,816)	-	(1,816)
Issuance of capital securities	22	-	-	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

See Notes to the Consolidated Financial Statements.

# ANNEX A

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
(Amounts in Million Pesos)

	<i>Note</i>	<b>2022</b>	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		<b>P8,101</b>	P7,297	(P16,211)
Adjustments for:				
Interest expense and other financing charges	27, 38	<b>13,094</b>	10,008	11,313
Depreciation and amortization	26, 38	<b>11,876</b>	9,848	9,490
Unrealized foreign exchange losses (gains) - net		<b>670</b>	2,811	(2,308)
Retirement benefits costs	31	<b>367</b>	289	289
Share in net income of an associate	14	<b>(63)</b>	(8)	-
Interest income	27	<b>(898)</b>	(564)	(780)
Other losses - net		<b>(1,201)</b>	(1,228)	(994)
Operating income before working capital changes		<b>31,946</b>	28,453	799
Changes in noncash assets, certain current liabilities and others	34	<b>(38,308)</b>	(29,322)	12,031
Changes in noncash assets and liabilities of new subsidiary	13	<b>(3,165)</b>	-	-
Cash generated from (used in) operations		<b>(9,527)</b>	(869)	12,830
Contribution to retirement fund	31	<b>(900)</b>	(810)	(315)
Interest paid		<b>(12,086)</b>	(9,274)	(10,758)
Income taxes paid		<b>(1,001)</b>	(365)	(110)
Interest received		<b>840</b>	650	886
Net cash flows provided by (used in) operating activities		<b>(22,674)</b>	(10,668)	2,533
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	10	<b>(5,397)</b>	(9,195)	(8,167)
Proceeds from sale of property and equipment		<b>9</b>	131	144
Acquisition of investment property	12	<b>(286)</b>	(695)	(591)
Proceeds from sale of investment property		<b>12</b>	-	-
Increase in other noncurrent assets		<b>(22)</b>	-	(43)
Proceeds from disposal of:				
Investment in subsidiary - net	13	-	-	181
Investments in debt instruments		-	-	39
Net cash from consolidation of a new subsidiary	13	<b>3,302</b>	-	-
Net cash flows used in investing activities		<b>(2,382)</b>	(9,759)	(8,437)

Forward

# ANNEX A

	<i>Note</i>	<b>2022</b>	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from availment of loans, bonds and advances	29, 34	<b>P373,935</b>	P227,057	P151,408
Payments of:				
Loans and bonds	34	<b>(342,654)</b>	(215,431)	(155,604)
Lease liabilities	30, 34	<b>(2,347)</b>	(2,226)	(2,361)
Cash dividends and distributions	22, 34	<b>(6,127)</b>	(4,655)	(4,423)
Redemption of preferred shares	22	-	(2,878)	-
Issuance of capital securities	22	-	26,231	11,298
Net cash flows provided by financing activities		<b>22,807</b>	28,098	318
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		<b>3,026</b>	1,682	(1,579)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>777</b>	9,353	(7,165)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>36,406</b>	27,053	34,218
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	5	<b>P37,183</b>	P36,406	P27,053

*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. Under its Articles of Incorporation (AOI), the Parent Company’s has a corporate life of 50 years or for such longer period as may hereafter be authorized by the laws of the Philippines. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Parent Company shall have a perpetual existence because the Parent Company did not elect to retain its specific corporate term under its AOI.

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 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 and facilities 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 around 1,900 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, 10 product terminals and facilities, and a network of more than 750 service stations.

# ANNEX A

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, 2022, the Parent Company's public float stood at 26.72%.

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.

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## 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 and Sustainability Reporting Standards Council (FSRSC).

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 6, 2023.

### 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:

<u>Items</u>	<u>Measurement Bases</u>
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.

# ANNEX A

## 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		Country of Incorporation
	2022	2021	
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	<b>100.00</b>	100.00	Bermuda
Petron Freeport Corporation (PFC)	<b>100.00</b>	100.00	Philippines
Petron Singapore Trading Pte., Ltd. (PSTPL)	<b>100.00</b>	100.00	Singapore
Petron Marketing Corporation (PMC)	<b>100.00</b>	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	<b>85.55</b>	85.55	Philippines
Petron Global Limited (PGL)	<b>100.00</b>	100.00	British Virgin Islands
Petron Finance (Labuan) Limited (PFL)	<b>100.00</b>	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd. (POGM) and Subsidiaries	<b>100.00</b>	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	<b>100.00</b>	100.00	Hong Kong
Mema Holdings, Inc. (Mema) and Subsidiaries	<b>100.00</b>	-	Philippines

Ovincor is 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, 2022 and 2021, NVRC owns 100% of Las Lucas Construction and Development Corporation (LLCDC), Parkville Estates and Development Corporation (PEDC), South Luzon Prime Holdings, Inc. (SLPHI), Abreco Realty Corporation (ARC) and 60% of Mariveles Landco Corporation (MLC).

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, 2022 and 2021, 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.

## ANNEX A

PAHL is a holding company incorporated in Hong Kong in March 2008. As of December 31, 2022 and 2021, PAHL owns 100% of Robinsons International Holdings Limited (RIHL) which owns 100% of Philippine Polypropylene, Inc. (PPI) and 40% of MLC.

Mema is a holding company acquired by the Parent Company on June 30, 2022. As of December 31, 2022, Mema owns 100% of Weldon Offshore Strategic Limited Incorporated which owns 100% of Petrofuel Logistics, Inc. (PLI). PLI engages in the business of providing logistics and freight forwarding services for the hauling, carriage, transportation, forwarding, and/or storage of various goods and products.

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 2022 and 2021.

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.

## 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 Amended Standards

The FSRSC approved the adoption of a number of amended standards as part of PFRS.

The Group has adopted the following PFRS effective January 1, 2022 and accordingly, changed its accounting policies in the following areas:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16, *Leases*). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

- 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 an entity's ordinary activities, the amendments require the entity 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.

- 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 comprises both incremental costs and an allocation of other direct costs.



# ANNEX A

- 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, *Financial Instruments*). 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, *Leases*). 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.
  - 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*.
- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:
  - replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirement;
  - added a requirement that, for transactions and other events within the scope of PAS 37 or International Financial Reporting Interpretations Committee (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 adoption of the amended standards did not have a material effect on the consolidated financial statements.

## New and Amended Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2022 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

# ANNEX A

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

- 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 in 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.

- Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (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:
  - 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 only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
  - clarified that settlement of a liability includes transferring an entity'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, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

## ANNEX A

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16 *Leases*). The amendments confirm the following:
  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. A seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into on or after the date of initial application of PFRS 16.

- 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.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

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

## ANNEX A

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, 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 fulfillment 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 fulfillment 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.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB. 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. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. 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.

# ANNEX A

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 FSRSC 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.

# ANNEX A

## 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.

# ANNEX A

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. 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 other comprehensive income.

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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.

## 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.



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

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*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.

# ANNEX A

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.

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 "Hedging reserve" 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.

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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, 2022 and 2021 (Note 36).

## *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, 2022 and 2021 (Note 36).

## Inventories

Inventories are carried at the lower of cost and 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.

# ANNEX A

## Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the consolidated statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

## 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 at 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 value 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.

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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 as 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.

Business Combinations under Common Control

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.

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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 identifiable net assets of the subsidiary.

## Investments in Shares of Stock of Associates and Joint Ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in shares of stock of an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of an associate or joint venture is recognized as "Share in net income of an associate and joint venture" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income of an associate and joint venture" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in the shares of stock of an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in shares of stock of an associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate or joint venture and then recognizes the loss as part of "Share in net income of an associate and joint venture" account in the consolidated statements of income.



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Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in an associate or joint venture upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group's 25.06% interest in Petrogen, accounted for as an investment in an associate, 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 investment in associate and interest in joint ventures are 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 joint ventures presented as part of "Other expenses - Net" account. As of December 31, 2022 and 2021, the Group has capital commitments amounting to P1.5 and nil for TBSB and PDSI, respectively. The Group has no contingent liabilities in relation to its interest in these associate and 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 for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less 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. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as 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.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. 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. CPIP is not depreciated until such time that the relevant assets are ready for use.

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For financial reporting purposes, depreciation 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 - 35
Service stations and other equipment	3 - 30
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 are computed using the double-declining balance method.

The remaining useful lives, residual values, and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation 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

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.

# ANNEX A

## *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.

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At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

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 "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. 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.

# ANNEX A

## 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 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, which commences 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 -12 or the term of the lease, whichever is shorter

The useful lives and depreciation 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.

# ANNEX A

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, 2022 and 2021, 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.

## 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.

# ANNEX A

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 are 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 all its 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.

# ANNEX A

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.



# ANNEX A

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

*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 22).

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.

## Equity Reserve

The equity reserve includes the effect of transactions with non-controlling interests and equity adjustments.

## Translation Reserve

The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

## Reserve for Retirement Plan

The reserve for retirement plan represents re-measurements 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).

## Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

The hedging reserve also includes cost of hedging which reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts, time value of options and foreign currency basis spread which are initially recorded in other comprehensive income.

# ANNEX A

## 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.

# ANNEX A

- *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.

# ANNEX A

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.

# ANNEX A

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.

## Foreign Currency

*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.

# ANNEX A

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.

## Taxes

*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.

# ANNEX A

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.

# ANNEX A

*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 38 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.

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## 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.

*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.* The Group has entered into various lease agreements as lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases.

## ANNEX A

Rent income recognized as “Other operating income” in the consolidated statements of income amounted to P1,538, P1,273 and P1,047 in 2022, 2021 and 2020, respectively. Rent income recognized as part of “Other expenses - net” account in the consolidated statements of comprehensive income amounted to P63 each in 2022, 2021 and 2020 (Notes 27 and 30). Revenues from the customers’ use of loaned equipment amounted to P1,173, P1,153 and P1,150 in 2022, 2021 and 2020, respectively (Note 38).

*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.

## ANNEX A

*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 36.

*Evaluating Control or Significant Influence over its Investees.* Determining whether the Group has control or significant influence in an investee requires significant judgment. The Group has assessed it has lost its control over Petrogen upon the decrease in ownership interest from 100% to 25.06% in 2021. The Group has no longer the power, in practice, to govern the financial and operating policies of Petrogen, to appoint or remove the majority of the members of the BOD of Petrogen and to cast majority votes at meetings of the BOD of Petrogen. However, the Group has determined that it exercises significant influence over Petrogen by virtue of its representation in the BOD of Petrogen (Note 14).

The Group likewise determined that it has control over Mema upon acquisition of its 100% of its authorized capital on June 30, 2022. The Group has the power, in practice, to govern the financial and operating policies of Mema, to appoint or remove the majority of the members of the BOD of Mema and to cast majority votes at meetings of the BOD of Mema. The Group controls Mema since it is exposed, and has rights, to variable returns from its involvement with Mema and has the ability to affect those returns through its power over Mema (Note 13).

*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.

# ANNEX A

*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.

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 2022, 2021 and 2020, majority of the entities within the Group opted to continue claiming itemized standard deductions except for certain subsidiaries of NVRC such as LLCDC, MLC, SLPHI, ARC and PEDC, as they opted to apply OSD (Note 28).

*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 shows 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.

## ANNEX A

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 P3, P28 and P67 in 2022, 2021 and 2020 respectively (Notes 8 and 24). Receivables written-off amounted to P97 in 2022, P6 in 2021 and P8 in 2020 (Note 8).

The carrying amount of trade and other receivables amounted to P81,979 and P51,745 as of December 31, 2022 and 2021, 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.

## ANNEX A

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 2022 and 2021. The carrying amounts of other financial assets at amortized cost are as follows:

	<b>Note</b>	<b>2022</b>	2021
Cash in banks and cash equivalents	5	<b>P35,819</b>	P35,318
Noncurrent deposits	15	<b>127</b>	128
		<b>P35,946</b>	P35,446

*Net Realizable Values of Inventories.* In determining the NRV of inventories, management takes into account the most reliable evidence available at the time the estimates are made. Future realization of the carrying amount of inventories of P85,347 and P67,684 as of the end of 2022 and 2021, 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 P356 in 2022, P37 in 2021 and nil in 2020 (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 2022, 2021 and 2020, the Group provided an additional loss on inventory obsolescence amounting to P73, nil, and P73, 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.

## ANNEX A

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 36.

*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 P170,153 and P171,602 as of December 31, 2022 and 2021, respectively. Accumulated depreciation of property, plant and equipment, amounted to P115,586 and P106,424 as of December 31, 2022 and 2021, respectively (Note 10).

Right-of-use assets, net of accumulated depreciation, amounted to P5,398 and P5,648 as of December 31, 2022 and 2021, respectively. Accumulated depreciation of right-of-use asset amounted to P2,295 and P1,728 as of December 31, 2022 and 2021, respectively (Note 11).

## ANNEX A

Investment property, net of accumulated depreciation, amounted to P28,437 and P29,175 as of December 31, 2022 and 2021, respectively. Accumulated depreciation of investment property amounted to P19,965 and P17,852 as of December 31, 2022 and 2021, respectively (Note 12).

Intangible assets with finite useful lives, net of accumulated amortization, amounted to P110 and P139 as of December 31, 2022 and 2021, respectively (Note 15). Accumulated amortization of intangible assets with finite useful lives amounted to P759 and P708 as of December 31, 2022 and 2021, 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 P48,413 and P43,119 as of December 31, 2022 and 2021, respectively (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 1% and 3% in 2022 and 2021, respectively, and discount rates of 8.4% and 7.7% in 2022 and 2021, 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 2022, 2021 and 2020 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, 2022 and 2021.

*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 P1,812 and P2,172 as of December 31, 2022 and 2021, respectively (Note 28).



# ANNEX A

*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 31 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 P519, P434 and P430 in 2022, 2021 and 2020, respectively. Remeasurement losses of the net defined retirement obligation recognized in OCI amounted to P626, P597 and P631 in 2022, 2021 and 2020, respectively. The retirement benefits liability amounted to P3,327 and P3,459 as of December 31, 2022 and 2021, respectively (Note 31).

*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 3.25% to 8.47% 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 P3,559 and P2,877 as of December 31, 2022 and 2021, respectively (Note 20).

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## 5. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Cash on hand		<b>P1,364</b>	P1,088
Cash in banks		<b>8,854</b>	8,972
Short-term placements		<b>26,965</b>	26,346
	35, 36	<b>P37,183</b>	P36,406

# ANNEX A

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 0.05% to 6.32% in 2022, 0.01% to 2.75% in 2021 and 0.01% to 5.75% in 2020 (Note 27).

## 6. Financial Assets at Fair Value

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Proprietary membership shares		<b>P352</b>	P298
Derivative assets not designated as cash flow hedge		<b>1,257</b>	687
Derivative assets designated as cash flow hedge		<b>181</b>	53
	35, 36	<b>1,790</b>	1,038
Less: noncurrent portion	15	<b>37</b>	33
		<b>P1,753</b>	P1,005

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 36).

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 15).

Changes in fair value of assets at FVPL recognized in the consolidated statements of income in 2022, 2021 and 2020 amounted to P54, P23 and (P9), respectively (Note 27) while changes in fair value of derivative assets designated as cash flow hedge were recognized in OCI.

## 7. Investments in Debt Instruments

The reconciliation of the carrying amounts of investments in debt instruments as of December 31 follows:

	<i>Note</i>	2021
<b>Financial Assets at FVOCI</b>		
Balance as of January 1		P126
Disposals*		(126)
Balance as of December 31		-
<b>Financial Assets at Amortized Cost</b>		
Balance as of January 1		255
Disposals*		(255)
Balance as of December 31		-
	14, 35, 36	P -

\*Disposal in 2021 was due to deconsolidation of Petrogen (see Note 14).

# ANNEX A

## 8. Trade and Other Receivables

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Trade	35	<b>P53,087</b>	P32,705
Related parties - trade	29, 35	<b>6,112</b>	2,684
Allowance for impairment loss on trade receivables		<b>(737)</b>	(839)
		<b>58,462</b>	34,550
Government		<b>19,190</b>	14,853
Related parties - non-trade	29	<b>1,007</b>	1,193
Others		<b>3,509</b>	1,338
Allowance for impairment loss on non-trade receivables		<b>(189)</b>	(189)
		<b>23,517</b>	17,195
	35, 36	<b>P81,979</b>	P51,745

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 nil and P13,273 as of December 31, 2022 and 2021, 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 2022 and 2021 is shown below:

	<i>Note</i>	<b>2022</b>	2021
Balance at beginning of year		<b>P1,343</b>	P1,302
Additions	24	<b>3</b>	28
Write off	4	<b>(97)</b>	(6)
Reversal/reclassifications		<b>(11)</b>	3
Currency translation adjustment		<b>13</b>	16
Balance at end of year		<b>1,251</b>	1,343
Less noncurrent portion for long-term receivables	35	<b>325</b>	315
		<b>P926</b>	P1,028

## ANNEX A

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 P97 and P6 in 2022 and 2021, 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, 2022 and 2021:

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
<b>December 31, 2022</b>			
Retail	1.38%	P6,095	P84
Lubes	0.11%	885	1
Gasul	4.12%	1,286	53
Industrial	0.93%	30,168	281
Others	1.14%	44,471	507
		<b>P82,905</b>	<b>P926</b>

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2021			
Retail	2.46%	P4,470	P110
Lubes	1.24%	646	8
Gasul	4.47%	1,186	53
Industrial	2.08%	17,104	355
Others	1.71%	29,367	502
		<b>P52,773</b>	<b>P1,028</b>

### 9. Inventories

This account consists of:

	2022	2021
Crude oil and others	P38,512	P32,573
Petroleum	37,260	26,168
Materials and supplies	5,128	5,458
Lubes, greases and aftermarket specialties	4,447	3,485
	<b>P85,347</b>	<b>P67,684</b>

The cost of these inventories amounted to P86,346 and P68,291 as of December 31, 2022 and 2021, 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 P1,487 and decreased by P994 as of December 31, 2022 and 2021, respectively.

## ANNEX A

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P804,136, P393,781 and P262,938 in 2022, 2021 and 2020, respectively (Note 23).

Research and development costs on these products constituted the expenses incurred for internal projects in 2022, 2021 and 2020 (Note 24).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2022 and 2021 are as follows:

	<b>Note</b>	<b>2022</b>	2021
Balance at beginning of year		<b>P607</b>	P613
Additions/reductions:			
Inventory obsolescence	4	<b>73</b>	(43)
Inventory write-down	4	<b>356</b>	37
Reversals		<b>(37)</b>	-
Balance at end of year		<b>P999</b>	P607

The losses and reversals are included as part of "Cost of goods sold" account in the consolidated statements of income. Reversal of write-down corresponds to inventories sold during the year (Note 23).

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
<b>Cost</b>								
January 1, 2021		P23,497	P194,249	P19,784	P5,887	P4,134	P20,182	P267,733
Additions		113	1,903	149	111	92	7,164	9,532
Disposals/reclassifications		880	9,918	(89)	271	98	(11,200)	(122)
Reclassification to/from investment property	12	(223)	-	-	-	(50)	(10)	(283)
Currency translation adjustment		296	751	243	61	50	(235)	1,166
December 31, 2021		24,563	206,821	20,087	6,330	4,324	15,901	278,026
Additions		127	2,150	265	498	-	2,893	5,933
Acquisition of subsidiary	13	-	-	-	261	5	-	266
Disposals/reclassifications		1,724	3,049	(206)	29	48	(5,200)	(556)
Reclassification to/from investment property	12	222	-	-	-	32	-	254
Currency translation adjustment		480	824	332	81	63	36	1,816
<b>December 31, 2022</b>		<b>27,116</b>	<b>212,844</b>	<b>20,478</b>	<b>7,199</b>	<b>4,472</b>	<b>13,630</b>	<b>285,739</b>
<b>Accumulated Depreciation</b>								
January 1, 2021		13,793	65,244	13,690	4,994	1,181	-	98,902
Depreciation		875	4,687	941	459	91	-	7,053
Disposals/reclassifications		(47)	(1)	(13)	(65)	4	-	(122)
Reclassification to/from investment property	12	-	-	-	-	(4)	-	(4)
Currency translation adjustment		173	241	134	46	1	-	595
December 31, 2021		14,794	70,171	14,752	5,434	1,273	-	106,424
Depreciation		966	6,543	1,108	238	93	-	8,948
Acquisition of subsidiary	13	-	-	-	45	2	-	47
Disposals/reclassifications		(46)	-	(518)	(50)	4	-	(610)
Reclassification to/from investment property	12	(106)	-	-	-	-	-	(106)
Currency translation adjustment		263	349	208	63	-	-	883
<b>December 31, 2022</b>		<b>15,871</b>	<b>77,063</b>	<b>15,550</b>	<b>5,730</b>	<b>1,372</b>	<b>-</b>	<b>115,586</b>
<b>Carrying Amount</b>								
December 31, 2021		P9,769	P136,650	P5,335	P896	P3,051	P15,901	P171,602
<b>December 31, 2022</b>		<b>P11,245</b>	<b>P135,781</b>	<b>P4,928</b>	<b>P1,469</b>	<b>P3,100</b>	<b>P13,630</b>	<b>P170,153</b>

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In 2022 and 2021, 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 2022, 2021 and 2020 based on management's assessment of impairment indicators.

Certain fully depreciated property, plant and equipment with aggregate costs of P29,924 and P25,485 as at December 31, 2022 and 2021, respectively, are still being used in the Group's operations.

The Group capitalized interest amounting to P536, P337 and P313 in 2022, 2021, and 2020, respectively (Notes 16, 19, 27 and 30). The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.27% to 8.22% in 2022 and from 1.34% to 8.21% in 2021.

## Capital Commitments

As of December 31, 2022 and 2021, the Group has outstanding commitments to acquire property, plant and equipment amounting to P6,061 and P6,161, respectively.

## 11. Right-of-Use Assets

The movements and balances of right-of-use assets as of and for the years ended December 31 follow:

	Note	Land	Buildings and Improvements and Related Facilities	Service Stations and Other Equipment	Total
<b>Cost</b>					
January 1, 2021		P6,567	P1,093	P24	P7,684
Additions		171	421	-	592
Remeasurements		(517)	(406)	-	(923)
Currency translation adjustment		20	3	-	23
December 31, 2021		6,241	1,111	24	7,376
Additions		61	6	-	67
Acquisition of subsidiary	13	-	15	-	15
Remeasurements		104	53	46	203
Currency translation adjustment		28	3	1	32
<b>December 31, 2022</b>		<b>6,434</b>	<b>1,188</b>	<b>71</b>	<b>7,693</b>
<b>Accumulated Depreciation</b>					
January 1, 2021		1,189	444	6	1,639
Remeasurements		(132)	(406)	-	(538)
Depreciation		415	201	3	619
Currency translation adjustment		6	2	-	8
December 31, 2021		1,478	241	9	1,728
Remeasurements		(109)	11	2	(96)
Depreciation		420	223	4	647
Acquisition of subsidiary	13	-	3	-	3
Currency translation adjustment		9	4	-	13
<b>December 31, 2022</b>		<b>1,798</b>	<b>482</b>	<b>15</b>	<b>2,295</b>
<b>Carrying Amount</b>					
December 31, 2021		P4,763	P870	P15	P5,648
<b>December 31, 2022</b>		<b>P4,636</b>	<b>P706</b>	<b>P56</b>	<b>P5,398</b>

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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 P1,065 and P1,070 in 2022 and 2021, respectively (Note 27 and 30).

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 P511, P10 and P4, respectively, in 2022, and P314, P8 and P4, respectively, in 2021 (Note 30).

The Group had total cash outflows for leases of P3,208, P2,862 and P2,972 in 2022, 2021 and 2020, respectively (Note 30).

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
<b>Cost</b>						
January 1, 2021		P9,208	P5,744	P18,070	P12,372	P45,394
Additions		5	204	486	117	812
Disposals/reclassifications		-	-	118	(131)	(13)
Reclassifications from/to property, plant and equipment	10	(46)	96	233	-	283
Currency translation adjustment		86	213	252	-	551
December 31, 2021		9,253	6,257	19,159	12,358	47,027
Additions		3	-	284	638	925
Disposals/reclassifications		(12)	(2,382)	(186)	2,529	(51)
Reclassifications from/to property, plant and equipment	10	(32)	-	(222)	-	(254)
Currency translation adjustment		114	289	352	-	755
<b>December 31, 2022</b>		<b>9,326</b>	<b>4,164</b>	<b>19,387</b>	<b>15,525</b>	<b>48,402</b>
<b>Accumulated Depreciation</b>						
January 1, 2021		-	4,194	9,321	1,830	15,345
Depreciation		-	329	720	884	1,933
Disposals/reclassifications		-	-	40	(154)	(114)
Reclassifications from/to property, plant and equipment	10	-	(4)	-	-	(4)
Currency translation adjustment		-	269	423	-	692
December 31, 2021		-	4,788	10,504	2,560	17,852
Depreciation		-	28	694	1,264	1,986
Disposals/reclassifications		-	(4,051)	(1)	3,799	(253)
Reclassifications from/to property, plant and equipment	10	-	-	106	-	106
Currency translation adjustment		-	109	166	(1)	274
<b>December 31, 2022</b>		<b>-</b>	<b>874</b>	<b>11,469</b>	<b>7,622</b>	<b>19,965</b>
<b>Carrying Amount</b>						
December 31, 2021		P9,253	P1,469	P8,655	P9,798	P29,175
<b>December 31, 2022</b>		<b>P9,326</b>	<b>P3,290</b>	<b>P7,918</b>	<b>P7,903</b>	<b>P28,437</b>

In 2022 and 2021, certain investment property were reclassified from/to property, plant and equipment 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 10).



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No impairment loss was required to be recognized in 2022, 2021 and 2020 based on management's assessment of impairment indicators.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2022, 2021 and 2020.

The fair value of investment property amounting to P48,413 and P43,119 as of December 31, 2022 and 2021, 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 P32,813 and P27,166 as of December 31, 2022 and 2021, respectively, were 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 P6,110 and P6,017 as of December 31, 2022 and 2021, respectively, were determined by using the depreciated replacement cost method. The net present value of lease liability recognized in investment property as of December 31, 2022 and 2021 represents the remaining fair value amounting to P9,490 and P9,936, respectively.

## 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. Business Combination, Investment in Shares of Stock of Subsidiaries, Goodwill and Non-controlling Interests

### Business Combination and 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:

#### *Mema*

On February 16, 2022, the Parent Company paid P104 for the acquisition of 10,000,000 common shares with par value of P1.00 per share representing 100% of the authorized capital stock of Mema. The Mema group includes the subsidiary engaged in hauling and logistics services (Note 2). On June 30, 2022, control over the investee has been transferred to the Group after the resolution of the substantive pending issues agreed by both the seller and the Parent Company. On December 29, 2022, P300 adjustment in purchase price was agreed by the Parent Company and the seller. As of December 31, 2022, the adjustment in purchase price is still outstanding (Note 18) and was subsequently settled to the seller in February 2023.

The fair value of net assets acquired amounted to P426 on June 30, 2022. The group recognized P22 gain on acquisition, presented under "Other income (expenses) - net" in the consolidated statements of income in 2022, which pertains to the excess of fair value of assets acquired and liabilities assumed over the consideration paid / accrued.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	<b>June 30, 2022</b>
<b>Assets</b>	
Cash and cash equivalents	P3,406
Accounts and other receivables	2,034
Prepaid expenses and other current assets	69
Property, plant and equipment - net	219
Other noncurrent assets	15
<b>Liabilities</b>	
Accounts and other payables	(5,303)
Other liabilities	(14)
<b>Total Identifiable Net Assets</b>	<b>P426</b>

The fair value of trade and other receivables amounted to P2,034. None of the receivables has been impaired and the full amount is expected to be collected. As of December 31, 2022, P2,000 was already collected.

Accounts and other payables amounting to P5,165 was settled as of December 31, 2022 from the existing cash and the collected receivables.

The fair value of the acquired property, plant and equipment was measured using depreciated replacement cost by considering the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

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Mema has contributed to Group's net income of P26 from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Group's revenue and net income in 2022 would have been P857,638 and P6,693, respectively. Mema has no contribution to consolidated sales since the entity provides hauling and logistics services to the Parent Company.

On October 27, 2022, the Parent Company and Mema executed a Subscription Agreement to subscribe to an additional 1,375,000,000 common shares of Mema for a subscription price of P1,375 or P1.00 per common share, of which P899 was paid in 2022.

### *Ovincor*

On June 22, 2021 and December 9, 2021, the Executive Committee of the BOD of the Parent Company approved the proposal of Management for an additional investment in Ovincor amounting to US\$1 million and US\$5.2 million, respectively. This is to expand Ovincor's capability to retain a bigger share of insurance cover for the Parent Company. The additional investments were paid on August 19, 2021 and December 15, 2021, respectively.

### Goodwill

The movements and balances of goodwill as of and for the years ended December 31 are as follows:

	<b>2022</b>	2021
<b>Cost</b>		
Balance at beginning of year	<b>P8,235</b>	P8,031
Translation adjustments	<b>274</b>	204
<b>Net carrying amount at end of year</b>	<b>P8,509</b>	P8,235

### 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, 2022 and 2021, 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 actual operating results, and justifiable assumptions for future business performance but excluding net cash inflows from expansion projects like new stations, Management believes that this five to ten-year forecast period was justified due to the long-term nature of the business.
- A discount rate of 8.4% in 2022 and 7.7% in 2021 was applied based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM).
- In 2022, cash flows beyond ten years were estimated by extrapolating the projections using a growth rate of 1% up to the CGU's maximum capacity as Management believes that the current network of service stations will mature and grow with the economy for the next thirty years. In 2021, cash flows beyond five years were estimated by extrapolating the projections using a steady growth rate of 3% up to the CGU's maximum capacity for the next thirty years.

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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 1%, 2%, and 3% in 2022 and 2%, 3% and 4% in 2021 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 2022, 2021 and 2020 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, 2022		December 31, 2021	
	NVRC	PMRMB	NVRC	PMRMB
<b>Non-controlling Interests Percentage</b>	<b>14.45%</b>	<b>26.60%</b>	14.45%	26.60%
<b>Carrying amount of non-controlling interest</b>	<b>P476</b>	<b>P7,907</b>	P467	P6,858
Current assets	<b>P567</b>	<b>P32,736</b>	P617	P25,192
Noncurrent assets	<b>9,392</b>	<b>27,420</b>	9,415	27,287
Current liabilities	<b>(1,104)</b>	<b>(29,269)</b>	(1,219)	(25,486)
Noncurrent liabilities	<b>(3,695)</b>	<b>(2,899)</b>	(3,791)	(2,942)
<b>Net assets</b>	<b>P5,160</b>	<b>P27,988</b>	P5,022	P24,051
<b>Net income attributable to non-controlling interests</b>	<b>P9</b>	<b>P961</b>	P12	P755
<b>Other comprehensive income attributable to non-controlling interests</b>	<b>P -</b>	<b>P267</b>	P -	P177
<b>Sales</b>	<b>P397</b>	<b>P227,026</b>	P395	P109,483
Net income	<b>P137</b>	<b>P6,165</b>	P159	P2,842
Other comprehensive income	-	<b>24</b>	-	24
<b>Total comprehensive income</b>	<b>P137</b>	<b>P6,189</b>	P159	P2,866
Cash flows provided by (used in) operating activities	<b>P249</b>	<b>(P25)</b>	P123	(P3,832)
Cash flows provided by (used in) investing activities	<b>9</b>	<b>(863)</b>	(5)	(1,938)
Cash flows provided by (used in) financing activities	<b>(317)</b>	<b>219</b>	(158)	7,175
Effects of exchange rate changes on cash and cash equivalents	-	<b>(3)</b>	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(P59)</b>	<b>(P672)</b>	(P40)	P1,405

## 14. Investment in Shares of Stock of an Associate

Petrogen was incorporated and registered with the Philippine SEC on August 23, 1996 primarily to engage in the business of non-life insurance and re-insurance.

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 at December 31, 2019, Petrogen has a total of 475,001 common shares issued and outstanding.

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On October 21, 2020, the BOD of Petrogen approved the declaration of stock dividends in the total amount of P25 equal to 25,000 shares with par value of P1,000 per share and was subsequently approved by the Insurance Commission on January 4, 2021.

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 effective February 4, 2021. The carrying amount of the Parent Company's investment in Petrogen at deconsolidation date amounted to P991. The Group recognized P13 gain on deconsolidation.

The Group recognized P63 and P8 in 2022 and 2021, respectively, as share in net income of Petrogen accounted for using equity method.

Below summarizes the derecognized accounts at the deconsolidation date:

Cash and cash equivalents	P3,677
Trade and other receivables - net	568
Investments in debt instruments	381
Other current assets	91
Deferred tax assets - net	10
Trade and other payables	(733)
Deposits for future subscription	(3,000)
Equity reserves	(3)
<b>Total</b>	<b>P991</b>

As of December 31, 2022 and 2021, the Parent Company owns 25.06% of Petrogen accounted for as an investment in an associate.

Following are the condensed financial information of Petrogen as of and for the years ended December 31, 2022 and 2021:

	2022	2021
<b>Percentage of ownership</b>	<b>25.06%</b>	25.06%
Current assets	<b>P5,708</b>	P7,075
Noncurrent assets	<b>2,085</b>	649
Current liabilities	<b>(3,508)</b>	(3,686)
<b>Net assets</b>	<b>P4,285</b>	P4,038
<b>Revenue</b>	<b>P2,589</b>	P1,749
<b>Net income</b>	<b>P247</b>	P40
<b>Share in net assets</b>	<b>P1,075</b>	P1,012
<b>Carrying amount of investment in shares of stock of an associate</b>	<b>P1,075</b>	P1,012

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## 15. Other Assets

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
<b>Current</b>			
Prepaid taxes		<b>P33,566</b>	P26,754
Input VAT		<b>1,900</b>	3,011
Prepaid expenses	29	<b>1,168</b>	1,097
Special-purpose fund		<b>169</b>	158
Tax recoverable		<b>24</b>	5
Others - net		<b>198</b>	170
		<b>P37,025</b>	P31,195
<b>Noncurrent</b>			
Input VAT		<b>P94</b>	P127
Catalyst - net		<b>422</b>	489
Prepaid rent		<b>164</b>	202
Derivative assets designated as cash flow hedge	6, 35, 36	<b>37</b>	33
Noncurrent deposits	35, 36	<b>127</b>	128
Intangibles - net	4	<b>110</b>	139
Others - net		<b>446</b>	423
		<b>P1,400</b>	P1,541

The “Others - net” under “Noncurrent” account includes marketing assistance to dealers and other prepayments amounting to P256, P262 and P256 as of December 31, 2022, 2021 and 2020, respectively, net of amortization amounting to P47, P57 and P75 in 2022, 2021 and 2020, respectively.

The amortization of prepaid rent amounted to nil in 2022, nil in 2021 and P4 in 2020.

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 P58, P67 and P86 in 2022, 2021 and 2020, respectively (Notes 24 and 26).

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 P237, P176 and P261 in 2022, 2021 and 2020, respectively (Notes 23 and 26).

## 16. 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 5 to 181 days and annual interest ranging from 1.28% to 6.88% in 2022, 1.18% to 2.95% in 2021 and 0.92% to 6.75% in 2020 (Note 27). 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 P4,316 in 2022, P2,089 in 2021 and P3,418 in 2020 (Note 27). Interest expense amounting to P169 was capitalized as part of property, plant and equipment in 2022 while P115 in 2021 and P174 in 2020 (Note 10).

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## 17. 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 32.

Liabilities for crude oil and petroleum products are payable to the following:

	<i>Note</i>	<b>2022</b>	2021
Third parties		<b>P51,057</b>	P42,586
Related parties	29	<b>10</b>	55
	<b>35, 36</b>	<b>P51,067</b>	P42,641

## 18. Trade and Other Payables

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Trade		<b>P6,075</b>	P4,427
Specific taxes and other taxes payable		<b>8,205</b>	4,615
Accrued payroll		<b>204</b>	200
Due to related parties	29	<b>5,008</b>	1,470
Accrued interest		<b>1,245</b>	668
Accrued rent		<b>350</b>	330
Dividends payable	34	<b>470</b>	829
Asset retirement obligation - current	20	<b>32</b>	20
Insurance liabilities		<b>3</b>	154
Retention payable		<b>24</b>	78
Retirement benefits liability	31	<b>66</b>	132
Deferred liability on consumer loyalty program		<b>813</b>	814
Others	13, 40	<b>401</b>	264
	<b>35, 36</b>	<b>P22,896</b>	P14,001

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 40), accruals of selling and administrative expenses, advances and other payables which are normally settled within a year.

The Group recognized revenue that was included in the deferred liability on consumer loyalty program amounting to P1,452 and P1,211 in 2022 and 2021, respectively (Note 38).

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## 19. Long-term Debt

This account consists of long-term debt of the Parent Company:

	<i>Note</i>	<b>2022</b>	2021
<b>Unsecured Peso-Denominated (net of debt issue costs)</b>			
Term loan of 5.4583% due until 2022	<i>(a)</i>	<b>P -</b>	P1,000
Fixed rate retail bonds of 4.5219% due in 2023	<i>(b)</i>	<b>6,990</b>	6,979
Term loan of 5.5276% due until 2024	<i>(d)</i>	<b>3,744</b>	5,878
Term loan of 5.7584% due until 2022	<i>(e)</i>	<b>-</b>	2,497
Fixed rate retail bonds of 7.8183% due in 2024 and 8.0551% due in 2025	<i>(f)</i>	<b>19,906</b>	19,867
Fixed retail bond of 3.4408% due until 2025 and 4.3368% due until 2027	<i>(k)</i>	<b>17,823</b>	17,779
Term loan of 4.5900% due until 2025	<i>(i)</i>	<b>3,116</b>	4,356
Term loan of 7.1663% due until 2027	<i>(l)</i>	<b>4,967</b>	-
Term loan of 7.4206% due until 2027	<i>(m)</i>	<b>4,969</b>	-
Term Loan of 7.5496% due until 2027	<i>(n)</i>	<b>4,968</b>	-
Term Loan of 6.4920% due in 2025	<i>(o)</i>	<b>2,359</b>	-
Term Loan of 6.8672% due in 2025	<i>(p)</i>	<b>621</b>	-
<b>Unsecured Foreign Currency-Denominated (net of debt issue costs)</b>			
Floating rate dollar loan - US\$1,000 million due until 2022	<i>(c)</i>	<b>-</b>	7,219
Floating rate dollar loan - US\$800 million due until 2024	<i>(g)</i>	<b>6,276</b>	22,992
Floating rate yen loan - JP¥15 billion due until 2025	<i>(h)</i>	<b>4,528</b>	6,556
Floating rate dollar loan - US\$150 million due in 2023	<i>(j)</i>	<b>-</b>	7,522
Floating rate dollar loan - US\$550 million due until 2027	<i>(q)</i>	<b>26,794</b>	-
	<i>34, 35, 36</i>	<b>107,061</b>	102,645
Less current portion		<b>13,399</b>	21,580
		<b>P93,662</b>	P81,065

- 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 2022 and 2021, the Parent Company settled matured interim principal payments aggregating to P1,000 each year. The Parent Company has fully paid the facility as of December 31, 2022.



## ANNEX A

- 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. The Parent Company redeemed its P13,000 Series A retail bonds on October 27, 2021.
- 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\$86 million and US\$57 million in 2021 and US\$221 million and US\$148 million in 2020 against the US\$600 million and US\$400 million drawdowns, respectively and has fully paid the remaining balance in 2022.
- 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, 2022, the P11,250 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. The Parent Company has fully settled the facility in 2022.
- 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 Undated Subordinated Capital Securities (USCS) (Note 22), and the balance for general corporate purposes. The Offer Bonds were listed with the Philippine Dealing & Exchange Corp. on October 19, 2018.

## ANNEX A

- 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. In 2022 and 2021, US\$343 million and US\$228 million portion of the facility has been paid, respectively.
- 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. Due to the global discontinuation of JPY LIBOR by December 31, 2021, an amendment was made to the JPY Facility adopting the Tokyo Overnight Average Rate (TONA) as the new benchmark rate. Beginning December 29, 2021, the floating interest rate on the JPY15 billion facility is based on TONA plus a spread, repriced every 1, 3 or 6 months. In 2022, the Parent Company has paid the principal amortizations amounting to JP¥4.29 billion.
- 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. In 2022 and 2021, P1,250 and P625 amortizations of principal have been paid.
- 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. In 2022, the Parent Company has prepaid the principal in full.
- k. On October 12, 2021, the Parent Company issued P18,000 retail bonds divided into Series E due in 2025 (P9,000) and Series F due in 2027 (P9,000) with interest rates of 3.4408% p.a. and 4.3368% p.a., respectively. The Bonds are listed on the Philippine Dealing & Exchange Corp. The proceeds were used for the redemption of the Company's Series A Bonds, the partial financing of a power plant project and payment of existing indebtedness.
- l. On May 19, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on May 17, 2022. The facility is subject to a fixed interest rate of 7.1663% per annum and amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 semi-annual payments beginning May 19, 2024. The proceed were used for partial financing of a power plant project.

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- m. On June 15, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 10, 2022. The facility is subject to a fixed interest rate of 7.4206% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payment beginning September 15, 2023. The proceeds were used to partially pay the US\$1,000 term loan facility.
- n. On June 16, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 7, 2022. The facility is subject to a fixed interest rate of 7.5496% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 16, 2023. The proceeds were used to pay balances of the US\$1,000 million and various loan facilities.
- o. On September 8, 2022, the Parent Company drew and availed a P2,375 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.4920% per annum and will be fully paid on September 8, 2025. The proceeds were partially used to pay existing indebtedness.
- p. On September 30, 2022, the Parent Company drew and availed a P625 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.8672% per annum and will be fully paid on September 8, 2025. The proceeds will be used to pay existing indebtedness.
- q. On November 8, 2022, the Parent Company signed and executed a US\$550 million term loan facility. Initial drawdown of US\$117 million was made on November 15, 2022, the proceeds of which were used to partially pay the US\$800 million loan term loan facility. On November 29, 2022, the Company drew an additional US\$150 million from the facility to fully prepay its US\$150 million term loan facility. Additional US\$228 million was drawn on December 15, 2022 to further partially prepay the US\$800 million loan term loan facility. The US\$550 million term loan 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 November 8, 2024. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months.

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 of December 31, 2022 and 2021, the Group has complied with the financial covenants of its debt agreements.

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P6,165, P5,220 and P5,727 in 2022, 2021 and 2020, respectively (Note 27). Interest amounting to P269 was capitalized in 2022, P130 in 2021 and P49 in 2020 (Note 10).

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Movements in debt issue costs follow:

	<i>Note</i>	<b>2022</b>	2021
Balance at beginning of year		<b>P982</b>	P1,368
Additions		<b>956</b>	229
Amortization for the year	27	<b>(603)</b>	(615)
Balance at end of year		<b>P1,335</b>	P982

## Repayment Schedule

As of December 31, 2022 and 2021, the annual maturities of long-term debt are as follows (Note 35):

### 2022

<b>Year</b>	<b>Gross Amount</b>	<b>Debt Issue Costs</b>	<b>Net</b>
2023	<b>P13,472</b>	<b>P73</b>	<b>P13,399</b>
2024	<b>31,177</b>	<b>638</b>	<b>30,539</b>
2025	<b>31,225</b>	<b>348</b>	<b>30,877</b>
2026	<b>10,885</b>	<b>132</b>	<b>10,753</b>
2027 and beyond	<b>21,637</b>	<b>144</b>	<b>21,493</b>
	<b>P108,396</b>	<b>P1,335</b>	<b>P107,061</b>

### 2021

Year	Gross Amount	Debt Issue Costs	Net
2022	P21,869	P289	P21,580
2023	31,599	299	31,300
2024	23,785	121	23,664
2025	17,374	161	17,213
2026 and beyond	9,000	112	8,888
	P103,627	P982	P102,645

## **20. Asset Retirement Obligation**

Movements in the ARO are as follows:

	<i>Note</i>	<b>2022</b>	2021
Balance at beginning of year		<b>P2,877</b>	P2,867
Additions		<b>76</b>	133
Accretion for the year	27	<b>216</b>	252
Effect of change in estimates	4	<b>141</b>	86
Effect of change in discount rate		<b>252</b>	(457)
Settlement		<b>(3)</b>	(4)
Balance at end of year including current portion		<b>P3,559</b>	P2,877

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## 21. Other Noncurrent Liabilities

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Cylinder deposits		<b>P736</b>	P687
Cash bonds		<b>420</b>	450
Derivative liabilities designated as cash flow hedge		-	25
Others		<b>45</b>	40
	<b>35, 36</b>	<b>P1,201</b>	P1,202

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“Others” account includes liability to a contractor and supplier.

