

October 22, 2017
MEDIA RELEASE
FOR PUBLICATION & BROADCAST



Petron seeks court help over PNOC's threats, breach of sale and leaseback agreement

Petron Corporation has filed a case against Philippine National Oil Company (PNOC) for breach of a binding and compulsory sale-leaseback contract, saying such act threatens to hurt not only Petron's operations and its shareholders but the broader economy that relies on its petroleum products.

In its complaint before the Mandaluyong Regional trial Court (RTC), Petron, through its counsel Poblador Bautista and Reyes, asked for the issuance of a temporary restraining order to "stop PNOC from performing acts aimed at ousting Petron of its leased properties."

Petron offered to negotiate the agreement with PNOC as early as 2016. However, it was constrained to seek judicial intervention when PNOC president Reuben Lista communicated early this year that it will terminate the lease agreement with Petron, citing provisions in the contract that are allegedly disadvantageous to the government.

"If PNOC will continue to disregard its reciprocal obligations on the conveyance of our land, then they should return the properties to us. Petron has invested billions of dollars on these properties. PNOC's actions clearly jeopardizes the country's fuel supply security and government's thrust to develop key industries," Petron said.

Petron also cited two follow up letters from Lista dated August 1 and 31, 2017 demanding "to nullify certain provisions of the lease agreements that pose a stumbling block before we can proceed to negotiate the renewal."

In the letters, Lista called for the abandonment and cleanup of the contested sites on or before expiration of the lease. Earlier, news reports revealed Lista had offered the properties covered by the subsisting leases to interested new independent oil companies, in total disregard of the rights of Petron.

Petron has existing lease agreements with PNOC for the sites of its \$3-billion refinery in Bataan, 24 bulk plants and 67 gasoline stations. The company supplies more than a third of the country's petroleum requirements.

PETRON-OWNED PROPERTIES

The leased properties are originally owned by Petron and acquired over several years to be used for its refinery, distribution and sales operations.

Petron, however, was compelled to give up its land to PNOC in 1993 to comply with the

requirements of its privatization. To secure foreign and local investments in Petron and ensure stability of its operations, the transfer of the properties was enabled through a deed of conveyance and lease agreements that guaranteed its long-term and continuous use by Petron.

Petron said “The conveyance with lease-back transaction between Petron and PNOC involves a reciprocal obligation: a) Petron conveyed to PNOC the leased properties at book value; b) in consideration of PNOC leasing the properties back to Petron on a long-term basis and according to its operational requirements. Hence, among the principal considerations for Petron’s conveyance of its properties to PNOC was PNOC’s obligation to lease-back the same properties to Petron.”

“By unilaterally setting aside the renewal clauses of the Lease Agreements and by categorically declaring its refusal to honor them, PNOC committed a fundamental breach of its Lease Agreements with Petron,” the company added.

“PNOC disregarded the true consideration for the leasehold rights acquired by Petron over the properties, which included not only the rental payments but the properties themselves, which Petron had conveyed to PNOC pursuant to privatization,” Petron said. (30)

About Petron Corporation

Petron Corporation is the largest oil refining and marketing company in the Philippines and is a leading player in the Malaysian market. It has a combined refining capacity of 268,000 barrels-per-day and produces a full range of world-class fuels and petrochemicals. It has over 2,900 service stations where it retails world-class gasoline and diesel. Petron is dedicated and passionate about its vision to be the leading provider of total customer solutions in the energy sector and its derivative businesses. Please visit us at www.petron.com for more information.

Contacts:

Raffy Ledesma

Numbers: 884-9148

E-mails: rrledesma@petron.com

www.petron.com

www.facebook.com/PetronCorporation

www.twitter.com/Petron_Corp

Kristine Palaganas

884 9200 loc. 49885

khpalaganas@petron.com