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## 22. Equity

### a. Capital Stock

#### Common Shares

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, 2022 and 2021, the Parent Company had 144,388 and 144,720 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.

#### Preferred Shares

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.

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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.

# ANNEX A

On November 3, 2021, the Parent Company redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 7, 2021. The redemption was approved by the Parent Company's BOD on March 9, 2021.

As of December 31, 2022 and 2021, the Parent Company had 20,000,000 (P1 par value) issued and outstanding preferred shares. The total number of preferred shareholders with at least one board lot at the PSE as of December 31, 2022 and 2021 are as follows:

	<b>2022</b>	2021
Series 3A Preferred Shares	<b>10</b>	9
Series 3B Preferred Shares	<b>25</b>	24
	<b>35</b>	33

## b. Retained Earnings

### Declaration of Cash Dividends

On various dates in 2020, 2021 and 2022, 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
<b>2020</b>				
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
<b>2021</b>				
Series 2B	P17.14575	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
Series 2B	17.14575	May 3, 2021	July 8, 2021	August 3, 2021
Series 3A	17.17825	May 3, 2021	September 2, 2021	September 27, 2021
Series 3B	17.84575	May 3, 2021	September 2, 2021	September 27, 2021
Series 2B	17.14575	August 3, 2021	October 7, 2021	November 3, 2021
Series 3A	17.17825	August 3, 2021	November 29, 2021	December 27, 2021
Series 3B	17.84575	August 3, 2021	November 29, 2021	December 27, 2021
Series 3A	17.17825	November 9, 2021	March 3, 2022	March 25, 2022
Series 3B	17.84575	November 9, 2021	March 3, 2022	March 25, 2022
Series 3A	17.17825	November 9, 2021	June 3, 2022	June 27, 2022
Series 3B	17.84575	November 9, 2021	June 3, 2022	June 27, 2022
<b>2022</b>				
Series 3A	17.17825	August 1, 2022	August 31, 2022	September 26, 2022
Series 3B	17.84575	August 1, 2022	August 31, 2022	September 26, 2022
Series 3A	17.17825	November 8, 2022	November 29, 2022	December 26, 2022
Series 3B	17.84575	November 8, 2022	November 29, 2022	December 26, 2022
Series 3A	17.17825	November 8, 2022	March 2, 2023	March 27, 2023
Series 3B	17.84575	November 8, 2022	March 2, 2023	March 27, 2023

Total cash dividends declared by the Parent Company amounted to P1,044 for 2022, P1,899 in 2021, P2,515 in 2020.

# ANNEX A

## 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.

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 Plant project which is expected to be completed in 2023.

On October 7, 2021, the BOD of PEDC approved the appropriation of its retained earnings amounting to P3 for acquisition of three lots located in Bulacan. As of December 31, 2022, the purchase transaction of these lots is ongoing and expected to be completed by the second half of 2023.

The appropriated retained earnings attributable to the equity holders of the Parent Company amounted to P7,003 as of December 31, 2022 and 2021.

- c. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries, joint ventures and an associate amounting to P43,604, P33,573 and P26,345 as of December 31, 2022, 2021 and 2020, 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.



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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:

	2022	2021	2020
<b>Balance at beginning of year</b>	<b>(P12,379)</b>	(P13,223)	(P12,195)
Net loss on cash flow hedges, net of tax	<b>54</b>	137	70
Changes in fair value of investment in debt instruments	-	-	1
Cumulative translation adjustment	<b>1,875</b>	707	(1,109)
Share in other comprehensive loss of a joint venture	-	-	10
<b>Balance at end of year</b>	<b>(P10,450)</b>	(P12,379)	(P13,223)

### e. 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.

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 US\$500 million SPCS were made on the following dates: July 18, 2022 (P864), January 18, 2022 (P787), July 16, 2021 (P770), January 15, 2021 (P737), July 17, 2020 (P814), January 17, 2020 (P834).

On April 19, 2021, Petron issued US\$550 million Senior Perpetual Capital Securities (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 were used for the repayment of indebtedness and for general corporate purposes.

Payments of distributions pertaining to US\$550 million SPCS was made on October 18, 2022 (P1,286), April 18, 2022 (P1,140), October 18, 2021 amounting to (P1,108).

These 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.

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## f. 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. The Parent Company has a right to defer the distribution under certain conditions.

Distributions to holders of the RPS were made on November 25, 2022 (P3), August 30, 2022 (P3), May 27, 2022 (P3), March 1, 2022 (P3), November 27, 2021 (P3), August 27, 2021 (P3), May 27, 2021 (P3), February 27, 2021 (P3), 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, 2022 (P65), September 22, 2022 (P69), June 22, 2022 (P64), March 22, 2022 (P62), December 22, 2021 (P59), September 22, 2021 (P59), June 22, 2021 (P57), March 22, 2021 (P57), 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, 2022 (P53), August 10, 2022 (P50), May 10, 2022 (P47), February 10, 2022 (P46), November 10, 2021 (P45), August 10, 2021 (P46), May 10, 2021 (P43), February 10, 2021 (P44) and 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.

## 23. Cost of Goods Sold

This account consists of:

	<i>Note</i>	<b>2022</b>	2021	2020
Inventories	9	<b>P804,136</b>	P393,781	P262,938
Depreciation and amortization	26	<b>7,079</b>	5,099	4,802
Materials and supplies		<b>5,238</b>	3,431	2,969
Purchased services and utilities		<b>2,683</b>	1,387	1,567
Personnel expenses	25	<b>1,564</b>	1,413	1,463
Others	30, 32	<b>3,088</b>	2,447	3,581
		<b>P823,788</b>	P407,558	P277,320

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Distribution or transshipment costs included as part of inventories amounted to P13,329, P6,035 and P8,290 in 2022, 2021 and 2020, respectively.

Others include manufacturing and overhead costs such as maintenance and repairs, taxes and licenses, insurance and rent.

### 24. Selling and Administrative Expenses

This account consists of:

	<b>Note</b>	<b>2022</b>	2021	2020
Depreciation and amortization	26	<b>P4,797</b>	P4,749	P4,688
Personnel expenses	25	<b>3,858</b>	3,219	3,103
Purchased services and utilities		<b>3,857</b>	3,524	3,988
Maintenance and repairs		<b>1,624</b>	1,429	1,177
Materials and office supplies		<b>811</b>	673	422
Advertising		<b>464</b>	318	421
Taxes and licenses		<b>350</b>	309	340
Rent	30	<b>291</b>	220	130
Impairment losses on trade and other receivables	4, 8	<b>3</b>	28	67
Others	9	<b>120</b>	88	53
		<b>P16,175</b>	P14,557	P14,389

Selling and administrative expenses include research and development costs amounting to P61, P62 and P66 in 2022, 2021 and 2020, respectively (Note 9).

### 25. Personnel Expenses

This account consists of:

	<b>Note</b>	<b>2022</b>	2021	2020
Salaries, wages and other employee costs	29	<b>P4,972</b>	P4,264	P4,194
Retirement benefits costs - defined benefit plan	29, 31	<b>367</b>	289	289
Retirement benefits costs - defined contribution plan	29	<b>83</b>	79	83
		<b>P5,422</b>	P4,632	P4,566

The above amounts are distributed as follows:

	<b>Note</b>	<b>2022</b>	2021	2020
Costs of goods sold	23	<b>P1,564</b>	P1,413	P1,463
Selling and administrative expenses	24	<b>3,858</b>	3,219	3,103
		<b>P5,422</b>	P4,632	P4,566

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## 26. Depreciation and Amortization

This account consists of:

	<b>Note</b>	<b>2022</b>	2021	2020
Cost of goods sold:				
Property, plant and equipment	10	<b>P6,702</b>	P4,794	P4,363
Right-of-use assets	11	<b>140</b>	129	178
Other assets	15	<b>237</b>	176	261
	23	<b>7,079</b>	5,099	4,802
Selling and administrative expenses:				
Property, plant and equipment	10	<b>2,246</b>	2,259	2,168
Right-of-use assets	11	<b>507</b>	490	490
Investment property	12	<b>1,986</b>	1,933	1,944
Intangible assets and others	15	<b>58</b>	67	86
	24	<b>4,797</b>	4,749	4,688
	38	<b>P11,876</b>	P9,848	P9,490

## 27. Interest Expense and Other Financing Charges, Interest Income and Other Expenses

This account consists of:

	<b>Note</b>	<b>2022</b>	2021	2020
Interest expense and other financing charges:				
Long-term debt	19	<b>P5,320</b>	P4,490	P5,080
Short-term loans	16	<b>4,147</b>	1,974	3,244
Bank charges		<b>1,453</b>	1,240	729
Accretion on lease liability	30	<b>1,065</b>	1,070	1,115
Amortization of debt issue costs	19	<b>576</b>	600	598
Defined benefit obligation	31	<b>225</b>	201	241
Accretion on ARO	20	<b>216</b>	252	77
Product borrowings		<b>54</b>	171	218
Others		<b>38</b>	10	11
	38	<b>P13,094</b>	P10,008	P11,313
Interest income:				
Short-term placements	5	<b>P720</b>	P400	P507
Plan assets	31	<b>73</b>	56	100
Advances to related parties	29	<b>58</b>	79	94
Trade receivables	8	<b>37</b>	19	44
Cash in banks	5	<b>10</b>	10	17
Investments in debt instruments		-	-	18
	38	<b>P898</b>	P564	P780

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	<b>Note</b>	<b>2022</b>	2021	2020
Other income (expenses) - net:				
Marked-to-market gains (losses) - net	36	<b>P4,673</b>	P315	(P2,428)
Changes in fair value of financial assets at FVPL	6	<b>54</b>	23	(9)
Hedging gains (losses) - net		<b>(739)</b>	104	(1,121)
Foreign currency gains (losses) - net	35	<b>(3,678)</b>	(1,242)	2,363
Others - net		<b>711</b>	318	146
		<b>P1,021</b>	(P482)	(P1,049)

The Group recognized share in the net income of TBSB amounting to P3.45 in 2022, P1.78 in 2021 and P4.16 in 2020. These were recorded as part of "Others - net" under "Other expenses - net" account in the consolidated statements of income. Bank charges amounting to P49 was capitalized as part of property, plant and equipment in 2022 while P28 in 2021 and P5 in 2020 (Note 10).

Also included in "Others - net" were the following: (i) gain on acquisition of Mema amounting to P22 in 2022 (Note 13); (ii) rental income amounting to P63 each in 2022, 2021 and 2020 (Note 30); (iii) gain on sale of fixed asset amounting to P95 in 2020; (iv) other income due to rent concession amounting to P23 in 2020.

## 28. Income Taxes

Deferred tax assets and liabilities are from the following:

### 2022

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	December 31
Net retirement benefits liability	P1,883	(P135)	P162	P1,910
Rental	1,262	283	(161)	1,384
NOLCO	7,793	(1,068)	-	6,725
Various allowances, accruals and others	509	224	-	733
Inventory differential	(172)	823	-	651
MCIT	689	(181)	-	508
ARO	444	75	-	519
Unutilized tax losses	402	51	-	453
Fair market value adjustments on business combination	(27)	-	-	(27)
Unrealized foreign exchange gains - net	(240)	280	(18)	22
Capitalized taxes and duties on inventories deducted in advance	(764)	(84)	-	(848)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,605)	81	-	(3,524)
Excess of double-declining over straight-line method of depreciation and amortization	(9,786)	(509)	-	(10,295)
	<b>(P1,612)</b>	<b>(P160)</b>	<b>(P17)</b>	<b>(P1,789)</b>

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## 2021

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P2,195	(P118)	(P194)	P -	P1,883
Rental	1,589	(253)	(74)	-	1,262
NOLCO	8,847	(1,054)	-	-	7,793
Various allowances, accruals and others	868	(350)	-	(9)	509
Inventory differential	73	(245)	-	-	(172)
MCIT	491	198	-	-	689
ARO	298	146	-	-	444
Unutilized tax losses	358	44	-	-	402
Fair market value adjustments on business combination	(28)	1	-	-	(27)
Unrealized foreign exchange gains - net	(984)	808	(64)	-	(240)
Capitalized taxes and duties on inventories deducted in advance	(1,234)	470	-	-	(764)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(4,307)	702	-	-	(3,605)
Excess of double-declining over straight-line method of depreciation and amortization	(9,060)	(726)	-	-	(9,786)
	(P894)	(P377)	(P332)	(P9)	(P1,612)

## 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)

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The above amounts are reported in the consolidated statements of financial position as follows:

	2022	2021
Deferred tax assets - net	P1,812	P2,172
Deferred tax liabilities - net	(3,601)	(3,784)
	<b>(P1,789)</b>	<b>(P1,612)</b>

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:

	2022	2021	2020
Current	P1,244	P784	P220
Deferred	160	377	(5,018)
	<b>P1,404</b>	<b>P1,161</b>	<b>(P4,798)</b>

As of December 31, 2022, 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
2020	December 31, 2025	P25,209	P -
2021	December 31, 2026	1,678	198
2022	December 31, 2025	-	310
		<b>P26,887</b>	<b>P508</b>

As of December 31, 2021, 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	P4,272	P491
2020	December 31, 2025	25,209	-
2021	December 31, 2026	1,678	198
		<b>P31,159</b>	<b>P689</b>

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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:

	2022	2021	2020
Statutory income tax rate	<b>25.00%</b>	25.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Adjustment to income tax rate due to CREATE	-	(1.96%)	-
Interest income subjected to lower final tax	<b>(0.11%)</b>	(0.07%)	0.14%
Nontaxable income	<b>(7.17%)</b>	(4.67%)	0.33%
Nondeductible expense	<b>(8.39%)</b>	(4.46%)	1.49%
Nondeductible interest expense	<b>0.09%</b>	0.04%	(0.05%)
Excess of optional standard deduction over deductible expenses	-	(0.17%)	0.07%
Write-off of NOLCO/MCIT	<b>7.52%</b>	-	-
Others, mainly income subject to different tax rates	<b>0.40%</b>	1.47%	(2.38%)
Effective income tax rate	<b>17.34%</b>	15.18%	29.60%

### 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).

### Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

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 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021.



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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:

	<b>Increase (decrease)</b>
<b>ASSETS</b>	
Prepaid expenses and other current assets	P4
Deferred tax assets	(224)
	(P220)
<b>LIABILITIES</b>	
Deferred tax liabilities	P28
	28
<b>EQUITY</b>	
Equity reserves	366
Retained earnings	(174)
	192
	(P220)
<b>INCOME TAX EXPENSE</b>	
Current	(P4)
Deferred	(170)
	(P174)

## 29. 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.

# ANNEX A

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, 31, a	2022	P58	P -	P894	P -	On demand; interest bearing	Unsecured; no impairment
		2021	78	-	1,138	-		
		2020	93	-	1,543	-		
	a	2022	-	-	-	-	On demand; non-interest bearing	Unsecured; no impairment
		2021	-	-	-	-		
		2020	-	-	19	-		
Intermediate Parent	b, e, f, h, i	2022	20	207	16	453	On demand; non-interest bearing	Unsecured; no impairment
		2021	18	167	17	333		
		2020	7	174	11	251		
Under Common Control	14, b, c, d, h, i, j, k, l, m	2022	16,473	4,625	6,278	2,178	On demand; non-interest bearing	Unsecured; no impairment
		2021	7,705	4,095	2,584	2,307		
		2020	4,443	4,445	1,097	1,918		
	m	2022	-	35	-	3,345	On demand; interest bearing	Unsecured; no impairment
		2021	-	-	-	-		
		2020	-	-	-	-		
Associate	b, h, l, k	2022	200	100	90	56	On demand; non-interest bearing	Unsecured; no impairment
		2021	-	159	283	101		
		2020	-	-	-	-		
Joint Ventures	c, g, h	2022	-	-	2	-	On demand; non-interest bearing	Unsecured; no impairment
		2021	-	-	2	-		
		2020	-	-	4	-		
Associates and Joint Ventures under Common Control	b, h, n	2022	365	-	71	19	On demand; non-interest bearing	Unsecured; no impairment
		2021	206	-	45	3		
		2020	321	-	60	5		
	n	2022	-	101	-	2,865	Short-term; interest bearing	Unsecured; no impairment
		2021	-	64	-	2,000		
		2020	-	137	-	3,183		
		2022	P17,116	P5,068	P7,351	P8,916		
		2021	P8,007	P4,485	P4,069	P4,744		
		2020	P4,864	P4,756	P2,734	P5,357		

- As of December 31, 2022 and 2021, 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 31).
- 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.
- 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.
- The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for office space covering 6,747 square meters and certain parcel of lands where service stations are located.
- The Parent Company has existing lease agreements with SMC covering certain parcel of lands where service stations are located.
- The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.

## ANNEX A

- g. TBSB, an operator of LPG bottling plant, provides bottling services to PFISB and another venturer.
- h. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.
- i. Amounts owed to related parties consist of trade and non-trade payables.
- j. In 2015, NVRC leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.
- k. On February 4, 2021, Petrogen became an associate of the Parent Company as a result of loss of control following the decrease in ownership interest from 100% to 25.06% with SMC's subscription to 1,494,973 shares in Petrogen (Note 14).
- l. On February 22, 2021, the Asset Purchase Agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. for the acquisition of the Treats convenience store business by the Group was executed, for an aggregate purchase price of P68.
- m. Amounts owed to entities under common control include interest-bearing advances from San Miguel Insurance Company Ltd.
- n. Amounts owed to associate of entities under common control include interest-bearing short-term loans payable to Bank of Commerce.
- o. The compensation and benefits of key management personnel of the Group, by benefit type, included in the "Personnel expenses" account as follows (Note 25):

	2022	2021	2020
Salaries and other short-term employee benefits	<b>P906</b>	P749	P741
Retirement benefits costs - defined benefit plan	<b>139</b>	104	109
Retirement benefits costs - defined contribution plan	<b>35</b>	31	33
	<b>P1,080</b>	P884	P883

### 30. 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 32). 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.

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Amounts recognized in profit or loss:

	<b>Note</b>	<b>2022</b>	2021	2020
Interest on lease liabilities	11	<b>P1,065</b>	P1,070	P1,115
Income from sub-leasing		<b>(1,275)</b>	(796)	(1,054)
Income from rent concession	27	-	-	(23)
Expenses relating to the variable portion of lease payments		<b>4</b>	4	3
Expenses relating to short-term leases		<b>511</b>	314	251
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		<b>10</b>	8	13
		<b>P315</b>	P600	P305

Rent expense amounting to P18 is included in cost of goods sold - others in 2022, P14 in 2021 and P13 in 2020 (Note 23). Interest expense amounting to P49 was capitalized as part of property, plant and equipment in 2022, P64 in 2021 while P85 in 2020 (Note 10).

Amounts recognized in consolidated statements of cashflows:

	<b>Note</b>	<b>2022</b>	2021	2020
Interest paid under operating activities	34	<b>P336</b>	P310	P344
Cash outflows for short term and low value lease		<b>525</b>	326	267
Principal lease payments under financing activities	34	<b>2,347</b>	2,226	2,361

### 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.

	<b>2022</b>	2021
Less than one year	<b>P1,099</b>	P992
One to two years	<b>657</b>	520
Two to three years	<b>361</b>	318
Three to four years	<b>280</b>	275
Four to five years	<b>270</b>	267
More than five years	<b>2,456</b>	2,632
	<b>P5,123</b>	P5,004

# ANNEX A

Rent income recognized in profit or loss amounted to:

	<b>Note</b>	<b>2022</b>	2021	2020
Other operating income		<b>P1,538</b>	P1,273	P1,047
Others - net	27	<b>63</b>	63	63
		<b>P1,601</b>	P1,336	P1,110

## 31. 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, 2022. 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.

# ANNEX A

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)		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
<b>Balance at beginning of year</b>	<b>(P4,486)</b>	(P4,864)	(P4,738)	<b>P1,027</b>	P1,056	P1,083	<b>(P3,459)</b>	(P3,808)	(P3,655)
<b>Recognized in Profit or Loss</b>									
Current service cost	(263)	(289)	(289)	-	-	-	(263)	(289)	(289)
Past service cost - plan amendment*	(104)	-	-	-	-	-	(104)	-	-
Interest expense	(225)	(201)	(241)	-	-	-	(225)	(201)	(241)
Interest income	-	-	-	73	56	100	73	56	100
	<b>(592)</b>	(490)	(530)	<b>73</b>	56	100	<b>(519)</b>	(434)	(430)
<b>Recognized in Other Comprehensive Income</b>									
Remeasurements:									
Actuarial gains (losses) arising from:									
Experience adjustments	(127)	(77)	(64)	-	-	-	(127)	(77)	(64)
Changes in financial assumptions	267	235	(64)	-	-	-	267	235	(64)
Changes in demographic assumptions	2	29	138	-	-	-	2	29	138
Return on plan asset excluding interest	-	-	-	(768)	(784)	(641)	(768)	(784)	(641)
	<b>142</b>	187	10	<b>(768)</b>	(784)	(641)	<b>(626)</b>	(597)	(631)
<b>Others</b>									
Benefits paid	476	711	357	(359)	(611)	(301)	117	100	56
Contributions	-	-	-	1,200	1,310	815	1,200	1,310	815
Translation adjustment	(40)	(30)	37	-	-	-	(40)	(30)	37
	<b>436</b>	681	394	<b>841</b>	699	514	<b>1,277</b>	1,380	908
<b>Balance at end of year</b>	<b>(P4,500)</b>	(P4,486)	(P4,864)	<b>P1,173</b>	P1,027	P1,056	<b>(P3,327)</b>	(P3,459)	(P3,808)

\*In 2022, the Parent Company added disability benefit for employees hired before January 1, 2022 resulting in the recognition of past service cost.

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The above net defined benefit retirement liability was recognized in the consolidated statements of financial position as follows:

	<b>Note</b>	<b>2022</b>	2021
Trade and other payables	18	<b>P66</b>	P132
Retirement benefits liability (noncurrent portion)		<b>3,261</b>	3,327
		<b>P3,327</b>	P3,459

Retirement benefits costs (income) recognized in the consolidated statements of income by the Parent Company amounted to P294, P212 and P214 in 2022, 2021 and 2020, respectively, including past service cost on plan amendment amounting to P104 in 2022.

Retirement benefits costs recognized in the consolidated statements of income by the subsidiaries amounted to P73, P77 and P75 in 2022, 2021 and 2020, respectively.

The carrying amounts of the Parent Company's retirement fund approximate fair values as of December 31, 2022 and 2021.

Plan assets consist of the following:

	<b>2022</b>	2021
Shares of stock:		
Quoted	<b>63%</b>	72%
Unquoted	<b>15%</b>	12%
Government securities	<b>13%</b>	11%
Cash and cash equivalents	<b>5%</b>	4%
Others	<b>4%</b>	1%
	<b>100%</b>	100%

*Investment in Shares of Stock.* As of December 31, 2022 and 2021, the Group's plan assets include 459,156,097 common shares of Petron with fair market value per share of P2.40 and P3.17 as of December 31, 2022 and 2021, respectively, and 14,250,900 common shares of SMC with fair market value per share of P92.95 and P114.90 as of December 31, 2022 and 2021, respectively.

The Parent Company's plan recognized a loss on the investment in marketable securities of Petron and SMC amounting to P666, P565 and P451 in 2022, 2021 and 2020, 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 P15 in 2022, P20 in 2021 and P66 in 2020.

*Government Securities* represents debt instruments issued by sovereign government mainly held by two trustee banks of the plan.

*Others* include receivables, unit investment trust funds, and debt instruments which earn interest.

## ANNEX A

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 P515 to its defined benefit retirement plan in 2023.

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:

	2022	2021	2020
Discount rate	<b>5.00% to 7.41%</b>	5.00% to 5.20%	3.95% to 5.00%
Future salary increases	<b>5.00% to 6.50%</b>	4.00% to 5.75%	4.00% to 5.75%

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 5 to 15 years as of December 31, 2022 and 6 to 17 years as of December 31, 2021.



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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:

2022	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P268)	P275
Salary increase rate	315	(281)

2021	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P99)	P138
Salary increase rate	324	(288)

The Parent Company has advances to PCERP amounting to P894 and P1,138 as of December 31, 2022 and 2021, respectively, included as part of “Trade and other receivables - net” account in the consolidated statements of financial position (Notes 8 and 29). The advances are subject to interest of 5% in 2022 and 2021 (Note 29).

In 2022 and in 2021, portion of the Parent Company’s interest-bearing advances to PCERP were converted into contribution to the retirement plan (Note 29).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2022 and 2021 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, 2022, 2021 and 2020.

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## 32. 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) and/or Khafji Crude Oil (Khafji) at pricing based on latter’s standard KEC/Khafji prices. The contract with Saudi Aramco is from November 1, 2013 to December 31, 2014 with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice while the contract with KPC is from July 1, 2022 to June 30, 2023.

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 52% of crude and condensate volume processed in 2022 are from EMEPMI with balance of around 48% 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, 2022 and 2021 (Note 17).

## ANNEX A

*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 P110, P96 and P97 in 2022, 2021 and 2020, 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 P191, starting 2017, 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 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year 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, 2022 and 2021, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 40).

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### 33. Basic and Diluted Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share amounts are computed as follows:

	2022	2021	2020
Net income (loss) attributable to equity holders of the Parent Company	<b>P5,727</b>	P5,369	(P11,380)
Dividends on preferred shares for the year	<b>(1,044)</b>	(1,899)	(1,578)
Distributions to the holders of capital securities	<b>(4,545)</b>	(3,037)	(1,816)
Net income (loss) attributable to common shareholders of the Parent Company (a)	<b>P138</b>	P433	(P14,774)
Weighted average number of common shares outstanding (in millions) (b)	<b>9,375</b>	9,375	9,375
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	<b>P0.01</b>	P0.05	(P1.58)

# ANNEX A

As of December 31, 2022, 2021 and 2020, the Parent Company has no potential dilutive debt or equity instruments.

## 34. 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):

	2022	2021	2020
Decrease (increase) in assets:			
Trade and other receivables	(P25,890)	(P24,308)	P16,401
Inventories	(16,265)	(22,104)	27,456
Other assets	(4,915)	1,923	(2,260)
Increase (decrease) in liabilities:			
Liabilities for crude oil and petroleum products	(458)	17,929	(16,216)
Trade and other payables and others	9,146	(2,742)	(12,943)
	(38,382)	(29,302)	12,438
Additional allowance for (net reversal of) impairment of receivables, inventory decline and/or obsolescence, and others	74	(20)	(407)
	(P38,308)	(P29,322)	P12,031

- b. Changes in liabilities arising from financing activities:

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2022	P829	P15,555	P -	P109,196	P102,645	P228,225
Changes from financing cash flows:						
Payment of principal	-	(2,347)	-	-	-	(2,347)
Proceeds from availment of loans/advances	-	-	3,362	325,620	44,953	373,935
Payments of loans	-	-	-	(298,315)	(44,339)	(342,654)
Dividends and distributions declared	5,768	-	-	-	-	5,768
Dividends and distributions paid	(6,127)	-	-	-	-	(6,127)
Total changes from financing cash flows	(359)	(2,347)	3,362	27,305	614	28,575
New leases	-	642	-	-	-	642
Interest expense	-	1,453	-	-	-	1,453
Interest paid	-	(336)	-	-	-	(336)
Effects of changes in foreign exchange rates	-	127	-	1,385	3,200	4,712
Other charges	-	-	-	-	602	602
Balance as of December 31, 2022	P470	P15,094	P3,362	P137,886	P107,061	P263,873

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	Dividends Payable	Lease Liabilities	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2021	P505	P15,804	P77,704	P119,454	P213,467
Changes from financing cash flows:					
Payment of principal	-	(2,226)	-	-	(2,226)
Proceeds from availment of loans	-	-	209,285	17,772	227,057
Payments of loans	-	-	(178,210)	(37,221)	(215,431)
Dividends and distributions declared	4,978	-	-	-	4,978
Dividends and distributions paid	(4,655)	-	-	-	(4,655)
Total changes from financing cash flows	323	(2,226)	31,075	(19,449)	9,723
New leases	-	843	-	-	843
Interest expense	-	1,376	-	-	1,376
Interest paid	-	(310)	-	-	(310)
Effects of changes in foreign exchange rates	-	68	417	2,026	2,511
Other charges	-	-	-	614	614
Balance as of December 31, 2021	P828	P15,555	P109,196	P102,645	P228,224

## 35. 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.

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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.

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## 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.

## ANNEX A

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

	2022		2021	
	US Dollar (in millions)	Phil. Peso Equivalent	US Dollar (in millions)	Phil. Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	566	31,576	569	29,012
Trade and other receivables	676	37,701	522	26,624
Other assets	25	1,383	16	815
	<b>1,267</b>	<b>70,660</b>	1,107	56,451
<b>Liabilities</b>				
Short-term loans	279	15,531	294	14,989
Liabilities for crude oil and petroleum products	844	47,122	793	40,465
Long-term debts (including current maturities)	691	38,521	880	44,859
Other liabilities	311	17,344	538	27,416
	<b>2,125</b>	<b>118,518</b>	2,505	127,729
<b>Net foreign currency-denominated monetary liabilities</b>	<b>(858)</b>	<b>(47,858)</b>	(1,398)	(71,278)

The Group incurred net foreign currency gains (losses) amounting to (P3,678), (P1,242) and P2,363 in 2022, 2021 and 2020, respectively (Note 27), which were mainly countered by marked-to-market and realized hedging gains (losses) (Note 27). 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, 2022	55.755
December 31, 2021	50.999
December 31, 2020	48.023

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.

# ANNEX A

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, 2022 and 2021:

2022	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	(P422)	(P461)	P422	P461
Trade and other receivables	(146)	(706)	146	706
Other assets	(17)	(21)	17	21
	(585)	(1,188)	585	1,188
Short-term loans	-	279	-	(279)
Liabilities for crude oil and petroleum products	449	1,196	(449)	(1,196)
Long-term debts (including current maturities)	691	518	(691)	(518)
Other liabilities	51	309	(51)	(309)
	1,191	2,302	(1,191)	(2,302)
	P606	P1,114	(P606)	(P1,114)

2021	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	(P416)	(P465)	P416	P465
Trade and other receivables	(56)	(509)	56	509
Other assets	(11)	(13)	11	13
	(483)	(987)	483	987
Short-term loans	-	294	-	(294)
Liabilities for crude oil and petroleum products	380	1,059	(380)	(1,059)
Long-term debts (including current maturities)	880	660	(880)	(660)
Other liabilities	13	174	(13)	(174)
	1,273	2,187	(1,273)	(2,187)
	P790	P1,200	(P790)	(P1,200)

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.



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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 P385 and P449 in 2022 and 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

*Interest Rate Risk Table.* As of December 31, 2022 and 2021, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

2022	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
<b>Fixed Rate</b>							
Philippine peso denominated	P11,642	P19,057	P22,425	P3,000	P13,752	P -	P69,876
Interest rate	4.5% - 7.5%	4.6% - 7.8%	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	-	-
<b>Floating Rate</b>							
US\$ denominated (expressed in Php)	-	10,290	7,885	7,885	7,885	-	33,945
Interest rate*		1, 3, 6 mos. Libor/SOFR + margin	1, 3, 6 mos. Libor/SOFR + margin	1, 3, 6 mos. Libor/SOFR + margin	1, 3, 6 mos. Libor/SOFR + margin		
JPY denominated (expressed in Php)	1,830	1,830	915	-	-	-	4,575
Interest rate*	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin				
	P13,472	P31,177	P31,225	P10,885	P21,637	P -	P108,396

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

2021	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
<b>Fixed Rate</b>							
Philippine peso denominated	P6,892	P10,393	P16,058	P16,425	P -	P9,000	P58,768
Interest rate	4.59% - 5.8%	4.59% - 5.5%	4.59% - 7.8%	4.59% - 8.1%	-	4.30%	-
<b>Floating Rate</b>							
US\$ denominated (expressed in Php)	13,078	19,307	5,828	-	-	-	38,213
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin				
JPY denominated (expressed in Php)	1,899	1,899	1,899	949	-	-	6,646
Interest rate*	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin			
	P21,869	P31,599	P23,785	P17,374	P -	P9,000	P103,627

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

# ANNEX A

## 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:

	<b>Note</b>	<b>2022</b>	2021
Cash in banks and cash equivalents	5	<b>P35,819</b>	P35,318
Derivative assets	6	<b>1,438</b>	740
Trade and other receivables - net	8	<b>81,979</b>	51,745
Noncurrent deposits	15	<b>127</b>	128
		<b>P119,363</b>	P87,931

### *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 38.

*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.

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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, 2022 and 2021:

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
<b>December 31, 2022</b>				
Retail	P1,701	P3,338	P1,052	P6,091
Lubes	630	196	59	885
Gasul	794	328	164	1,286
Industrial	21,581	2,891	5,693	30,165
Others	13,670	6,457	645	20,772
	<b>P38,376</b>	<b>P13,210</b>	<b>P7,613</b>	<b>P59,199</b>

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
<b>December 31, 2021</b>				
Retail	P2,464	P1,561	P445	P4,470
Lubes	571	72	2	645
Gasul	955	118	113	1,186
Industrial	7,485	7,110	2,509	17,104
Others	8,460	3,417	107	11,984
	<b>P19,935</b>	<b>P12,278</b>	<b>P3,176</b>	<b>P35,389</b>

*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 P5,416 and P4,720 as of December 31, 2022 and 2021, 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.

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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.

	2022					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash in banks and cash equivalents	P35,819	P -	P -	P -	P -	P35,819
Trade and other receivables	-	81,979	926	-	-	82,905
Derivative assets not designated as cash flow hedge	-	-	-	1,257	-	1,257
Derivative assets designated as cash flow hedge	-	-	-	-	181	181
Long-term receivables - net	-	-	325	-	-	325
Noncurrent deposits	127	-	-	-	-	127
	<b>P35,946</b>	<b>P81,979</b>	<b>P1,251</b>	<b>P1,257</b>	<b>P181</b>	<b>P120,614</b>

	2021					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash in banks and cash equivalents	P35,318	P -	P -	P -	P -	P35,318
Trade and other receivables	-	51,745	1,028	-	-	52,773
Derivative assets not designated as cash flow hedge	-	-	-	687	-	687
Derivative assets designated as cash flow hedge	-	-	-	-	53	53
Investments in debt instruments	-	-	-	-	-	-
Long-term receivables - net	-	-	315	-	-	315
Noncurrent deposits	128	-	-	-	-	128
	<b>P35,446</b>	<b>P51,745</b>	<b>P1,343</b>	<b>P687</b>	<b>P53</b>	<b>P89,274</b>

## 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.

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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, 2022 and 2021.

2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P37,183	P37,183	P37,183	P -	P -	P -
Trade and other receivables	81,979	81,979	81,979	-	-	-
Derivative assets (including non-current portion)	1,438	1,438	1,401	37	-	-
Proprietary membership shares	352	352	352	-	-	-
Noncurrent deposits	127	127	-	-	-	127
<b>Financial Liabilities</b>						
Short-term loans	137,886	139,058	139,058	-	-	-
Liabilities for crude oil and petroleum products	51,067	51,067	51,067	-	-	-
Trade and other payables*	13,344	13,344	13,344	-	-	-
Derivative liabilities (including non-current portion)	723	723	723	-	-	-
Long-term debts (including current maturities)	107,061	125,710	20,123	35,913	69,674	-
Lease liability (including current portion)	15,094	24,534	2,138	2,015	5,486	14,895
Cash bonds	420	420	-	403	17	-
Cylinder deposits	736	736	-	-	-	736
Other noncurrent liabilities**	45	46	-	6	24	16

\*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others

\*\*excluding cash bonds, cylinder deposits and derivative liabilities

2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P36,406	P36,406	P36,406	P -	P -	P -
Trade and other receivables	51,745	51,745	51,745	-	-	-
Derivative assets (including non-current portion)	740	740	707	19	14	-
Proprietary membership shares	298	298	298	-	-	-
Noncurrent deposits	128	128	-	-	3	125
<b>Financial Liabilities</b>						
Short-term loans	109,196	109,474	109,474	-	-	-
Liabilities for crude oil and petroleum products	42,641	42,641	42,641	-	-	-
Trade and other payables*	7,598	7,598	7,598	-	-	-
Derivative liabilities (including non-current portion)	1,022	1,022	997	23	2	-
Long-term debts (including current maturities)	102,645	114,995	26,448	34,870	44,371	9,306
Lease liability (including current portion)	15,555	25,320	2,146	2,047	5,442	15,685
Cash bonds	450	450	14	419	17	-
Cylinder deposits	687	687	-	-	-	687
Other noncurrent liabilities**	38	38	-	4	17	17

\*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.

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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:

	<b>2022</b>	2021
Total assets	<b>P460,071</b>	P407,420
Total liabilities	<b>346,521</b>	296,507
Total equity	<b>113,550</b>	110,913
Debt to equity ratio	<b>3.1:1</b>	2.7:1
Assets to equity ratio	<b>4.1:1</b>	3.7:1

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.

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## 36. 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:

	Note	2022		2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	5	P37,183	P37,183	P36,406	P36,406
Trade and other receivables	8	81,979	81,979	51,745	51,745
Noncurrent deposits	15	127	127	128	128
FA at amortized cost		119,289	119,289	88,279	88,279
Derivative assets designated as cash flow hedge	6	181	181	53	53
FA at FVOCI		181	181	53	53
Financial assets at FVPL	6	352	352	298	298
Derivative assets not designated as cash flow hedge	6, 15	1,257	1,257	687	687
FA at FVPL		1,609	1,609	985	985
<b>Total financial assets</b>		<b>P121,079</b>	<b>P121,079</b>	<b>P89,317</b>	<b>P89,317</b>
	Note	2022		2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities (FL):					
Short-term loans	16	P137,886	P137,886	P109,196	P109,196
Liabilities for crude oil and petroleum products	17	51,067	51,067	42,641	42,641
Trade and other payables*	18	13,344	13,344	7,598	7,598
Long-term debt including current portion	19	107,061	107,061	102,645	102,645
Derivative liabilities designated as cash flow hedge	21	-	-	116	116
Cash bonds	21	420	420	450	450
Cylinder deposits	21	736	736	687	687
Other noncurrent liabilities**	21	45	45	40	40
Other FL		310,559	310,559	263,373	263,373
Derivative liabilities not designated as cash flow hedge		723	723	906	906
<b>Total financial liabilities</b>		<b>P311,282</b>	<b>P311,282</b>	<b>P264,279</b>	<b>P264,279</b>

\*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.

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*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 2022 and 2021 are same at 7.54%.

*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.

## Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments 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 35).

December 31, 2022	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
<b>Foreign Currency and Interest Rate Risk</b>				
<b>Cross Currency Swap</b>				
Notional amount	US\$20	US\$10	US\$ -	US\$30
Average strike rate	P47.00 to P56.50	P47.00 to P56.50	P -	-
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	-	-
<b>Interest Rate Risk</b>				
<b>Interest Rate Collar</b>				
Notional amount	US\$30	US\$15	US\$ -	US\$45
Interest rate	0.44% to 1.99%	0.44% to 1.99%	-	-



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December 31, 2021	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
<b>Foreign Currency Risk</b>				
Call Spread Swaps				
Notional amount	US\$40	US\$ -	US\$ -	US\$40
Average strike rate	P51.96 to P54.47	P -	P -	-
<b>Foreign Currency and Interest Rate Risk</b>				
Cross Currency Swap				
Notional amount	US\$20	US\$20	US\$10	US\$50
Average strike rate	P47.00 to P57.00	P47.00 to P56.50	P47.00 to P56.50	-
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	4.19% to 5.75%	-
<b>Interest Rate Risk</b>				
Interest Rate Collar				
Notional amount	US\$15	US\$30	US\$15	US\$60
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.

December 31, 2022	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
<b>Foreign Currency Risk</b>			
US dollar-denominated loan	P -	P -	P -
<b>Foreign Currency and Interest Rate Risks</b>			
US dollar-denominated loan	(118)	21	(17)
<b>Interest Rate Risks</b>			
US dollar-denominated loan	(63)	47	-

December 31, 2021	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
<b>Foreign Currency Risk</b>			
US dollar-denominated loan	(P8)	P -	P6
<b>Foreign Currency and Interest Rate Risks</b>			
US dollar-denominated loan	67	(72)	65
<b>Interest Rate Risks</b>			
US dollar-denominated loan	4	(3)	-

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, 2022 and 2021.

December 31, 2022	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						
<b>Foreign Currency Risk</b>									
Call spread swaps	US\$ -	P -	P -	Financial assets at FVPL, Derivative liabilities	P -	(P20)	P -	P13	Other income (expenses) - net
<b>Foreign Currency and Interest Rate Risks</b>									
Cross currency swap	30	118	-	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	118	(161)	(171)	51	Interest expense and other financing charges, Other income (expenses) - net
<b>Interest Rate Risk</b>									
Interest rate collar	45	63	-	Derivative liabilities, Other noncurrent assets	63	17	-	(17)	Interest expense and other financing charges

December 31, 2021	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						
<b>Foreign Currency Risk</b>									
Call spread swaps	US\$40	P20	P12	Financial assets at FVPL, Derivative liabilities	P8	P4	(P28)	P61	Other income (expenses) - net
<b>Foreign Currency and Interest Rate Risks</b>									
Cross currency swap	50	32	99	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(67)	(216)	(276)	168	Interest expense and other financing charges, Other income (expenses) - net
<b>Interest Rate Risk</b>									
Interest rate collar	60	1	5	Derivative liabilities, Other noncurrent assets	(4)	(16)	-	16	Interest expense and other financing charges

No hedging ineffectiveness was recognized in the 2022 and 2021 consolidated statements of income.

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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, 2022		December 31, 2021	
	Hedging Reserve	Cost of Hedging Reserve	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	(P75)	P71	(P207)	P54
Changes in fair value:				
Foreign currency risk	-	(20)	28	4
Foreign currency risk and interest rate risk	294	(161)	448	(216)
Interest rate risk	67	17	24	(16)
Amount reclassified to profit or loss:				
Foreign currency risk	-	13	(28)	61
Foreign currency risk and interest rate risk	(171)	51	(276)	168
Interest rate risk	-	(17)	-	16
Income tax effect	(48)	29	(64)	-
Balance at end of year	P67	(P17)	(P75)	P71

## 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:

**Cross Currency Swaps.** As of December 31, 2022, the Group has no outstanding cross currency swaps. The net negative fair value of these cross-currency swaps amounted to nil in 2022 and P6 in 2021.

**Interest Rate Collar.** As of December 31, 2022, the Group has no outstanding interest rate collar. The net negative fair value of this interest rate collar amounted to nil in 2022 and P1 in 2021.

## *Freestanding Derivatives*

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

**Currency Forwards.** As of December 31, 2022 and 2021, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$894 million and US\$698 million, respectively, and with various maturities in 2024 and 2023. As of December 31, 2022 and 2021, the net fair value of these currency forwards amounted to P28 and P330, respectively.

**Commodity Swaps.** The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2024 and 2023. 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 31.4 million barrels and 24.6 million barrels for 2022 and 2021, respectively. The estimated net receipts/(payouts) for these transactions amounted to P506 and (P543) as of December 31, 2022 and 2021, respectively.

**Commodity Options.** As of December 31, 2022 and 2021, the Group has no outstanding 3-way options entered as hedge of forecasted purchases of crude oil.

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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, 2022 and 2021, 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, 2022 and 2021, the net positive fair value of these embedded currency forwards is minimal.

For the years ended December 31, 2022, 2021 and 2020, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P4,673, P315 and (P2,428), respectively (Note 27).

### Fair Value Changes on Derivatives not Designated as Cash Flow Hedge

The net movements in the fair value of derivative transactions in 2022 and 2021 are as follows:

	<b>Note</b>	<b>2022</b>	2021
Fair value at beginning of year		<b>(P219)</b>	(P502)
Net changes in fair value during the year	27	<b>4,673</b>	315
Fair value of settled instruments		<b>(3,920)</b>	(32)
Fair value at end of year		<b>P534</b>	(P219)

### 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, 2022 and 2021. 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.

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	2022	2021
	Level 2	Level 2
<b>Financial Assets</b>		
FVPL	<b>P352</b>	P298
Derivative assets	<b>1,438</b>	740
<b>Financial Liabilities</b>		
Derivative liabilities	<b>(723)</b>	(1,022)

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2022 and 2021. During the year, there were no transfers between and into and out of Level 1 and Level 2 fair value measurements.

### 37. 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 and the ITH entitlement period ended in June 2020.

## AFAB

In December 2021, the Petron Bataan Refinery renewed its registration with the AFAB as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. 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 such as (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 Bureau of Internal Revenue and AFAB requirements. Further, VAT will only be imposed on the Parent Company as a FAB Registered Enterprise upon the withdrawal of products from the refinery instead of the VAT being payable upon importation of crude oil.

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## **38. 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, Malaysia, South Korea, Singapore, Vietnam, Indonesia, and India.
- 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.

# ANNEX A

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, 2022, 2021 and 2020.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
<b>2022</b>						
Revenue:						
External sales	P854,712	P -	P1,173	P1,221	P532	P857,638
Inter-segment sales	378,045	-	397	-	(378,442)	-
Operating income	18,898	-	242	42	31	19,213
Net income	8,513	-	137	42	(1,995)	6,697
Assets and liabilities:						
Segment assets*	517,953	-	9,959	644	(70,297)	458,259
Segment liabilities*	376,728	-	4,646	131	(38,585)	342,920
Other segment information:						
Property, plant and equipment	168,999	-	-	90	1,064	170,153
Depreciation	11,941	-	85	14	(164)	11,876
Interest expense	13,240	-	292	2	(440)	13,094
Interest income	965	-	229	5	(301)	898
Income tax expense	1,364	-	41	8	(9)	1,404

\*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.

\*\*Ovincor was reclassified to Others from Insurance following the deconsolidation of Petrogen

# ANNEX A

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2021						
Revenue:						
External sales	P435,582	P -	P1,153	P906	P416	P438,057
Inter-segment sales	175,205	125	395	-	(175,725)	-
Operating income	16,860	112	240	48	(45)	17,215
Net income	7,749	116	159	48	(1,936)	6,136
Assets and liabilities:						
Segment assets*	457,506	2,891	10,032	612	(65,793)	405,248
Segment liabilities*	318,567	977	4,863	142	(31,826)	292,723
Other segment information:						
Property, plant and equipment	171,029	-	-	93	480	171,602
Depreciation	9,930	-	85	16	(183)	9,848
Interest expense	10,149	-	300	2	(443)	10,008
Interest income	653	4	230	2	(325)	564
Income tax expense	1,141	3	8	7	2	1,161

\*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
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	374	(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	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.

Inter-segment sales transactions amounted to P376,738, P175,725 and P86,854 for the years ended December 31, 2022, 2021 and 2020, respectively.



# ANNEX A

The following table presents additional information on the petroleum business segment of the Group as of and for the years ended December 31, 2022, 2021 and 2020:

	Retail	Lube	Gasul	Industrial	Others	Total
<b>2022</b>						
Revenue	<b>P395,183</b>	<b>P6,403</b>	<b>P33,126</b>	<b>P156,307</b>	<b>P263,693</b>	<b>P854,712</b>
Property, plant and equipment	<b>7,920</b>	<b>27</b>	<b>149</b>	<b>23</b>	<b>160,880</b>	<b>168,999</b>
Capital expenditures	<b>1,170</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>12,360</b>	<b>13,535</b>
<b>2021</b>						
Revenue	206,337	5,318	24,947	71,354	127,626	435,582
Property, plant and equipment	7,943	32	217	9	162,828	171,029
Capital expenditures	1,363	4	22	1	14,433	15,823
<b>2020</b>						
Revenue	149,406	3,577	20,259	57,889	52,754	283,885
Property, plant and equipment	9,057	37	258	13	158,924	168,289
Capital expenditures	2,382	1	12	-	22,234	24,629

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, 2022 and 2021.

	2022	2021
Local	<b>P349,713</b>	P311,567
International	<b>108,546</b>	93,681
	<b>P458,259</b>	P405,248

## 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, 2022, 2021 and 2020.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
<b>2022</b>						
Local	<b>P412,845</b>	<b>P -</b>	<b>P1,570</b>	<b>P1,221</b>	<b>(P2,893)</b>	<b>P412,743</b>
Export/international	<b>819,912</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(375,017)</b>	<b>444,895</b>
<b>2021</b>						
Local	221,676	4	1,548	906	(912)	223,222
Export/international	390,111	121	-	-	(175,397)	214,835
<b>2020</b>						
Local	165,139	-	1,565	674	(558)	166,820
Export/international	205,109	76	-	-	(85,972)	119,213

\*\*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.

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## 39. Events After the Reporting Date

### a. Distributions

On January 18, 2023, the Parent Company paid distributions amounting to US\$11.50 million (P841) to the holders of the US\$500 million SPCS.

On February 10, 2023, the Parent Company paid distributions amounting to US\$906 thousand (P49) to the holders of the US\$100 million RPS.

On February 27, 2023, the Parent Company paid distributions amounting to US\$60 thousand (P3) to the holders of the US\$6 million RPS.

### b. Partial Redemption of US\$500 million of SPCS

On January 19, 2023, the Parent Company redeemed US\$22.47 million from the US\$500 million SPCS at a purchase price of US\$927 per US\$1,000 in principal amount.

### c. Loan Drawdowns

On January 20, 2023, the Parent Company drew US\$30 million from the US\$550 million term loan facility to partially prepay its JP¥15 billion term loan facility. Additional US\$25 million was drawn on February 3, 2023, to partially prepay the US\$800 million term loan facility. The additional drawdowns are 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 November 8, 2024. These are subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months.

### c. On March 6, 2023, the BOD of the Parent Company approved the following:

- i. Public offer and issuance of up to P50,000 preferred shares with features to be determined by the Management.
- ii. Declaration of P0.10/share cash dividends to common stockholders to be paid on April 4, 2023.

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## 40. 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 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.

## ANNEX A

Following the trial court's denial of their separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. Petron filed its appellant's brief in October 2020. PNOC filed its appellant's brief in November 2020. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of Petron and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Petron's position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate Petron's lease thereby depriving Petron a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that Petron paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, Petron filed its motion for reconsideration insofar as the decision dismissed Petron's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of Petron and PNOC. In consideration of the possible delay in the final resolution of the case if Petron were to proceed with the filing of a petition for review with the Supreme Court on the issue of rental payments it seeks to recover and the decision in favor of Petron on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the Court of Appeals, Petron has decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review on certiorari with the Supreme Court in early December 2022. As of December 31, 2022, Petron is awaiting orders from the Supreme Court.

b. 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.

# ANNEX A

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, 2022. 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. As of December 31, 2022 and 2021, the Group has not set up any provision related to this case consistent with Parent Company's position, as also advised by its counsels, that the Parent Company is not liable for the damages resulting from the oil spill incident because it was only the charterer of the sunken vessel and that it had no control or supervision over the operation of said vessel. Moreover, the environmental damage had already been paid and settled by the International Oil Pollution Compensation Funds (IOPC) where Parent Company makes contribution as a member.

## c. Effect of COVID-19 and Impact of Russia-Ukraine War

When the global pandemic started, the Group, being engaged in the fuel business, was 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.

Globally, oil prices began to plunge in March 2020 as the price war among top oil producing countries was worsened by the demand disruption 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 resulting to substantial net loss of the Group in 2020.

With the Organization of Petroleum Exporting Countries (OPEC) and Russia agreeing to output cuts, recovery in oil prices was seen starting May 2020. From then on international oil prices began to climb steadily. Dubai averaged to about \$71/bbl in 2021 as against \$42/bbl in 2020.

The gradual opening-up of economies and easing up of pandemic restrictions especially in the West alongside robust vaccination efforts around the world contributed to the recovery of demand reaching pre-pandemic level by the 4th quarter of 2021. On the supply-side, consistent effort of oil producing countries to manage supply also supported the escalation in oil prices amidst several resurgences in COVID-19 cases from new variants.

While the world is already phasing out COVID-19 prevention measures approaching endemic phase in 2022, China continues to impose Zero-Tolerance policy against COVID. China, including its economic centers Beijing and Shanghai, underwent stringent lockdowns to curb the spread of the virus affecting the country's economy which remains under pressure. This caused China's oil demand dropping in 2022 tempering oil prices towards the end of year.

# ANNEX A

In February 2022, the invasion of Ukraine by Russia resulted to sudden escalation in oil prices with Dubai crude breaching the \$100/bbl mark by March 2022 due to the disruption of global oil supply. Amid economic sanctions imposed on Russia and OPEC's efforts to manage production, demand continued to be healthy as most of the countries are already recovering from the pandemic and approaching endemic phase. By June 2022 oil prices soared to a record high \$113/bbl. However, by mid of the third quarter, prices began to correct with Dubai averaging \$97/bbl in the 3<sup>rd</sup> quarter and further went down to \$85/bbl in the 4<sup>th</sup> quarter of 2022.

The Group' sales volume for 2022 grew substantially by 37% compared to last year's level. The Group's consolidated revenues almost doubled the 2021 level to P857,636. Despite volatility in the market and elevated costs, the robust refining margins allowed the Group to realize net income of P6,697, 9% higher than last year's net income level.

The extent to which the COVID-19 and Russia-Ukraine war will continue to impact the Group will depend on future developments, including actions taken by OPEC and other oil producing countries and the international community and by the Philippines and internationally by governments, which are highly uncertain and cannot be quantified nor determined at this point.

d. 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.

e. The Group has unused letters of credit totaling approximately P44,127 and P52,251 as of December 31, 2022 and 2021, respectively.



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## 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 16, 2023.

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

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



## ANNEX A

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.**

A handwritten signature in black ink that reads 'Rohanie C. Galicia'.

ROHANIE C. GALICIA

Partner

CPA License No. 0118706

SEC Accreditation No. 118706-SEC, Group A, valid for five (5) years  
covering the audit of 2022 to 2026 financial statements

Tax Identification No. 249-773-914

BIR Accreditation No. 08-001987-044-2021

Issued September 2, 2021; valid until September 1, 2024

PTR No. MKT 9563827

Issued January 3, 2023 at Makati City

March 16, 2023

Makati City, Metro Manila





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## 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 16, 2023. 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

### R.G. MANABAT & CO.

ROHANIE C. GALICIA  
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PTR No. MKT 9563827  
Issued January 3, 2023 at Makati City

March 16, 2023  
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:  
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financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
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financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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## 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, 2022 and 2021, and have issued our report thereon dated March 16, 2023.

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.

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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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.**

*Rohanie C. Galicia*

ROHANIE C. GALICIA

Partner

CPA License No. 0118706

SEC Accreditation No. 118706-SEC, Group A, valid for five (5) years  
covering the audit of 2022 to 2026 financial statements

Tax Identification No. 249-773-914

BIR Accreditation No. 08-001987-044-2021

Issued September 2, 2021; valid until September 1, 2024

PTR No. MKT 9563827

Issued January 3, 2023 at Makati City

March 16, 2023

Makati City, Metro Manila

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## PETRON CORPORATION AND SUBSIDIARIES INDEX TO SUPPLEMENTARY SCHEDULES DECEMBER 31, 2022

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**Statement of Management's Responsibility for the Consolidated Financial Statements**

**Report of Independent Auditors on Supplementary Information Filed Separately from the Consolidated Financial Statements**

**Supplementary Schedules to the Consolidated Financial Statements**

Supplementary Schedules of Annex 68 - J	Page No.
A. Financial Assets	NA <sup>(a)</sup>
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	NA <sup>(b)</sup>
C. Amounts Receivable and Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements	1 - 2
D. Long-term Debt	3
E. Indebtedness to Related Parties	NA
F. Guarantees of Securities of Other Issuers	NA
G. Capital Stock	4

<sup>(a)</sup>Balance of Financial Assets at Fair Value Through Profit or Loss is less than 5% of total current assets.

<sup>(b)</sup>Balance of account is less than 1% of the total assets of the Group and no individually significant advances over P100,000.

**Map of the Conglomerate within which the Group belongs**

**Financial Soundness Indicators**

**Schedule of Proceeds from Recent Offering of Securities**

**Report on Independent Auditors on Supplementary Information Filed Separately from the Separate Financial Statements**

**Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration**

# ANNEX A

**PETRON CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(Amounts in Millions)**

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Petron Corporation	19,655	332,368	(325,438)	-	26,585	26,585	-	26,585
Overseas Ventures Insurance Corporation Ltd.	19	-	(19)	-	-	-	-	-
Petrogen Insurance Corporation	-	-	-	-	-	-	-	-
Petron Freeport Corporation	87	1	(9)	-	79	79	-	79
Petron Singapore Trading Pte., Ltd.	1,675	18,807	(19,014)	-	1,468	1,468	-	1,468
Petron Marketing Corporation	-	-	-	-	-	-	-	-
New Ventures Realty Corporation and Subsidiaries	2,072	653	(850)	-	1,875	75	1,800	1,875
Mema Holdings Inc.	-	899	16	-	915	915	-	915
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	-	-	-	-	-	-	-
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	3,314	1,447	(15)	-	4,746	4,746	-	4,746
Petrochemical Asia (Hk) Limited and Subsidiaries	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>26,822</b>	<b>354,175</b>	<b>(345,329)</b>	<b>-</b>	<b>35,668</b>	<b>33,868</b>	<b>1,800</b>	<b>35,668</b>

# ANNEX A

**PETRON CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(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	3,791	22,003	(19,409)	-	6,385	4,760	1,625	6,385
Overseas Ventures Insurance Corporation Ltd.	-	565	(6)	-	559	559	-	559
Petrogen Insurance Corporation	-	-	-	-	-	-	-	-
Petron Freeport Corporation	38	-	(9)	-	29	29	-	29
Petron Singapore Trading Pte., Ltd.	22,655	331,407	(325,751)	-	28,311	28,311	-	28,311
Petron Marketing Corporation	17	3	-	-	20	20	-	20
New Ventures Realty Corporation and Subsidiaries	238	53	(42)	-	249	74	175	249
Mema Holdings Inc.	-	141	(110)	-	31	31	-	31
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	-	-	-	-	-	-	-
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	-	-	-	-	-	-	-	-
Petrochemical Asia (Hk) Limited and Subsidiaries	83	3	(2)	-	84	84	-	84
<b>TOTAL</b>	<b>26,822</b>	<b>354,175</b>	<b>(345,329)</b>	<b>-</b>	<b>35,668</b>	<b>33,868</b>	<b>1,800</b>	<b>35,668</b>

# ANNEX A

PETRON CORPORATION AND SUBSIDIARIES  
SCHEDULE D - LONG-TERM DEBT  
DECEMBER 31, 2022  
(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:							
<i>Peso denominated:</i>							
Fixed	Philippine Commercial Capital Inc. – Trust and In	9,000	-	8,917	3.4408%	Bullet	October 2027
Fixed	Philippine Commercial Capital Inc. – Trust and In	9,000	-	8,906	4.3368%	Bullet	October 2025
Fixed	Bank of the Philippine Islands	3,125	1,244	3,116	4.5900%	12-month grace period; amortized in 16 quarterly payment:	April 2025
Fixed	Philippine Depository and Trust Corp	7,000	6,990	6,990	4.5219%	Bullet	October 2023
Fixed	Banco De Oro	3,750	2,138	3,744	5.5276%	Amortized quarterly for 7 years	July 2024
Fixed	Banco De Oro	5,000	613	4,968	7.4206%	Amortized quarterly for 5 years	June 2027
Fixed	Philippine Depository and Trust Corp	13,200	-	13,144	7.8183%	Bullet	April 2024
Fixed	Philippine Depository and Trust Corp	6,800	-	6,762	8.0551%	Bullet	October 2025
Fixed	Landbank of the Philippines	5,000	614	4,969	7.5496%	15-month grace period; amortized in 16 quarterly payment:	June 2027
Fixed	China Bank Corporation	2,375	-	2,359	6.4920%	Bullet	September 2025
Fixed	China Bank Corporation	625	-	621	6.8672%	Bullet	September 2025
Fixed	China Bank Corporation	5,000	-	4,967	7.1663%	2-year grace period; amortized in 7 semi-annual payment:	May 2027
		<u>69,875</u>	<u>11,599</u>	<u>69,463</u>			
<i>Foreign currency - denominated:</i>							
Floating	Standard Chartered Bank (Hongkong) Limited	6,348	-	6,276	LIBOR + margin	2-year grace period; amortized in 7 semi-annual payment:	May 2024
Floating	Sumitomo Mitsui Banking Corp.	4,574	1,800	4,527	TONA + margin	2-year grace period; amortized in 7 semi-annual payment:	March 2025
Floating	Standard Chartered Bank (Hongkong) Limited	27,599	-	26,795	SOFR + margin	2-year grace period; amortized in 7 semi-annual payment:	Nov 2027
		<u>38,521</u>	<u>1,800</u>	<u>37,598</u>			
<b>Total Long-term Debt</b>		<b>P <u>108,396</u> P</b>	<b>P <u>13,399</u> P</b>	<b><u>107,061</u></b>			

# ANNEX A

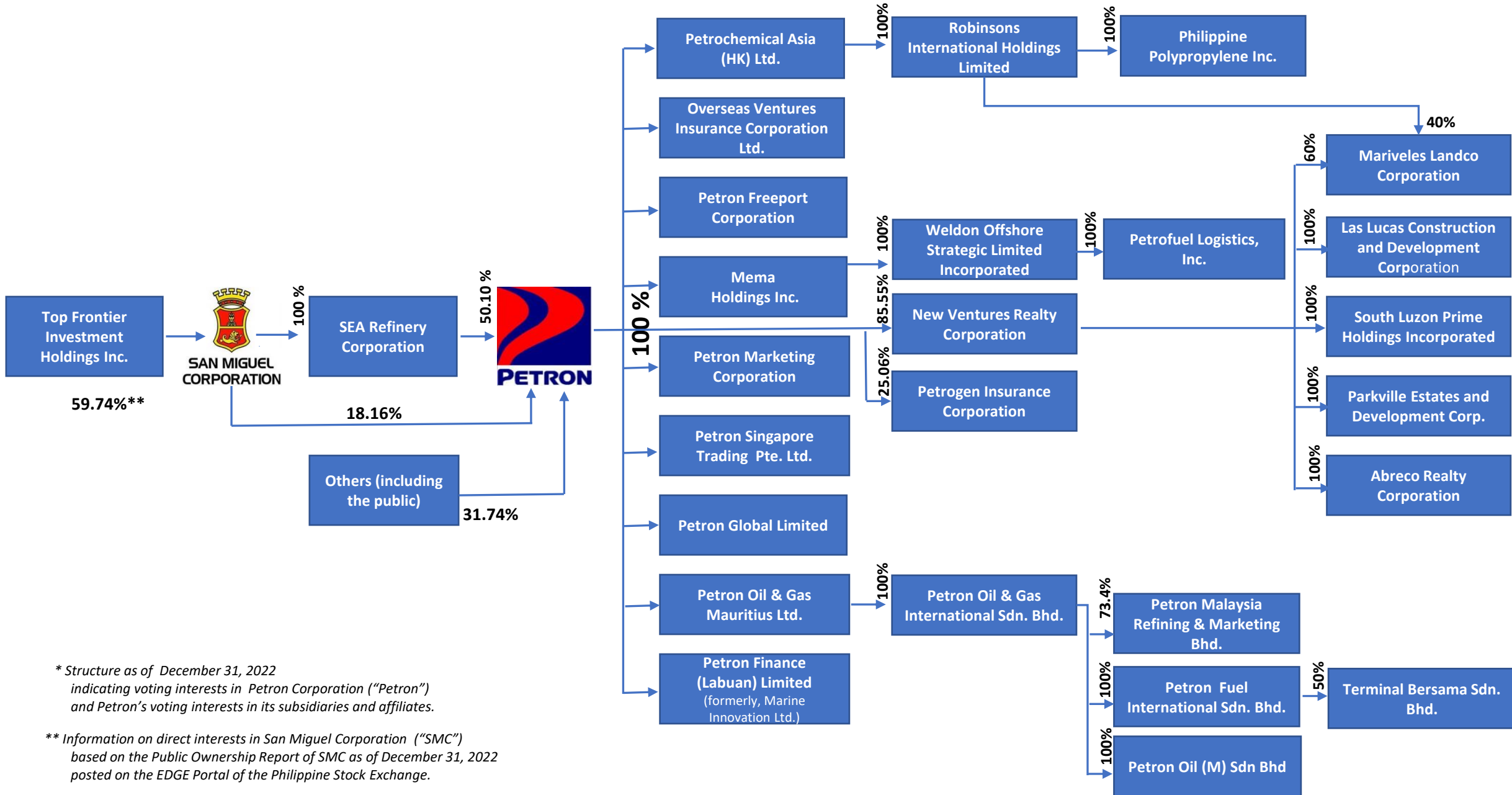
**PETRON CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G - CAPITAL STOCK**  
**DECEMBER 31, 2022**

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	1,871,443	2,514,320,833
Preferred stock						
Series 3A Preferred	624,895,503	13,403,000	Not applicable	-	700	13,402,300
Series 3B Preferred		6,597,000	Not applicable	-	20,300	6,576,700



# PETRON GROUP STRUCTURE

## ANNEX A



\* Structure as of December 31, 2022 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 as of December 31, 2022 posted on the EDGE Portal of the Philippine Stock Exchange.

# ANNEX A

## PETRON CORPORATION AND SUBSIDIARIES SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	Formula	December 31, December 31,	
		2022	2021
<b>Liquidity</b>			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>1.07</b>	0.99
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	<b>0.53</b>	0.47
<b>Solvency</b>			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^b}{\text{Total Equity}}$	<b>2.16</b>	1.91
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	<b>4.05</b>	3.67
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	<b>1.62</b>	1.73
<b>Profitability</b>			
f) Return on Equity	$\frac{\text{Net Income}^a}{\text{Average Total Equity}}$	<b>5.97%</b>	6.23%
g) Return on Assets	$\frac{\text{Net Income}^a}{\text{Average Total Assets}}$	<b>1.54%</b>	1.63%
<b>Operating Efficiency</b>			
h) Volume Growth	$\left( \frac{\text{Current Period Volume}}{\text{Prior Period Volume}} - 1 \right)$	<b>37.17%</b>	4.66%
i) Sales Growth	$\left( \frac{\text{Current Period Sales}}{\text{Prior Period Sales}} - 1 \right)$	<b>95.78%</b>	53.15%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	<b>2.24%</b>	3.93%

<sup>a</sup> trailing 12 months net income

<sup>b</sup> excludes lease liabilities

# ANNEX A

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022 (Amounts in Thousand Pesos)

### PETRON CORPORATION

SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City

Unappropriated retained earnings, <i>as adjusted to available for dividend distribution</i> , beginning		<b>P6,268,172</b>
Add: Reversal of prior years' unrealized net income		<b>361,291</b>
Adjusted Unappropriated retained earnings, beginning		<b>P6,629,463</b>
<b>Add: Net income actually earned/realized during the period</b>		
Net income during the period closed to retained earnings	P2,536,160	
Less: Non-actual/ unrealized income, net of tax:		
Fair value gains arising from marked-to-market measurement ( <i>P919,385 if gross of tax</i> )	689,539	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS ( <i>P211,518 if gross of tax</i> )	158,639	
Sub-total	848,178	
<b>Net income actually earned during the year</b>	1,687,982	<b>1,687,982</b>
Less: Dividend declarations during the year	(1,043,906)	
Distributions paid	(4,545,822)	
	(5,589,728)	<b>(5,589,728)</b>
<b>TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION</b>		<b>P2,727,717</b>

# ANNEX A

## PETRON CORPORATION Proceeds from Issuance of Series E and Series F Fixed Rate Bonds December 31, 2022

### i. Gross and Net Proceeds as disclosed in the final prospectus

In P Millions	
<b>Gross Proceeds</b>	<b>P18,000.00</b>
Less: Underwriting fees for the Preferred Shares 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	0.50
Estimated legal and other professional fees	7.80
Estimated other expenses	0.55
<b>Total Expenses</b>	<b>P216.79</b>
<b>Net Proceeds</b>	<b>P17,783.21</b>

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

### ii. Actual Gross and Net Proceeds

In P Millions	
<b>Actual Gross Proceeds</b>	<b>P18,000.00</b>
Less: Underwriting Fees, Filing and Processing Fees, Documentary Stamp Tax, Legal and Professional Fees and Other Expenses	227.95
<b>Actual Net Proceeds</b>	<b>P17,772.05</b>

### iii. Each Expenditure Item where the Proceeds was Used

In P Millions	
<b>Actual Net Proceeds</b>	<b>P17,772.05</b>
Less: Redemption of the Series A Bonds	13,000.00
Payment for power plant project	2,964.60
Payment of long term loan amortization to:	
Bank of the Philippine Islands	697.49
BDO Unibank, Inc.	535.71
UnionBank	250.00
<b>Total Payments</b>	<b>P17,447.80</b>
<b>Balance</b>	<b>P324.25</b>

### iv. Balance of the Proceeds as of the End of the Reporting Period

As of December 31, 2022, balance of proceeds amounted to P324.25 million.

PERMITS AND LICENSES<sup>1</sup>Petron Corporation

## Supply

Name of Permit / License	Issuing Agency	No.	Issue Date	Validity Period	Expiry Date
License to Handle Controlled Precursors and Essential Chemicals (CPECS)	Philippine Drug Enforcement Agency (PDEA)	P5E-006280003-R134 (Toulene -RM)	February 2, 2023		March 17, 2024
License to Handle Controlled Precursors and Essential Chemicals (CPECS)	PDEA	P6-006280008-R023 (Toulene, etc)	30 August 2022		16 June 2023
DENR import clearance for Avgas (CCO Importation Certificate)	Department of Environment and Natural Resources (DENR)		December 23, 2022	6 months	June 23, 2023
Certificate of Registration as Importer (PBR) – AFAB	BOC	IM0009074716	February 28, 2023	1 year	February 28, 2024
Certificate of Registration as Importer (Head Office)	BOC	IM0009074716	February 28, 2023	1 year	February 28, 2024
Certificate of Registration as Exporter (PBR) – AFAB	BOC	EX0001062913	March 3, 2023	1 year	March 2, 2024
Permit to Store – Ethanol Tanks	BIR	ELTRD-(P)-001-02-23-44833	February 21, 2023	1 year	December 31, 2023
Authority to Release Imported Goods (700,000kg of LPG)	BOC	ELTRDOIL238321	February 2, 2023	N/A	None

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<sup>1</sup> The enumeration is based on information as of March 13, 2022.

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Permit to Export	BIR	ELTFOD-P-014-02-23-0007	February 7, 2023	N/A	[sample; typically issued on a per shipment/transaction basis]
Export Clearance No. P16-23-00403I (Molten Sulfur)	BOC		February 7, 2023		[sample; typically issued on a per shipment/transaction basis]
Permit to Load (Molten Sulphur)	BOC (Pier Inspection Division)		February 8, 2023		[sample; typically issued on a per shipment/transaction basis]
Certificate of Registration No. 2019-196 - Powerplant Phase 3 - <i>New Operator of 44.4 MW Solid Fuel-Fired Power Plant Project</i>	Board of Investments (BOI)		October 11, 2019	N/A	Valid until revoked
Certificate of Registration No. 2019-065 - Condensate Processing Plant - <i>New Producer of Petroleum and Petrochemical Products on a Non-pioneer Status</i>	BOI		March 29, 2019	N/A	Valid until revoked
Certificate of Registration No. 2011-103 - RMP-2 Project- <i>Existing Industry Participant with New Investment In Modernization/Conversion of Bataan Refinery (Refinery Master Plan Phase 2 Project)</i>	BOI		June 3, 2011	N/A	Valid until revoked
Transit Declaration and Admission Permit	Authority of the Freeport Area of Bataan (AFAB)	No. AFAB-002508-22I	March 14, 2022		March 29, 2022 [sample; typically issued on a per

## ANNEX B

					shipment/transaction basis]
Permit to Bring in Articles to AFAB Foreign Source	AFAB	PBI-22041327386-22I	April 13, 2022		May 13, 2022 [sample; typically issued on a per shipment/transaction basis]
FAB Expansion Area Certificate	AFAB	No. 2020-04	December 28, 2020		Valid until revoked.
Certificate of Compliance (Refinery Solid Fuel-Fired Boiler Power Plant)	Energy Regulatory Commission (ERC)	NO. 18-030M-00300L	May 6, 2018	5 years	May 5, 2023
Permit to Produce Biofuel-Blended Gasoline (E-10)	BIR	ELTRD(P)-028-11-22-43628	November 28, 2022		December 31, 2023

### Business Permits

Petron Corporation	Mayor's Permit No. 23-01075	Office of the Mayor (City of Mandaluyong)	January 11, 2023	1 year	December 31, 2023
Mema Holdings, Inc.	Mayor's Permit No. IN6 23-033628	Office of the City Mayor (City of Pasig)	January 13, 2023	1 year	December 31, 2023
Weldon Offshore Strategic Limited Incorporated	Mayor's Permit No. IN6 23-033635	Office of the City Mayor (City of Pasig)	January 13, 2023	1 year	December 31, 2023
Petron Freeport Corporation	Certificate of Registration and Tax Exemption No. 2003-0073 (including Permit to Operate)	Subic Bay Metropolitan Authority (SBMA)	December 20, 2021		December 19, 2024
Abreco Realty Corp.	Business Permit No. 24724	Business Permits Office and Licensing Office (City of Makati)	January 21, 2023	1 year	December 31, 2023

## ANNEX B

Las Lucas Construction and Development Corporation	Mayor's Permit No. 23-03844	Office of the Mayor (City of Mandaluyong)	January 17, 2023	1 year	December 31, 2023
Mariveles Landco Corporation	Business Permit No. 2023-0521	Office of the Municipal Mayor (Municipality of Mariveles, Bataan)	January 18, 2023	1 year	December 31, 2023
South Luzon Prime Holdings, Inc.	Mayor's Permit No. 23-03831	Office of the Mayor (City of Mandaluyong)	January 17, 2023	1 year	December 31, 2023
New Ventures Realty Corporation	Mayor's Permit No. 23-05308	Office of the Mayor (City of Mandaluyong)	January 20, 2023	1 year	December 31, 2023
Parkville Estates and Development Corporation	Mayor's Permit No. 23-03847	Office of the Mayor (City of Mandaluyong)	January 17, 2023	1 year	December 31, 2023
Petron Foundation, Inc.	Mayor's Permit No. 23-03855	Office of the Mayor (City of Mandaluyong)	January 17, 2023	1 year	December 31, 2023
Petron Marketing Corporation	Mayor's Permit No. 23-03762	Office of the Mayor (City of Mandaluyong)	January 19, 2023	1 year	December 31, 2023
Philippine Polypropylene Inc.	Business Permit No. 2023-0522	Office of the Municipal Mayor (Municipality of Mariveles, Bataan)	January 18, 2023	1 year	December 31, 2023
Petrofuel Logistics, Inc.	Mayor's Permit No. SER 23-038628	Office of the City Mayor (City of Pasig)	January 18, 2023	1 year	December 31, 2023

### Fire and Safety Permits

Petron Corporation	FSIC No. ReMAN- 967499	Bureau of Fire Protection – Mandaluyong City	August 31, 2022	1 year	August 31, 2023
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## ANNEX B

New Ventures Realty Corporation	FSIC No. R16-12/19/3392	Bureau of Fire Protection – Mandaluyong City	March 9, 2022	1 year	March 8, 2023 [Renewal application already approved-related requirement for issuance of business permit; awaiting release of certificate from BFP]
South Luzon Prime Holdings, Inc.	FSIC No. R16-3/2/3978	Bureau of Fire Protection – Mandaluyong City	March 8, 2022	1 year	March 7, 2023 [Renewal application already approved-related requirement for issuance of business permit; awaiting release of certificate from BFP]
Las Lucas Construction and Development Corporation	FSIC No. R16-1/24/3356	Bureau of Fire Protection – Mandaluyong City	March 8, 2022	1 year	March 7, 2023 [Renewal application already approved-related requirement for issuance of business permit; awaiting release of certificate from BFP]
Petron Foundation, Inc.	FSIC No. R16-4/5/2025	Bureau of Fire Protection – Mandaluyong City	March 23, 2022	1 year	March 22, 2023 [Renewal application already approved- related requirement for issuance of business permit; awaiting release of certificate from BFP]

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Petron Marketing Corporation	FSIC No. R16-205423	Bureau of Fire Protection – Mandaluyong City	March 8, 2022	1 year	March 7, 2023 [Renewal application already approved- related requirement for issuance of business permit; awaiting release of certificate from BFP]
Parkville Estates and Dvelopment Corp.	FSIC No. R16-226248	Bureau of Fire Protection – Mandaluyong City	March 23, 2022	1 year	March 22, 2023 [Renewal application already approved- related requirement for issuance of business permit; awaiting release of certificate from BFP]
Petrofuel Logistics, Inc.	FSIC No. R16-607767	Bureau of Fire Protection – Pasig City	July 7, 2022	1 year	July 7, 2023
Mema Holdings, Inc.	FSIC No. R16-453785	Bureau of Fire Protection – Pasig City	October 17, 2022	1 year	October 17, 2023
Weldon Offshore Strategic Limited Incorporated	FSIC No. R16-884183	Bureau of Fire Protection – Pasig City	June 29, 2022	1 year	June 29, 2023
Mariveles Landco Corporation	FSIC No. R03-207-1518-S2022	Bureau of Fire Protection (Municipality of Mariveles, Bataan)	September 12, 2022	1 year	September 11, 2023
Philippine Polypropylene Inc.	FSIC No. R03-207-1498-S2022	Bureau of Fire Protection (Municipality of Mariveles, Bataan)	September 8, 2022	1 year	September 5, 2023

## ANNEX B

Petron Freeport Corporation	FID-FSIC-2022-09-717	Subic Bay Freeport Zone Fire Department	September 7, 2022	1 year from date of inspection	September 7, 2023
Petron Corporation (Petron Bataan Refinery)	2023-88	Authority of the Freeport Area of Bataan	20 December 2022	1 year from issuance	20 December 2023

### Certificate of Authority to Operate (CATO)/License to Operate (LTO)

Issued to	Issued by	No.	Covered Location	Date of Issue	Validity
PETRON CORPORATION	Professional Regulatory Board of Chemistry (PRBC)	CATO No. 301	Petron Research & Testing Center – Tagoloan	17 September 2021	Three (3) Years
PETRON CORPORATION	PRBC	CATO No. 257	Petron Petroleum Testing Center – Petron Mandaue Terminal	12 November 2020	Three (3) Years
PETRON CORPORATION	PRBC	CATO No. 385	Petron Research and Testing Center – Pandacan	03 October 2022	Three (3) Years
PETRON CORPORATION	PRBC	CATO No. 155	Petron Bataan Refinery – Quality Control Laboratory	26 June 2019	Three (3) Years [Renewal application submitted. Awaiting schedule of PRC inspection.]
PETRON CORPORATION	PRBC	CATO No. 156	Petron Bataan Refinery – Powerplant and Utilities Laboratory	25 June 2019	Three (3) Years [Renewal application submitted. Awaiting schedule of PRC inspection.]

## ANNEX B

PETRON CORPORATION	Department of Health (DOH)	LTO No. 03-377-21-CL-2	Petron Bataan Refinery – Clinic	01 January 2021	One (1) Year [Processing requirements for renewal]
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### Refinery

#### SAFETY and SECURITY

	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 (PPA)	January 18, 2016	Indefinite	December 22, 2034

#### OPERATIONAL

	Regulated Aspect/Activity	Permit/Certification	Pertinent Law/Regulation	Issue date	Validity period	Expiry date
1. Plant Services and Logistics	RSFFPP Operations	Certificate of Compliance No. 1803-M-00300L	RA 9136 (EPIRA of 2001) / ERC Resolution No. 16 Series 2014	May 6, 2018	5	May 05, 2023
2. Occupational Health and Safety	Registry of Establishment	EIN 03-083-23 Series of 2023	OSH Rule 1200	March 16, 2023		Valid until revoked

### Operations

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Terminal	Name of Permit / License	Issuing Agency	Issue Date	Validity Period, years	Expiry Date
Amlan	Barangay Business Clearance	Local Government Unit (LGU)	May 9, 2023	1 year	December 31, 2023
Amlan	Business Permit (Mayor's Permit) No. 2023-371	LGU	January 31, 2023	1 year	December 31, 2023
Amlan	Certificate of Annual Inspection (Office of the Building Official) No. CAI-2023-078	Department of Public Works and Highways (DPWH)	January 17, 2023	1 year	January 16, 2024
Amlan	Fire Safety Inspection Certificate No. 07-777397	Department of the Interior and Local Government – Bureau of Fire Protection (DILG-BFP)	February 1, 2023	1 year	February 1, 2024
Amlan	Sanitary Permit No. 325	LGU	January 17, 2023	1 year	December 31, 2023
Amlan	Safety Seal Certification	Department of Labor and Employment (DOLE)	July 7/8, 2022		No longer renewed <sup>2</sup>
Amlan	Permit to Operate (PTO) for Air Pollution Source and Control Installations (APSCI) No. PTO-OL-R07-2021-02965-R	DENR-Environmental Management Bureau (DENR-EMB)	May 12, 2021	5 years	May 12, 2026

<sup>2</sup> The Safety Seal Certification Program was discontinued by the Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Diseases through Safety Seal Technical Working Group Resolution No. 23-01, s. 2023, dated 17 February 2023.

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Amlan	Certificate of Non-Coverage (CNC) No. CNC-OL-R07-2015-03-0069	DENR-EMB	March 9, 2015	N/A	Valid until revoked
Amlan	Hazardous Waste (HW) Generator's ID No. OL-GR-R7-46-016012	DENR-EMB	April 20, 2021	N/A	Valid until revoked
Amlan	Certificate of Accreditation – Pollution Control Officer (PCO) No. COA No. 2021-R07-4321	DENR-EMB	July 14, 2021	3 years	July 14, 2024
Amlan	Wastewater Discharge Permit No. DP-R07-21-03359	DENR-EMB	June 10, 2021	5 years	June 10, 2026
Bacolod	Barangay Permit No. 35	LGU	January 27, 2023	1 year	December 31, 2023
Bacolod	Certificate of Annual Inspection (Office of the Building Official) No. CI06006-2204972	DPWH	August 23, 2022		August 23, 2023
Bacolod	Discharge Permit	DENR-EMB			Ongoing renewal. Awaiting date of DENR's inspection.
Bacolod	Certificate of Registration/Permit to Operate No. 251	PPA	July 14, 2009		July 1, 2028
Bacolod	PTO for Internal Combustion Engine (ICE) No. 06006-00142	LGU/OBO	September 2022	1 year	September 2023
Bacolod	PTO for Pressure Vessel (PV) – (LPG Tanks) No. 06006-000049	LGU OBO	September 2022	1 year	September 2023
Bacolod	PTO for Machinery (Fire Pumps) No. 06006-000012	LGU OBO	September 2022	1	September 2023
Bacolod	Safety Seal No. RO6-SS-UTLS-000650R1	DOLE	June 21, 2022	1	June 21, 2023 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Bacolod	Sanitary Permit No. 01-3740-2023SP	LGU	January 19, 2023	1	December 31, 2023
Bacolod	Standards Compliance Certificate (SCC) for LPG Refilling Plant	Department of Energy (DOE)	September 20, 2020	3	September 20, 2023

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Bacolod	SCC for LPG Import Terminal	DOE	October 27, 2020	3	October 27, 2023
Bacolod	SCC for LPG Bulk/Storage Plant	DOE	April 22, 2021	3	April 22, 2024
Bacolod	Foreshore Lease Agreement	DENR	August 22, 2006	25 years	August 22, 2031
Bacolod	Discharge Permit No. DP-R06-21-03345	DENR-EMB	June 8, 2021	6 months	January 8, 2022
Bacolod	PTO for APSCI No. PTO-OL-R06-2022-08256-R	DENR-EMB	October 6, 2022	5 years	January 6, 2027
Bacolod	Environmental Compliance Certificate (ECC) No. ECC-0607-0516-135-120	DENR-EMB	May 16, 2007	N/A	Valid until revoked
Bacolod	HW Generator's ID No. OL-GR-R6-45-013057	DENR-EMB	July 14, 2022	N/A	Valid until revoked
Bacolod	Certificate of Accreditation (PCO) No. COA No. 2021-R06-2643	DENR-EMB	July 2, 2021	3 years	July 2, 2024
Bacolod	Chemical Control Order (CCO) Registration No. CCO-Rb-2020-00048	DENR-EMB	February 27, 2020	N/A	Valid until revoked
Batangas	Barangay Clearance	LGU	January 6, 2023	1	December 31, 2023
Batangas	Business Permit No. 2023-041016000-0954	LGU	February 14, 2023	1	January 20, 2024
Batangas	Sanitary Permit No. 429	LGU	February 13, 2023	1	December 31, 2023
Batangas	Fire Safety Inspection Certificate No. R4A-771123	DILG/BFP	February 13, 2023	1	February 14, 2024
Batangas	Certificate of Electrical Inspection No. EEDL-IV-20-01	DOLE	September 16, 2022	1	September 16, 2023
Batangas	PTO for Internal Combustion Engine No. ICE-IVA-02-2001	DOLE	September 16, 2022	1	September 16, 2023
Batangas	PTO for Pressure Vessel No. PVDL-IVA-103-2000	DOLE	September 16, 2022	1	September 16, 2023
Batangas	Safety Seal (COVID-19 Protocols)	DOLE			Ongoing renewal. Awaiting date of DOLE's inspection.
Batangas	SCC for LPG Import Terminal	DOE	July 1, 2021	1	July 1, 2024
Batangas	SCC for LPG Bulk/Storage Plant	DOE	1-Jul-21	1	July 1, 2024

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Batangas	Discharge Permit No. DP-R4A-22-03738	DENR-EMB	June 13, 2022	1 year	June 13, 2023
Batangas	ECC No. ECC-R4A-1402-0115	DENR-EMB	August 13, 2018	N/A	Valid until revoked
Batangas	HW Generator's ID No. OL-GR-R4A-10-012945	DENR-EMB	March 7, 2021	N/A	Valid until revoked
Batangas	CCO Registration No. CCO-PCB-R4A-PET-77	DENR-EMB	May 4, 2018	N/A	Valid until revoked
Batangas	PTO for APSCI No. PTO-OL-R4A-2020-02011-R	DENR-EMB	October 30, 2020	5 years	October 30, 2025
Batangas	Certificate of Accreditation (PCO) No. COA No. 2021-15791	DENR-EMB	April 7, 2021	3 years	April 6, 2024
Bawing	Business Permit No. 08290-0	LGU	20-Jan-23	1	December 31, 2023
Bawing	Fire Safety Inspection Certificate No. 12-0148281	DILG/BFP	18-Nov-22	1	18-Nov-23
Bawing	Permit to Operate No. SOC-2022-BUN-002	PPA	9-Sept-22	3	8-Sept-25
Bawing	Safety Seal (COVID-19 Protocols) No. RO12-SS-UTLS-00028-R1	DOLE	23-Nov-22	1	23-Nov-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Bawing	SCC for Refilling Plant	DOE	13-Jan-22	3	13-Jan-25
Bawing	SCC for LPG Bulk/Storage Plant	DOE	13-Apr-21	3	13-Apr-24
Bawing	Discharge Permit No. DP-R12-20-05067	DENR-EMB	November 3, 2020	5 years	November 3, 2025
Bawing	PTO for APSCI No. PTO-OL-R12-2020-02337-R	DENR-EMB	November 16, 2020	5 years	November 16, 2025
Bawing	ECC No. ECC-OL-R12-2019-0267	DENR-EMB	November 29, 2019	N/A	Valid until revoked
Bawing	HW Generator's ID No. OL-GR-R12-63-012126	DENR-EMB	February 19, 2021	N/A	Valid until revoked



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Bawing	CCO Registration No. CCO-PCB-04-01-000586	DENR-EMB	September 22, 2014	N/A	Valid until revoked
Bawing	Certificate of Accreditation (PCO) No. COA No. 2012-R12-0435	DENR-EMB	8-Nov-21	3 years	8-Nov-24
Calapan	Barangay Business Clearance	LGU	10-Jan-23	1	December 31, 2023
Calapan	Business Permit	LGU	25-Jan-23	1	December 31, 2023
Calapan	Certificate of Annual Inspection No. 23-0483	LGU	11-Jan-23	1	31-Dec-23
Calapan	Fire Safety Inspection Certificate No. 4B-16-015953	DILG/BFP	3-Aug-22	1	2-Aug-23
Calapan	Sanitary Permit No. SP-T-00561	LGU	11-Jan-23	1	December 31, 2023
Caticlan Aviation Facility	ECC No. ECC-OL-R06-2020-0118	DENR-EMB	April 15, 2020	N/A	Valid until revoked
Davao	Business Permit No. B-11175-5	LGU	31-Jan-23	1	December 31, 2023
Davao	PTO for Internal Combustion Engine No. 22112646	LGU OBO	3-Nov-22	1	2-Nov-23
Davao	PTO for Internal Combustion Engine No. 22112647	LGU OBO	3-Nov-22	1	2-Nov-23
Davao	PTO for Unfired Pressure Vessel No. 22112641	LGU OBO	3-Nov-22	1	2-Nov-23
Davao	PTO for Unfired Pressure Vessel No. 22112642	LGU OBO	3-Nov-22		2-Nov-23
Davao	PTO for Unfired Pressure Vessel No. 22112643	LGU OBO	3-Nov-22	1	2-Nov-23
Davao	PTO for Unfired Pressure Vessel No. 22112644	LGU OBO	3-Nov-22	1	2-Nov-23
Davao	PTO for Unfired Pressure Vessel No. 22112645	LGU OBO	3-Nov-22	1	2-Nov-23
Davao	Fire Safety Inspection Certificate No. R11-221039	DILG/BFP	22-Jul-22	1	22-Jul-23
Davao	Certificate of Annual Inspection No. 22-01068 (LOW)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01069 (LPG Refilling Plant)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01070 (LPG TF)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01063 (Maintenance Area)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01067 (Office)	LGU	2-Nov-22	1	2-Nov-23

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Davao	Certificate of Annual Inspection No. 22-01065 (PRT)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01066 (Residence)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01072 (TF2)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01062 (TTIP)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01073 (TTLR1)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01071 (TTLR2)	LGU	2-Nov-22	1	2-Nov-23
Davao	Certificate of Annual Inspection No. 22-01064 (Water Tank LP)	LGU	2-Nov-22	1	2-Nov-23
Davao	Permit to Operate No. 318	PPA	14-Jul-09		Ongoing renewal
Davao	Certificate of Annual Electrical Inspection No. 154-05830-22	LGU	27-Oct-22	1	9-Oct-23
Davao	PTO for Machinery No. 22112640	LGU	3-Nov-22	1	3-Nov-23
Davao	Safety Seal	DOLE	19-Dec-22	1	19-Dec-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Davao	SCC for LPG Import Terminal	DOE	29-Apr-21	3	29-Apr-24
Davao	SCC for Bulk Plant	DOE	29-Apr-21	3	29-Apr-24
Davao	Discharge Permit No. 2019-WDP-A-1124-273	DENR-EMB	April 8, 2019	5 years	January 7, 2024
Davao	Discharge Permit No. DP-R11-21-04586	DENR-EMB	July 26, 2021	5 years	March 26, 2026
Davao	PTO for APSCI No. PTO-OL-R11-2021-05496-R	DENR-EMB	July 21, 2021	5 years	July 21, 2026
Davao	ECC No. ECC- R11-1904-0009	DENR-EMB	June 11, 2019	N/A	Valid until revoked
Davao	HW Generator's ID No. OL-GR-R11-24-012412	DENR-EMB	April 5, 2021	N/A	Valid until revoked
Davao	CCO Registration No. CCO-PCB-RXI-2014-0005	DENR-EMB	August 14, 2014	N/A	Valid until revoked

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Davao	Certificate of Accreditation (PCO) No. COA No. 2022-RXI-0793	DENR-EMB	February 22, 2022	3 years	February 22, 2025
GASUL Pasig	Barangay Clearance No. 148-1192023-19R	LGU	19-Jan-23	1	December 31, 2023
GASUL Pasig	Business Permit No. RET 23-03764	LGU	19-Jan-23	1	December 31, 2023
GASUL Pasig	Discharge Permit No. DP®-24c-2023-00530	LLDA	2-Feb-23	2	5-Feb-25
GASUL Pasig	Fire Safety Inspection Certificate No. ePSG-666922	DILG-BFP	23-Sep-22	1	23-Sep-23
GASUL Pasig	Certificate of Registration/PTO (Port Facility) No. 301	PPA	1-Jan-21	5	31-Dec-25
GASUL Pasig	PTO for ICE No. 39-98	DOLE	5-Jul-22	1	5-Jul-23
GASUL Pasig	PTO for ICE No. 09-13	DOLE	5-Jul-22	1	5-Jul-23
GASUL Pasig	PTO for ICE No. 08-13	DOLE	5-Jul-22	1	5-Jul-23
GASUL Pasig	PTO for PV No. 149-97	DOLE	5-Jul-22	1	5-Jul-23
GASUL Pasig	PTO for PV No. 118-98	DOLE	5-Jul-22	1	5-Jul-23
GASUL Pasig	PTO for PV No. 148-97	DOLE	5-Jul-22	1	5-Jul-23
GASUL Pasig	PTO for PV No. 147-97	DOLE	5-Jul-22	1	5-Jul-23
GASUL Pasig	PTO for PV No. 275-98	DOLE	5-Jul-22	1	5-Jul-23
GASUL Pasig	Safety Seal No. 81C1732B2794	DOLE	28-Oct-22		28-Apr-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
GASUL Pasig	Sanitary Permit No. 2023-AY1326	LGU	8-Feb-23	1	December 31, 2023
GASUL Pasig	SCC for LPG Refilling Plant No. 64-28-2020-7-3PETRON	DOE	7-Jul-20	3	7-Jul-23
GASUL Pasig	SCC for LPG Bulk Plant No. 005-009-2021-01-001R PETRON	DOE	27-Jan-21	3	27-Jan-24
GASUL Pasig	PTO for APSCI No. PTO-OL-NCR-2020-00326-R	DENR-EMB	August 5, 2020	5 years	August 5, 2025
GASUL Pasig	ECC No. NCR2005-01-11-002-120	DENR-EMB	January 11, 2005	N/A	Valid until revoked

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GASUL Pasig	HW Generator's ID No. OL-GR-NCR-74-010941	DENR-EMB	September 21, 2022	N/A	Valid until revoked
GASUL Pasig	Certificate of Accreditation (PCO) No. COA No. 2021-NCR-9064-PCOA-OPS	DENR-EMB	February 10, 2021	3 years	February 10, 2024
GASUL Pasig	Certificate of Accreditation (PCO) No. COA No. R-19200-2021C-03ZA-0128	DENR-EMB	March 8, 2021	3 years	March 8, 2024
GASUL Pasig	Certificate of Accreditation (PCO) No. COA No. 19200-2022A-03Za-0067	DENR-EMB	January 27, 2022	3 years	January 27, 2025
GASUL Legaspi	PTO for Pressure Vessel No. V-02-2000 (LPG Storage Tank A)	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	PTO for Pressure Vessel No. V-01-2000 (LPG Storage Tank B)	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	PTO for Pressure Vessel No. V-01-2015 (Air Receiving Tank)	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	PTO for Pressure Vessel NO. V-23-2019 (Air Receiving Tank 2)	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	PTO for Pressure Vessel NO. V-22-2019 (LPG Decanting Tank)	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	PTO for Internal Combustion Engine No. V-06-2019 (Diesel Firepump1)	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	PTO for Internal Combustion Engine No. V-08-2019 (Diesel Genset1)	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	PTO for Internal Combustion Engine No. V-07-2019 (Diesel Firepump2)	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	PTO for Internal Combustion Engine No. V-09-2019 (Diesel Genset2)	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	Power Piping Line Operation Permit No. V-03-2020	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	Power Piping Line Operation Permit No. V-05-2020	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	SCC for LPG Storage Plant No. OMIB-CO-SCC(BP)ID#005-007-2022-03-006R Petron	DOE	28-Mar-22	3	28-Mar-25
GASUL Legaspi	Discharge Permit No. DP-R05-23-02148	DENR	03-Mar-23	1	03-Mar-24

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GASUL Legaspi	Fire Safety Inspection Certificate	DILG-BFP			New permit pending release by BFP
GASUL Legaspi	Certificate of Annual Inspection No. 1103	DPWH OBO	5-Sep-22		Ongoing renewal
GASUL Legaspi	Certificate of Electrical Inspection No. V-06-2008	DOLE	11-Oct-22	1	11-Oct-23
GASUL Legaspi	Safety Seal No. RO5-SS-UTLS-00039-R1	DOLE	16-May-22	1	16-May-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
GASUL Legaspi	PTO for APSCI No. PTO-OL-R05-2022-05976-R		August 6, 2022	5 years	August 6, 2027
GASUL Legaspi	Discharge Permit No. DP-R05-22-08997		12-Oct-22	1	12-Oct-23
GASUL Legaspi	ECC No. ECC-R05-2104-0005		April 28, 2021	N/A	Valid until revoked
GASUL Legaspi	HW Generator's ID No. OL-GR-R5-05-016778		August 26, 2021	N/A	Valid until revoked
GASUL Legaspi	CCO Registration No. CCO-PCB-R5-PET-148		September 14, 2017	N/A	Valid until revoked
GASUL Legaspi	CCO Registration No. CCO-R-Pb-2019-00245		December 12, 2019	N/A	Valid until revoked
GASUL Legaspi	Certificate of Accreditation (PCO) No. EMB-R5AL-N-2021B-3257		February 19, 2021	3 years	February 19, 2024
GASUL San Fernando	Fire Safety Clearance (For Flammable Liquids) No. R-03-012-S2022	DILG-BFP	20-Dec-22	1	20-Dec-23
GASUL San Fernando	Fire Safety Inspection Certificate No. 03-616-03202-S2023-B	DILG-BFP	26-Jan-23	1	26-Feb-24
GASUL San Fernando	PTO for Pressure Vessel No. PVDL III-113-99 (LPG Tank3)	DOLE	2Nov-22	1	2-Nov-23
GASUL San Fernando	PTO for Pressure Vessel No. PVDL III-139-99 (Air Receiver Tank)	DOLE	2Nov-22	1	2-Nov-23

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GASUL San Fernando	PTO for Pressure Vessel No. PVDL III-275-2018 (LPG Tank)	DOLE	2Nov-22	1	2-Nov-23
GASUL San Fernando	PTO for Pressure Vessel No. PVDL III-274-2018 (LPG Tank)	DOLE	2Nov-22	1	2-Nov-23
GASUL San Fernando	PTO for Internal Combustion Engine No. III-07-2016	DOLE	2-Nov-22	1	2-Nov-23
GASUL San Fernando	PTO for Electrical Inspection No. EEDL-III-07-2010	DOLE	6-Dec-22	1	6-Dec-23
GASUL San Fernando	SCC for LPG Storage Plant No. 005-002-2022-02-003R	DOE	10-Feb-22	3	10-Feb-25
GASUL San Fernando	SCC for LPG Refilling Tank No. 033-010-2021-04-011PETRON	DOE	30-Apr-21	3	29-Apr-24
GASUL San Fernando	Sanitary Permit No. RHU2-000181	LGU	27-Jan-23	1	December 31, 2023
GASUL San Fernando	Barangay Clearance	LGU	27-Jan-23	1	December 31, 2023
GASUL San Fernando	Business Permit No. 4877	LGU	27-Jan-23	1	December 31, 2023
Gasul San Fernando	PTO for APSCI No. PTO-OL-NCR-2020-00326-R	DENR-EMB	19-Jul-21	5	19-Jul-26
Gasul San Fernando	Discharge Permit No. DP-R03-22-05104	DENR-EMB	19-Jul-22	1	19-Jul-23
Gasul San Fernando	ECC No. ECC-R03-1105-0249	DENR-EMB			Valid until revoked
Gasul San Fernando	HW Generator's ID No. OL-GR-R3-54-016591	DENR-EMB			Valid until revoked
Gasul San Fernando	Certificate of Accreditation (PCO) No. 2023-RIII-5344 (New)	DENR-EMB	18-Apr-23	3	18-Apr-26
GASUL San Pablo	ECC No. ECC-R4A-1810-0284	DENR-EMB	October 29, 2018	N/A	Valid until revoked
Iligan	Barangay Clearance	LGU	20-Jan-23	1	December 31, 2023
Iligan	Business Permit No. BP-2023-08111-0 (Oil and Lubricants Distributor)	LGU	24-Feb-23	1	December 31, 2023

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Iligan	Business Permit No. BP-2023-08110-0 (Petroleum Depot)	LGU	24-Feb-23	1	December 31, 2023
Iligan	Discharge Permit No. DP-R10-22-09191 (Domestic Discharge)	DENR	19-Oct-22		19-Oct-27
Iligan	Statement of Compliance as a Port Facility No. 056-2019(R)	DOTr	01-Oct-19		30-Sept-24
Iligan	PTO for Internal Combustion Engine No. ICE-X-07-2011	DOLE	19-Apr-22		25-Mar-23 [Ongoing renewal. Awaiting date of DOLE's inspection.]
Iligan	PTO for Internal Combustion Engine No. ICE-X-06-2011	DOLE	19-Apr-22		25-Mar-23 [Ongoing renewal. Awaiting date of DOLE's inspection.]
Iligan	Permit to Operate No. ILI-2022-BUN-001	PPA	28-Nov-22	1	27-Nov-23
Iligan	Certificate of Electric Inspection No. EEDL-X-11-2022	DOLE	4-Aug-22	1	4-Aug-23
Iligan	PTO for Pressure Vessel No. PVDL-X-19-2018	DOLE	25-Mar-22	1	25-Mar-23 [Ongoing renewal. Awaiting date of DOLE's inspection.]
Iligan	PTO for APSCI No. 2018-POA-D-1035-926	DENR-EMB	May 11, 2018	5 years	April 28, 2023 [Ongoing renewal. Awaiting date of DOLE's inspection.]
Iligan	Discharge Permit No. DP-R10-19-03486	DENR-EMB	April 8, 2019	5 years	October 30, 2024
Iligan	ECC No. ECC-R10-1006-0133	DENR-EMB	December 3, 2012	N/A	Valid until revoked
Iligan	HW Generator's ID No. OL-GR-R10-35-012131	DENR-EMB	March 3, 2021	N/A	Valid until revoked

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Iligan	Certificate of Accreditation (PCO) No. EMB Certificate No. 2021-PCO-1035-1966 (NEW)	DENR-EMB	12-Apr-21	3 years	11-Apr-24
Iligan	Safety Seal No. RO10-SS-UTLS-00107-R1	DOLE	27-May-22	1	27-May-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Iligan	FLA	DENR	13-Dec-05	25	11-Dec-30
Iligan	Permit to Operate Port Facility	PPA	14-Jul-09	19	01-Jul-28
Iloilo	Fire Safety Inspection Certificate No. R06-(RW)-23-054377	DILG/BFP	21-Feb-23	1	21-Feb-24
Iloilo	Safety Seal No. L8ICT0123-0426	DOLE	11-Jan-23		11-Jul-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Iloilo	Sanitary Permit No. AI-2023-06330, AC-06331, AREL-06332	LGU	23-Jan-23	1	31-Dec-23
Iloilo	SCC for LPG Import Terminal	DOE	22-Oct-20	3	22-Oct-23
Iloilo	SCC for LPG Refilling Plant	DOE	12-May-22	3	11-May-25
Iloilo	SCC for LPG Bulk/Storage Plant	DOE	2-Mar-20	3	27-Feb-2023 [Renewal on going.]
Iloilo	SCC for LPG Import Terminal	DOE	21-Oct-20	3	21-Oct-23
Iloilo	ECC No. ECC-OL-R06-2020-0132 (ITP Facility)	DENR-EMB	May 7, 2020	N/A	Valid until revoked
Iloilo	PTO for APSCI No. 19-POA-A-0630-115	DENR-EMB	January 14, 2019	5 years	January 30, 2024



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Iloilo	ECC No. ECC-0607-0516-136-120A	DENR-EMB	November 19, 2012	N/A	Valid until revoked
Iloilo	HW Generator's ID No. OL-GR-R6-30-019995	DENR-EMB	December 9, 2021	N/A	Valid until revoked
Iloilo	CCO Registration No. CCO-R-Pb-2020-00015	DENR-EMB	January 21, 2020	N/A	Valid until revoked
Iloilo	Certificate of Accreditation (PCO) No. COA No. 2021-R06-2747	DENR-EMB	September 13, 2021	3 years	September 13, 2024
Isabel	PTO for APSCI No. PTO-OL-R08-2020-03173-R	DENR-EMB	December 21, 2020	5 years	December 21, 2025
Isabel	CNC No. CNC-R08-1101-0001	DENR-EMB	January 7, 2021	N/A	Valid until revoked
Isabel	HW Generator's ID No. OL-GR-R8-37-008371	DENR-EMB	November 17, 2020	N/A	Valid until revoked
Jimenez	Discharge Permit No. DP-R10-20-05348	DENR-EMB	June 19, 2022	1 year	June 19, 2023
Jimenez	PTO for APSCI No. 2013-POA-L-1042-632	DENR-EMB	March 18, 2019	5 years	December 18, 2024
Jimenez	ECC No. 96-ECC-LPG/FP-1042-1087	DENR-EMB	June 21, 2016	N/A	Valid until revoked
Jimenez	HW Generator's ID No. GR-R10-42-00001	DENR-EMB	April 21, 2015	N/A	Valid until revoked
Jimenez	CCO Registration No. CCO-PCB-RX15- 1042-001	DENR-EMB	February 25, 2015	N/A	Valid until revoked
JOCASP	PTO for APSCI No. 20-POA-B-137605-133	DENR-EMB	September 7, 2020		February 5, 2025
JOCASP	Discharge Permit No. DP-25c-2022-06196	Laguna Lake Development Authority (LLDA)	December 12, 2022	3 years	January 1, 2025
JOCASP	Permit to Operate APSCI No. 20-POA-B-137605-133	DENR-EMB	September 7, 2020	5 years	February 5, 2025
JOCASP	ECC No. ECC-NCR-1101-0008	DENR-EMB	September 26, 2017	N/A	Valid until revoked

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JOCASP	HW Generator's ID No. GR-NCR-76-03103	DENR-EMB	September 19, 2018	N/A	Valid until revoked
JOCASP	CCO Registration No. CCOr-Pb-2019-00243	DENR-EMB	December 12, 2019	N/A	Valid until revoked
Laoag ITP Facility	ECC No. ECC-OL-R01-2020-0057	DENR-EMB	March 16, 2020	N/A	Valid until revoked
Limay	Fire Safety Clearance No. 2023-05	AFAB	20-Dec-22	1	20-Dec-23
Limay	Fire Safety Inspection Certificate No. 2023-88	AFAB	20-Dec-22	1	20-Dec-23
Limay	Safety Seal No. R03-SS-UTLS-00208-R1	DOLE	30-May-22	1	Will no longer be renewed. (Safety Seal Certification Program discontinued by IATF.)
Limay	Permit to Operate APSCI No. POA-20D-03BA-077	DENR-EMB	March 11, 2020	5 years	April 30, 2025
Limay	Discharge Permit No. DP-R03-22-06194	DENR-EMB	August 16, 2022	1 year	August 16, 2023
Limay	Exemption from Discharge Permit Requirement No.	DENR-EMB	April 16, 2021		Letter granting exemption attached
Limay	ECC No. R03-1111-0550	DENR-EMB	August 3, 2018	N/A	Valid until revoked
Limay	HW Generator's ID No. GR-R3-08-022739	DENR-EMB	March 17, 2022	N/A	Valid until revoked
Limay	Certificate of Accreditation (PCO) No. 2021A-03BA-0009	DENR-EMB	January 5, 2020	NA	January 5, 2024
Petron Bataan Refinery	PTO No. PTO-OL-R03-2021-00342-R Refinery (Prod A and Prod B)	DENR	10-Jan-21	5 years	20-Jan-26
Petron Bataan Refinery	PTO No. PTO-OL-R03-2021-04040-R (RSFFP)	DENR	10-Jun-21	5 years	10-Jun-26
Petron Bataan Refinery	PTO No. PTO-OL-R03-2022-08193-TR (RSFFP Phase 3)	DENR	5-Oct-22	5 years	5-Jul-27

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Petron Bataan Refinery	SCC for Refiner No. 005-001-2021-09-001R Petron	DOLE	28-Sep-21	3	28-Sep-24
Petron Bataan Refinery	SCC for Importer No. 005-003-2021-09-001R Petron	DOE	28-Sep-21	3	28-Sep-24
Petron Bataan Refinery	SCC for Bulk Marketer No. 05-001-2021-09-001R Petron	DOE	28-Sep-21	3	28-Sep-24
Petron Bataan Refinery	Discharge Permit No. DP-R03-22-06194 (WWTP-1 Operations)	DENR-EMB	August 16, 2022	1 year	August 16, 2023
Petron Bataan Refinery	Discharge Permit No. DP-R03-22-02159 (WWTP-2 Operations)	DENR-EMB	April 20, 2022	1 year	April 20, 2023 [Ongoing renewal]
Petron Bataan Refinery	Discharge Permit No. DP-R03-22-01743 (Sewage TP Operations)	DENR-EMB	February 22, 2023	1 year	February 22, 2024
Petron Bataan Refinery	Discharge Permit No. DP-R03-22-01744 (Seawater Cooling Facility Operations)	DENR-EMB	February 23, 2023	1 year	February 23, 2024
Petron Bataan Refinery	Discharge Permit No. DP-R03-22-01795 (WWTF-1 Operations RSFBB)	DENR-EMB	March 06, 2023	1 year	March 06, 2024
Petron Bataan Refinery	Discharge Permit No. DP-R03-22-03441 (WWTF-2 Operations RSFFB)	DENR-EMB	June 3, 2022	1 year	June 3, 2023
Petron Bataan Refinery	PTO for APSCI No. PTO-OL-R03-2021-00342-R	DENR-EMB	January 20, 2021	5 years	January 20, 2026
Petron Bataan Refinery	PTO for APSCI No. PTO-OL-R03-2021-04040-R	DENR-EMB	June 10, 2021	5 years	June 10, 2026
Petron Bataan Refinery	PTO for APSCI No. PAO-20C-03BA-944 (RSFFPP)	DENR-EMB	June 10, 2021	5 years	June 10, 2026
Petron Bataan Refinery	PTO for APSCI No. PTO-OL-R03-2022-08193-TR (RSFFPP Phase 3)	DENR-EMB	October 05, 2022	5 years	July 05, 2027
Petron Bataan Refinery	HW Generator's ID No. OL-GR-R3-08-000306 (Amended)	DENR-EMB	19 July 2022	N/A	Valid until revoked
Petron Bataan Refinery	CCO Registration No. CCO-R03-Cn-2018-00130 (Cyanide)	DENR-EMB	June 27, 2018	N/A	Valid until revoked
Petron Bataan Refinery	CCO Registration No. CCO-R03-Hg-2018-00166 (Mercury)	DENR-EMB	July 25, 2018	N/A	Valid until revoked

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Petron Bataan Refinery	CCO Registration No. CCO-R-Pb-2018-00039 (Lead)	DENR-EMB	April 19, 2018	N/A	Valid until revoked
Petron Bataan Refinery	CCO Registration No. CCO-PCB-03-13-000001 (Polychlorinated Biphenyls)	DENR-EMB	June 4, 2013	N/A	Valid until revoked
Petron Bataan Refinery	ECC No. ECC-CO-2202-0007 (Superseding ECC-1002-0007)	DENR-EMB	02 June 2022	N/A	Valid until revoked
Petron Bataan Refinery	ECC No. ECC-OL-R03-2022-0389 (Propylene Transfer Line)	DENR-EMB	28 July 2022	N/A	Valid until revoked
Petron Bataan Refinery	Clearance No. AFAB-PC-2022-18 (Tree Cutting for PTL)	AFAB	23 September 2022		Valid until revoked
Petron Bataan Refinery	ECC No. AFAB-2022-07 (Coco Methyl Este (CME) Plant)	AFAB	06 October 2022		Valid until revoked
Petron Bataan Refinery	CCO Registration No. CCO-PCB-03-13-000001	DENR-EMB	04 June 2013	N/A	Valid until revoked
Petron Bataan Refinery	Certificate of Accreditation (PCO) No. R-06-2021B-03BA-0152	DENR-EMB	22 February 2021	3 years	22 February 2024
Petron Bataan Refinery	Priority Chemical List (PCL) Compliance Certificate No. PCL-OL-2022-4555 (Benzene)	DENR-EMB	21 June 2022	1	21 June 2023
Petron Bataan Refinery	Priority Chemical List (PCL) Compliance Certificate No. PCL-OL-2023-4988 (Perchloroethylene)	DENR-EMB	22 February 2023	1	22 February 2024
Petron Bataan Refinery	Priority Chemical List (PCL) Compliance Certificate No. PCL-OL-2022-4555 (Benzene)	DENR-EMB	21 June 2022		21 June 2023
Petron Bataan Refinery	Priority Chemical List (PCL) Compliance Certificate No. PCL-OL-2023-4988 Tetrachloroethylene (PERKLONE EXT)	DENR-EMB	22 February 2023	1	22 February 2024
Mactan	Barangay Clearance No. 2023-040	LGU	6-Jan-23	1	December 31, 2023
Mactan	Business Permit No. 01407930 (Septic Tank)	LGU	27-Jan-23	1	December 31, 2023
Mactan	Certificate of Electrical Inspection No. VII-03-2010	DOLE	1-Jul-22	1	1-Jul-23
Mactan	Discharge Permit No. DP-R07-19-04253	DENR	5-Dec-19	5	5-Dec-24
Mactan	Wastewater Discharge Permit No. DP-R07-22-07733	DENR	03-Oct-22	1	3-Oct-23
Mactan	PTO for Air Pollution Source Installation	DENR	18-Jun-19	5	7-Mar-24

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Mactan	Permit to Operate	PPA	29-Jul-04	25	29-Jul-29
Mactan	PTO for Internal Combustion Engine No. ICE-VII-01-2021 (Diesel Engine)	DOLE	1-Jul-22	1	1-Jul-23
Mactan	PTO for Internal Combustion Engine No. ICE-VII-04-2021 (Diesel Engine2)	DOLE	1-Jul-22	1	1-Jul-23
Mactan	PTO for Internal Combustion Engine No. ICE-VII-05-2021 (Diesel Engine)	DOLE	1-Jul-22	1	1-Jul-23
Mactan	PTO for Internal Combustion Engine No. ICE-VII-03-2021 (Diesel Engine)	DOLE	1-Jul-22	1	1-Jul-23
Mactan	Statement of Compliance of a Port Facility	PPA	25-Jul-19	5	24-Jul-24
Mactan	Certificate of Registration No. 2004-0008/Permit to Operate Port Facilities	Cebu Port Authority	29-Jul-04	25	28-Jul-29
Mactan	Certificate of Electrical Inspection No. VII-03-2010	DOLE	1-Jul-22	1	1-Jul-23
Mactan	Safety Seal No. RO7-SS-UTLS-00140-R1	DOLE	19-May-22	1	19-May-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Mactan	Permit to Operate APSCI No. POA-19-G-072251-226	DENR-EMB	June 18, 2019	5 years	March 7, 2024
Mactan	Discharge Permit No. DP-R07-19-04253	DENR-EMB	December 5, 2019	5 years	December 5, 2024
Mactan	ECC No. ECC-R07-0807-0257-104	DENR-EMB	March 22, 2018	N/A	Valid until revoked
Mactan	HW Generator's ID No. GR-R7-22-022545	DENR-EMB	November 4, 2022	N/A	Valid until revoked
Mactan	CCO Registration No. CCOr-Pb-2020-00002	DENR-EMB	January 7, 2020	N/A	Valid until revoked
Mactan	Certificate of Accreditation (PCO) No. 2021-RO7-4397	DENR-EMB	November 3, 2021	3 years	November 3, 2024
Mandaue	Fire Safety Inspection Certificate (FISC) Payment	DILG-BFP	23-Feb-23		Awaiting issuance of FSIC

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Mandaue	Permit to Operate Private Non-Commercial Port No. 2011-05	Cebu Port Authority	1-May-11	21	16-Feb-32
Mandaue	PTO for Internal Combustion Engine No. 06225927	DWPH OBO	6-June-22	1	6-Jun-23
Mandaue	PTO for Internal Combustion Engine No. 06225098	DWPH OBO	6-June-22	1	6-Jun-23
Mandaue	PTO for Internal Combustion Engine No. 06225928	DWPH OBO	9-June-22	1	9-Jun-23
Mandaue	PTO for Internal Combustion Engine No. 06225929	DWPH OBO	9-June-22	1	9-Jun-23
Mandaue	PTO for Pressure Vessel No. 062250086	OBO	1-Dec-22	1	1-Dec.23
Mandaue	PTO for Pressure Vessel No. 062250085	OBO	1-Dec-22	1	1-Dec.23
Mandaue	PTO for Pressure Vessel No. 062250084	OBO	1-Dec-22	1	1-Dec.23
Mandaue	Safety Seal	DOLE	14-May-22		14-May-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Mandaue	SCC for LPG Import Terminal No. 005-005-2021-04-002R Petron	DOE	27-Apr-21	3	27-Apr-24
Mandaue	SCC for LPG Storage Plant No. 005-015-2021-04-005R Petron	DOE	27-Apr-21	3	27-Apr-24
Mandaue	SCC for LPG Refilling Plant No. 285-2-2021-03-1Petron	DOE	21-Mar-21	3	21-Mar-24
Mandaue	Barangay Clearance	LGU	17-Jan-23	1	December 31, 2023
Mandaue	FLA	DENR	16-Feb-07	25	16-Feb-32
Mandaue	BFP Order of Payment No. 545301	DILG-BFP	17-Feb-23		Awaiting issuance/release of FSIC
Mandaue	Business Permit No. 2023-0722300000-10835	LGU	31-Jan-23	1	December 31, 2023
Mandaue	Certificate of Annual Inspection No. 221100115	DPWH OBO	14-Oct-22	1	14-Oct-23
Mandaue	Permit to Operate APSCI No. PTO-OL-R07-2022-04497-R	DENR-EMB	June 27, 2022	5 years	June 27, 2027

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Mandaue	Discharge Permit No. DP-R07-23-00941 (OWS2)	DENR-EMB	January 31, 2023	1 year	January 30, 2024
Mandaue	Discharge Permit No. DP-R07-22-00257 (Septic Tank)	DENR-EMB	May 5, 2022	5 years	February 5, 2027
Mandaue	Discharge Permit No. DP-R07-23-00390 (OWS1)	DENR-EMB	January 14, 2023	1	January 14, 2024
Mandaue	Discharge Permit No. DP-R07-23-00391 (OWS3)	DENR-EMB	January 14, 2023	1	January 14, 2024
Mandaue	ECC No. ECC-R07-0902-0063-104	DENR-EMB	December 18, 2018	N/A	N/A
Mandaue	HW Generator's ID No. OL-GR-R7-22-018929	DENR-EMB	June 29, 2021	N/A	N/A
Mandaue	Certificate of Accreditation (PCO) No. 2021-R07-0230-RENEWAL	DENR-EMB	February 9, 2021	3 years	February 9, 2024
Masbate	Barangay Clearance	LGU	9-Jan-23	1	December 31, 2023
Masbate	Business Permit No. 2023-054113000-0277	LGU	23-Jan-23	1	December 31, 2023
Masbate	Certificate of Annual Inspection No. 109	OBO	6-Feb-23	1	6-Feb-24
Masbate	Fire Safety Inspection Certificate No. 050502-23-264	DILG-BFP	23-Jan-23	1	22-Jan-2024
Masbate	Sanitary Permit to Operate No. 214-23	LGU	13-Feb-23	1	December 31, 2023
Nasipit	Barangay Clearance	LGU	23-Jan-23	1	December 31, 2023
Nasipit	Business Permit No. 2023-0000475	LGU	23-Jan-23	1	December 31, 2023
Nasipit	Certificate of Annual Inspection (Receipt)	LGU	23-Jan-23	1	31-Dec-23 (included in Business Permit)
Nasipit	Discharge Permit No. DP-R13-22-06985 (Domestic Discharge)	DENR	9-Sep-22	5	9-Sep-27
Nasipit	PTO for Internal Combustion Engine No. ROXIII 01-2016c	DOLE	14-Nov-22	1	25-Oct-23
Nasipit	PTO for Internal Combustion Engine No. ROXIII 03-2016c	DOLE	14-Nov-22	1	25-Oct-23

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Nasipit	PTO for Internal Combustion Engine No. ROXIII 02-2016c	DOLE	14-Nov-22	1	25-Oct-23
Nasipit	Discharge Permit No. DP-R13-20-04507	DENR	08-Oct-20	5	8-Oct-25
Nasipit	PTO for APSCI No. PTO-OL-R13-2020-01168-R	DENR	24-Sep-20	5	24-Sep-25
Nasipit	Safety Seal No. ROXIII-SS-UTLS-0060	DOLE	26-Oct-22	1	26-Oct-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Nasipit	ECC No. ECC-OL-R13-2020-0113	DENR-EMB	May 21, 2020	N/A	Valid until revoked
Nasipit	HW Generator's ID No. GR-R13-02-022834	DENR-EMB	March 4, 2022	N/A	Valid until revoked
Nasipit	CCO Registration No. CCO-PCB-R13-PET-61	DENR-EMB	July 21, 2015	N/A	Valid until revoked
Nasipit	Certificate of Accreditation (PCO) No. 2023-RXIII-2421-New	DENR-EMB	January 12, 2023	3 years	January 12, 2026
Navotas	Barangay Clearance	LGU	25-Jan-23	1	31-Dec-31
Navotas	Business Permit No. 11565	LGU	24-Jan-23	1	December 31, 2023
Navotas	Fire Safety Inspection Certificate No. 220613	DILG-BFP	04-Oct-22	1	4-Oct-23
Navotas	Discharge Permit No. DP-NCR-22-02134	DENR	19-Apr-22	1	19-Apr-23 [Ongoing renewal]
Navotas	PTO for Pressure Vessel No. 300-18 (Horizontal Air Receiver Tank)	DOLE	4-May-22	1	4-May-23 [Ongoing renewal]
Navotas	PTO for Internal Combustion Engine No. 10-13	DOLE	4-May-22	1	4-May-23 [Ongoing renewal]
Navotas	PTO for Internal Combustion Engine No. 11-13	DOLE	4-May-22	1	4-May-23



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					[Ongoing renewal]
Navotas	PTO for Internal Combustion Engine No. 12-13	DOLE	4-May-22	1	4-May-23 [Ongoing renewal]
Navotas	Sanitary Permit No. 2023-01-24-015-03234	LGU	224-Jan-23	1	December 31, 2023
Navotas	Discharge Permit No. DP-NCR-22-02070	DENR-EMB	April 13, 2022	1 year	April 13, 2023 [Ongoing renewal]
Navotas	Permit to Operate APSCI No. PTO-OL-NCR-2021-09086	DENR-EMB	29-Oct-21	5 years	29-Oct-26
Navotas	ECC No. ECC-NCR-1206-0224	DENR-EMB	December 19, 2014	N/A	Valid until revoked
Navotas	HW Generator's ID No. OL-GR-NCR-75-016499	DENR-EMB	May 26, 2021	N/A	Valid until revoked
Navotas	Certificate of Accreditation (PCO) No. 2020-NCR-8874-PCOA-OPS	DENR-EMB	8-Jan-21	3	8-Jan-24
NLOBP	Business Permit No. 2023-000027816	LGU	20-Jan-23	1	December 31, 2023
NLOBP	Discharge Permit No. DP <sup>®</sup> -25a-2022-03015	LLDA	28-Jun-22		5-Jul-23
NLOBP	Fire Safety Inspection Certificate No. 011799	DILG-BFP	4-Apr-22	1	4-Apr-23 [Ongoing renewal. Awaiting date of BFP's inspection.]
NLOBP	Mechanical Certificate for ICE No. 19-7589	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for ICE No. 19-7590	OBO	22-Apr-22	1	22-Apr-23

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					[Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Steam Boiler No. 19-104	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Pressure Vessel No. 19-6177	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Air Conditioning No. 19-10336	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Air Conditioning No. 19-10334	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Air Conditioning No. 19-10333	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Machinery No. 19-19828	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]

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NLOBP	Mechanical Certificate for Machinery No. 19-19827	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Machinery No. 19-19826	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Machinery No. 19-19825	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Elevator No. 19-7971	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Elevator No. 19-7972	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Elevator No. 19-7973	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Mechanical Certificate for Elevator No. 19-7974	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal.]

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					Awaiting payment order.]
NLOBP	Mechanical Certificate for Elevator No. 19-10335	OBO	22-Apr-22	1	22-Apr-23 [Ongoing renewal. Awaiting payment order.]
NLOBP	Safety Seal No. NCR-SS-MFG-00217	DOLE	1-Jul-22	1	1-Jul-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
NLOBP	Certificate of Accreditation (PCO) No. EMBNCR-2022-16618-PCOA-OPS	DENR-EMB	March 13, 2022	3 years	March 13, 2025
NLOBP	Permit to Operate APSCI No. PTO-OL-NCR-2022-02828-R	DENR-EMB	May 6, 2022	5 years	February 6, 2027
NLOBP	ECC No. ECC-NCR-1609-0061	DENR-EMB	October 3, 2016	N/A	Valid until revoked
NLOBP	HW Generator's ID No. OL-GR-NCR-39-008237	DENR-EMB	January 18, 2021	N/A	Valid until revoked
Odiongan	Barangay Clearance	LGU	9-Jan-23	1	December 31, 2023
Odiongan	Business Permit No. iLGU-BPLS-2023-1573	LGU	31-Jan-23	1	December 31, 2023
Odiongan	Certificate of Annual Inspection No. 598	LGU	10-Jan-23	1	December 31, 2023
Odiongan	Fire Safety Inspection Certificate No. 48-04-42-01-23-38171	DILG-BFP	31-Jan-23	1	31-Dec.23
Odiongan	Certificate of Accreditation No. 2022-R4B-03980	DENR	28-Jun-22	3 years	27-Jun-25
Odiongan	Sanitary Permit No. OTHRS-231	LGU	10-Jan-23	1	December 31, 2023

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Ormoc	Business Permit No. 2283-2023	LGU	20-Jan-23	1	December 31, 2023
Ormoc	Fire Safety Inspection Certificate No. R08-OCFS-2022-20	DILG-BFP	23-Jun-22	1	23-Jun-23
Ormoc	PTO for Pressure Vessel No. VIII-01-2021	DOLE	15-Jul-22	1	15-Jul-23
Ormoc	PTO for Pressure Vessel No. VIII-02-2021	DOLE	15-Jul-22	1	15-Jul-23
Ormoc	PTO for Pressure Vessel No. VIII-07-2019	DOLE	15-Jul-22	1	15-Jul-23
Ormoc	PTO for Pressure Vessel No. VIII-08-2021	DOLE	15-Jul-22	1	15-Jul-23
Ormoc	PTO for Pressure Vessel No. VIII-06-2019	DOLE	15-Jul-22	1	15-Jul-23
Ormoc	PTO for Pressure Vessel No. VIII-01-2008	DOLE	15-Jul-22	1	15-Jul-23
Ormoc	PTO for Pressure Vessel No. VIII-02-2008	DOLE	15-Jul-22	1	15-Jul-23
Ormoc	Certificate of Electrical Inspection No. VIII-7-2021	DOLE	15-Jul-22	1	15-Jul-23
Ormoc	Safety Seal No. R08-SS-UTLS-00042-R1	DOLE	7-Nov-22	1	7-Nov-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Ormoc	SCC for LPG Refilling Plant No. 876-5-2022-03-2PETRON	DOE	31-Mar-22	3	30-Mar-25
Ormoc	SCC for LPG Storage Plant No. 005-006-2021-03-015R PETRON	DOE	4-Mar-21	3	4-Mar-24
Ormoc	SCC for LPG Refilling Plant	DOE	31-Mar-22	3	31-Mar-25
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
Ormoc	Discharge Permit No. DP-R08-22-05221	DENR-EMB	21-Jul-22	1 year	21-Jul-23
Ormoc	Discharge Permit No. DP-R08-22-07082	DENR-EMB	09-Sep-22	1 year	09-Sep-23
Ormoc	PTO for APSCI POA-2019-F-0837-0175	DENR-EMB	June 18, 2019	5 years	June 18, 2024
Ormoc	Discharge Permit No. DP-R08-22-07082	DENR-EMB	September 13, 2022	1 year	September 13, 2023

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Ormoc	ECC No. ECC-R8-0803-029-6280	DENR-EMB	May 7, 2008	N/A	Valid until revoked
Ormoc	HW Generator's ID No. OL-GR-R8-37-012799	DENR-EMB	March 24, 2021	N/A	Valid until revoked
Ormoc	CCO Registration No. CCO-PCB-R8-PET-1	DENR-EMB	August 18, 2015	N/A	Valid until revoked
Ormoc	CCO Registration No. CCOr-Pb-2019-00244	DENR-EMB	December 12, 2019	N/A	Valid until revoked
Ormoc	Certificate of Accreditation (PCO) No. 2022-RVIII-0005-N	DENR-EMB	January 14, 2022	3 years	January 24, 2025
Palawan	Barangay Clearance	LGU	3-Jan-23	1	December 31, 2023
Palawan	Business Permit No. BP-2023-04231-0	LGU	18-Jan-23	1	December 31, 2023
Palawan	Certificate of Annual Inspection No. 22090224	LGU	30-Sep-22	1	30-Sep-23
Palawan	Certificate of Final Electrical Inspection No. 20220517-00005	LGU	17-May-22	1	17-May-23
Palawan	Fire Safety Clearance (Storage of Flammable Materials) No. 005	DILG-BFP	14-Jun-22	1	14-Jun-23
Palawan	Fire Safety Inspection Certificate No. 4B-66-084334	DILG-BFP	14-Jun-22	1	14-Jun-23
Palawan	Permit to Operate (Non-Commercial Port Facility)	PPA	18-Aug-22	5	18-Aug-27
Palawan	Power Piping Line Operation Permit No. IVB-02-2010	DOLE	16-May-22	1	16-May-23 (for renewal)
Palawan	Power Piping Line Operation Permit No. IVB-01-2010	DOLE	16-May-22	1	16-May-23 (for renewal)
Palawan	Certificate of Electrical Inspection No. IVB-01-2015	DOLE	16-May-22	1	16-May-23 (for renewal)
Palawan	PTO for Internal Combustion Engine No. IVB-01-2011	DOLE	16-May-22	1	16-May-23 (for renewal)
Palawan	PTO for Internal Combustion Engine No. IVB-02-2011	DOLE	16-May-22	1	16-May-23 (for renewal)
Palawan	PTO for Pressure Vessel No. IVB-15-00	DOLE	16-May-22	1	16-May-23 (for renewal)

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Palawan	PTO for Pressure Vessel No. IVB-15-03	DOLE	16-May-22	1	16-May-23 (for renewal)
Palawan	PTO for Pressure Vessel No. IVB-01-04	DOLE	16-May-22	1	16-May-23 (for renewal)
Palawan	Safety Seal No. MIMAROPA-SS-UTLS-00017	DOLE	22-Apr-22	1	22-Apr-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Palawan	Sanitary Permit No. 04-2023-00459	LGU	23-Jan-23	1	December 31, 2023
Palawan	SCC for LPG Storage/Bulk Plant No. 005-010-2021-02-012R	DOE	4-Feb-21	3	4-Feb-24
Palawan	SCC for LPG Refilling Plant No. 67-31-2020-9-4PETRON	DOE	7-Sep-20	3	7-Sep-23
Palawan	Discharge Permit No. DP-R4B-22-06459	DENR-EMB	August 25, 2022	1 year	August 25, 2023
Palawan	PTO for APSCI No. 2020-POA-D-0453-352	DENR-EMB	February 12, 2020	5 years	February 11, 2025
Palawan	ECC No. ECC-R4B-1804-0005	DENR-EMB	February 11, 2019	N/A	Valid until revoked
Palawan	HW Generator's ID No. OL-GR-R4B-53-010687	DENR-EMB	December 6, 2020	N/A	Valid until revoked
Palawan	CCO Registration No. CCOr-Pb-2020-00097	DENR-EMB	July 27, 2020	N/A	Valid until revoked
Palawan	Certificate of Accreditation (PCO) No. 2022-R4B-03233	DENR-EMB	8-Feb-22	2 years	8-Feb-24
Pandacan	Business Permit No. 2023-000027866	LGU	20-Jan-23	1	December 31, 2023
Pandacan	Permit to Operate No. 319 (Temporary/Non-Commercial Port)	PPA	1-Jan-21	5	31-Dec-25
Pandacan	Safety Seal No. NCR-SS-MFG-00275	DOLE	23-Nov-22	1	23-Nov-23 [Will no longer be renewed.]

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					Safety Seal Certification Program discontinued.]
Pandacan	Electrical Certification		27-Apr-22	1	27-Apr-23
Pandacan	Fire Safety Inspection Certificate No. 418969	DILG-BFP	27-Oct-22	1	27-Oct-23
Pandacan	Discharge Permit No. DP-25a-2022-01942	LLDA	April 27, 2022	2 Years	July 3, 2024
Pandacan	PTO for APSCI No. 19-POA-J-133912-005	DENR-EMB	February 18, 2020	4 years	October 10, 2024
Pandacan	ECC No. ECC-LLDA-2005-209-3540-GP	DENR-EMB	October 18, 2005	N/A	Valid until revoked
Pandacan	ECC No. NCR2004-09-30-545-219-LOBP	DENR-EMB	September 30, 2004	N/A	Valid until revoked
Pandacan	HW Generator's ID No. OL-GR-NCR-39-006376	DENR-EMB	November 9, 2020	N/A	Valid until revoked
Panglao ITP Facility	CNC No. CNC-OL-R07-2020-03-00277	DENR-EMB	March 3, 2020	N/A	Valid until revoked
Pasacao	Business Permit No. 2023-262	LGU	26-Jan-23	1	December 31, 2023
Pasacao	Certificate of Electrical Inspection No. V09-2020	DOLE	27-Oct-22	1	27-Oct-23
Pasacao	Fire Safety Inspection Certificate No. O50324-23-306	DILG-BFP	26-Jan-23	1	26-Jan-24
Pasacao	Certificate of Electrical Inspection No. V-09-2020	DOLE	27-Oct-2022	1	27-Oct-23
Pasacao	PTO for Internal Combustion Engine No. V-06-2014	DOLE	27-Oct-22	1	27-Oct-23
Pasacao	Safety Seal No. RO5-SS-UTLS-00048-R1	DOLE	29-Jul-22	1	29-Jul-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Pasacao	Sanitary Permit No. 316	LGU	26-Jan-23	1	December 31, 2023
Pasacao	PTO for APSCI No. PTO-OL-R05-2022-03068-R	DENR-EMB	May 17, 2022	5 years	May 17, 2027



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Pasacao	Discharge Permit No. DP-R05-22-06208	DENR-EMB	August 16, 2022	1 year	August 16, 2023
Pasacao	Discharge Permit No. DP-R05-22-06366	DENR-EMB	August 20, 2022	1 year	August 20, 2023
Pasacao	ECC No. ECC-OL-R05-2022-0102	DENR-EMB	April 8, 2022	N/A	Valid until revoked
Pasacao	HW Generator's ID No. OL-GR-R5-17-001136	DENR-EMB	August 20, 2022	N/A	Valid until revoked
Pasacao	CCO Registration No. CCO-PCB-R5-PET-147	DENR-EMB	September 14, 2017	N/A	Valid until revoked
Pasacao	Certificate of Accreditation No. 2023-RV-3458-New	DENR-EMB	February 20, 2023	3 years	February 20, 2026
Poro	Barangay Clearance	LGU	27-Feb-23	1	December 31, 2023
Poro	Business Permit No. 05440	LGU	27-Feb-23	1	December 31, 2023
Poro	Certificate of Electrical Inspection No. 5389	LGU	27-Feb-23	1	31-Dec-23
Poro	Fire Safety Inspection Certificate No. 1-LU-071-03574	DILG-BFP	17-May-22	1	17-May-23 [Renewal ongoing. With date of BFP inspection.]
Poro	Certificate of Electrical Inspection No. EEDL I-12-99	DOLE	30-Jun-22	1	30-Jun-23
Poro	PTO for Internal Combustion Engine No. ICE I-09-2000	DOLE	30-Jun-22	1	30-Jun-23
Poro	PTO for Pressure Vessel No. PVDL I-14-97	DOLE	30-Jun-22	1	30-Jun-23
Poro	Safety Seal No. RO1-SS-MFG-00044-R1	DOLE	14-Mar-22	1	14-Mar-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Poro	Sanitary Permit No. 5098	LGU	27-Feb-23	1	December 31, 2023

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Poro	SCC for LPG Refilling Plant No. 038-015-2021-04-012PETRON	DOE	30-Apr-21	3	31-Apr-24
Poro	SCC for LPG Bulk/Storage Plant No. 005-005-2021-03-011R PETRON	DOE	2-Mar-21	3	2-Mar-24
Poro	PTO for APSCI No. POA-20A-01LU14-025	DENR-EMB	February 24, 2020	5 years	January 30, 2025
Poro	Discharge Permit No. DP-R01-21-01164	DENR-EMB	February 28, 2021	5 years	February 28, 2026
Poro	Discharge Permit No. DP-R01-21-01165	DENR-EMB	February 28, 2021	5 years	February 28, 2026
Poro	HW Generator's ID No. OL-GR-R1-33-014911	DENR-EMB	April 4, 2021	N/A	Valid until revoked
Poro	CCO Registration No. CCO-PCB-2015-03-004	DENR-EMB	March 3, 2015	N/A	Valid until revoked
Poro	ECC No. ECC-R01-0807-0257-0104	DENR-EMB	January 9, 2019	N/A	Valid until revoked
Poro	Certificate of Registration (PCO) No. PCO1-11112020-4001(New)	DENR-EMB	November 11, 2020	3 years	November 10, 2023
Rosario	Barangay Clearance	LGU	5-Jan-23	1	December 31, 2023
Rosario	Business Permit No. ROSCAV-2023-120	LGU	23-Jan-23	1	December 31, 2023
Rosario	Certificate of Annual Inspection No. AI-23-760002	LGU	25-Jan-23	1	25-Jan-24
Rosario	Fire Safety Clearance (Flammable Materials) No. R4A-SFCL-007250	DILG-BFP	27-Jul-22	1	27-Jul-23
Rosario	Fire Safety Inspection Certificate No. R4A-648462	DILG-BFP	9-Jan-23	1	9-Jan-24
Rosario	Safety Seal No. RO4A-SS-UTLS-00520-R1	DOLE	20-Oct-22	1	20-Oct-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]

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Rosario	Sanitary Permit No. 1520-23	LGU	23-Jan-23	1	December 31, 2023
Rosario	SCC for LPG Refilling Plant No. 53-17-2020-6-2PETRON	DOE	3-Jun-20	3	3-Jun-23
Rosario	SCC for LPG Bulk/Storage Plant No. 005-007-2021-03-01R	DOE	4-Mar-21	3	4-Mar-24
Rosario	Discharge Permit No. DP-R4A-22-02916	DENR-EMB	April 12, 2022	1 year	April 12, 2023
Rosario	PTO for APSCI No. 2018-POA-0421-1481	DENR-EMB	September 24, 2018	5 years	August 31, 2023
Rosario	ECC No. ECC-R4A-1301-0028	DENR-EMB	June 26, 2013	N/A	Valid until revoked
Rosario	HW Generator's ID No. OL-GR-R4A-21-012797	DENR-EMB	March 21, 2021	N/A	Valid until revoked
Rosario	Certificate of Accreditation (PCO) No. 2021-6715	DENR-EMB	January 4, 2022	3 years	January 4, 2025
Roxas	Barangay Clearance	LGU	9-Jan-23	1	December 31, 2023
Roxas	Certificate of Annual Inspection No. 23-1760	LGU	30-Jan-23	1	31-Dec-23
Roxas	<del>Certificate of Annual Inspection</del>	<del>LGU</del>	<del>22-Aug-22</del>		
Roxas	Fire Safety Inspection Certificate No. 06-RW-22-040140	DILG-BFP	5-Aug-22	1	5-Aug-23
Roxas	Occupancy Permit No. C-22-99	LGU	22-Aug-22	-	Valid until revoked
Roxas	Certificate of Electrical Inspection No. EED-VI-06-2022	DOLE	6-Dec-22	1	6-Dec-23
Roxas	Permit to Operate (Port Facility) No. 005-2018(R)	DOTr-OTS	5-Dec-18	5	5-Dec-23
Roxas	Safety Seal No. R06-SS-UTLS-00066	DOLE	24-Jun-22	1	24-Jun-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Roxas	PTO for Internal Combustion Engine No. VI-05-18C	DOLE	17-Jun-22	1	17-Jun-23
Roxas	PTO for Internal Combustion Engine No. VI-03-18C	DOLE	17-Jun-22	1	17-Jun-23
Roxas	PTO for Internal Combustion Engine No. VI-05-18C	DOLE	17-Jun-22	1	17-Jun-23

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Roxas	PTO for Internal Combustion Engine No. VI-04-18C	DOLE	17-Jun-22	1	17-Jun-23
Roxas	PTO for Internal Combustion Engine No. VI-06-18C	DOLE	17-Jun-22	1	17-Jun-23
Roxas	PTO for Pressure Vessel No. VI-04-18C	DOLE	17-Jun-22	1	17-Jun-23
Roxas	Sanitary Permit No. 23-1753	LGU	23-Feb-23	1	December 31, 2023
Roxas	PTO for APSCI No. PTO-OL-R06-2020-01651-R	DENR-EMB	October 14, 2020	5 years	September 14, 2025
Roxas	ECC No. ECC-0604-1117-777-120A	DENR-EMB	December 20, 2019	N/A	Valid until revoked
Roxas	HW Generator's ID No. OL-GR-R6-19-012834	DENR-EMB	March 2, 2021	N/A	Valid until revoked
Roxas	Discharge Permit No. DP-R06-22-07201	DENR-EMB	September 15, 2022	1 year	September 15, 2023
Roxas	Discharge Permit No. DP-R06-23-01638 (Industrial)	DENR-EMB	February 22, 2023	7 months	September 22, 2023
Roxas	Discharge Permit No. DP-R06-22-09878 (Admin Office Septic Tank)	DENR-EMB	November 8, 2022	1 year	November 8, 2023
Roxas	Certificate of Accreditation (PCO) No. 2022-R06-3054	DENR-EMB	February 10, 2022	3 years	February 10, 2025
San Jose	Barangay Clearance	LGU	13-Jan-23	1	December 31, 2023
San Jose	Business Permit No. 2023-175110000-2063	LGU	10-Feb-23	1	December 31, 2023
San Jose	Certificate of Annual Inspection No. 2023-01-01678	LGU	10-Feb-23	1	31-Dec-23
San Jose	Fire Safety Inspection Certificate No. R4B-01-10-02-23-007822	DILG-BFP	10-Feb-23	1	10-Feb-24
San Jose	Sanitary Permit No. 0922	LGU	23-Jan-23	1	December 31, 2023
SL PHIVIDEC	Barangay Clearance	LGU	19-Jan-23	1	December 31, 2023
SL PHIVIDEC	Business Permit No. 2023-104324000-0745	LGU	19-Jan-23	1	December 31, 2023

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SL PHIVIDEC	PHIVIDEC Certificate of Registration No. 151	PHIVIDEC	Undated (2009)		Valid until revoked
SL PHIVIDEC	Sanitary Permit No. 193	LGU	6-Jan-23	1	December 31, 2023
SLHBTC	Barangay Clearance	LGU	10-Jan-23	1	December 31, 2023
SLHBTC	Business Permit No. 2023-000005655	LGU	13-Jan-23	1	December 31, 2023
SLHBTC	Fire Safety Inspection Certificate	DILG-BFP	26-Aug-22	1	26-Aug-23
SLHBTC	Fire Safety Inspection Certificate No. 719799	DILG-BFP	26-Aug-22	1	26-Aug-23
SLHBTC	PTO for AC No. AC/R 18-100082	OBO	17-Jan-23	1	17-Jan-24
SLHBTC	PTO for Internal Combustion Engine No. ICE 18-7519	OBO	17-Jan-23	1	17-Jan-24
SLHBTC	PTO for Machinery No. 16-19388	OBO	17-Jan-23	1	17-Jan-24
SLHBTC	Permit to Operate (Port Facility) No. 456	PPA	14-May-19	5	13-May-24
SLHBTC	Safety Seal No. NCR-SS-UTLS-00201-R1	DOLE	14-Jun-22	1	14-Jun-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
SLHBTC	Discharge Permit No. DP(R)-25a-2022-02907	LLDA	June 28, 2022	1 year	July 5, 2023
SLHBTC	Discharge Permit No. DP(R)-25a-2022-02908	LLDA	June 23, 2022	1 year	July 5, 2023
SLHBTC	Certificate of Accreditation (PCO) No. 2021-00914	LLDA	20-Aug-21	3 years	20-Aug-24
SLHBTC	PTO for APSCI No. 20-POA-A-133901-094	DENR-EMB	10-Mar-20	5 years	13-Jan-25
Subic	Permit to Operate Storage Facility No. 001-02-23-44833	BIR	21-Feb-23	1	December 31, 2023
Subic PFC – Fuel Additives Blending Plant	Certificate of Registration and Tax Exemption No. 2003-0073	SBMA	20-Dec-21	3	19-Dec-24
Subic PFC – Fuel Additives Blending Plant	Fire Safety Inspection Certificate No. 2022-09-717	SBMA	7-Sep-22	1	7-Sep-23

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Subic PFC – Fuel Additives Blending Plant	Certificate of Electrical Inspection No. EEDL-III-03-2016	DOLE	22-Mar-23	1	22-Mar24 [For pickup of new permit]
Subic PFC – Fuel Additives Blending Plant	PTO for Internal Combustion Engine No. III-100-2015	DOLE	22-Mar-23	1	22-Mar-24 [For pickup of new permit]
Subic PFC – Fuel Additives Blending Plant	PTO for Pressure Vessel No. PVDL-III-385-2015	DOLE	22-Mar-23	1	22-Mar-24 [For pickup of new permit]
Subic PFC – Fuel Additives Blending Plant	Safety Seal No. RO3-SS-MFG-00305-R1	DOLE	28-Nov-22	1	28-Nov-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Subic PFC – Fuel Additives Blending Plant	Discharge Permit No. DP-R03-22-09159	DENR-EMB	December 26, 2022	1 year	October 26, 2023
Subic PFC – Fuel Additives Blending Plant	PTO for APSCI No. POA-20E-03AZ-210	DENR-EMB	June 23, 2020	5 years	May 31, 2025
Subic PFC – Fuel Additives Blending Plant	PTO for APSCI No. PTO-OL-R03-2023-01734	DENR-EMB	February 21, 2023	5 years	February 21, 2028
Subic PFC – Fuel Additives Blending Plant	ECC No. ECC-OL-R03-1204-0061	DENR-EMB	January 26, 2022	N/A	Valid until revoked
Subic PFC – Fuel Additives Blending Plant	HW Generator’s ID No. OL-GR-R3-71-004202	DENR-EMB	September 28, 2020	N/A	Valid until revoked
Subic PFC – Fuel Additives Blending Plant	Certificates of Accreditation (PCO) No. R-47300,4661-2022D-03ZA-0562	DENR-EMB	April 5, 2022	3 years	April 5, 2025

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SL Pan Asia	Discharge Permit No. DP-R03-22-07273	DENR-EMB	September 19, 2022	1 year	June 19, 2023
SL Pan Asia	PTO for APSCI No. PTO-OL-R03-2021-02128	DENR-EMB	April 8, 2021	5 years	April 8, 2026
SL Pan Asia	ECC No. ECC-OL-R03-2019-0311	DENR-EMB	July 5, 2019	N/A	Valid until revoked
SL Pan Asia	HW Generator's ID No. OL-GR-R3-08-013312	DENR-EMB	May 12, 2021	N/A	Valid until revoked
SL Pan Asia	Certificate of Accreditation (PCO) No. OC3-2022E-03BA-0705	DENR-EMB	May 25, 2022	3 years	May 25, 2025
SL Pan Asia	Certificate of Accreditation (PCO) No. OC3-2022E-03BA-0917	DENR-EMB	July 12, 2022	3 years	July 12, 2025
Tacloban	Barangay Clearance	LGU	1-Jan-23	1	December 31, 2023
Tacloban	Business Permit No. 2023-00577	LGU	17-Jan-23	1	December 31, 2023
Tacloban	PTO for Pressure Vessel No. VIII-02-2018	DOLE	6-Oct-22	1	6-Oct-23
Tacloban	PTO for Pressure Vessel No. VIII-04-2018	DOLE	6-Oct-22	1	6-Oct-23
Tacloban	PTO for Pressure Vessel No. VIII-03-2018	DOLE	6-Oct-22	1	6-Oct-23
Tacloban	PTO for Pressure Vessel No. VIII-05-2018	DOLE	6-Oct-22	1	6-Oct-23
Tacloban	PTO for Air Pollution Source Installation	DENR	27-May-18	5	27-May-23
Tacloban	Fire Safety Inspection Certificate No. RO8-00288	DILG-BFP	29-Sep-22	1	29-Sep-23
Tacloban	Fire Safety Inspection Certificate No. RO8-00355638	DILG-BFP	30-Sep-22	1	29-Sep-23
Tacloban	PTO for Pressure Vessel No. VIII-16-07	DOLE	6-Oct-22	1	6-Oct-23
Tacloban	PTO for Pressure Vessel No. VIII-14-07	DOLE	6-Oct-22	1	6-Oct-23
Tacloban	PTO for Pressure Vessel No. VIII-15-07	DOLE	6-Oct-22	1	6-Oct-23
Tacloban	PTO for Internal Combustion Engine No. VIII-01-2018	DOLE	6-Oct-22	1	6-Oct-23
Tacloban	PTO for Internal Combustion Engine No. VIII-02-2018	DOLE	6-Oct-22	1	6-Oct-23
Tacloban	Safety Seal No. RO8-SS-UTLS-00029-R1	DOLE	17-May-22	1	17-May-23 [Will no longer be renewed. Safety Seal Certification

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					Program discontinued.]
Tacloban	SCC for LPG Import Terminal No. 005-004-2021-03-004R PETRON	DOE	31-Mar-21	3	31-Mar-24
Tacloban	SCC for LPG Refilling No. 661-1-2022-03-1 PETRON	DOE	9-Mar-22	3	8-Mar-25
Tacloban	SCC for LPG Import Terminal No. 005-011-2021-03-004R PETRON	DOE	31-Mar-21	3	31-Mar-24
Tacloban	Discharge Permit No. DP-R08-21-03834	DENR-EMB	June 28, 2021	1 year	June 28, 2022 [For renewal application this month.]
Tacloban	Discharge Permit No. DP-R08-21-03832	DENR-EMB	June 28, 2021	1 year	June 28, 2022 [For renewal application this month.]
Tacloban	PTO for APSCI No. PTO-OL-R08-2023-02097-R	DENR-EMB	02-Mar-23	5 years	02-Mar-28
Tacloban	PTO for APSCI No. PTO-OL-R08-2023-02097-R	DENR-EMB	March 2, 2023	5 years	March 2, 2028
Tacloban	Discharge Permit No. DP-R08-22-04031	DENR-EMB	June 20, 2022	1 year	June 20, 2023
Tacloban	Discharge Permit No. DP-R08-22-04581 (Domestic Discharge)	DENR-EMB	July 5, 2022	1 year	June 5, 2023
Tacloban	ECC No. ECC-OL-R08-2019-0137	DENR-EMB	August 1, 2019	N/A	Valid until revoked
Tacloban	HW Generator's ID No. OL-GR-R8-37-012441	DENR-EMB	January 25, 2021	N/A	Valid until revoked
Tacloban	CCO Registration No. CCO-PCB-R8-PET-47	DENR-EMB	August 13, 2016	N/A	Valid until revoked
Tacloban	Certificate of Accreditation (PCO) No. 2022-RVIII-0004-N	DENR-EMB	January 14, 2022	3 years	January 14, 2025
Tacloban	Sanitary Permit No. 004	LGU	15-Feb-23	1	December 31, 2023
Tagbilaran	Barangay Clearance	LGU	31-Jan-23	1	December 31, 2023



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Tagbilaran	Business Permit No. 2023-0208-0	LGU	31-Jan-23	1	December 31, 2023
Tagbilaran	Fire Safety Inspection Certificate No. 07-503191	DILG-BFP	11-May-22	1	11-May-23 [Renewal application ongoing. Awaiting date of BFP Inspection.]
Tagbilaran	PTO for Air Pollution Source Installation	DENR	20-Dec-19	5	4-Jan-25
Tagbilaran	Discharge Permit No. DP-R07-22-10326		November 21, 2022	1 year	November 21, 2023
Tagbilaran	Discharge Permit No. DP-R07-22-10326		11-Nov-22	1 year	11-Nov-23
Tagbilaran	PTO for APSCI No. POA-19-A-071247-029		Dec. 20, 2019	5 years	January 4, 2025
Tagbilaran	CNC No. CNC – R07 – 1308 – 0020		September 6, 2013	N/A	Valid until revoked
Tagbilaran	HW Generator’s ID No. OL-GR-R7-12-011730		September 14, 2021	N/A	Valid until revoked
Tagbilaran	Certificate of Accreditation (PCO) No. 2021-RO7-4618		September 28, 2021	3 years	September 28, 2024
Tagoloan	Barangay Clearance	LGU	19-Jan-23	1	December 31, 2023
Tagoloan	Business Permit No. 2023-104324000-0743 (Fuels)	LGU	19-Jan-23	1	December 31, 2023
Tagoloan	Sanitary Permit No. 296	LGU	9-Jan-23	1	December 31, 2023
Tagoloan	Business Permit No. 2023-104324000-0742 (Storage and Warehousing)	LGU	19-Jan-23	1	December 31, 2023
Tagoloan	Sanitary Permit No. 297	LGU	9-Jan-23	1	December 31, 2023
Tagoloan	Certificate of Compliance No. 21-08-S-14433M	ERC	26-Aug.-21	5	26-Aug-26
Tagoloan	Fire Safety Inspection Certificate N. 10-0538170	DILG-BFP	11-Jul-22	1	10-Jul-23
Tagoloan	Fire Safety Inspection Certificate N. 10-0538169	DILG-BFP	11-Jul-22	1	10-Jul-23
Tagoloan	Safety Seal No. RO10-SS-UTLS-001340R1	DOLE	15-Dec-22	1	15-Dec-23

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					[Will no longer be renewed. Safety Seal Certification Program discontinued.]
Tagoloan	SCC for LPG Storage/Bulk Plant No. 005-013-2021-04-007R Petron	DOE	21-Apr-21	3	21-Apr-24
Tagoloan	SCC for LPG Refilling Plant No. 001-2021-05-001Petron	DOE	6-May-21	3	6-May-24
Tagoloan	SCC for LPG Import Terminal No. 005-009-2020-12-007R Petron	DOE	23-Dec-20	3	22-Dec-23
Tagoloan	FLA	DENR	20-Feb-09	25	20-Feb-34
Tagoloan	Discharge Permit No. DP-R10-23-01829	DENR-EMB	February 28, 2023	5 years	February 28, 2028
Tagoloan	Discharge Permit No. DP-R10-22-011648 (Domestic Discharge)	DENR-EMB	December 29, 2022	5 years	December 29, 2027
Tagoloan	PTO for APSCI No. PTO-OL-R10-2022-06715 (Fuel Tanks)	DENR-EMB	August 26, 2022	5 years	August 26, 2027
Tagoloan	PTO for APSCI No. PTO-OL-R10-2021-04061 (LPG Import)	DENR-EMB	June 10, 2021	5 years	June 10, 2026
Tagoloan	ECC No. 95-ECC-STF/ODE-1043-852	DENR-EMB	December 22, 2020	N/A	Valid until revoked
Tagoloan	HW Generator's ID No. OL-GR-R10-43-006003	DENR-EMB	October 8, 2020	N/A	Valid until revoked
Tagoloan	CCO Registration No. CCO-PCB-R10-PET-68	DENR-EMB	January 9, 2021	N/A	Valid until revoked
Tagoloan	CCO Registration No. CCO-2016-0003-Asbestos	DENR-EMB	July 1, 2016	N/A	Valid until revoked
Tagoloan	CCO Registration No. CCO-R-Pb-2020-00014	DENR-EMB	October 1, 2020	N/A	Valid until revoked
Tagoloan	Certificate of Accreditation (PCO) No. 2021-pCO-1043-2258(NEW)	DENR-EMB	October 25, 2021	3 years	October 24, 2024

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Zamboanga	Barangay Clearance	LGU	10-Jan-23	1	December 31, 2023
Zamboanga	Business Permit No. 2023-08780-0	LGU	7-Feb-23	1	December 31, 2023
Zamboanga	Power Piping Line Operation Permit No. PPLDL-IX-01-2017	DOLE	23-Sep-22	1	23-Sep-23
Zamboanga	PTO for Internal Combustion Engine No. ICE-IX-08-2017	DOLE	23-Sep-22	1	23-Sep-23
Zamboanga	PTO for Internal Combustion Engine No. ICE-IX-07-2017	DOLE	23-Sep-22	1	23-Sep-23
Zamboanga	PTO for Internal Combustion Engine No. ICE-IX-05-2017	DOLE	23-Sep-22	1	23-Sep-23
Zamboanga	PTO for Pressure Vessel No. PVDL-IX-01A-10	DOLE	23-Sep-22	1	23-Sep-23
Zamboanga	PTO for Pressure Vessel No. PVDL-IX-01B-10	DOLE	23-Sep-22	1	23-Sep-23
Zamboanga	PTO for Pressure Vessel No. PVDL-IX-01F-98	DOLE	23-Sep-22	1	23-Sep-23
Zamboanga	Fire Safety Inspection Certificate No. 22-001147	DILG-BFP	8-Feb-22	1	31-Apr-23
Zamboanga	Permit to Operate (Port Facility) No. 304	PPA	1-Jun-09	14	16-Jul-28
Zamboanga	Safety Seal No. RO9-SS-UTLS-00024	DOLE	11-May-22	1	11-May-23 [Will no longer be renewed. Safety Seal Certification Program discontinued.]
Zamboanga	Sanitary Permit No. 2304266	LGU		1	December 31, 2023
Zamboanga	SCC for LPG Import Terminal No. 005-0004-2022-02-006R Petron	DOE	17-Feb-22	3	17-Feb-25
Zamboanga	SCC for LPG Refilling Plant No. 0012-2022-09-002Petron	DOE	9-Sep-22	3	9-Sep-25
Zamboanga	SCC for LPG Bulk Plant No. 005-018-2021-06-009R Petron	DOE	2-Jun-21	3	2-Jun-24

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Zamboanga	Discharge Permit No. DP-R09-23-00861	DENR-EMB	January 27, 2023	1 year	January 27, 2024
Zamboanga	Discharge Permit No. DP-R09-22-07247 (Domestic Discharge)	DENR-EMB	September 17, 2022	5 years	September 17, 2027
Zamboanga	ECC No. ECC Amendment No. A-2017-017-ZC	DENR-EMB	August 1, 2017	N/A	Valid until revoked
Zamboanga	HW Generator's ID NO. GR-R9-73-013490	DENR-EMB	January 10, 2022	N/A	Valid until revoked
Zamboanga	CCO Registration No. CCO-PCB-R9-PET-18	DENR-EMB	December 15, 2016	N/A	Valid until revoked
Zamboanga	CCO Registration No. CCOr-Pb-2020-00001	DENR-EMB	March 10, 2021	N/A	Valid until revoked
Zamboanga	PTO for APSCI No. 2015-POA-J-0973-0201/PTO-OL-R09-2020-02285-R	DENR-EMB	Nov. 11, 2020	5 years	November 11, 2025
Zamboanga	PTO for APSCI No. 2018-POA-K-0973-0126	DENR-EMB	December 3, 2018	5 years	November 27, 2023
Zamboanga	Certificate of Accreditation (PCO) No. 2021-IX-204 A	DENR-EMB	December 10, 2021	3 years	December 10, 2024
	CCO Registration No. CCOi-Pb-2022-00669	DENR-EMB	23 December 2022	6 months	23 June 2023

### Water Permits

Issued to	Issued by	Permit No.	Covered Location	Date of Issue	Date of Expiry
PETRON CORPORATION	National Water Resources Board (NWRB)	18023	Petron Gasul Terminal	20 May 2002	Valid until revoked
NVRC	NWRB	19143	PBR – Deepwell 2	16 July 2004	Valid until revoked
NVRC	NWRB	19166	PBR – Deepwell 3	16 July 2004	Valid until revoked
NVRC	NWRB	19161	PBR – Deepwell 4	16 July 2004	Valid until revoked

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NVRC	NWRB	19167	PBR – Deepwell 5	16 July 2004	Valid until revoked
NVRC	NWRB	19162	PBR – Deepwell 6	16 July 2004	Valid until revoked
NVRC	NWRB	19168	PBR – Deepwell 7	16 July 2004	Valid until revoked
NVRC	NWRB	19163	PBR – Deepwell 8	16 July 2004	Valid until revoked
NVRC	NWRB	19165	PBR – Deepwell 9	16 July 2004	Valid until revoked
NVRC	NWRB	19169	PBR – Deepwell 10	16 July 2004	Valid until revoked
NVRC	NWRB	19164	PBR – Deepwell 11	16 July 2004	Valid until revoked
NVRC	NWRB		PBR – Deepwell 12	16 July 2004	Valid until revoked
NVRC	NWRB	19144	PBR – Deepwell 13	16 July 2004	Valid until revoked
NVRC	NWRB	19159	PBR – Deepwell 14	16 July 2004	Valid until revoked
NVRC	NWRB	19160	PBR – Deepwell 15	16 July 2004	Valid until revoked
NVRC	NWRB	024912	PBR – Deepwell 16A	27 August 2019	Valid until revoked
NVRC	NWRB	024913	PBR – Deepwell 17B	27 August 2019	Valid until revoked
NVRC	NWRB	024909	PBR – Deepwell 18	27 August 2019	Valid until revoked
NVRC	NWRB	024910	PBR – Deepwell 19	27 August 2019	Valid until revoked
NVRC	NWRB	024911	PBR – Deepwell 20	27 August 2019	Valid until revoked

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Petron Corporation	NWRB	025174	Manila Bay (seawater)	17 September 2020	Valid until revoked
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### Marketing and Trade Promotions<sup>3</sup>

Promo	License	Issuing Agency	Issue Date	Promo Period	Expiry Date
Bonus sa Bonus Points Mo!	Sales Promo Permit (FTEB-160817, s. 2023)	Department of Trade and Industry (DTI)	08 February 2023	14 February 2023 – 31 March 2023	31 March 2023
Weekend Turbo Savings!	Sales Promo Permit (FTEB-161845, s. 2023)	DTI	23 February 2023	04 March 2023 – 30 April 2023	30 April 2023
Petron REVX Hear the Power OOH	Clearance for Display P009P062022PS	Ad Standards Council (ASC)	22 June 2022		21 June 2023
Petron Value Card May Points Ka-60S	Clearance for Posting P165P071522PS	ASC	21 July 2022		19 July 2023
Petron REVX 6L	Clearance for Display P170P092122PS	ASC	13 October 2022		20 September 2023
Petron REVX HEAR THE POWER 30S	Clearance for Posting P185P061422PS	ASC	11 July 2022		05 July 2023
Petron MOM	Clearance for Airing P290P074039PS	ASC	13 December 2022		13 May 2023
Petron RIDER	Clearance for Airing P290P074040PS	ASC	13 December 2022		13 May 2023
Petron WORKER	Clearance for Airing P290P074041PS	ASC	13 December 2022		13 May 2023
Petron OMNIBUS KV	Clearance for Display P290P074042PS	ASC	13 December 2022		13 May 2023
Petron MOM KV	Clearance for Display P290P074043PS	ASC	13 December 2022		13 May 2023
Petron RIDER KV	Clearance for Display P290P074044PS	ASC	13 December 2022		13 May 2022

<sup>3</sup> As of date, no plans to renew any of the enumerated marketing campaigns.

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Petron WORKER KV	Clearance for Display P290P074045PS	ASC	13 December 2022		13 May 2023
Petron XCS RC	Clearance for Airing P290P074046PS	ASC	13 December 2022		13 May 2023

### Occupational Safety and Hazard (OSH) Certificates of Inspection

Issued to	Issued by	CertificateNo.	Covered Equipment/ Activity	Date of Issue	Date of Expiry
PETRON CORPORATION (Petron Bataan Refinery)	Department of Labor and Employment-Occupational Safety and Health Center (DOLE-OSHC) accredited company	GCF88-5047	Overhead Travelling Crane Pendant Control (Serial No. 080ND013)	14 November 2022	14 November 2023
		GCF88-5048	Overhead Travelling Crane Pendant Control (Serial No. 050NF011)	14 November 2022	14 November 2023
		GCF88-5049	Overhead Travelling Crane Pendant Control (Serial No. 5703985)	15 November 2022	15 November 2023
		GCF88-5050	Overhead Travelling Crane Pendant Control (Serial No. 7901261)	16 November 2022	16 November 2023
		GCF88-5051	Overhead Travelling Crane Pendant Control (Serial No. 7901203)	16 November 2022	16 November 2023
		GCF88-5052	Bucket and Gantry Overhead Travelling Crane (Serial No. HA412860/202138)	17 November 2022	17 November 2023
		GCF88-5053	Bucket and Gantry Overhead Travelling Crane (Serial No. HA412861/202138)	17 November 2022	17 November 2023
		GCF88-5054	Overhead Travelling Crane Pendant Control (Serial No. 7901204)	17 November 2022	17 November 2023

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PETRON CORPORATION (Petron Bataan Refinery)	GCF88-5055	Overhead Travelling Crane Pendant Control (Serial No. 8100975)	17 November 2022	17 November 2023
	GCF88-5056	Overhead Travelling Crane Pendant Control (Serial No. 7901205)	16 November 2022	16 November 2023
	GCF88-5057	Overhead Travelling Crane Pendant Control (Serial No. 8100796)	16 November 2022	16 November 2023
	GCF88-5058	Overhead Travelling Crane Pendant Control (Serial No. 68000602)	15 November 2022	15 November 2023
	GCF88-5059	Monorail Chain Hoist Electric Driver (Serial No. 68000603)	15 November 2022	15 November 2023
	GCF88-5060	Monorail Chain Hoist Electric Driver (Serial No. 68000604)	15 November 2022	15 November 2023
	GCF88-5061	Monorail Chain Hoist Electric Driver (Serial No. 222-10-082747)	15 November 2022	15 November 2023
	GCF88-5062	Monorail Chain Hoist Electric Driver (Serial No. 222-10-082747)	15 November 2022	15 November 2023
	GCF88-5063	Overhead Travelling Crane Pendant Control (Serial No. 580-A01-0446-0183)	14 November 2022	14 November 2023
	GCF88-5064	Overhead Travelling Crane Pendant Control (Serial No. 580-A01-0813-1016)	14 November 2022	14 November 2023
	GCF88-5065	Material/Passenger Elevator (Serial No. 813487)	16 November 2022	16 November 2023
	GCF88-5066	Material/Passenger Elevator (Serial No. 813396)	16 November 2022	16 November 2023
	GCF88-5067	Monorail Chain Hoist Electric Driver (Serial No. 7901207)	16 November 2022	16 November 2023



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### Radioactive Material License

Issued to	Issuing Agency	No.	Issue Date	Covered materials	Expiry Date
PETRON CORPORATION (Refining Division – Radiography)	Department of Science and Technology – Phillippine Nuclear Research Institute (DOST – PNRI)	I03.03023.21	12 January 2021	Cobalt-60 Radiography Sealed Source	31 March 2024
PETRON CORPORATION (Refining Division – Radiography)	DOST – PNRI	Y03.03001.23 (Amended)	11 January 2023	Cesium 137	31 January 2028

### Permit to Purchase (Controlled Chemicals)

Issued to	Issued by	Purchaser's License No.	Covered Material/ Activity	Date of Issue	Date of Expiry
PETRON CORPORATION (Refining Division)	Philippine National Police – Firearms and Explosives Office	PCA06-170119-04845	Controlled Chemicals for Waste Water Treatment	17 March 2023	16 March 2024
PETRON CORPORATION (Refining Division)	Philippine National Police – Firearms and Explosives Office	PCA06-170119-04845 (Renewal)	Controlled Chemicals for Waste Water Treatment	17 March 2023	16 March 2024
PETRON CORPORATION (Refining Division)	Philippine National Police – Firearms and Explosives Office	PCA06-170119-04845	Controlled Chemicals for Waste Water Treatment	17 March 2023	16 March 2024

### Non-Fuel Business

<u>Name of Permit/License</u>	<u>Issuing Agency</u>	<u>Issue Date</u>	<u>Validity Period</u>	<u>Expiry Date</u>	<u>Service Station</u>
Business Permit No. 03475	Office of the Mayor (City of Lipa)	January 30, 2023	1 year	December 31, 2023	Petron Star Tollway KM 79

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Barangay Permit	Office of the Barangay Chairman (Brgy. Tibig)	January 23, 2023	1 year	December 31, 2023	Petron Star Tollway KM 79
Sanitary Permit No. 2023-2958	Office of the City Health Officer	January 30, 2023	1 year	December 31, 2023	Petron Star Tollway KM 79
Fire Safety Inspection Certificate No. R4A-760757	DILG-BFP	January 30, 2023	1 year	January 29, 2024	Petron Star Tollway KM 79
Occupational Permit	City Permits and Licensing Office	January 23, 2023	NA	NA	Petron Star Tollway KM 79
Business Permit No. 13099	Business Permits and Licensing Office	January 30, 2023	1 year	December 31, 2023	Petron San Antonio, San Pablo City
Business Permit		Under process			Petron Star Tollway KM 75 (Malvar)

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### PSTPL

#### Certificate of Fuel Additive Registration

Issued to	Issued by	CFAR Contol No.	Fuel Additive	Date of Issue	Expiration <sup>4</sup>
PETRON CORPORATION	Department of Energy (DOE)	CFAR 11-04-147/FCF-U	PFAD 4226	17 June 2011	Valid until revoked
PETRON CORPORATION	DOE	CFAR 16-01-250/FCF-U	PFAD 6208	10 March 2016	Valid until revoked
PETRON CORPORATION	DOE	CFAR 21-12-317/FCF-T	DPD-01 (with cetane improver)	09 March 2021	Valid until revoked
PETRON CORPORATION	DOE	CFAR 21-12-317/FCF-T	DPD-01	09 March 2021	Valid until revoked
PETRON CORPORATION	DOE	CFAR 21-12-314/FCF-T	GRD-01	09 March 2021	Valid until revoked
PETRON CORPORATION	DOE	CFAR 16-09-258FCF-U	Green Dye	Undated	Valid until revoked
PETRON CORPORATION	DOE	CFAR 22-05-338/FCF-U	GRI-01	12 May 2022	Valid until revoked
PETRON CORPORATION	DOE	CFAR 21-12-315/FCF-T	GXD-01	09 March 2021	Valid until revoked
PETRON CORPORATION	DOE	CFAR 22-05-339/FCF-U	GXI-01	12 May 2022	Valid until revoked
PETRON CORPORATION	DOE	CFAR 11-04-150/FCF-U	PFAD 4233	17 June 2011	Valid until revoked
PETRON CORPORATION	DOE	CFAR 12-07-174/FCF-U	PFAD 4248	31 July 2012	Valid until revoked
PETRON CORPORATION	DOE	CFAR 12-07-172/FCF-U	PFAD 6108	31 July 2012	Valid until revoked
PETRON CORPORATION	DOE	CFAR 11-04-149/FCF-U	PFAD 6110	17 June 2011	Valid until revoked

<sup>4</sup> Registration can be revoked anytime for (1) noncompliance with the DOE's reportorial requirements; and (2) failure to adhere with other conditions prescribed by the DOE.

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PETRON CORPORATION	DOE	CFAR 12-07-173/FCF-U	PFAD 6220	31 July 2012	Valid until revoked
PETRON CORPORATION	DOE	CFAR 11-040148/FCF-U	PFAD 6259	17 June 2011	Valid until revoked
PETRON CORPORATION	DOE	CFAR 12-07-175/FCF-U	PFAD 6270	31 July 2012	Valid until revoked
PETRON CORPORATION	DOE	CFAR 13-08-207/FCF-T	PFAD 6300	05 September 2013	Valid until revoked
PETRON CORPORATION	DOE	CFAR 15-09-240/FCF-U	PFAD 6306	07 October 2015	Valid until revoked
PETRON CORPORATION	DOE	CFAR 18-03-294/FCF-T	PFAD 6314	Undated	Valid until revoked
PETRON CORPORATION	DOE	CFAR 18-01-293/FCF-T	PFAD 6320	09 March 2018	Valid until revoked
PETRON CORPORATION	DOE	CFAR 16-09-260FCF-U	Unisol Liquid Blue AP (PSAD 6190)	Undated	Valid until revoked
PETRON CORPORATION	DOE	CFAR 14-03-227/FCF-U	STADIS 450	19 March 2014	Valid until revoked
PETRON CORPORATION	DOE	CFAR 16-09-259FCF-U	Unisol Liquid Red BP (PSAD 6169)	Undated	Valid until revoked Valid until revoked

### Pre-Manufacture and Pre-Importation Notification (PMPIN) Certificates

Issued by	PMPIN Certificate No.	Fuel Additive	Date of Issue	Expiration <sup>5</sup>
DENR-EMB	PMPIN-2011-012	PFAD 4226	February 16, 2011	Valid until revoked
DENR-EMB	PMPIN-2010-026	DCI-11	February 22, 2010	Valid until revoked
DENR-EMB	PMPIN-2003-22	CHEM 6166	July 14, 2003	Valid until revoked
DENR-EMB	PMPIN-2011-041	PFAD 4233	June 8, 2011	Valid until revoked

<sup>5</sup> Registration can be revoked anytime for (1) noncompliance with the DOE's reportorial requirements; and (2) failure to adhere with other conditions prescribed by the DOE.

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DENR-EMB	PMPIN-2011-109	PFAD 4248	December 9, 2011	Valid until revoked
DENR-EMB	PMPIN-2011-110	PFAD 6108	December 7, 2011	Valid until revoked
DENR-EMB	PMPIN-2011-015	PFAD 6110	February 17, 2011	Valid until revoked
DENR-EMB	PMPIN-2008-004	PFAD 6114	January 29, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-152	CHEM 6158	October 10, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-166	PFAD 6179	November 10, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-167	PFAD 6220	November 10, 2008	Valid until revoked
DENR-EMB	PMPIN-2011-013	PFAD 6259	February 11, 2011	Valid until revoked
DENR-EMB	PMPIN-2008-187	PFAD 8101	January 7, 2009	Valid until revoked
DENR-EMB	PMPIN-2008-169	PFAD 8202	November 13, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-183	PFAD 8203	December 23, 2008	Valid until revoked
DENR-EMB	PMPIN-2011-100	PFAD 6270	November 28, 2011	Valid until revoked
DENR-EMB	PMPIN-OL-2015-010	PFAD 6306	August 6, 2015	Valid until revoked
DENR-EMB	PMPIN-2013-066	PFAD 6300	November 27, 2013	Valid until revoked
DENR-EMB	PMPIN-2008-174	PFAD 8112	November 25, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-182	PFAD 8104	December 22, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-185	PFAD 8105	December 23, 2008	Valid until revoked

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DENR-EMB	PMPIN-2008-003	PFAD 6178	January 25, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-170	PFAD 8106	November 25, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-181	PFAD 8108	December 22, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-168	CHEM 6193	November 10, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-177	PFAD 8210	December 22, 2008	Valid until revoked
DENR-EMB	PMPIN-2008-186	PFAD 8211	January 7, 2009	Valid until revoked
DENR-EMB	PMPIN-OL-2018-451	PFAD 6314	March 14, 2018	Valid until revoked

### Certificate of Authority to Operate/License to Handle Controlled Precursors and Essential Chemicals (CPECS)

		Issued by	No.	Covered Location	Date of Issue	Validity
Quality Control Laboratory	Laboratory Operations	Professional Regulatory Board of Chemistry (PRBC)	CATO No. 301	Petron Research & Testing Center – Tagoloan	17 September 2021	Three (3) Years
		PRBC	CATO No. 257	Petron Petroleum Testing Center – Petron Mandaue Terminal	12 November 2020	Three (3) Years
		PRBC	CATO No. 385	Petron Research and Testing Center – Pandacan	03 October 2022	Three (3) Years
	Laboratory Analysis and Research	PDEA CPECs	PDEA Control No. P600062800080-R023	Petron Corporation – North Harbour Manila	30 August 2022	Until 16 June 2023

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### Petron Malaysia

No	Business Unit	License Particulars	Name of Permit / License	Issuing Agency / Authority	Issue Date	Validity Period	Expiry Date
					(DD/MM/YYYY)		(DD/MM/YYYY)
1	PDR	Assessment Tax	A0299002.169 Alamat Harta: BT 1 ½, Jalan Pantai, Port Dickson	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2023	1 year	31/12/2023
2	PDR	Assessment Tax	A0212182.169 (CABOT) Alamat Harta: Lot 372, Batu 2 Jalan Pantai, 71000, Port Dickson	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2023	1 year	31/12/2023
3	PDR	Assessment Tax	A0109020.388 Alamat Harta: Jln Rumah Rehat, Bandar Port Dickson	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2023	1 year	31/12/2023
4	PDR	Quit Rent	Quit rent for 38 land lot	Port Dickson Land Office	01/01/2023	1 year	31/12/2023
5	PDR	LPG Manufacturing	Lesen Mengilang Gas Petroleum Cecair (License: GM05000003)	Ministry of Domestic Trade, Co-operatives & Consumerism	07/03/2021	2 years	06/03/2023
6	PDR	Gasoline & Diesel Manufacturing	Lesen Mengilang Diesel (Euro 5) (License: PM05000005)	Ministry of Domestic Trade, Co-operatives & Consumerism	06/03/2022	2 years	05/03/2024
7	PDR	Gasoline & Diesel Manufacturing	Lesen Mengilang Petrol (Ron 95) (License: PM05000004)	Ministry of Domestic Trade, Co-operatives & Consumerism	06/03/2022	2 years	05/03/2024
8	PDR	Gasoline & Diesel Manufacturing	Lesen Mengilang Petrol (Ron 97) (License: PM05000001)	Ministry of Domestic Trade, Co-operatives & Consumerism	06/03/2022	2 years	05/03/2024
9	PDR	Gasoline & Diesel Manufacturing	Lesen Mengilang Petrol (Ron 100) (License: PM05000002)	Ministry of Domestic Trade, Co-operatives & Consumerism	06/03/2022	2 years	05/03/2024

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10	PDR	Kero Manufacturing	Lesen Mengilang Minyak Tanah (License: AM05000002)	Ministry of Domestic Trade, Co-operatives & Consumerism	17/04/2021	3 years	16/04/2024
11	PDR	Electrical Installation 34000kW	Pemasangan No.: ST(MLK)P/S/NS/00706	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	20/08/2022	1 year	19/08/2023
12	PDR	Private Electrical License 240 kW (Jetty)	Pemasangan No.: ST(MLK)P/S/NS/01092	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	20/08/2022	1 year	19/08/2023
13	PDR	Skid Tank (Euro 5 Diesel)	Permit Barang Kawalan Berjadual No. Rujukan: PKPDNHEP (PD) 600-2/3/53 (License: BL22020029968)	Ministry of Domestic Trade, Co-operatives & Consumerism	14/08/2022	1 year	13/08/2023
14	PDR	Storage License - Dangerous Products	Lesen Menyimpan Minyak Merbahaya K/P: 00016760 No. Akaun: L0011003-3	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2023	1 year	31/12/2023
15	PDR	Storage License - Non-Dangerous Products	Lesen Menyimpan Minyak Tidak Merbahaya K/P: 00016760 No. Akaun: L0011004-4	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2023	1 year	31/12/2023
16	PDR	Storage License - Diesel	Lesen Menyimpan Minyak Diesel K/P: 00016760 No. Akaun: L0011005-5	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2023	1 year	31/12/2023
17	PDR	Customs Bonded Warehouse Licence	Gudang Berlesen Persendirian (Petroleum) LicenseNo.: N1J-G2-00000001/12	Royal Malaysian Customs	01/12/2022	2 years	30/11/2024
19	PDR	Radio Communications - Walkie talkie	Type of Apparatus: - Private Use Station VHF/UHF (Land Mobile-Private) - VHF Station (Maritime) 210 apparatus assignment	Suruhanjaya Multimedia Malaysia (Malaysian Communications and Multimedia Commission)	01/01/2023	1 year	31/12/2023



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20	PDR	Sales Tax License	License No.: N11-CJ-12000005/12	Royal Malaysian Customs	04/12/2012	No expiry	- First time registration. - Refers to Warehouse License for renewal (item 17)
21	PDR	Sodium Hydroxide permit	Permit to Purchase, Store and Use of Sodium Hydroxide License No.: 012675 Register No.: NC0093/2023	Seremban State Health Department	01/01/2023	1 year	12/31/2023
22	PDR	Master Manufacturing License	Motor Gasoline - All types Aviation Turbo Fuel - All types Fuel Oil, Diesel Oil, Kerosene, Naphtha, Solvents and Liquified Petroluem Gas No. Lesen : A 001680	Ministry of Domestic Trade, Co-operatives & Consumerism	26/03/1980	No expiry	N/A
23	PDR	Master Manufacturing License (Euro 5 Diesel)	Pengilang Berlesen Euro5 Biodiesel No. Lesen A 001680	Ministry of Domestic Trade, Co-operatives & Consumerism	16/03/2020	No expiry	N/A
24	PDR	Permit for Loading and Discharge of Products at non-designated area (SBM)	Lesen Mendarat/Memuat Barang-Barang di Tempat Selain Daripada Tempat Pendaftaran Yang Sah (SBM)- Petrol Tanpa Plumbum (UL95) Rujukan : KE.NC(88)381/02-17(10)	Royal Malaysian Customs	01/01/2023	1 year	12/31/2023
25	PDR	Statement of Compliance for Marine Facility	Petron Port Dickson Marine Terminal SOC: 6105/PDP/PTRON/2019	Jabatan Laut Malaysia (Malaysian Marine Department)	28/05/2019	5 years	5/27/2024
26	RNEG	Plot Approval - Site Permission Approval For CODO site	Kelulusan Kebenaran Tapak (KKT) - 8 sites still pending KM	Ministry of Domestic Trade, Co-operatives & Consumerism	Approval date varies per site	2 years	Varies per site depending on approval date

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27	RNEG	Development Order (DO) Approval For CODO site	Kebenaran Merancang (KM) - none issued in 2022	Local Municipals / Councils	Approval date varies per site	1 year and can be extended before expiry	Varies per site depending on approval date
28	RNEG	Building Plan Approval For CODO site	Building Plan (BP) Approval - none issued in 2022	Local Municipals / Councils	Approval date varies per site	1 year and can be extended before expiry	Varies per site depending on approval date
29	RNEG	Highway Permit For CODO sites on Highway	Highway Permit - none issued in 2022	Lembaga Lebuhraya Malaysia (Malaysia Highway Authority) & various Highway Concessionaire Companies	Approval date varies per site	1 year	Varies per site depending on approval date
30	RNEG	Certificate of Completion and Compliance (CCC) For CODO sites	Certificate of Completion and Compliance (CCC) - 2 issued in 2022	Various Local Municipals / Councils	Approval date varies per site	Station lifespan	N/A
31	RNEG	Certificate of Highway Project Perfection For CODO sites on Highway	Sijil Kesempurnaan Pembinaan (SKP) - None issued in 2022	Lembaga Lebuhraya Malaysia (Malaysia Highway Authority) & various Highway Concessionaire Companies	Approval date varies per site	Station lifespan	N/A
32	Retail & Commercial	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	3/7/2023	2 years	3/6/2025
33	Retail & Commercial	Air Compressor Permit by individual station, under Petron’s company name for CODO stations	Pemeriksaan Mesin Tekanan (PMT) - 235 issued in 2022	Jabatan Keselamatan & Kesihatan Pekerjaan Malaysia - JKKP (The Department of Occupational Safety and Health)	Inspection date varies per site	15 months	Varies per site depending on inspection date

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34	Retail & Commercial	Lifting Hoist Permit by individual station, under Petron's company name for CODO station with hoist (for lubebay)	Pemeriksaan Mesin Angkat (PMA) - 12 issued in 2022	Jabatan Keselamatan & Kesihatan Pekerjaan Malaysia - JKKP (The Department of Occupational Safety and Health)	Inspection date varies per site	15 months	Varies per site depending on inspection date
35	Retail & Commercial	Genset Permit by individual station, under Petron's company name for CODO station with genset.	Genset Operation License - 48 issued in 2022	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	Issuance date varies per site	1 year	Varies per site depending on issuance date
36	Retail & Commercial	Temporary Hoarding Permit for project construction For CODO sites undergoing construction, under Petron's name	Hoarding Permit - 3 issued in 2022	Local Municipals / Councils	Issuance date varies per site	6 months to 1 year depending on the authority	Varies per site depending on issuance date and validity period
37	Retail & Commercial	Minor Work for project construction For CODO sites undergoing construction, under Petron's name	Permit Kerja-kerja Kecil - 3 issued in 2022	Local Municipals / Councils	Issuance date varies per site	3 mths to 1 year depend on council	Varies per site depending on issuance date and validity period
38	Retail & Commercial	Bomba G8 For CODO station involved in underground tank replacement, applicable during construction period	Bomba G8 Blue Form - 5 issued in 2022	Respective Fire and Rescue Departments	Approval date varies per site	N/A	N/A

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39	Legal	Company Secretary	Qualifying License	(a) Companies Commission of Malaysia (CCM) (b) Malaysia Institute of Chartered Secretaries and Administrators (MAICSA)	(a) Manoj (CCM) - 31/03/2022 (b) Shahidah (MAICSA) - 01/01/2023	(a) Manoj (CCM) - 3 years (b) Shahidah (MAICSA) - 1 year	(a) Manoj (CCM) - 31/03/2025 (b) Shahidah (MAICSA) 31/12/2023
40	Legal	Company Secretary	Practising License	Companies Commission of Malaysia (CCM)	(a) Manoj - 23/02/2021 (b) Shahidah - 19/02/2021	3 years	(a) Manoj - 22/02/2024 (b) Shahidah - 18/02/2024
41	Legal	Company Registration No.	Company Registration	Companies Commission of Malaysia (CCM)	From the Company's date of incorporation	Subject to filing of Annual Returns	31/12/2022
42	Legal	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.	31/12/2023
43	Legal	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.	31/12/2023
44	SSHE	LPS (Loss Prevention System)	LPS (Loss Prevention System) license	Loss Prevention System, Incorporated	01/01/2022 (Agreement effective on Jan 1, 2013, subject to annual renewal)	1 year	31/12/2022
45	CAD	PMRMB PDA License	Petrol Development Act (PDA) License	Ministry of Domestic Trade, Co-operatives & Consumerism	25/07/2022	3 years	24/07/2025

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46	CAD	PFI PDA License	Petrol Development Act (PDA) License	Ministry of Domestic Trade, Co-operatives & Consumerism	08/04/2022	3 years	06/04/2025
47	CAD	POMSB PDA License	Petrol Development Act (PDA) License	Ministry of Domestic Trade, Co-operatives & Consumerism	08/04/2021	3 years	07/04/2024
48	CAD	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
49	CAD	PMRMB CSA License - LPG	Control Supply Act (CSA) License - Trading	g	23/04/2021	5 years	22/04/2026
50	CAD	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
51	CAD	POMSB CSA License - Fuel	Control Supply Act (CSA) License - Trading	Ministry of Domestic Trade, Co-operatives & Consumerism	12/10/2021	3 years	11/10/2024
52	HRD	Office/Premise	Pejabat Pengurusan (Menara) (Level 3, Level 10-L12A) DBKL.JPPP/PR01/0867/04/2017	Dewan Bandaraya Kuala Lumpur (Kuala Lumpur City Hall)	30/09/2022	1 year	29/09/2023
53	HRD	Office/Premise	Pejabat Pengurusan (Menara) (Level 13) DBKL.JPPP/PR01/0061/08/2018	Dewan Bandaraya Kuala Lumpur (Kuala Lumpur City Hall)	09/12/2022	1 year	08/12/2023
54	HRD	Office/Premise	Papan Tanda Iklan (Pejabat Urusan) DBKL.JPPP/IK2E/0285/06/2013	Dewan Bandaraya Kuala Lumpur (Kuala Lumpur City Hall)	15/07/2022	1 year	14/07/2023

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56	DTO	Terminal CSA License	Control Supply Act (CSA) License for terminals (Petrol, Diesel, Kerosene & LPG)	Ministry of Domestic Trade, Co-operatives & Consumerism	BLT – 21/02/23 CODT - 08/12/21 IOT - 05/01/22 KTN – 11/10/22 KVDT - 23/02/21 PDT (Fuel) – 23/11/22 PDT (LPG) - 07/03/23 PDT (Kero) - 23/11/22 PGT – 11/05/22 SBT- 12/04/22 SDK – 20/7/21 TWU – 18/5/22 WPT - 23/11/22	3 years 2 years 2 years 3 years 5 years 2 years 2 years 3 years 3 years 2 years 3 years 2 years 3 years 2 years 3 years	BLT – 20/02/26 CODT - 07/12/23 IOT - 04/01/24 KTN – 10/10/25 KVDT - 22/02/26 PDT (Fuel) – 22/11/24 PDT (LPG) - 06/03/26 PDT (Kero) - 22/11/25 PGT – 10/05/25 SBT- 11/04/24 SDK – 20/7/24 TWU – 17/5/24 WPT - 22/11/25
57	DTO	Custom Bonded Warehouse License	Warehouse License for terminals	Royal Malaysian Customs	BLT – 01/01/22 KTN – 21/06/22 PGT – 01/04/21 SBT- 01/01/22 SDK – 01/01/23 TWU – 18/03/21	2 years	BLT – 31/12/23 KTN – 20/06/24 PGT – 31/3/23 SBT – 31/12/23 SDK – 31/12/24 TWU – 17/03/23
58	DTO	Trading License	Trading License for terminals (East Malaysia)	Respective Local Councils	CODT - 22/06/22 IOT - 16/02/22 SBT – 01/01/23 SDK – 01/01/23 TWU – 01/01/23	1 year	CODT - 19/07/23 IOT - 29/06/23 SBT – 31/12/23 SDK – 31/12/23 TWU – 31/12/23

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59	PDR & DTO	Fire Certificate	Fire Certificate for PDR, PME plant and terminals	Fire and Rescue Department	BLT – 09/05/22 KTN – 10/08/22 PDR/PDT – 20/01/23 PGT – 20/07/22 SBT- 29/07/22 SDK – 02/11/22 TWU – 15/06/22 LPP - 19/09/22	1 Year	BLT – 08/05/23 KTN – 09/08/23 PDR/PDT – 19/01/24 PGT – 19/07/23 SBT- 28/07/23 SDK – 01/11/23 TWU – 14/06/23 LPP - 18/09/23
62	DTO	Quit Rent (Property Tax)	Quit Rent (Property Tax) for PME Plant and Terminal	Respective Land Offices	BLT – 01/01/22 PGT – 01/01/22 SBT – 01/01/22 SDK – 01/01/23 TWU – 01/01/15 LPP - 01/01/22	1 year 1 year 1 year 1 year 5 years 1 year	BLT – 31/12/22 PGT – 31/12/22 SBT - 31/12/22 SDK – 31/12/23 TWU – 31/12/24 LPP - 31/12/22
63	DTO	Assessment Fees (Property Tax)	Assessment Fees. (Property Tax) for PME Plant and Terminal	Respective Local Councils	BLT – 01/01/23 KTN – 01/01/23 PGT – 01/07/22 SBT – 01/01/23 SDK – 01/01/23 TWU – 01/01/23 LPP - 01/07/22	Quarterly, semi annual, annual	BLT – 30/06/23 KTN – 31/12/23 PGT – 31/12/22 SBT - 31/12/23 SDK – 31/12/23 TWU – 31/12/23 LPP - 31/12/22
64	DTO	Biodiesel License	License to Store and Mix Biofuels terminals	Ministry of Plantation Industries and Commodities	BLT – 03/10/20 KTN – 16/03/21 PDT - 22/11/20 PGT – 22/11/20 SBT – 02/05/20 SDK – 01/09/20 TWU – 02/05/20 LPP - 01/01/23	3 years	BLT – 02/10/23 KTN – 15/03/24 PDT - 21/11/23 PGT – 28/01/23 SBT – 01/05/23 SDK – 31/08/23 TWU – 01/05/23 LPP - 31/12/23

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65	DTO	Generator Set permit for terminals	Genset Operation License	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	KTN - 08/03/22 PGT - 19/05/22 SBT - 22/06/22 SDK - 06/08/21 TWU - 21/03/22	1 year 2 years 5 years 5 years 5 years	KTN – 07/03/23 PGT - 18/05/24 SBT – 21/06/27 SDK – 05/08/26 TWU – 20/03/27
67	DTO	Storage License (Terminals)	Storage License	Local Municipals / Councils	BLT - 01/01/22 KTN - 01/01/23 PGT – 01/01/23 SBT – 28/12/22 SDK – 01/01/23 TWU – 01/01/23	2 years 1 year 1 year 1 year 1 year 1 year	BLT - 31/12/23 KTN - 31/12/23 PGT – 31/12/23 SBT – 31/12/23 SDK – 31/12/23 TWU – 31/12/23
69	DTO	Statement of Compliance for Marine Facility (Terminal)	ISPS Statement of Compliance for BLT	Jabatan Laut Malaysia (Malaysian Marine Department)	10/05/19	5 Years	09/05/24
70	DTO	Authority to Handle Goods or cargo Over Foreshore.	Authority to Handle Goods or cargo Over Foreshore for BLT	Penang Port Commission	01/01/23	1 Year	31/12/23
71	DTO	Radio Communications - Walkie talkie (terminal)	Walkie Talkie License - BLT (31) - KTN (31) - PGT (30)	Suruhanjaya Multimedia Malaysia (Malaysian Communications and Multimedia Commission)	01/01/22	1 Year	31/12/22
72	DTO	MCM Weigh Calibration License	PDT License - B1937456 LPP License - D096821	Metrology Corporation Malaysia	PDT - 03/08/22 LPP - 26/05/22	1 Year	PDT - 02/08/23 LPP - 25/05/23
73	DTO	MPOB License	MPOB License 618103025000	Malaysian Palm Oil Board	01/04/22	1 year	31/03/24
74	DTO	ST Certificate LPP Electrical Installation	ST Certificate ST(PIP)P/S/PRK/02120	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	14/05/20	3 years	13/05/23



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75	DTO	Sodium Hydroxide permit	Permit to Purchase, Store and Use of Sodium Hydroxide License No.: 010854 Register No.: AC0075/2023	Perak State Health Department	01/01/23	1 year	31/12/23
76	DTO	<del>MPM</del> Palm Oil Products Manufacturing License	MPM License L-0027171-01	Majlis Perbandaran Manjung (Manjung Municipal Office)	01/01/23	1 year	31/12/23

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77	PDR & DTO	Certificate of Fitness - Equipment	<p>Certificate of Fitness for PDR (325), PME plant (42), PDT (9), BLT (3), KTN (4), PGT (3), SBT (1), SDK (1) and TWU (2)</p> <p>(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 &amp; Heating System, Condensate Column, Distillation Column, Post Distillation Still, Bleaching Vessel, Distillate 2 Condenser, Post Distillate Condenser, Main Vacuum Condenser, Air Set Condenser, Distillate1&amp;2 Receiver, Final Heater, Falling Film Evaporator, F.A Condenser / Steam Generator, Final Condenser, Heat Exchanger, Condenser, Air Set Condenser, Boiler Steam Header)</p>	Department of Occupational Safety and Health	Inspection date varies per asset	1 year	Varies per site depending on inspection date
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**PETRON CORPORATION**  
SMC Head Office Complex  
40 San Miguel Avenue  
Mandaluyong City, Philippines  
[www.petron.com](http://www.petron.com)



## PETRON CORPORATION

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

### OFFER SUPPLEMENT

Offer in the Philippines of  
12,500,000 Series 4 Preferred Shares  
with Oversubscription Option of up to 10,000,000 Series 4 Preferred Shares  
Under its 50,000,000 Series 4 Preferred Shares Shelf Registration

consisting of

Series 4A Preferred Shares (PRF4A): 6.7079% p.a.  
Series 4B Preferred Shares (PRF4B): 6.7972% p.a.  
Series 4C Preferred Shares (PRF4C): 7.0861% p.a.  
at an Offer Price of ₱1,000.00 per Preferred Share  
to be listed and traded on the  
Main Board of The Philippine Stock Exchange, Inc.

#### SOLE ISSUE MANAGER



#### JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS<sup>1</sup>



#### SELLING AGENTS



Trading Participants of The Philippine Stock Exchange, Inc.

**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.**

**This Offer Supplement is dated June 13, 2023.**

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<sup>1</sup> Petron and Bank of Commerce are affiliates of San Miguel Corporation. PNB Capital and Investment Corporation is a wholly-owned subsidiary of Philippine National Bank, which is a lender of the bilateral short-term loans that will be repaid with the proceeds of the Offer.

## **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](http://www.petron.com)

Petron Corporation (“**Petron**”, the “**Company**” or the “**Issuer**”), a corporation duly organized and existing under Philippine law, prepared the Prospectus dated June 13, 2023 (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 up to 50,000,000 cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, reissuable peso-denominated Perpetual Preferred Shares with a par value of ₱1.00 per share (the “**Series 4 Preferred Shares**”).

The Series 4 Preferred Shares 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**”). The Series 4 Preferred Shares shall be issued out of the Company’s treasury shares.<sup>2</sup>

This Offer Supplement dated June 13, 2023 (the “**Offer Supplement**” and as the context may require, the term includes the Prospectus) relates to the first tranche of the Series 4 Preferred Shares (collectively, the “**Offer Shares**”) and the public offer for sale, distribution and issuance by the Company of the Offer Shares (the “**Offer**”). The Offer Shares will be issued at a price of ₱1,000.00 per Preferred Share (the “**Offer Price**”) and listed and traded through The Philippine Stock Exchange, Inc. (“**PSE**”).

The Company has applied with the Securities and Exchange Commission (“**SEC**”) for the issuance of a Permit to Sell the Offer Shares, and expects to receive such permit before commencing with the Offer. The Company has also applied for the listing of the Offer Shares in the PSE. However, there is no assurance that such a listing will actually be achieved either before or after the issue date of the Offer Shares or whether such a listing will materially affect the liquidity of the Offer Shares on the secondary market. Such listing will be subject to the Company’s execution of a listing agreement with PSE that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

The initial offer and sale of the Series 4 Preferred Shares will be by way of an offer of 12,500,000 Series 4 Preferred Shares. In the event of an oversubscription, the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Company, reserve the right, but do not have the obligation, to increase the Offer Size up to an additional 10,000,000 Series 4 Preferred Shares, subject to the registration requirements of the SEC (the “**Oversubscription Option**”). The Series 4 Preferred Shares are to be issued in three (3) subseries: Series 4A Preferred Shares, Series 4B Preferred Shares, and Series 4C Preferred Shares at the Offer Price. As of December 31, 2022, the Company has issued 20,000,000 preferred shares consisting of (a) 13,403,000 outstanding Preferred Series 3A (the “**Series 3A Preferred Shares**”) and (b) 6,597,000 outstanding Preferred Series 3B (the “**Series 3B Preferred Shares**”, and together with Series 3A Preferred Shares, the “**Outstanding Preferred Shares**”), and has 90,000,000 treasury preferred shares.

The Series 4 Preferred Shares are being offered for sale solely in the Philippines through Bank of Commerce (“**BankCom**”), China Bank Capital Corporation (“**China Bank Capital**”), Philippine Commercial Capital, Inc. (“**PCCI Capital**”), PNB Capital and Investment Corporation (“**PNB Capital**”), and SB Capital Investment Corporation (“**SB Capital**” and together with BankCom, China Bank Capital, PCCI Capital, and PNB Capital, the “**Joint Lead Underwriters and Joint Bookrunners**”), and selling agents named herein. The Company estimates that the net proceeds from the Offer shall amount to approximately ₱12,390,962,138.00 after fees, commissions and expenses. Assuming the oversubscription option is fully exercised, the net proceeds of the Offer shall amount to approximately ₱22,343,493,717.00 after fees, commissions, and expenses.

In the event that the Oversubscription Option is exercised, the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, have the discretion to allocate the Oversubscription Option of up to 10,000,000 Series 4 Preferred Shares to the Series 4A Preferred Shares, Series 4B Preferred

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<sup>2</sup> The treasury shares of the Company are made up only of previously redeemed preferred shares.

Shares, and the Series 4C Preferred Shares, or to just one (1) or two (2) subseries, at the end of the Offer Period.

The Series 4 Preferred Shares will be listed on the Main Board of the PSE on July 7, 2023 (“**Listing Date**”) under the trading symbol “**PRF4A**” for the Series 4A Preferred Shares, “**PRF4B**” for the Series 4B Preferred Shares, and “**PRF4C**” for the Series 4C Preferred Shares.

Following the Offer, the Company will have (a) 9,375,104,497 common shares and (b) 32,500,000 preferred shares issued and outstanding, and (c) 77,500,000 treasury preferred shares, if the Oversubscription Option is not exercised. On the other hand, if the Oversubscription Option is exercised in full, the Company will have (a) 9,375,104,497 common shares and (b) 42,500,000 preferred shares issued and outstanding, and (c) 67,500,000 treasury preferred shares.

The holders of the Series 4 Preferred Shares do not have identical rights and privileges with holders of the existing common shares of the Company and are *pari passu* with the existing preferred shares of the Company. Any and all preferred shares of the Company shall have preference over common shares in dividend distribution and in case of liquidation or dissolution. For further discussion on the rights and privileges of the Series 4 Preferred Shares, please refer to the section on “*Description of the Preferred Shares*” of this Offer Supplement.

The declaration and payment of cash dividends on the Series 4 Preferred Shares on each Dividend Payment Date (as defined below) will be subject to the sole and absolute discretion of the Issuer’s Board of Directors (the “**Board**”) to the extent permitted by law, and subject to the covenants (financial or otherwise) in the agreements to which the Company is a party. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders. Some of the Company’s existing loan agreements contain covenants that restrict the declaration or payment of dividends under certain circumstances, such as the occurrence of an event of default under such loan agreements or if such payment would cause an event of default to occur, or if certain financial ratios are not met or payment would cause them not to be met. See “*Description of the Preferred Shares*” of this Offer Supplement.

As and if declared by the Board, cash dividends shall be at a fixed rate of 6.7079% per annum for the Series 4A Preferred Shares, 6.7972% per annum for the Series 4B Preferred Shares, and 7.0861% per annum for the Series 4C Preferred Shares in all cases calculated in respect of each share by reference to the Offer Price thereof for each Dividend Period (as defined below) (each, the “**Initial Dividend Rate**” for the relevant subseries). Subject to the limitations described in this Offer Supplement, cash dividends on the Series 4 Preferred Shares will be payable quarterly in arrears starting October 7, 2023, and every January 7, April 7, July 7 and October 7 of each year (each a “**Dividend Payment Date**”) being the last day of each three (3)-month period (a “**Dividend Period**”) following the relevant Listing Date.

Unless the Series 4 Preferred Shares are redeemed by the Issuer on, in respect of the Series 4A Preferred Shares, the 4<sup>th</sup> anniversary of the Listing Date (the “**Series 4A Step-Up Date**”); in respect of Series 4B Preferred Shares, the 5<sup>th</sup> anniversary of the Listing Date (the “**Series 4B Step-Up Date**”); and in respect of Series 4C Preferred Shares, the 7<sup>th</sup> anniversary of the Listing Date (the “**Series 4C Step-Up Date**”), or on the next Business Day in case the relevant Step-Up Date falls on a non-Business Day, the dividends on each subseries will be adjusted as follows:

- (a) For the Series 4A Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 5-year BVAL (or if the 5-year BVAL is not available or cannot be determined, any such successor rate as determined by the Bankers Association of the Philippines (“**BAP**”) or the *Bangko Sentral ng Pilipinas* (“**BSP**”)), as published on the website of the Philippine Dealing System Group or, if unavailable, the Philippine Dealing & Exchange Corporation (“**PDEX**”) page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4A Step-Up Date, plus 3.25% (the “**PRF4A Step-Up Dividend Rate**”);
- (b) For the Series 4B Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 7-year BVAL (or if the 7-year BVAL is not available or cannot be determined, any such successor rate as determined by the BAP or

the BSP, as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4B Step-Up Date, plus 3.25% (the “**PRF4B Step-Up Dividend Rate**”); and

- (c) For the Series 4C Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any such successor rate as determined by the BAP or the BSP, as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4C Step-Up Date, plus 3.25% (the “**PRF4C Step-Up Dividend Rate**”).

Provided, that in the event the relevant Step-Up Date falls on a day that is not a Business Day

- (a) the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date; and
- (b) the higher of the applicable initial Dividend Rate and the applicable Step-Up Dividend Rate will be applied commencing on the Step-Up Date (which is the 4<sup>th</sup> anniversary date of the Series 4A Preferred Shares, the 5<sup>th</sup> anniversary of the Series 4B Preferred Shares, and the 7<sup>th</sup> anniversary of the Series 4C Preferred Shares).

(Each of the PRF4A Step-Up Dividend Rate, PRF4B Step-Up Dividend Rate, and the PRF4C Step-Up Dividend Rate being a “**Step-Up Dividend Rate**”.) See “*Summary of the Offering*”.

Dividends on the Series 4 Preferred Shares will be cumulative. If for any reason the Issuer’s Board does not declare dividends on the Series 4 Preferred Shares for a Dividend Period, the Issuer will not pay dividends on the Dividend Payment Date for the Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Series 4 Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as all dividends accrued and unpaid to the holders of the Series 4 Preferred Shares prior to such Dividend Payment Date. See “*Description of the Preferred Shares*”.

As and if approved by the Board of Directors (or the Executive Committee), the Company may redeem in whole (but not in part), any subseries of the Series 4 Preferred Shares as follows:

- (a) in respect of Series 4A Preferred Shares, two (2) years and six (6) months after Listing Date (the “**Series 4A First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4A First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4A Optional Redemption Date**”);
- (b) in respect of Series 4B Preferred Shares, three (3) years after Listing Date (the “**Series 4B First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4B First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4B Optional Redemption Date**”); and
- (c) in respect of Series 4C Preferred Shares, five (5) years after Listing Date (the “**Series 4C First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4C First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4C Optional Redemption Date**”)

(each Series 4A Optional Redemption Date, Series 4B Optional Redemption Date, and Series 4C Optional Redemption Date, an “**Optional Redemption Date**”), after giving not more than 60 nor less than 30 days’ prior written notice to the intended date of redemption, at a redemption price equal to the relevant Offer Price of the Series 4 Preferred Shares plus all dividends due them on such Optional Redemption Date as well as all Arrears of Dividends after deduction of transfer costs customarily

chargeable to stockholders, as applicable, to effect the redemption (the “**Redemption Price**”). Such notice to redeem shall be deemed irrevocable upon issuance thereof.

For the avoidance of doubt, on the applicable Optional Redemption Date, the Issuer has the option to redeem, in whole but not in part, any or all of the subseries.

In the event an Optional Redemption Date which the Issuer has chosen as the date to redeem any or all of the subseries falls on a day that is not a Business Day, the redemption shall be made on the next succeeding day that is a Business Day, without adjustment as to the Redemption Price and the amount of dividends to be paid.

The Issuer may also redeem the Series 4 Preferred Shares, in whole but not in part, at any time prior to any Optional Redemption Date if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not more than 60 nor less than 30 days’ notice prior to the intended date of redemption. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price which shall be paid within five (5) Business Days of the exercise of the right to redeem the Series 4 Preferred Shares; provided that if the Accounting Event or Tax Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries.

Each Preferred Share has a liquidation right equal to the Offer Price of the Preferred Share plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the Company’s winding up or the date of any such other return of capital, as the case may be (the “**Liquidation Right**”).

Upon listing on the PSE, the Issuer reserves the right to purchase the Series 4 Preferred Shares at any time in the open market or by public tender or by private contract at any price through PSE without any obligation to purchase or redeem the other Series 4 Preferred Shares. The Series 4 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in this Offer Supplement) and cancelled or kept as treasury shares, as applicable.

All payments in respect of the Series 4 Preferred Shares 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 Government of the Republic of the Philippines (the “**Government**”), including, but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that the holders of Series 4 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable, provided, however, that the Issuer shall not be liable for (a) any withholding tax applicable on dividends earned or on any amounts payable to the holders of the Series 4 Preferred Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation; (b) any income tax (whether or not subject to withholding); percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption (or receipt of the redemption price) of the Series 4 Preferred Shares or on the liquidating distributions as may be received by a holder of the Series 4 Preferred Shares; (c) any expanded value added tax which may be payable by any holder of the Series 4 Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Series 4 Preferred Shares; (d) any withholding tax, including any additional tax imposed by change in law, rules, or regulation, on any dividend payable to any holder of the Series 4 Preferred Shares or any entity which is a non-resident foreign corporation; and (e) any applicable taxes on any subsequent sale or transfer of the Series 4 Preferred Shares by any holder of the Series 4 Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

In the event payments in respect of the Series 4 Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer (“**Tax Event**”), the Issuer, having given not more than 60 nor less than 30 days’ notice, may redeem the Series 4 Preferred Shares at any time in whole but not in part, at the Offer Price plus all accrued and unpaid dividends, if any; provided that if the Tax Event is specific to a subseries, then the foregoing optional



redemption may be exercised only with respect to such subseries. (“**Redemption by reason of Tax Event**”). See “*Summary of the Offering*” and “*Description of the Preferred Shares*”.

Documentary stamp tax for the issuance of the Series 4 Preferred Shares and the documentation, if any, shall be for the account of the Issuer.

In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Series 4 Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with Philippine Financial Reporting Standards (“**PFRS**”), or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer (“**Accounting Event**”), the Issuer having given not more than 60 nor less than 30 days’ notice, may redeem the Series 4 Preferred Shares in whole, but not in part at the Redemption Price; provided that if the Accounting Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries. (“**Redemption by reason of an Accounting Event**”). See “*Summary of the Offering*” and “*Description of the Preferred Shares*”.

The Series 4 Preferred Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and ratably without preference or priority among themselves. The Series 4 Preferred Shares will be subordinated to the US\$500 million Senior Perpetual Capital Securities of the Company issued in 2018 (the “**2018 SPCS**”), the US\$550 million Senior Perpetual Capital Securities of the Company issued in 2021 (the “**2021 SPCS**”, and together with 2018 SPCS, the “**Capital Securities**”), and any Senior Capital Securities that may be issued by the Company. See “*Summary of the Offering*” and “*Description of the Preferred Shares*”.

The Series 4 Preferred Shares shall be in scripless form. Title to the Series 4 Preferred Shares shall pass by endorsement and delivery to the transferee and registration in the registry of shareholders to be maintained by SMC Stock Transfer Service Corporation, the Registrar and Stock Transfer Agent. Settlement of the Series 4 Preferred Shares in respect of such transfer or change of title of the Series 4 Preferred Shares, including the settlement of documentary stamp taxes, if any, arising from subsequent transfers, shall be similar to the transfer of title and settlement procedures for listed securities in the PSE. See “*Summary of the Offering*”.

The gross proceeds of the Offer shall be ₱12,500,000,000.00 or, should the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, exercise in full the Oversubscription Option, ₱22,500,000,000.00. The net proceeds from the Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be ₱12,390,962,138.00 or, should the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, exercise in full the Oversubscription Option, ₱22,343,493,717.00, and will be used by the Company primarily for the partial redemption of the 2018 SPCS, partial refinancing of Php7B Retail Bonds, refinancing of existing indebtedness and purchase of crude oil.

BankCom, China Bank Capital, PCCI Capital, PNB Capital, and SB Capital acting as Joint Lead Underwriters and Joint Bookrunners, shall receive an estimated fee of 0.45% of the gross proceeds of the Offer, inclusive of any amount that may be paid to the selling agents.

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

The Company owns land as identified in “*Description of Property*” on page 86 of the Prospectus. In connection with the ownership of private land, the 1987 Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Pursuant to regulations, for as long as the percentage of Filipino ownership of the Company’s capital stock is at least 60% of (i) the total number of outstanding shares entitled to vote for

directors of the Company and (ii) the total number of outstanding shares, whether or not entitled to vote for directors of the Company, the Company shall be considered as a Filipino-owned corporation qualified to own land.

The distribution of this Offer Supplement and the offer and sale of the Series 4 Preferred Shares may, in certain jurisdictions, be restricted by law. The Company, the Sole Issue Manager, and the Joint Lead Underwriters and Joint Bookrunners require persons into whose possession this Offer Supplement comes, to inform themselves of and observe all such restrictions. This Offer Supplement 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.

**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 Share 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 Share Agreements. All information contained in the Prospectus are deemed qualified by, and should be read together with, the disclosures of the Company after June 13, 2023 as filed with the SEC, the 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 Sole Issue Manager and the Joint Lead Underwriters and Joint Bookrunners 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 Underwriters and Joint Bookrunners, 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 Underwriters and Joint Bookrunners, 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 Underwriters and Joint Bookrunners, 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 Shares.

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

SUBSCRIBED AND SWORN to before me on JUN 13 2023 in Mandaluyong City, Philippines, affiant exhibiting to me his Passport with No. \_\_\_\_\_ expiring on \_\_\_\_\_ as competent evidence of identity.

Doc. No. 388 ;  
Page No. 79 ;  
Book No. II ;  
Series of 2023.

  
**MARIA CRISSELDA T. TORCUATOR**  
Notary Public for Mandaluyong City  
40 San Miguel Avenue, 1550 Mandaluyong City  
Appointment No. 0582-23  
Until December 31, 2024  
Attorney's Roll No. 71094  
PTR No. 5113009/01-03-2023/Mandaluyong  
IBP No. 268623/01-04-2023/RSM  
MCLE Compliance No. VII-0021478/06-17-2022

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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.*

2018 SPCS .....	USD500 million Senior Perpetual Capital Securities issued on January 19, 2018
2021 SPCS .....	USD550 million Senior Perpetual Capital Securities issued on April 19, 2021
Applicant.....	A person, whether natural or juridical, who seeks to subscribe for the Offer of the Series 4 Preferred Shares
BankCom.....	Bank of Commerce
bbl.....	Barrel
BIR .....	Philippine Bureau of Internal Revenue
Black Products .....	Fuel oil and asphalts
bpd .....	Barrels per day
BSP .....	<i>Bangko Sentral ng Pilipinas</i>
Business Day .....	A day, other than a public non-working holiday, Saturday, or Sunday on which the BSP's Philippine Payment and Settlement System (PhilPaSS) and the Philippine Clearing House Corporation (PCHC) (or, in the event of the discontinuance of their respective functions, their respective replacements) are open and available for clearing and settlement, and banks are open for business in Metro Manila, Philippines
BVAL .....	Bloomberg Valuation Service, the electronic financial information service provider, and when used in connection with the designated page of the Benchmark Rate, the display page so designated on BVAL (or such other page as may replace that page on that service), or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices to that Benchmark Rate
China Bank Capital.....	China Bank Capital Corporation
Company, Issuer or Petron .....	Petron Corporation
Depository Agent.....	Philippine Depository & Trust Corp.
Joint Lead Underwriters and Joint Bookrunners .....	BankCom, China Bank Capital, PCCI Capital, PNB Capital, and SB Capital
Listing Date.....	The date when the Series 4 Preferred Shares are listed in the PSE
PCCI Capital.....	Philippine Commercial Capital Inc.

PDEX.....	The Philippine Dealing & Exchange Corp.
PDTC.....	Philippine Depository & Trust Corp.
PFRS.....	Philippine Financial Reporting Standards
Philippine Peso, Peso, PHP or ₱ ....	Philippine Pesos, the legal currency of the Philippines
Philippines.....	Republic of the Philippines
Php7B Retail Bonds .....	Php7 billion 7-year Series B retail bonds issued on October 27, 2016
PNB Capital.....	PNB Capital and Investment Corporation
Prospectus.....	The prospectus dated June 13, 2023 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Series 4 Preferred Shares
PSE .....	The Philippine Stock Exchange, Inc.
Qualified Institutional Buyers .....	Qualified buyers, as defined in Section 10.1 (I) of the Securities Regulation Code (Republic Act No. 8799) and Rule 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC, as amended.
Registrar, Paying Agent or Stock Transfer Agent.....	SMC Stock Transfer Service Corporation
Registration Statement.....	The registration statement filed with the SEC in connection with the offer and sale to the public of the Series 4 Preferred Shares
Revised Corporation Code.....	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
SB Capital.....	SB Capital Investment Corporation
SEC .....	Philippine Securities and Exchange Commission
Sole Issue Manager.....	China Bank Capital
SRC.....	Republic Act No. 8799 otherwise known as the Securities Regulation Code of the Philippines
U.S. dollars, USD or US\$.....	U.S. Dollars, the legal currency of the United States of America
VAT .....	Value-Added Tax

## SUMMARY OF THE OFFERING

*The following do not purport to be a complete listing of all the rights, obligations and privileges of the Offer Shares. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective shareholders are enjoined to perform their own review of the Articles of Incorporation, By-Laws and resolutions of the Board of Directors of the Company, the Company disclosures, the information contained in the Prospectus, this Offer Supplement, and any other agreements relevant to the Offer. Each prospective shareholder must rely on its own appraisal of the Issuer and the proposed financing and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to participate in the proposed financing and 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 shareholder's independent evaluation and analysis.*

*The following overview should be read as an Introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Offer Supplement and in the Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Series 4 Preferred Shares. Accordingly, any decision by a prospective investor to invest in the Series 4 Preferred Shares should be based on a consideration of the Prospectus and this Offer Supplement as a whole. Prospective investors are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Preferred Shares to be offered. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.*

Issuer	Petron Corporation
Instrument	Cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, reissuable peso-denominated perpetual preferred shares (" <b>Series 4 Preferred Shares</b> ")
Offer Size	<p>₱12.5 Billion with an Oversubscription Option of up to ₱10 Billion.</p> <p>12,500,000 Series 4 Preferred Shares (subject to the Oversubscription Option as provided below), to be issued in three (3) subseries: Series 4A Preferred Shares, Series 4B Preferred Shares, and Series 4C Preferred Shares.</p> <p>The Series 4 Preferred Shares will be issued out of the treasury shares of the Company.</p> <p>In the event that Oversubscription Option is exercised, the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, have the discretion to allocate the Oversubscription Option of up to 10,000,000 Series 4 Preferred Shares to the Series 4A Preferred Shares, Series 4B Preferred Shares, and the Series 4C Preferred Shares, or to just one (1) or two (2) subseries at the end of the Offer Period.</p>
Oversubscription Option	In the event of an oversubscription, the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, reserve the right, but do not have the obligation, to increase the Offer Size by up to 10,000,000



	Series 4 Preferred Shares, subject to the applicable requirements of the SEC.
Registration and Listing	To be registered with the SEC and listed on the Main Board of the PSE, subject to compliance with SEC regulations and PSE listing rules. Upon listing, the Series 4A Preferred Shares, Series 4B Preferred Shares, and Series 4C Preferred Shares shall be traded under the symbols “PRF4A”, “PRF4B”, and “PRF4C”, respectively.
Use of Proceeds	The net proceeds of the Offer shall be used primarily for the partial redemption of the 2018 SPCS, partial refinancing of the Php7B Retail Bonds, refinancing of existing indebtedness and purchase of crude oil. Please refer to the section on “ <i>Use of Proceeds</i> ” of this Offer Supplement.
Par Value	The Series 4 Preferred Shares shall have a par value of ₱1.00 per share.
Offer Price	The Series 4 Preferred Shares shall be offered at a price of ₱1,000.00 per share.
Offer Period	The Offer Period shall commence at 9:00 a.m. on June 15, 2023 and end at 12:00 noon on June 27, 2023. The Issuer and the Joint Lead Underwriters and Joint Bookrunners reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE, as applicable.
Listing Date	On July 7, 2023, or such other date when the Series 4 Preferred Shares are listed in the PSE.
Dividend Rate	<p>As and if cash dividends are declared by the Board of Directors, cash dividends on the Series 4 Preferred Shares shall be at the fixed rate of:</p> <ul style="list-style-type: none"> <li>• Series 4A Preferred Shares: 6.7079% per annum;</li> <li>• Series 4B Preferred Shares: 6.7972% per annum;</li> <li>• Series 4C Preferred Shares: 7.0861% per annum;</li> </ul> <p>in all cases calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (each, the “<b>Initial Dividend Rate</b>” for the relevant series).</p> <p>Dividend Rate means (a) from the Listing Date up to the Step-Up Date, the Initial Dividend Rate, and (b) from the Step-Up Date until the date the Series 4 Preferred Shares are redeemed, the higher of the Initial Dividend Rate and the Step-Up Dividend Rate. (Please see below relevant definitions.)</p>
Dividend Payment Dates	Cash Dividends will be payable starting October 7, 2023,

	<p>and every January 7, April 7, July 7 and October 7 of each year, each a “<b>Dividend Payment Date</b>”, being the last day of each 3-month period (a “<b>Dividend Period</b>”) following the Listing Date, as and if declared by the Board of Directors in accordance with the terms and conditions of the Series 4 Preferred Shares.</p> <p>The dividends on the Series 4 Preferred Shares will be calculated on a 30/360-day basis.</p> <p>If the Dividend Payment Date is not a Business Day, dividends will be paid on the next succeeding Business Day, without adjustment as to the amount of dividends to be paid.</p>
<p>Conditions on Declaration and Payment of Cash Dividends</p>	<p>The declaration and payment of cash dividends for each Dividend Period will be subject to the sole and absolute discretion of the Board of Directors of the Issuer, to the extent permitted by applicable laws and regulations, and the covenants (financial or otherwise) in the agreements to which the Issuer is a party. The Board of Directors will not declare and pay dividends for any Dividend Period where payment of such dividends would cause the Issuer to breach any of its covenants (financial or otherwise).</p> <p>If in the opinion of the Board of Directors, the Company will not be in a position to pay in full the dividends on the Series 4 Preferred Shares and the dividends or distributions on any Parity Securities falling due within a six (6)-month period from any Dividend Payment Date, after paying in full an amount equal to all dividends or distributions scheduled to be paid on or before that dividend or distribution payment date on any securities with a right to dividends or distributions ranking in priority to that of the Series 4 Preferred Shares, the Company shall either (a) not declare the dividends on the Series 4 Preferred Shares and defer the payment of such dividends or distributions on any Parity Securities, or (b) pay such dividends on the Series 4 Preferred Shares and the dividends or distributions on any Parity Securities <i>pro rata</i> to the amount of the dividends or distributions scheduled to be paid to them within the said period. The amount scheduled to be paid will include the amount of any dividend or distribution due and payable within the said period and any arrears on past cumulative dividends or any deferred distributions.</p>
<p>Optional Redemption and Purchase</p>	<p>As and if approved by the Board of Directors (or the Executive Committee), the Company may redeem in whole (but not in part), any subseries of the Series 4 Preferred Shares as follows:</p> <ul style="list-style-type: none"> <li>a. in respect of Series 4A Preferred Shares, two (2) years and six (6) months after Listing Date (the “<b>Series 4A First Optional Redemption Date</b>”)</li> </ul>

or on any Dividend Payment Date thereafter (each of the Series 4A First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4A Optional Redemption Date**”);

- b. in respect of Series 4B Preferred Shares, three (3) years after Listing Date (the “**Series 4B First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4B First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4B Optional Redemption Date**”); and
- c. in respect of Series 4C Preferred Shares, five (5) years after Listing Date (the “**Series 4C First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4C First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4C Optional Redemption Date**”)

(each Series 4A Optional Redemption Date, Series 4B Optional Redemption Date, and Series 4C Optional Redemption Date, an “**Optional Redemption Date**”),

after giving not less than 30 nor more than 60 days written notice prior to the intended date of redemption, at a redemption price equal to the Offer Price of the Series 4 Preferred Shares plus all dividends due them on the actual date of redemption as well as all accumulated dividends due and payable, or Arrears of Dividends after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption (the “**Redemption Price**”). Such notice to redeem shall be deemed irrevocable upon issuance thereof.

For the avoidance of doubt, on the applicable Optional Redemption Date, the Issuer has the option to redeem, in whole but not in part, any, some, or all of the subseries.

In the event an Optional Redemption Date which the Issuer has chosen as the date to redeem any, some, or all of the subseries falls on a day that is not a Business Day, the redemption shall be made on the next succeeding day that is a Business Day, without adjustment as to the Redemption Price and the amount of dividends to be paid.

The Issuer shall likewise have the option to redeem, in whole but not in part, any, some, or all of the subseries (a) in the event payments in respect of the Series 4 Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof,

	<p>and such tax cannot be avoided by use of reasonable measures available to the Issuer; or (b) in the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Series 4 Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with Philippine Financial Reporting Standards (“<b>PFRS</b>”), or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer.</p> <p>Upon listing on the PSE, the Company reserves the right to purchase the Series 4 Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Series 4 Preferred Shares. The Series 4 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in this Offer Supplement) and cancelled or kept as treasury shares, as applicable.</p>
Step-Up Dividend Rate	<p>Unless the Series 4 Preferred Shares shall have been redeemed by the Company as follows:</p> <ol style="list-style-type: none"> <li>a. in respect of Series 4A Preferred Shares, on the 4<sup>th</sup> anniversary of the Listing Date (the “<b>Series 4A Step-Up Date</b>”);</li> <li>b. in respect of Series 4B Preferred Shares, on the 5<sup>th</sup> anniversary of the Listing Date (the “<b>Series 4B Step-Up Date</b>”); and</li> <li>c. in respect of Series 4C Preferred Shares, on the 7<sup>th</sup> anniversary of the Listing Date (the “<b>Series 4C Step-Up Date</b>”)</li> </ol> <p>(each, referred to as a “<b>Step-Up Date</b>”), the Initial Dividend Rate shall be adjusted as follows:</p> <ol style="list-style-type: none"> <li>i. for Series 4A Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 5-year BVAL (or if the 5-year BVAL is not available or cannot be determined, any successor rate as determined by the Bankers Association of the Philippines (“<b>BAP</b>”) or the <i>Bangko Sentral ng Pilipinas</i> (“<b>BSP</b>”)), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3)</li> </ol>

	<p>consecutive Business Days preceding and inclusive of the Series 4A Step-Up Date, plus 3.25%;</p> <p>ii. for Series 4B Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 7-year BVAL (or if the 7-year BVAL is not available or cannot be determined, any successor rate as determined by the BAP or the BSP), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4B Step-Up Date, plus 3.25%; and</p> <p>iii. for Series 4C Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any successor rate as determined by the BAP or the BSP), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4C Step-Up Date, plus 3.25%.</p> <p>(The date of the listing of the Series 4A Preferred Shares, the Series 4B Preferred Shares, and the Series 4C Preferred Shares is referred to as the “<b>Listing Date</b>”. The adjusted rates referred to in (i), (ii), and (iii) are each referred to as a “<b>Step-Up Dividend Rate</b>”.)</p> <p>However, if the Initial Dividend Rate is higher than the applicable Step-Up Dividend Rate, there shall be no adjustment on the Dividend Rate, and the Initial Dividend Rate shall continue to be the Dividend Rate.</p> <p>In the event the relevant Step-Up Date falls on a day that is not a Business Day,</p> <p>a. the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date, and</p> <p>b. the higher of the applicable Initial Dividend Rate and the applicable Step-Up Dividend Rate will be</p>
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	<p>applied commencing on the Step-Up Date (which is the 4<sup>th</sup> anniversary date of the Series 4A Preferred Shares, the 5<sup>th</sup> anniversary date of the Series 4B Preferred Shares, and the 7<sup>th</sup> anniversary of the Series 4C Preferred Shares).</p> <p>In the event that BVAL is replaced by a new benchmark rate as determined by the BAP or the BSP, such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the “<b>New Benchmark Rate</b>”). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use or apply BVAL, the Company and the Joint Lead Underwriters and Joint Bookrunners shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.</p>
No Sinking Fund	<p>The Company is not legally required, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Series 4 Preferred Shares.</p>
Taxation	<p>All payments in respect of the Series 4 Preferred Shares 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 Philippine Government, including, but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Series 4 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Company shall not be liable for, and the foregoing payment undertaking of the Company shall not apply to:</p> <ul style="list-style-type: none"> <li>a. any withholding tax applicable on dividends earned by or on any amounts payable to the holders of the Series 4 Preferred Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation;</li> <li>b. any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption of the Series 4 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 4 Preferred Shares;</li> <li>c. any expanded value added tax which may be payable by any holder of the Series 4 Preferred Shares on any amount to be received from the Company under the terms and conditions of the</li> </ul>

	<p>Series 4 Preferred Shares;</p> <ul style="list-style-type: none"> <li>d. any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividends payable to any holder of Series 4 Preferred Shares or any entity which is a non-resident foreign corporation; and</li> <li>e. any applicable taxes on any subsequent sale or transfer of the Series 4 Preferred Shares by any holder of the Series 4 Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).</li> </ul> <p>All sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities.</p> <p>Documentary stamp tax and all other costs and expenses for the issuance of the Series 4 Preferred Shares and the documentation, if any, shall be for the account of the Company.</p>
Redemption by reason of a Tax Event	<p>In the event payments in respect of the Series 4 Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem the Series 4 Preferred Shares at any time in whole but not in part, at the Redemption Price; provided that if the Tax Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries. See "<i>Summary of the Offering</i>" and "<i>Description of the Preferred Shares</i>" of this Offer Supplement.</p>
Redemption by reason of an Accounting Event	<p>In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Series 4 Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem the Series 4 Preferred Shares in whole, but not in part at the Redemption Price; provided that if the Accounting Event</p>

	<p>is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries. See “<i>Summary of the Offering</i>” and “<i>Description of the Preferred Shares</i>” of this Offer Supplement.</p>
Form, Title and Registration of the Series 4 Preferred Shares	<p>The Series 4 Preferred Shares shall be in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer and lodged with PDTC as Depository Agent not later than the Listing Date through PSE Trading Participants nominated by the accepted Applicants. For this purpose, Applicants shall indicate in the proper space provided for in the Application to Purchase forms that will be issued and circulated in connection with the Offer (together with the required documents), the name of the PSE trading participants under whose name their shares will be registered.</p> <p>After the Listing Date, holders of the Series 4 Preferred Shares (the “<b>Shareholders</b>”) may request their nominated PSE Trading Participants to facilitate the conversion of their scripless Series 4 Preferred Shares into stock certificates. Any expense that will be incurred in relation to such issuance of stock certificates shall be for the account of the requesting Shareholder.</p> <p>Legal title to the Series 4 Preferred Shares will be shown in an electronic register of shareholders (the “<b>Registry of Shareholders</b>”) which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Series 4 Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a Statement of Account to all shareholders named in the Registry of Shareholders, except certificated shareholders and Depository Participants, confirming the number of Series 4 Preferred Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of the given date thereof. Any request by a Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.</p>
Selling and Transfer Restrictions	<p>Initial placement and subsequent transfers of interests in the Series 4 Preferred Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.</p>
Governing Law	<p>The Series 4 Preferred Shares shall be offered under and governed by the laws of the Republic of the Philippines.</p>



<b>Features of the Series 4 Preferred Shares</b>	
Status	<p>The Series 4 Preferred Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least <i>pari passu</i> in all respects and ratably without preference or priority among themselves.</p> <p>The Series 4 Preferred Shares will be subordinated to the US\$500 million Senior Perpetual Capital Securities of the Company issued in 2018, the US\$550 million Senior Perpetual Capital Securities of the Company issued in 2021 ("<b>Capital Securities</b>"), and any Senior Capital Securities that may be issued by the Company.</p> <p>The obligations of the Company in respect of the Series 4 Preferred Shares will, in the event of the winding-up of the Company (subject to and to the extent permitted by applicable law), rank:</p> <ul style="list-style-type: none"> <li>a. junior to all unsubordinated obligations of the Company (other than Parity Securities) and any obligation assumed by the Company under any guarantee of, or any indemnity in respect of, any obligation or commitment which rank or are expressed to rank senior to the Series 4 Preferred Shares;</li> <li>b. <i>pari passu</i> with each other and with any Parity Securities of the Company; and</li> <li>c. senior only to the Company's Junior Securities. (as defined below).</li> </ul> <p>"<b>Parity Securities</b>" means: (i) any instrument, security (including preferred shares) or obligation issued or entered into by the Company which ranks, or is expressed to rank, by its terms or by operation of law, <i>pari passu</i> with the Series 4 Preferred Shares; (ii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the Company where the Company's obligations under the relevant guarantee or indemnity rank, or are expressed to rank, <i>pari passu</i> with the Company's obligations under the Series 4 Preferred Shares; and (iii) the Outstanding Series 4 Preferred Shares of the Company issued and outstanding as of the Listing Date.</p> <p>"<b>Junior Securities</b>" means (i) the common shares of the Company; (ii) any instrument, security or obligation issued or entered into by the Company which ranks, or is expressed to rank, junior to the Series 4 Preferred Shares; and (iii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the</p>

	<p>Company where the Company's obligations under the relevant guarantee or indemnity rank, or are expressed to rank, junior to the Company's obligations under the Series 4 Preferred Shares.</p> <p>The Company is at liberty from time to time without the consent of the holders of the Series 4 Preferred Shares to create and issue additional preferred shares or securities either (a) ranking at least <i>pari passu</i> in all respects with the Series 4 Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.</p>
<p>Dividend Cumulative</p>	<p>Dividends on the Series 4 Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Series 4 Preferred Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, Shareholders of the Series 4 Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the "<b>Arrears of Dividends</b>").</p> <p>Shareholders of the Series 4 Preferred Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Series 4 Preferred Shares.</p> <p>The Company covenants that, in the event (for any reason):</p> <ul style="list-style-type: none"> <li>a. any dividends due with respect to any Series 4 Preferred Shares then outstanding for any period are not declared and paid in full when due;</li> <li>b. where there remains Arrears of Dividends; or</li> <li>c. any other amounts payable in respect of the Series 4 Preferred Shares are not paid in full when due,</li> </ul> <p>then the Company will not:</p> <ul style="list-style-type: none"> <li>a. declare or pay any dividends or other distributions in respect of Parity Securities and Junior Securities (unless such declaration or payment of dividends or distributions in respect of Parity Securities shall be in accordance with "<b>Conditions on Declaration and Payment of Cash Dividends</b>"), or</li> </ul>

	<p>b. repurchase or redeem any Parity Securities or Junior Securities (or contribute any moneys to a sinking fund for the redemption of any Parity Securities or Junior Securities),</p> <p>until any and all amounts described in (a), (b) and (c) have been paid to the Shareholders.</p>
No Voting Rights	Shareholders shall not be entitled to vote at the Company's stockholders' meetings, except as otherwise provided by law.
Non-Participating	Shareholders shall not be entitled to participate in any other or future dividends beyond the dividends specifically payable on the Series 4 Preferred Shares.
Non-Convertible	Shareholders shall have no right to convert the Series 4 Preferred Shares to any other preferred shares or common shares of the Company.
No Pre-emptive Rights	Shareholders shall have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued or sold by the Company.
Liquidation Rights	<p>In the event of a return of capital in respect of the Company's winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Company of any of its share capital, the Shareholders at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Company available for distribution to shareholders, together with the holders of any other securities of the Company ranking, as regards repayment of capital, <i>pari passu</i> with the Series 4 Preferred Shares and before any distribution of assets is made to holders of any class of the securities of the Company ranking after the Series 4 Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Series 4 Preferred Shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the winding up of the Company or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Company, the amount payable with respect to the Series 4 Preferred Shares and any other securities of the Company ranking as to any such distribution <i>pari passu</i> with the Series 4 Preferred Shares is not paid in full, the holders of the Series 4 Preferred Shares and of such other securities will share ratably in any such distribution of the assets of the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution</p>

	to which they are entitled, the holders of the Series 4 Preferred Shares will have no right or claim to any of the remaining assets of the Company and will not be entitled to any further participation or return of capital in a winding up.
Perpetual	The Series 4 Preferred Shares are perpetual and have no fixed final maturity date.
Reissuable	Upon redemption, the Series 4 Preferred Shares shall not be retired but may be reissued under such terms and conditions and procedure as may be determined by the Board of Directors or the Executive Committee (when so delegated to it by the Board of Directors).
<b>Other Terms of the Offer</b>	
Minimum Subscription to the Series 4 Preferred Shares	Each Application shall be for a minimum of 50 Series 4 Preferred Shares, and thereafter, in multiples of 10 Series 4 Preferred Shares. No Application for multiples of any other number of Series 4 Preferred Shares will be considered.
Eligible Investors	<p>Any natural person of legal age, or any corporation, association, partnership, trust account, fund or entity, regardless of nationality, subject to the Company's right to reject an application or reduce the number of Series 4 Preferred Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws. In addition, under certain circumstances, the Issuer may reject an application or reduce the number of Series 4 Preferred Shares applied for subscription.</p> <p>Law may restrict subscription to the Series 4 Preferred Shares in certain jurisdictions. Foreign investors interested in subscribing to or purchasing the Series 4 Preferred Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Series 4 Preferred Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Series 4 Preferred Shares. For more information relating to restrictions on the ownership of the Series 4 Preferred Shares, see "<i>Regulatory and Environmental Matters</i>".</p>
Procedure for Application	Applications to Purchase may be obtained from any of the Joint Lead Underwriters and Joint Bookrunners or Selling Agents. All Applications shall be evidenced by the Application to Purchase, duly executed in each case

	<p>by the Applicant or an authorized signatory of the Applicant and accompanied by two completed specimen signature cards, the corresponding payment for the Series 4 Preferred Shares covered by the Application to Purchase and all other required documents including documents required for registry with the Registrar and Depository Agent (the "<b>Application</b>"). The duly executed Application to Purchase and required documents should be submitted to the Joint Lead Underwriters and Joint Bookrunners or Selling Agents on or prior to set deadlines for submission of Applications. If the Applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:</p> <ul style="list-style-type: none"> <li>a. a certified true copy of the Applicant's latest articles of incorporation and by-laws, general information sheet or equivalent constitutive documents, each as amended to date, duly certified by the corporate secretary (or equivalent officer);</li> <li>b. a certified true copy of the Applicant's SEC certificate of registration, duly certified by the corporate secretary (or equivalent officer); and</li> <li>c. a duly notarized corporate secretary's certificate setting forth the resolution of the Applicant's board of directors or equivalent body authorizing (i) the purchase of the Series 4 Preferred Shares indicated in the Application and (ii) the designated signatories authorized for the purpose, including their respective specimen signatures.</li> <li>d. government-issued identification document(s) ("<b>ID</b>") of each of the authorized signatory/ies, certified as true copy by the Applicant's corporate secretary (or equivalent officer).</li> </ul> <p>For individual Applicants, each must also submit a photocopy of any one of the following identification documents ("<b>ID</b>"): passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required in relevant documents or acceptable to the Issuer.</p> <p>An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must also submit the documents described on page 54 of this Offer Supplement.</p>
<p>Payment for the Series 4 Preferred Shares</p>	<p>The Series 4 Preferred Shares must be paid for in full upon submission of the Application. The purchase price must be paid in full in Pesos upon the submission of the</p>

	<p>duly completed and signed Application to Purchase and specimen signature card together with the requisite attachments. Payment for the Series 4 Preferred Shares shall be made by manager's check/cashier's check, corporate check or personal check drawn against any <i>Bangko Sentral ng Pilipinas</i> authorized bank or any branch thereof. All checks should be made payable to "Petron Preferred Shares Offer", crossed "Payee's Account Only," and dated on or before the date as the Application. The Applications and the related payments will be received at any of the offices of the Joint Lead Underwriters and Joint Bookrunners or Selling Agents. Applicants submitting their Application to a Joint Lead Underwriter and Joint Bookrunner may also remit payment for their Series 4 Preferred Shares through the Real Time Gross Settlement ("<b>RTGS</b>") facility of the BSP to the Joint Lead Underwriter and Joint Bookrunner to whom such Application was submitted or via direct debit to their deposit account maintained with such Joint Lead Underwriter and Joint Bookrunner. Cash payments shall not be accepted.</p> <p>Should the Applicant elect to pay through RTGS, the Application should be accompanied by an instruction issued by the Applicant to effect payment through RTGS in an amount equal to the total Offer Price of the Offer Shares applied for, to be effected and fully funded not later than 12:00 noon on June 27, 2023.</p> <p>Should the Applicant elect to pay by a debit memo or instruction, the Application should be accompanied by a debit memo or instruction issued by the Applicant in an amount equal to the total Offer Price applied for in favor of the Joint Lead Underwriter and Joint Bookrunner to whom the Application is submitted, to be effected no later than 12:00 noon on June 27, 2023.</p>
<p>Acceptance/Rejection of Applications</p>	<p>The actual number of Series 4 Preferred Shares that an Applicant will be allowed to subscribe for is subject to the confirmation of the Joint Lead Underwriters and Joint Bookrunners. The Company, in consultation with the Joint Lead Underwriters and Joint Bookrunners, reserves the right to accept or reject, in whole or in part, any Application due to any grounds specified in the Underwriting Agreement to be entered into by the Company and the Joint Lead Underwriters and Joint Bookrunners. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any acceptance or receipt of payment pursuant to the Application does not constitute approval or acceptance by the Company of the Application.</p> <p>An Application, when accepted, shall constitute an agreement between the Applicant and the Company for the subscription to the Series 4 Preferred Shares at the</p>

	<p>time, in the manner and subject to terms and conditions set forth in the Application to Purchase and those described in the Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription by the Applicant for the Series 4 Preferred Shares will become effective only upon listing of the Series 4 Preferred Shares on the PSE and upon the obligations of the Joint Lead Underwriters and Joint Bookrunners under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement. If such conditions have not been fulfilled on or before the periods provided above, all Application payments will be returned to the Applicants without interest.</p>
<p>Refunds for Rejected Applications</p>	<p>In the event that the number of Series 4 Preferred Shares to be allotted to an Applicant, as confirmed by a Joint Lead Underwriter and Joint Bookrunner or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund, without interest, within five (5) Business Days from the end of the Offer Period, all or the portion of the payment corresponding to the number of Series 4 Preferred Shares wholly or partially rejected. All refunds, without interest, shall be made through the Joint Lead Underwriters and Joint Bookrunners, Selling Agent, or Receiving Agent (as applicable) with whom the Applicant has filed the Application within five (5) Business Days from the end of Offer Period.</p> <p>Should the refund be made via a check, an Applicant may retrieve such check refund at the office of the relevant Joint Lead Underwriter and Joint Bookrunner, Selling Agent, or Receiving Agent (as applicable) with whom the Applicant has filed the Application. Refund checks that remain unclaimed after thirty (30) days from the date such checks are made available for pick-up shall be delivered through registered mail, at the Applicant's risk, to the address specified by the Applicant in the Application.</p>
<p>Process of distributing TP allocation among the Series 4A Preferred Shares, the Series 4B Preferred Shares, and the Series 4C Preferred Shares</p>	<p>Mechanics of Distribution</p> <ol style="list-style-type: none"> <li>1. Upon preparation of the Firm Undertaking report, the Sole Issue Manager, with oversight from representative(s) of the other Joint Lead Underwriters and Joint Bookrunners and under the supervision of a representative from the PSE Listings Department, shall input the number of Offer Shares requested by each Participating TP in a spreadsheet designed for the reservation and allocation of the Offer Shares.</li> </ol>

	<p>2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process:</p> <ul style="list-style-type: none"><li>a) If the total number of Offer Shares requested by a Participating TP, based on its Firm Undertaking, does not exceed the allocation per TP, the Sole Issue Manager shall fully satisfy the request of such Participating TP. Each TP is assured of not less than the Allocation per TP. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated.</li><li>b) If the total number of Offer Shares requested by a Participating TP exceeds the allocation per TP, Additional Shares may be sourced from the Offer Shares not taken up by the other TPs. The Sole Issue Manager, under the observation of a representative of the PSE Listings Department, shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders of those TPs who have Firm Orders that are less than or equal to the allocation per TP; and (ii) distributing equitably the remaining TP Allocation to other TPs with orders for Additional Shares, but only up to their respective Firm Order.</li><li>c) In no case shall any Participating TP be awarded more than the shares indicated in its Firm Undertaking.</li><li>d) If the aggregate number of Offer Shares requested by all Participating TPs is less than the TP Allocation, the balance shall be returned to the Joint Lead Underwriters and Joint Bookrunners.</li></ul> <p>3. The Company, in consultation with the Joint Lead Underwriters and Joint Bookrunners, shall have sole discretion on the determination of the split between the Series 4A, Series 4B and Series 4C Preferred Shares (the “<b>Series Split</b>”). The allocation per TP on each of the Series 4A, Series 4B, and Series 4C Preferred Shares shall adjust <i>pro rata</i> in accordance with the Series Split, rounded to the prescribed board lot requirement as described in paragraph 10 in the TP Implementing Guidelines.</p> <p>4. All deadlines indicated in these procedures shall be strictly followed.</p>
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<p>Withdrawal of the Offer</p>	<p>The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and PSE.</p> <p>The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to the Listing Date, if any of the following events occurs, in which case the Underwriting Agreement shall be deemed terminated:</p> <ol style="list-style-type: none"> <li>a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration, or the SEC Permit to Sell Securities (“<b>Approvals</b>”) and by the Prospectus and this Offer Supplement, or would have a material adverse effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it, in the reasonable determination of the Joint Lead Underwriters and Joint Bookrunners, impracticable to proceed with the Offer in the manner contemplated by the Approvals and the Prospectus and this Offer Supplement, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer’s or Joint Lead Underwriters and Joint Bookrunners’ inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the Joint Lead Underwriters and Joint Bookrunners, or any other entity/person to take up any Offer Shares remaining after the Offer Period;</li> <li>b. An order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution listing or issuance of the Offer Shares by any court or governmental agency or authority having jurisdiction on the matter which to issue such order is not lifted, including the SEC and the PSE;</li> </ol>
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	<ul style="list-style-type: none"> <li>c. Cancellation, revocation or termination of the Approvals;</li> <li>d. Trading in the PSE is closed or suspended for at least three (3) consecutive trading days other than due to weekends or declared holidays, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;</li> <li>e. There is a change or impending change in any Philippine law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Issuer to engage in the business it is presently engaged in; (b) the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, (c) any of the features, yield or marketability of the Offer Shares, including the taxes on fees or costs in connection with the Offer, or (ii) renders illegal the performance by any of the Joint Lead Underwriters and Joint Bookrunners of their respective obligations hereunder;</li> <li>f. Any significant, adverse, and unforeseeable change or development in the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Offer Shares unsuitable for offering to the public;</li> <li>g. The Issuer decides to or is compelled by any competent court or government authority to stop or is about to stop its operations, which is not remedied within five (5) Business Days from such decision of the Issuer or competent court or government authority (as the case may be);</li> <li>h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; and such receiver, trustee or similar officer shall be appointed; or the Issuer shall initiate or institute (by petition, application or otherwise), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement,</li> </ul>
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	<p>readjustment of debt, suspension of payment, dissolution, liquidation, corporate rehabilitation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted against the Issuer; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part of the Issuer's assets; or any event occurs which under the laws of the Philippines or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;</p> <ul style="list-style-type: none"><li>i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;</li><li>j. The commencement or threatened commencement by any entity, person or regulatory body of any public action, court proceeding, litigation, arbitration or other similar proceeding against the Joint Lead Underwriters and Joint Bookrunners in connection with or with respect to the issuance or sale by the Issuer of the Offer Shares in the Offer in general which renders the performance of their underwriting commitment impossible or impracticable;</li><li>k. Any event occurs which makes it impossible for the Joint Lead Underwriters and Joint Bookrunners to perform their underwriting obligations due to conditions beyond their control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the Joint Lead Underwriters and Joint Bookrunners, or directing the Joint Lead Underwriters and Joint Bookrunners to cease, from performing their underwriting obligations;</li><li>l. Any representation, warranty or statement of the Issuer in the Underwriting Agreement, in any certificate, or any information given in the Prospectus and the Offer Supplement is untrue or misleading in any material respect or omitted to state a material fact necessary to make the statements therein in light of the circumstances in which they were made, provided that such: (a) was not known and could not have been known to the Joint Lead Underwriters and Joint Bookrunners on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability;</li></ul>
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- m. Unavailability of PDTC's lodgement facilities and the PSE's listing facilities used for the Offer and/or listing prior to or on the target Listing Date and such unavailability effectively prevents the ability of the Issuer and the Joint Lead Underwriters and Joint Bookrunners to fully comply with the listing requirements of PSE, if the impact of such unavailability remains unresolved after discussions between the Issuer and the Joint Lead Underwriters and Joint Bookrunners in good faith; and
- n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended, or terminated solely by reason of the Issuer's or Joint Lead Underwriters and Joint Bookrunners' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/person to take up any Offer Shares remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section and the "*Plan of Distribution – Withdrawal of the Offer*" of the Offer Supplement, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

Notwithstanding the foregoing, the Company and the Joint Lead Underwriters and Joint Bookrunners recognize and acknowledge that the PSE is a self-regulatory organization with a mandate to maintain a fair and orderly market. In this regard, the PSE may impose appropriate and reasonable sanctions and penalties on the relevant party for the cancellation of the Offer on or after the commencement of the Offer Period and prior to the Issue Date if, subsequently, the PSE determines that the cancellation or suspension of the Offer was not warranted based on the facts gathered and properly evaluated by PSE and after due and proper proceedings initiated by the PSE not later than five (5) Business Days after such cancellation or suspension.

Local Small Investors	There will be no allocation to Local Small Investors under the proposed offering.																		
Expected Timetable	<p>The timetable of the Offer is expected to be as follows:</p> <table border="1"> <tr> <td>SEC en Banc approval and issuance of Pre-effective letter</td> <td>June 2, 2023</td> </tr> <tr> <td>PSE Board Approval and issuance of Notice of Approval</td> <td>June 7, 2023</td> </tr> <tr> <td>Dividend Rate Setting</td> <td>June 9, 2023</td> </tr> <tr> <td>Dividend Rate Announcement</td> <td>June 13, 2023</td> </tr> <tr> <td>Issuance of Permit to Sell and Order of Registration</td> <td>June 14, 2023</td> </tr> <tr> <td>Public Offer Period</td> <td>June 15 to 27, 2023</td> </tr> <tr> <td>PSE Trading Participants' Submission of Firm Undertaking</td> <td>June 23, 2023, 11:00 a.m.</td> </tr> <tr> <td>Release of Allocation Notices to PSE Trading Participants</td> <td>June 26, 2023, 9:00 a.m.</td> </tr> <tr> <td>Listing Date and commencement of trading on the PSE</td> <td>July 7, 2023</td> </tr> </table> <p>Any change in the dates included above may be subject to approval of the SEC and PSE, as applicable, and other conditions.</p>	SEC en Banc approval and issuance of Pre-effective letter	June 2, 2023	PSE Board Approval and issuance of Notice of Approval	June 7, 2023	Dividend Rate Setting	June 9, 2023	Dividend Rate Announcement	June 13, 2023	Issuance of Permit to Sell and Order of Registration	June 14, 2023	Public Offer Period	June 15 to 27, 2023	PSE Trading Participants' Submission of Firm Undertaking	June 23, 2023, 11:00 a.m.	Release of Allocation Notices to PSE Trading Participants	June 26, 2023, 9:00 a.m.	Listing Date and commencement of trading on the PSE	July 7, 2023
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Sole Issue Manager	China Bank Capital Corporation																		
Joint Lead Underwriters and Joint Bookrunners	<p>Bank of Commerce, China Bank Capital Corporation, Philippine Commercial Capital, Inc., PNB Capital and Investment Corporation, and SB Capital Investment Corporation.</p> <p>For more information on the Sole Issue Manager, and the Joint Lead Underwriters and Joint Bookrunners and their underwriting commitments, please see "<i>Plan of Distribution</i>".</p>																		
Selling Agents	First Metro Investment Corporation and Trading Participants of The Philippine Stock Exchange, Inc.																		
Depository Agent	Philippine Depository & Trust Corp.																		
Registrar/Stock Transfer Agent	SMC Stock Transfer Service Corporation																		
Receiving Agent	SMC Stock Transfer Service Corporation																		
Counsel to the Issuer	Picazo Buyco Tan Fider & Santos																		

Counsel to the Sole Issue Manager and the Joint Lead Underwriters and Joint Bookrunners	SyCip Salazar Hernandez & Gatmaitan

## **DESCRIPTION OF THE PREFERRED SHARES**

*Set forth below is information relating to the Series 4 Preferred Shares. This description is only a summary and is qualified by reference to Philippine law and Petron's Articles of Incorporation and By-laws, copies of which are available at the SEC.*

### **Petron's Share Capital**

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and the by-laws of the corporation.

The Company is subject to foreign ownership restrictions on account of its ownership of land. Consequently, foreign ownership in the Company is limited to a maximum of 40% of both the total issued and outstanding capital stock entitled to vote for directors of the Company and the total number of issued and outstanding capital stock, whether or not entitled to vote for directors of the Company.

As of December 31, 2022, the Company had an authorized capital stock consisting of:

- a. 9,375,104,497 common shares with a par value of ₱1.00 per share, which are all issued and outstanding, and
- b. 624,895,503 preferred shares with a par value of ₱1.00 per share, of which 20,000,000 preferred shares are issued and outstanding.

The Series 4 Preferred Shares will be issued out of the treasury shares of the Company. In the event that Oversubscription Option is exercised, the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, have the discretion to allocate the Oversubscription Option of up to 10,000,000 Series 4 Preferred Shares to the Series 4A Preferred Shares, Series 4B Preferred Shares, and Series 4C Preferred Shares, or to just one (1) or two (2) subseries, at the end of the Offer Period.

### **The Series 4 Preferred Shares**

#### **General Features**

The Series 4 Preferred Shares shall have the following features, rights and privileges:

- The Offer Price of the Series 4 Preferred Shares shall be ₱1,000.00 per Preferred Share;
- The Initial Dividend Rate of the Series 4 Preferred Shares shall be at a fixed rate of 6.7079% per annum for Series 4A Preferred Shares, 6.7972% per annum for Series 4B Preferred Shares, and 7.0861%, per annum for Series 4C Preferred Shares, in all cases calculated in respect of each share by reference to the Offer Price thereof in respect of each Dividend Period;
- Perpetual and have no fixed maturity date;
- Cumulative in payment of current dividends as well as any unpaid back dividends;
- Non-convertible into common shares;
- Preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation of the Company and in the payment of the dividend at the rate specified above;
- Subordinated to the Senior Capital Securities;
- Non-participating in any other or further dividends beyond the dividends specifically payable on the Series 4 Preferred Shares;
- Non-voting except in those cases specifically provided by law;
- No pre-emptive rights to any subsequent issue or re-issue of the Company's shares (including, without limitation, treasury shares);
- Redeemable at the option of the Company under such terms and conditions as specified in this Offer Supplement; and

- Reissuable.

Shareholders do not have identical rights and privileges with holders of the existing common shares and existing preferred shares of the Company.

#### **Listing of Financial Obligations Based on Ranking and Preference**

1. Senior Debt / Senior Perpetual Capital Securities / Redeemable Perpetual Securities
2. Preferred Shares
3. Common Shares

#### **Features Specific or Particular to the Series 4 Preferred Shares**

Following are certain features specific or particular to the Series 4 Preferred Shares:

##### **In General: No Voting Rights**

The Series 4 Preferred Shares shall have no voting rights except as specifically provided by the Revised Corporation Code. Thus, Shareholders shall not be eligible, for example, to vote for or elect the Company's Directors or to vote for or against the issuance of a stock dividend. Shareholders, however, may vote on matters which the Revised Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. These acts, which require the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company are as follows:

- Amendment of the Company's Articles of Incorporation (the "**Articles**") (including any increase or decrease of capital stock);
- Amendment of the Company's By-laws (the "**By-laws**");
- Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets;
- Incurring, creating or increasing bonded indebtedness;
- Increase or decrease of capital stock;
- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized; and
- Dissolution of the Company.

##### **In General: Perpetual**

The Series 4 Preferred Shares are perpetual and have no fixed maturity date.

##### **Reissuable**

Upon redemption, the Series 4 Preferred Shares shall not be retired but may be reissued under such terms and conditions and procedure as may be determined by the Board of Directors or the Executive Committee (when so delegated to it by the Board of Directors).

##### **Dividend Policy in Respect of the Series 4 Preferred Shares**

As and if dividends are declared by the Board, dividends on the Shares shall be at a fixed rate of 6.7079% per annum for Series 4A Preferred Shares, 6.7972% per annum for Series 4B Preferred Shares, and 7.0861 % per annum for Series 4C Preferred Shares, in all cases calculated in respect of each share by reference to the Offer Price thereof in respect of each Dividend Period.

Cash dividends on the Series 4 Preferred Shares will be payable quarterly in arrears starting on October 7, 2023 and every January 7, April 7, July 7 and October 7 of each year (each a "**Dividend Payment Date**"),



each being the last day of each three (3)-month period (a “**Dividend Period**”) following the relevant Listing Date. The dividends on the Preferred Shares will be calculated on a 30/360-day basis and will be paid quarterly in arrears on Dividend Payment Date, as and if declared by the Board. If the Dividend Payment Date is not a Business Day, dividends will be paid on the next succeeding Business Day, without adjustment as to the amount of dividends to be paid.

The declaration and payment of cash dividends on each Dividend Period will be subject to the sole and absolute discretion of the Board to the extent permitted by applicable laws and regulations, and subject to the covenants (financial or otherwise) in the agreements to which the Company is a party.

The declaration and payment of cash dividends for each Dividend Period will be subject to the sole and absolute discretion of the Board of Directors of the Issuer, to the extent permitted by applicable laws and regulations, and the covenants (financial or otherwise) in the agreements to which the Issuer is a party. The Board of Directors will not declare and pay dividends for any Dividend Period where payment of such dividends would cause the Issuer to breach any of its covenants (financial or otherwise).

If in the opinion of the Board of Directors, the Company will not be in a position to pay in full the dividends on the Series 4 Preferred Shares and the dividends or distributions on any Parity Securities falling due within a six (6)-month period from any Dividend Payment Date, after paying in full an amount equal to all dividends or distributions scheduled to be paid on or before that dividend or distribution payment date on any securities with a right to dividends or distributions ranking in priority to that of the Series 4 Preferred Shares, the Company shall either (a) not declare the dividends on the Series 4 Preferred Shares and defer the payment of such dividends or distributions on any Parity Securities, or (b) pay such dividends on the Series 4 Preferred Shares and the dividends or distributions on any Parity Securities *pro rata* to the amount of the dividends or distributions scheduled to be paid to them within the said period. The amount scheduled to be paid will include the amount of any dividend or distribution due and payable within the said period and any arrears on past cumulative dividends or any deferred distributions.

Dividends on the Series 4 Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Series 4 Preferred Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Series 4 Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the “**Arrears of Dividends**”).

Shareholders shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Series 4 Preferred Shares.

The Company covenants that, in the event (for any reason):

- a. any dividends due with respect to any Series 4 Preferred Shares then outstanding for any period are not declared and paid in full when due;
- b. where there remains Arrears of Dividends; or
- c. any other amounts payable in respect of the Series 4 Preferred Shares are not paid in full when due,

then the Company will not:

- a. declare or pay any dividends or other distributions in respect of Parity Securities and Junior Securities (unless such declaration or payment of dividends or distributions in respect of Parity Securities shall be in accordance with “**Conditions on Declaration and Payment of Cash Dividends**”), or

- b. repurchase or redeem any Parity Securities or Junior Securities (or contribute any moneys to a sinking fund for the redemption of any Parity Securities or Junior Securities),

until any and all amounts described in (a), (b) and (c) have been paid to the holders of the Series 4 Preferred Shares.

#### **Optional Redemption of the Series 4 Preferred Shares**

As and if approved by the Board of Directors (or the Executive Committee), the Company may redeem in whole (but not in part), any subseries of the Series 4 Preferred Shares as follows:

- a. in respect of Series 4A Preferred Shares, two (2) years and six (6) months after Listing Date (the “**Series 4A First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4A First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4A Optional Redemption Date**”);
- b. in respect of Series 4B Preferred Shares, three (3) years after Listing Date (the “**Series 4B First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4B First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4B Optional Redemption Date**”); and
- c. in respect of Series 4C Preferred Shares, five (5) years after Listing Date (the “**Series 4C First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4C First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4C Optional Redemption Date**”)

(each Series 4A Optional Redemption Date, Series 4B Optional Redemption Date, and Series 4C Optional Redemption Date, an “**Optional Redemption Date**”),

after giving not less than 30 nor more than 60 days written notice prior to the intended date of redemption, at a redemption price equal to the Offer Price of the Series 4 Preferred Shares plus all dividends due them on the actual date of redemption as well as all accumulated dividends due and payable, or Arrears of Dividends after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption (the “**Redemption Price**”). Such notice to redeem shall be deemed irrevocable upon issuance thereof.

For the avoidance of doubt, on the applicable Optional Redemption Date, the Issuer has the option to redeem, in whole but not in part, any, some, or all of the subseries.

In the event an Optional Redemption Date which the Issuer has chosen as the date to redeem any, some, or all of the subseries falls on a day that is not a Business Day, the redemption shall be made on the next succeeding day that is a Business Day, without adjustment as to the Redemption Price and the amount of dividends to be paid.

The Issuer shall likewise have the option to redeem, in whole but not in part, any, some, or all of the subseries (a) in the event payments in respect of the Series 4 Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer; or (b) in the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Series 4 Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with Philippine Financial Reporting Standards (“**PFRS**”), or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer.

Upon listing on the PSE, the Company reserves the right to purchase the Series 4 Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Series 4 Preferred Shares. The Series 4 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in this Offer Supplement) and cancelled or kept as treasury shares, as applicable.

### **Step-Up Dividend Rate**

Unless the Series 4 Preferred Shares shall have been redeemed by the Company as follows:

- a. in respect of Series 4A Preferred Shares, on the 4<sup>th</sup> anniversary of the Listing Date (the “**Series 4A Step-Up Date**”);
- b. in respect of Series 4B Preferred Shares, on the 5<sup>th</sup> anniversary of the Listing Date (the “**Series 4B Step-Up Date**”); and
- c. in respect of Series 4C Preferred Shares, on the 7<sup>th</sup> anniversary of the Listing Date (the “**Series 4C Step-Up Date**”)

(each, referred to as a “**Step-Up Date**”), the Initial Dividend Rate shall be adjusted as follows:

- i. for Series 4A Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 5-year BVAL (or if the 5-year BVAL is not available or cannot be determined, any successor rate as determined by the Bankers Association of the Philippines (“**BAP**”) or the *Bangko Sentral ng Pilipinas* (“**BSP**”)), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4A Step-Up Date, plus 3.25%;
- ii. for Series 4B Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 7-year BVAL (or if the 7-year BVAL is not available or cannot be determined, any successor rate as determined by the BAP or the BSP), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4B Step-Up Date, plus 3.25%; and
- iii. for Series 4C Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any successor rate as determined by the BAP or the BSP), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page (of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4C Step-Up Date, plus 3.25%.

(The date of the listing of the Series 4A Preferred Shares, the Series 4B Preferred Shares, and the Series 4C Preferred Shares is referred to as the “**Listing Date**”. The adjusted rates referred to in (i), (ii), and (iii) are each referred to as a “**Step-Up Dividend Rate**”.)

However, if the Initial Dividend Rate is higher than the applicable Step-Up Dividend Rate, there shall be no adjustment on the Dividend Rate, and the Initial Dividend Rate shall continue to be the Dividend Rate.

In the event the relevant Step-Up Date falls on a day that is not a Business Day,

- a. the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date, and
- b. the higher of the applicable Initial Dividend Rate and the applicable Step-Up Dividend Rate will be applied commencing on the Step-Up Date (which is the 4<sup>th</sup> anniversary date of the Series 4A Preferred Shares, the 5<sup>th</sup> anniversary date of the Series 4B Preferred Shares, and the 7<sup>th</sup> anniversary of the Series 4C Preferred Shares).

In the event that BVAL is replaced by a new benchmark rate as determined by the BAP or the BSP, such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the “**New Benchmark Rate**”). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use or apply BVAL, the Company and the Joint Lead Underwriters and Joint Bookrunners shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.

### **Payments on the Series 4 Preferred Shares**

All payments in respect of the Series 4 Preferred Shares 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, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Series 4 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable; provided, however, that the Company shall not be liable for: (a) any withholding tax applicable on dividends earned by or on any amounts payable to the holders of the Series 4 Preferred Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation; (b) any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption of the Series 4 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 4 Preferred Shares; (c) any expanded value added tax which may be payable by any holder of the Series 4 Preferred Shares on any amount to be received from the Company under the Series 4 Preferred Shares; (d) any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividend payable to any holder of the Share or any entity which is a non-resident foreign corporation; and (e) any applicable taxes on any subsequent sale or transfer of the Series 4 Preferred Shares by any holder of the Series 4 Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

All sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities. See “*Plan of Distribution—Application to Purchase*” of this Offer Supplement for the list of documents required to be submitted as proof of tax-exempt status.

Documentary stamp tax and all other costs and expenses for the issuance of the Series 4 Preferred Shares and the documentation, if any, shall be for the account of the Company.

### **Early Redemption by reason of a Tax Event**

In the event dividend payments become subject to additional or higher withholding or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Company, the Company may redeem the Series 4 Preferred Shares at any time in whole, but not in part, having given not more than 60 nor less than 30 days’ notice prior to the intended date of redemption, at the Offer Price plus all accrued and Arrears of Dividends, if any. The Redemption Price shall be paid within five Business Days

of the exercise of the right to redeem the Series 4 Preferred Share; provided that if the Tax Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries.

### **Early Redemption by reason of an Accounting Event**

In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Company stating that the Series 4 Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Company prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Company for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Company, the Company having given not more than 60 nor less than 30 days' notice, may redeem the Series 4 Preferred Shares in whole, but not in part at the Redemption Price; provided that if the Accounting Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries.

### **Liquidation Rights in Respect of the Series 4 Preferred Shares**

The Series 4 Preferred Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least *pari passu* in all respects and ratably without preference or priority among themselves with all other Series 4 Preferred Shares issued by the Company and any other Parity Securities issued by the Company. The Series 4 Preferred Shares will be subordinated to the Capital Securities issued in 2018 and 2021.

In the event of a return of capital in respect of the Company's winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Company of any of its share capital, the obligations of the Company in respect of the Series 4 Preferred Shares will, subject to and to the extent permitted by applicable law, rank: (a) junior to all unsubordinated obligations of the Company (other than Parity Securities) and any obligation assumed by the Company under any guarantee of, or any indemnity in respect of, any obligation or commitment which rank or are expressed to rank senior to the Series 4 Preferred Shares; (b) *pari passu* with each other and with any Parity Securities of the Company; and (c) senior only to the Company's Junior Securities.

The Company is at liberty from time to time without the consent of the Shareholders to create and issue additional preferred shares or securities either (a) ranking at least *pari passu* in all respects with the Series 4 Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.

Shareholders at the time outstanding will be entitled to receive, in Pesos out of the Company's assets available for distribution to shareholders, together with the holders of any other of the Company's shares ranking, as regards repayment of capital, *pari passu* with the Series 4 Preferred Shares and before any distribution of assets is made to holders of any class of the Company's shares ranking after the Series 4 Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Series 4 Preferred Shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the Company's winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in the Company's winding up, the amount payable with respect to the Series 4 Preferred Shares and any other of the Company's shares ranking as to any such distribution *pari passu* with the Series 4 Preferred Shares is not paid in full, the holders of the Series 4 Preferred Shares and of such other shares will share ratably in any such distribution of the Company's assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Series 4 Preferred Shares will have no right or claim to any of the Company's remaining assets and will not be entitled to any further participation or return of capital in a winding up.

## **No Pre-emptive Rights**

There are no pre-emptive rights extended to holders of Series 4 Preferred Shares over all share issuances of the Company including, without limitation, treasury shares.

## **Transfer of Shares and Share Register**

The Series 4 Preferred Shares shall be in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer and lodged with Philippine Depository & Trust Corporation (“**PDTC**”) as Depository Agent not later than the Listing Date through PSE Trading Participants nominated by the Applicants.

Legal title to the Series 4 Preferred Shares will be shown in an electronic register of shareholders (the “**Registry of Shareholders**”) which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Series 4 Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting Shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a Statement of Account to all Shareholders named in the Registry of Shareholders confirming the number of Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of a given date thereof. Any request by Shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.

Initial placement of the Series 4 Preferred Shares and subsequent transfers of interests in the Series 4 Preferred Shares shall be subject to normal Philippine selling restrictions for listed securities as may prevail from time to time.

After Listing Date, Shareholders may request the Registrar, through their nominated PSE Trading Participant, to (a) open a scripless registry account and have their holdings of the Series 4 Preferred Shares registered under their name (“**name-on-registry account**”), or (b) issue stock certificates evidencing their investment in the Series 4 Preferred Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting Shareholder.

Philippine law does not require transfers of the Series 4 Preferred Shares to be effected on the PSE, but any off- exchange transfers will subject the transferor to a capital gains tax or, to the extent applicable, donor’s tax and documentary stamp tax, which taxes may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See “*Taxation*”. All transfers of shares on the PSE must be effected through a licensed stock broker in the Philippines.

## **Not convertible into Common Shares or Other Preferred Shares**

The Series 4 Preferred Shares shall not be convertible to any common shares or other preferred shares of the Company.

## **Other Rights and Incidents Relating to the Series 4 Preferred Shares**

Following are other rights and incidents relating to the Series 4 Preferred Shares, which may also apply to other classes of Petron’s stock.

## **Directors**

Unless otherwise provided by law or the Articles, the Company’s corporate powers are exercised, its business is conducted, and its property is controlled by the Board. Petron has 15 directors who are elected by holders of shares entitled to voting rights under the Articles during each annual meeting of the shareholders for a term of one year who shall serve as such until their successors shall have been duly

elected and shall have qualified. As mentioned, holders of Series 4 Preferred Shares are not entitled to vote for and elect the Company's Directors.

Petron's By-laws currently disqualify or deem ineligible for nomination or election to the Board any person who is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed so engaged:

- a. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board determines by resolution to be competitive or antagonistic to that of the Company or any of its affiliates and subsidiaries;
- b. If he is an officer, manager, controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company or any of its affiliates and subsidiaries, if the Board determines by resolution that the laws against combinations in restraint of trade shall be violated by such person's membership in the Board; and
- c. If the Board, in the exercise of its judgment in good faith, determines by resolution that such person is the nominee of any person set forth in (a) or (b).

The Company conforms to the requirement under the Revised Corporation Code to have independent directors constituting at least 20% of the board. As of the date of this Offer Supplement, the Company has three independent directors, namely, Artemio V. Panganiban, Margarito B. Teves, and Ricardo C. Marquez.

The presence of a majority of the directors shall constitute a quorum for the transaction of business at any meeting. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is achieved. Notice of any adjourned meeting need not be given.

Any vacancy other than that caused by the removal by the shareholders, expiration of the term or increase in the number of directors on the Board, may be filled by the affirmative vote of at least a majority of the remaining directors, if still constituting a quorum. Any director elected in this manner shall serve only for the unexpired term of the director replaced.

### **Shareholders' Meetings**

At the annual meeting or at any special meeting of the Company's shareholders, the latter may be asked to approve actions requiring shareholder approval under Philippine law.

### **Quorum**

The Revised Corporation Code provides that, except in instances where the approval of shareholders representing two-thirds (2/3) of the outstanding capital stock is required to approve a corporate act (usually involving the significant corporate acts where even non-voting shares may vote, as identified above) or where the by-laws provide otherwise, a quorum for a meeting of shareholders will exist if shareholders representing a majority of the capital stock are present in person, by proxy, via remote communication, or in absentia.

### **Voting**

At each shareholders' meeting, each holder of common shares shall be entitled to vote in person, or by proxy, via remote communication, or in absentia, all shares held by him, upon any matter duly raised in such meeting. Upon the other hand, holders of preferred shares may vote on matters which the Revised Corporation Code considers significant corporate acts that may be implemented only with the approval or assent of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. See *"Description of the Preferred Share – In General: No Voting Rights"*.

The Company's By-laws provide that proxies shall be in writing and signed and in accordance with the existing laws, rules and regulations of the SEC. Duly accomplished proxies must be submitted to the office of the Corporate Secretary not later than ten (10) business days prior to the date of the stockholders' meeting. Pursuant to the Revised Corporation Code, no proxies shall be valid for a period longer than five (5) years.

### ***Fixing Record Dates***

The Board has the authority to fix in advance the record date for shareholders entitled: (a) to notice of, to vote at, or to have their votes voted at, any shareholders' meeting; (b) to receive payment of dividends or other distributions or allotment of any rights; or (c) for any lawful action or for making any other proper determination of shareholders' rights. Under the By-laws, the Board may, by resolution, direct the stock transfer books of the Corporation be closed for a period not exceeding 60 days preceding the date of any meeting of stockholders. The record date shall in no case be more than 60 days nor less than 35 days preceding such meeting of shareholders. In the case of dividend payments, the record date shall not be less than ten (10) business days after dividend declaration date in compliance with applicable regulations of the PSE.

### **Appraisal Rights**

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

In addition, the Revised Corporation Code grants a shareholder a right of appraisal in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- An amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or extension or shortening the term of corporate existence;
- The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all of the assets of the corporation;
- The investment of corporate funds in another corporation or business for any purpose other than the primary purpose for which the corporation was organized; and
- A merger or consolidation.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default of an agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. The SEC will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. The dissenting shareholder will be paid if the corporate action in question is implemented and the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

### **Derivative Rights**

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

### **Accounting and Auditing Requirements/Rights of Inspection**

Philippine stock corporations are required to file copies of their annual financial statements with the SEC and the Philippine Bureau of Internal Revenue ("**BIR**"). Corporations whose shares are listed on the PSE



are also required to file quarterly and annual reports with the SEC and the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine at reasonable hours on a business day the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year. This report is required to include audited financial statements.

### USE OF PROCEEDS

The Company estimates that the net proceeds from the Offer shall amount to approximately ₱12,390,962,138 after fees, commissions and expenses. Assuming the oversubscription option is fully exercised, the net proceeds of the Offer shall amount to approximately ₱22,343,493,717 after fees, commissions, and expenses.

Estimated fees, commissions and expenses relating to the Base Offer are as follows:

Underwriting and selling fees for the Series 4 Preferred Shares being sold by the Company	₱56,250,000.00
Taxes to be paid by the Company	₱2,894,737.00
Philippine SEC filing and legal research fee	₱8,143,125.00
PSE filing fee (inclusive of VAT)	₱33,600,000.00
Estimated legal and other professional fees*	
Issuer's Counsel	₱2,500,000.00
Independent Auditors	₱3,000,000.00
Legal opinion fee – External Counsel	₱150,000.00
Fees that may be incurred for the engagement of SMC Stock Transfer Service Corporation as Registrar / Stock Transfer Agent and Receiving Agent	₱1,000,000.00
Estimated other expenses for publication, marketing, and out-of-pocket expenses of the underwriters and professional advisors	₱1,500,000.00
<b>TOTAL</b>	<b>₱109,037,862.00</b>

\* The "Estimated legal and other professional fees" includes the fees for legal counsels and independent auditor engaged in relation to the Offer, which refers to (1) the fees for the Issuer's legal counsel Picazo Buyco Tan Fider and Santos; (2) fees for the legal opinion delivered by Adarlo Caoile and Associates Law Firm in respect of the material permits and licenses of the Company; (3) fees for the independent auditor, R.G. Manabat & Co. (KPMG); and (4) fees that may be incurred for the engagement of SMC Stock Transfer Service Corporation as Registrar / Stock Transfer Agent and Receiving Agent.

Additional estimated fees, commissions and expenses assuming the oversubscription option is fully exercised:

Underwriting and selling fees for the Series 4 Preferred Shares being sold by the Company	₱45,000,000.00
Taxes to be paid by the Company	₱2,468,421.00
Philippine SEC filing and legal research fee	-
PSE filing fee (inclusive of VAT)	-
<b>TOTAL</b>	<b>₱47,468,421.00</b>

The net proceeds of the Offer shall be used primarily for the partial redemption of the 2018 SPCS, partial refinancing of Php7B Retail Bonds, refinancing of existing indebtedness and purchase of crude oil, as follows:

Purpose (listed according to priority)	Net proceeds of the Offer (Base Offer)	Net proceeds of the Offer (Assuming Oversubscription if Exercised in full)	Estimated Timing of Disbursement
Partial redemption of the 2018 SPCS	₱12,390 million	₱14,000 million	July 2023
Partial refinancing of the Php7B Retail Bonds	-	₱4,000 million	October 2023
Refinancing of existing indebtedness	-	₱3,300 million	July 2023
Purchase of crude oil	-	₱1,043 million	July to December 2023

### Partial redemption of the 2018 SPCS

On January 19, 2018, Petron issued US\$500,000,000 Senior Perpetual Capital Securities (“**2018 SPCS**”) with an initial rate of distribution of 4.6% per annum. The 2018 SPCS were listed on the Singapore Stock Exchange (“**SGX-ST**”) on January 22, 2018.

The Company intends to use up to ₱14,000,000,000 from the net proceeds of the Offer to partially redeem the 2018 SPCS.

2018 SPCS	
Target date of redemption	July 19, 2023
Amount and number of SPCS to be redeemed	USD477.53M <sup>3</sup>
Target price and rate upon redemption	USD477.53M (Par)
Target redemption of the remaining 2021 SPCS	The redemption of the USD550M SPCS issued on April 19, 2021 has its optional redemption date on April 19, 2026.

The shortfall from the net proceeds of the Offer allotted for redemption will be financed from the Company’s internally generated funds and/or debt.

### Partial refinancing of the Php7B Retail Bonds

The Series B Retail Bonds are the Company’s ₱7,000,000,000 retail bonds issued on October 27, 2016 with a fixed interest rate of 4.5219% p.a. for a term of seven (7) years maturing on October 27, 2023.

The Series B Bonds will be redeemed at 100% face value.

<sup>3</sup> The Company completed a buyback exercise in January 2023. In the said exercise, the Company bought back tenders amounting to USD22.47MM, thus the difference between amount issued in January 2018 and the amount to be redeemed in July 2023.

<b>Php7B Retail Bonds</b>	
Target payout/refinancing date of ₱4.0 Billion	October 27, 2023, the date of maturity
Source of the Company's remaining ₱3.0 Billion	₱3.0 Billion balance for repayment will be sourced from replacement debt and/or internally generated cash
Use of proceeds from its receipt on its offer in July until October, given the maturity of the Series B Retail Bonds is still on October 27, 2023	The Company intends to place the proceeds corresponding to the target payout/refinancing in market securities as disclosed in the Prospectus.

### **Refinancing of existing indebtedness**

Management will use up to ₱3,300,000,000 from the net proceeds of the Offer to refinance, in whole or in part, existing short-term financial indebtedness of the Company, as follows:

<b>Lender</b>	<b>Amount</b>
Philippine National Bank Interest Rate: 6.90000% p.a. Payment Date: July 26, 2023 Use of loan proceeds: working capital	Php3.30 Billion

Any shortfall from the net proceeds of the Offer allotted for payment will be financed from the Company's internally generated funds.

PNB Capital and Investment Corporation is a subsidiary of Philippine National Bank, which is a lender of the bilateral short-term loans that will be repaid with the proceeds of the Offer.

### **Purchase of crude oil**

The Company will use up to ₱1.043 million for crude oil importation. To minimize the Company's risk of potential losses due to volatility of international crude and product prices, Management intends to purchase crude oil taking into consideration the Company's crude inventories and market conditions, among other purchases.

In the event of a partial exercise of the Oversubscription Option, the Company intends to prioritize the allocation of proceeds to the refinancing of existing indebtedness over the purchase of crude oil.

Pending the above 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 and selling fees and expenses related to the Offer Shares, 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 Underwriters and Joint Bookrunners.

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, the PSE and the holders of the Series 4 Preferred Shares 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 PSE. In addition, the Company shall submit via the PSE's online disclosure system, the Electronic Disclosure Generation Technology ("**EDGE**"), the following disclosures to ensure transparency in the use of proceeds:

- i. any disbursements made in connection with the planned use of proceeds from the Offer;
- ii. quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;
- iii. annual summary of the application of the proceeds on or before January 31 of the following year; and
- iv. approval by the Board or the Executive Committee of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The Company shall submit a certification by the Company's Treasurer and external auditor on the accuracy of the information reported by the Company to the PSE, as well as a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any, in the Company's quarterly and annual reports as required in items (ii) and (iii) above. Such detailed explanation will state the approval of the Board as required in item (iv) above.

#### **WITHDRAWAL OF THE OFFER**

The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and PSE.

The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to the Listing Date, if any of the following events occurs, in which case the Underwriting Agreement shall be deemed terminated:

- a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration, or the SEC Permit to Sell Securities ("**Approvals**") and by the Prospectus and this Offer Supplement, or would have a material adverse

effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it, in the reasonable determination of the Joint Lead Underwriters and Joint Bookrunners, impracticable to proceed with the Offer in the manner contemplated by the Approvals and the Prospectus and this Offer Supplement, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or Joint Lead Underwriters and Joint Bookrunners' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the Joint Lead Underwriters and Joint Bookrunners, or any other entity/person to take up any Offer Shares remaining after the Offer Period;

- b. An order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution listing or issuance of the Offer Shares by any court or governmental agency or authority having jurisdiction on the matter which to issue such order is not lifted, including the SEC and the PSE;
- c. Cancellation, revocation or termination of the Approvals;
- d. Trading in the PSE is closed or suspended for at least three (3) consecutive trading days other than due to weekends or declared holidays, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;
- e. There is a change or impending change in any Philippine law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Issuer to engage in the business it is presently engaged in; (b) the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, (c) any of the features, yield or marketability of the Offer Shares, including the taxes on fees or costs in connection with the Offer, or (ii) renders illegal the performance by any of the Joint Lead Underwriters and Joint Bookrunners of their respective obligations hereunder;
- f. Any significant, adverse, and unforeseeable change or development in the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Offer Shares unsuitable for offering to the public;
- g. The Issuer decides to or is compelled by any competent court or government authority to stop or is about to stop its operations, which is not remedied within five (5) Business Days from such decision of the Issuer or competent court or government authority (as the case may be);
- h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; and such receiver, trustee or similar officer shall be appointed; or the Issuer shall initiate or institute (by petition, application or otherwise), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation, corporate rehabilitation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted against the Issuer; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part of the Issuer's assets; or any event occurs which under the laws of the Philippines or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;
- i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

- j. The commencement or threatened commencement by any entity, person or regulatory body of any public action, court proceeding, litigation, arbitration or other similar proceeding against the Joint Lead Underwriters and Joint Bookrunners in connection with or with respect to the issuance or sale by the Issuer of the Offer Shares in the Offer in general which renders the performance of their underwriting commitment impossible or impracticable;
- k. Any event occurs which makes it impossible for the Joint Lead Underwriters and Joint Bookrunners to perform their underwriting obligations due to conditions beyond their control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the Joint Lead Underwriters and Joint Bookrunners, or directing the Joint Lead Underwriters and Joint Bookrunners to cease, from performing their underwriting obligations;
- l. Any representation, warranty or statement of the Issuer in the Underwriting Agreement, in any certificate, or any information given in the Prospectus and the Offer Supplement is untrue or misleading in any material respect or omitted to state a material fact necessary to make the statements therein in light of the circumstances in which they were made, provided that such: (a) was not known and could not have been known to the Joint Lead Underwriters and Joint Bookrunners on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability;
- m. Unavailability of PDTC's lodgement facilities and the PSE's listing facilities used for the Offer and/or listing prior to or on the target Listing Date and such unavailability effectively prevents the ability of the Issuer and the Joint Lead Underwriters and Joint Bookrunners to fully comply with the listing requirements of PSE, if the impact of such unavailability remains unresolved after discussions between the Issuer and the Joint Lead Underwriters and Joint Bookrunners in good faith; and
- n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended, or terminated solely by reason of the Issuer's or Joint Lead Underwriters and Joint Bookrunners' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/person to take up any Offer Shares remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section and the "*Plan of Distribution – Withdrawal of the Offer*" of the Offer Supplement, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

Notwithstanding the foregoing, the Company and the Joint Lead Underwriters and Joint Bookrunners recognize and acknowledge that the PSE is a self-regulatory organization with a mandate to maintain a fair and orderly market. In this regard, the PSE may impose appropriate and reasonable sanctions and penalties on the relevant party for the cancellation of the Offer on or after the commencement of the Offer Period and prior to the Issue Date if, subsequently, the PSE determines that the cancellation or suspension of the Offer was not warranted based on the facts gathered and properly evaluated by PSE and after due and proper proceedings initiated by the PSE not later than five (5) Business Days after such cancellation or suspension.

## **PLAN OF DISTRIBUTION**

*Petron plans to issue the Series 4 Preferred Shares to institutional and retail investors through a public offering to be conducted through Joint Lead Underwriters and Joint Bookrunners.*

### **Sole Issue Manager**

China Bank Capital is the Sole Issue Manager for the Offer, and as such, manage and coordinate the various workstreams to ensure the successful execution of the Offer.

### **Joint Lead Underwriters and Joint Bookrunners**

The Joint Lead Underwriters and Joint Bookrunners: Bank of Commerce (“**BankCom**”), China Bank Capital Corporation (“**China Bank Capital**”), Philippine Commercial Capital, Inc. (“**PCCI Capital**”), PNB Capital and Investment Corporation (“**PNB Capital**”), and SB Capital Investment Corporation (“**SB Capital**”), have agreed to distribute and sell the Series 4 Preferred Shares at the Offer Price, pursuant to an Underwriting Agreement to be entered into with Petron (the “**Underwriting Agreement**”). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Joint Lead Underwriters and Joint Bookrunners have committed to underwrite the following amounts on a firm basis:

China Bank Capital	₱3,375,000,000.00
BankCom	₱3,375,000,000.00
PNB Capital	₱3,000,000,000.00
SB Capital	₱1,750,000,000.00
PCCI Capital	₱1,000,000,000.00
<b>TOTAL</b>	<b>₱12,500,000,000.00</b>

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to Petron of the net proceeds of the Series 4 Preferred Shares.

The underwriting and selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.45% of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to the Joint Lead Underwriters and Joint Bookrunners and sub-underwriter, if any, and commissions to be paid to the Trading Participants of the PSE, which shall be equivalent to 0.125% of the total proceeds of the sale of Series 4 Preferred Shares by such Trading Participant.

The Joint Lead Underwriters and Joint Bookrunners are duly licensed by the SEC to engage in underwriting or distribution of the Series 4 Preferred Shares. The Joint Lead Underwriters, and Joint Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of its business for Petron or any of its subsidiaries.

BankCom, one of the Joint Lead Underwriters and Bookrunners, is an affiliate of SMC. Petron is a wholly owned subsidiary of SMC. Other than the foregoing, the Joint Lead Underwriters and Joint Bookrunners have no direct relations with Petron in terms of material ownership by either of their respective major stockholder/s, and have no right to designate or nominate any member of the Board of Directors of Petron.

The Joint Lead Underwriters and Joint Bookrunners have no contract or other arrangement with Petron by which it may return to Petron any unsold Series 4 Preferred Shares.

### *Overview of the Joint Lead Underwriters and Bookrunners*

Bank of Commerce has been operating since 1963. In 2008, San Miguel Corporation bought into the bank and became a majority stakeholder through the combined voting stake of San Miguel Corporation Retirement Fund, San Miguel Properties, Inc., and SMC Equivest in the bank. Its Investment Banking Group was established in the first quarter of 2022 following the approval by the BSP in December 2021 of the



upgrade of BankCom's banking license from commercial bank to universal bank, thus allowing it to engage in investment banking activities. In August 2022, BankCom received its SEC license to underwrite securities. The Investment Banking Group underwrites, issue manages, and arranges publicly listed and privately placed securities/instruments.

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 Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions that enable clients to achieve their fundraising objectives and strategic goals. The company's services include arranging, managing, and underwriting debt and equity transactions, such as 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 deal structuring, valuation, and execution of mergers, acquisitions, divestitures, joint ventures, and other corporate transactions. As of December 31, 2022, it has total assets of ₱3.09 billion and a capital base of ₱3.00 billion.

PCCI Capital was incorporated on September 23, 1975 and is considered as one of the oldest investment banks in the country. PCCI Capital 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 and acquisitions. It was incorporated on July 30, 1997 and commenced operations on October 8, 1997. PNB Capital is licensed by the Philippine SEC to operate as an investment house with a non-quasi-banking license. As of December 31, 2021, it had an authorized capital of ₱2.0 billion and paid-up capital of ₱1.5 billion. PNB Capital is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. As of December 31, 2021, total assets of PNB Capital were at ₱2.7 billion while total capital was at ₱2.4 billion.

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. As of December 31, 2022, its total assets amounted to ₱1.63 billion and its capital base amounted to ₱1.60 billion.

## **Sale and Distribution**

The distribution and sale of the Series 4 Preferred Shares shall be undertaken by the Joint Lead Underwriters and Joint Bookrunners who shall sell and distribute the Series 4 Preferred Shares to third party buyers/investors. The Joint Lead Underwriters and Joint Bookrunners are authorized to organize a syndicate of other underwriters, soliciting dealers and/or selling agents for the purpose of the Offer.

Of the 12,500,000 Series 4 Preferred Shares to be offered, 80% or 10,000,000 Series 4 Preferred Shares are being offered through the Joint Lead Underwriters and Joint Bookrunners for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 2,500,000 Series 4 Preferred Shares for distribution to the respective clients of the 125 Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated 20,000 Series 4 Preferred Shares (the "**Allocation per TP**") (computed by dividing the Series 4 Preferred Shares allocated to the Trading Participants by 125). Trading Participants may undertake to purchase more than their allocation of 20,000 shares. Any requests for shares in excess of 20,000 may be satisfied via the reallocation of any

Series 4 Preferred Shares not taken up by other Trading Participants.

Prior to the close of the Offer Period, any Series 4 Preferred Shares not taken up by the Trading Participants shall be distributed by the Joint Lead Underwriters and Joint Bookrunners directly to their clients and the general public. All Series 4 Preferred Shares not taken up by the Trading Participants, general public and the Joint Lead Underwriters' and Joint Bookrunners' clients shall be purchased by the Joint Lead Underwriters and Joint Bookrunners pursuant to the terms and conditions of the Underwriting Agreement.

### **Local Small Investors**

There will be no allocation to Local Small Investors under the proposed offering.

### **Allocation Process**

#### Mechanics of Distribution

1. Upon preparation of the Firm Undertaking report, the Sole Issue Manager, with oversight from representative(s) of the Joint Lead Underwriters and Joint Bookrunners and under the supervision of a representative from the PSE Listings Department, shall input the number of Offer Shares requested by each Participating TP in a spreadsheet designed for the reservation and allocation of the Offer Shares.
2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process:
  - a) If the total number of Offer Shares requested by a Participating TP, based on its Firm Undertaking, does not exceed the allocation per TP, the Sole Issue Manager shall fully satisfy the request of such Participating TP. Each TP is assured of not less than the Allocation per TP. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated.
  - b) If the total number of Offer Shares requested by a Participating TP exceeds the allocation per TP, Additional Shares may be sourced from the Offer Shares not taken up by the other TPs. The Sole Issue Manager, under the observation of a representative of the PSE Listings Department, shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders of those TPs who have Firm Orders that are less than or equal to the allocation per TP; and (ii) distributing equitably the remaining TP Allocation to other TPs with orders for Additional Shares, but only up to their respective Firm Order.
  - c) In no case shall any Participating TP be awarded more than the shares indicated in its Firm Undertaking.
  - d) If the aggregate number of Offer Shares requested by all Participating TPs is less than the TP Allocation, the balance shall be returned to the Joint Lead Underwriters and Joint Bookrunners.
3. The Company, in consultation with the Joint Lead Underwriters and Joint Bookrunners, shall have sole discretion on the determination of the split between the Series 4A, Series 4B and Series 4C Preferred Shares (the "**Series Split**"). The allocation per TP on each of the Series 4A, Series 4B, and Series 4C Preferred Shares shall adjust *pro rata* in accordance with the Series Split, rounded to the prescribed board lot requirement as described in paragraph 10 in the TP Implementing Guidelines.
4. All deadlines indicated in these procedures shall be strictly followed.

### **Term of Appointment**

The engagement of the Joint Lead Underwriters and Joint Bookrunners shall subsist so long as the SEC Permit to Sell remains valid, unless otherwise terminated pursuant to the Underwriting Agreement.

### **Manner of Distribution**

The Joint Lead Underwriters and Joint Bookrunners shall, at its discretion, determine the manner by which proposals for subscriptions to, and issuances of, the Series 4 Preferred Shares shall be solicited, with the sale of the Series 4 Preferred Shares to be effected only through the Joint Lead Underwriters and Joint Bookrunners.

No shares are designated to be sold to specific persons.

### **Offer Period**

The Offer Period shall commence at 9:00 a.m. on June 15, 2023 and end at 12:00 noon on June 27, 2023, or such other date as may be mutually agreed between the Company and the Joint Lead Underwriters and Joint Bookrunners.

### **Application to Purchase**

All Applications to Purchase the Series 4 Preferred Shares shall be evidenced by a duly completed and signed Application to Purchase, together with two fully executed specimen signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application to Purchase and specimen signature card together with the requisite attachments. Payment for the Series 4 Preferred Shares shall be made by manager's check/cashier's check, corporate check or personal check drawn against any Bangko Sentral ng Pilipinas authorized bank or any branch thereof. All checks should be made payable to "Petron Preferred Shares Offer", crossed "Payee's Account Only," and dated on or before the date of submission of the Application. The Applications and the related payments will be received at any of the offices of the Joint Lead Underwriters and Joint Bookrunners or the Selling Agents. Applicants submitting their Application to a Joint Lead Underwriter and Joint Bookrunner or Selling Agent may also remit payment for their Series 4 Preferred Shares through the RTGS facility of the BSP to the Joint Lead Underwriter and Joint Bookrunner or Selling Agent to whom such Application was submitted or via direct debit to their deposit account maintained with such Joint Lead Underwriter and Joint Bookrunner. Cash payments shall not be accepted.

Should the Applicant elect to pay through RTGS, the Application should be accompanied by an instruction issued by the Applicant to effect payment through RTGS in an amount equal to the total Offer Price of the Offer Shares applied for, to be effected and fully funded not later than 12:00 noon on June 27, 2023.

Should the Applicant elect to pay by a debit memo or instruction, the Application should be accompanied by a debit memo or instruction issued by the Applicant in an amount equal to the total Offer Price applied for in favor of the Joint Lead Underwriter and Joint Bookrunner to whom the Application is submitted, to be effected no later than 12:00 noon on June 27, 2023.

Corporate and institutional purchasers must also submit a copy of SEC-certified or corporate secretary-certified true copy of the SEC Certificate of Registration, Articles of Incorporation and By-laws, General Information Sheet, or such other relevant organizational or charter documents, and the original or corporate secretary-certified true copy of the duly notarized certificate confirming the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Series 4 Preferred Shares and designating the authorized signatory/ies therefore. Individual Applicants must also submit a photocopy of any one of the following identification documents ("ID"): passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the selling bank.

By virtue of the Philippine National Internal Revenue Code (“**NIRC**”), dividends declared to resident individuals are subject to final tax at the rate of 10%, while dividends declared by a domestic corporation to other domestic corporations and resident foreign corporations are not subject to tax as intercorporate dividends.

A non-resident applicant who is exempt from or is not subject to withholding tax on dividends or who claims reduced tax rates on dividends under existing tax treaties shall, in addition, be required to submit the following requirements to the relevant Joint Lead Underwriters and Joint Bookrunners (together with their Applications) who shall then forward the same to the Registrar and Depository Agent, subject to acceptance by the Company as being sufficient in form and substance:

1. Tax Residency Certificate for the period when the treaty rate is claimed, duly issued by the tax authority of the foreign country in which the income recipient is a resident.
2. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing payment/remittance of income.
3. Notarized Special Power of Attorney (SPA) issued by the nonresident taxpayer to his/her authorized representative(s), which shall expressly state the authority to sign the Application Form as well as to file the TTRA or Request for Confirmation.
4. When applicable, proof that shareholding in respect of which dividends are paid is not effectively connected with a permanent establishment of the foreign enterprise in the Philippines.

Depending on the circumstances of the applicant, additional/special requirements may be requested in accordance with existing rules and regulations issued by the Bureau of Internal Revenue (“BIR”).

In case, the non-resident corporate taxpayer wishes to, instead, avail of the benefits of the tax sparing under the NIRC, it will have to submit the following documents:

1. Original copy of apostilled/duly authenticated Tax Residence Certificate issued by the tax authority of the country of domicile.
2. Original apostilled/duly authenticated copy of the non-resident foreign corporation’s (“NRFC’s”) articles of incorporation or proof of establishment in its country of residence.
3. Original copy of apostilled/duly authenticated SPA issued by NRFC to its authorized representative.

As in request for confirmation/tax treaty relief application, additional/special requirements may be requested in accordance with existing rules and regulations issued by the BIR.

In both cases, an original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Company and the Registrar and Depository Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Company, the Registrar and Depository Agent and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax will have to be submitted.

The Joint Lead Underwriters and Joint Bookrunners shall be responsible for accepting or rejecting any Application or scaling down the amount of Series 4 Preferred Shares applied for. The Application, once accepted, shall constitute the duly executed purchase agreement covering the amount of Series 4 Preferred Shares so accepted and shall be valid and binding on the Company and the Applicant. On the Business Day following the Closing Date, the Joint Lead Underwriters and Joint Bookrunners shall advise all the Selling Agents of any Applications that were rejected and/or scaled-down, with copy to the Company.

## **Minimum Purchase**

A minimum purchase of 50 Series 4 Preferred Shares shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of 10 Series 4 Preferred Shares.

## **Refunds**

In the event an Application is rejected or the amount of Series 4 Preferred Shares applied for is scaled down, the Joint Lead Underwriters and Joint Bookrunners, upon receipt of such rejected and/or scaled down Applications, shall notify the Applicant concerned that his Application has been rejected or the amount of Series 4 Preferred Shares applied for is scaled down. All refunds, without interest, shall be made through the Joint Lead Underwriter and Joint Bookrunner, Selling Agent, or Receiving Agent (as applicable) with whom the Applicant has filed the Application within five (5) Business Days from the end of Offer Period.

Should the refund be made via a check, an Applicant may retrieve such check refund at the office of the relevant Joint Lead Underwriter and Joint Bookrunner, Selling Agent, or Receiving Agent (as applicable) with whom the Applicant has filed the Application. Refund checks that remain unclaimed after thirty (30) days from the date such checks are made available for pick-up shall be delivered through registered mail, at the Applicant's risk, to the address specified by the Applicant in the Application.

## **Secondary Market**

Petron may purchase the Series 4 Preferred Shares at any time without any obligation to make *pro rata* purchases of Series 4 Preferred Shares from all Shareholders.

## **Registry of Shareholders**

The Series 4 Preferred Shares shall be in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer, and lodged with PDTC as Depository Agent not later than the Listing Date through PSE Trading Participants nominated by the Applicants. Applicants shall indicate in the proper space provided for in the Application to Purchase the name of the PSE Trading Participant under whose name their Series 4 Preferred Shares will be registered and the relevant PSE Trading Participants shall sign the Application to Purchase on the space provided therefor.

Legal title to the Series 4 Preferred Shares will be shown in an electronic register of shareholders (the "**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Series 4 Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting Shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a Statement of Account to all Shareholders named in the Registry of Shareholders, confirming the number of Series 4 Preferred Shares held by each Shareholder of record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of a given date thereof. Any request by Shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.

## **Expenses**

All out-of-pocket expenses, including, but not limited to, registration with the SEC, printing, publication, communication and signing expenses incurred by the Joint Lead Underwriters and Joint Bookrunners in the negotiation and execution of the transaction will be for Petron's account irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account. See "*Use of Proceeds*" of the Prospectus for details of expenses.

## CAPITALIZATION

The following table sets forth the consolidated capitalization of the Issuer as at December 31, 2022 and as adjusted to give effect to the Offer (assuming the Oversubscription Option is exercised). This table should be read in conjunction with the Issuer's audited condensed consolidated financial statements as at December 31, 2022 included in the Prospectus.

	<b>As at December 31, 2022</b>	
	<b>Actual (audited)</b>	<b>Adjusted<sup>1</sup> for maximum Offer Size of ₱22.5 Billion</b>
<i>(in ₱ millions)</i>		
<b>Short-term liabilities</b>		
Short-term loans	137,886	137,886
Current portion of long-term debt - net	13,399	13,399
Total short-term debt	151,285	151,285
<b>Long-term liabilities</b>		
Long-term debt – net of current portion	93,662	93,662
Total long-term liabilities	93,662	93,662
<b>Equity</b>		
Equity Attributable to Equity Holders of the Parent:		
Capital stock	9,485	9,485
Additional paid-in capital <sup>2</sup>	37,500	57,593
Capital securities	62,712	62,712
Retained earnings	30,357	30,357
Equity reserves	(16,887)	(16,887)
Treasury stock	(18,000)	(15,750)
Total Equity Attributable to Equity Holders of the Parent	105,167	127,510
Non-controlling interests	8,383	8,383
Total Equity	113,550	135,893
<b>Total capitalization<sup>3</sup></b>	<b>358,497</b>	<b>380,840</b>

Notes:

<sup>1</sup>Adjusted amount as at December 31, 2022 includes proceeds of ₱22,343 million of the maximum Offer, after deduction of commissions and expenses.

<sup>2</sup> Includes excess of offer price over par.

<sup>3</sup>Total capitalization is the sum of debt and equity.

**PETRON CORPORATION**  
SMC Head Office Complex  
40 San Miguel Avenue  
Mandaluyong City, Philippines  
[www.petron.com](http://www.petron.com)

**SOLE ISSUE MANAGER**

**China Bank Capital Corporation**  
28<sup>th</sup> Floor BDO Equitable Tower  
8751 Paseo de Roxas  
Makati City, Philippines

**JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS**

**Bank of Commerce**  
24<sup>th</sup> Floor, San Miguel Property Centre Building,  
#7 St Francis Street,  
Mandaluyong City, Metro Manila

**China Bank Capital Corporation**  
28<sup>th</sup> Floor, BDO Equitable Tower  
8751 Paseo de Roxas  
Makati City, Philippines

**Philippine Commercial Capital, Inc.**  
6<sup>th</sup> Floor, PCCI Corporate Centre, 118 L.P.  
Leviste Street, Makati, 1227 Metro Manila

**PNB Capital and Investment Corporation**  
9<sup>th</sup> Floor PNB Financial Center  
Pres. Diosdado Macapagal Blvd.  
Pasay City, Metro Manila, Philippines

**SB Capital and Investments Corporation**  
18<sup>th</sup> Floor, Security Bank Centre,  
6776, Ayala Avenue, Makati, 1200 Metro Manila

**LEGAL ADVISORS**

*to the Issuer*

**Picazo Buyco Tan Fider & Santos**  
Penthouse, Liberty Center  
104 H.V. dela Costa St., Salcedo Village  
Makati City, 1227 Philippines

*to the Sole Issue Manager and the Joint Lead  
Underwriters and Joint Bookrunners*

**SyCip Salazar Hernandez & Gatmaitan**  
SyCipLaw Center  
105 Paseo de Roxas  
Makati City, 1226 Philippines

**INDEPENDENT AUDITORS**

**R.G. Manabat and Co.**  
**(a member firm of KPMG)**  
KPMG Center  
6787 Ayala Avenue  
Makati City  
Philippines

**DEPOSITORY AGENT**

**Philippine Depository & Trust Corp.**  
29<sup>th</sup> Floor BDO Equitable Tower  
8751 Paseo de Roxas  
Makati City  
Philippines

**RECEIVING AGENT, REGISTRAR, AND  
STOCK TRANSFER AGENT**

**SMC Stock Transfer Service Corporation**  
40 San Miguel Avenue  
Ortigas Center  
Mandaluyong City, Metro Manila  
Philippines