COVERSHEET

31171
S. E. C. Registration Number

PETRON CORPORATION
(Company's Full Name)

SMC HEAD OFFICE COMPLEX 40 SAN MIGUEL AVE. MANDALUYONG CITY
(Business Adress: No. Street City / Town / Province)

ATTY. JOEL ANGELO C. CRUZ
Contact Person

886-3888
Company Telephone Number

12-31
Month Day
Fiscal Year

SEC FORM 17-A
ANNUAL REPORT FOR 2013
FORM TYPE

05 20
Month Day
Annual Meeting
(for 2014)

Certificates of Permit to Offer Securities for Sale dated 1994, 1995, 1995 and 2010
Secondary License Type, if Applicable

Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Debt Outstanding: P245,570 Million (as of Dec 31, 2013)

152,695 (as of Mar 31, 2014)
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

Fiscal Numer

LCU

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Cashier

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REPUBLIC OF THE PHILIPPINES
OFFICE OF THE PRESIDENT

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND
SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2013
   Date of Report (Date of earliest event reported)

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

4. PETRON CORPORATION ("Petron" or the "Company")
   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. SMC Head Office Complex, #40 San Miguel Avenue, Mandaluyong City 1550
   Address of principal office Postal Code

8. (0632) 886-3888; 884-9200
   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 (as of December 31, 2013)
Common Stock	9,375,104,497 shares
Preferred Stock	100,000,000 shares
Total Liabilities	P245,570 million

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

Yes [X] No [ ]

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

Philippine Stock Exchange	Common Stocks Preferred Stocks

12. Check whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company *(i.e.,* other than San Miguel Corporation, SEA Refinery Corporation, Petron Corporation Employees' Retirement Plan and directors and executive officers of Petron Corporation) as of December 31, 2013 totaling 1,589,157,691 common shares was ₱22,184,641,366.36 based on the price of ₱13.96 per share as of December 27, 2013, the last trading day of 2013. Petron had a public ownership of 16.61% as of December 31, 2013. The aggregate market value of the voting stock held by non-affiliates of the Company as of March 31, 2014 totaling 2,059,157,691 common shares was ₱24,174,511,292.34 based on the price of ₱11.74 per share as March 31, 2014, the last trading day of March 2014. Petron had a public ownership of 21.78% as of March 31, 2014. Attached hereto as Annexes A and B are the public ownership reports of the Company as of December 31, 2013 and March 31, 2014, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

N o n e

PART I - BUSINESS

(A) Description of Business

(1) Business Development

(i) The Company

Petron Corporation ("Petron" or the "Company") was incorporated in the Philippines in 1966 as "Esso Philippines Inc." Petron was renamed "Petrophil Corporation" in 1974 when the Philippine National Oil Company ("PNOC") acquired it. In 1985, Petrophil and Bataan Refinery Corporation (formerly, the "Standard Vacuum Refining Corporation") were merged with then Petrophil Corporation as the surviving corporation. The Company changed its corporate name to "Petron Corporation" in 1988.

On March 13, 2008, Aramco Overseas Company B.V. ("AOC"), then one of the Company's major shareholders since 1994, entered into a share purchase agreement with Ashmore Investment Management Limited and subsequently issued a transfer notice to PNOC to signify its intent to sell its 40% equity stake in Petron. PNOC, which then held 40% of Petron's capital stock, waived its right of first offer to purchase AOC's interest in Petron. Eventually, SEA Refinery Holdings B.V. ("SEA BV"), a company incorporated in the Netherlands and owned by funds managed by the Ashmore Group, acquired AOC's 40% interest in Petron in July 2008. Ashmore complied with the requirements of mandatory tender offer under the Code.

On October 6, 2008, PNOC informed SEA BV and Petron of its intent to dispose of its 40% stake in the Company. In December 2008, the 40% interest of PNOC in Petron was purchased by SEA Refinery Corporation ("SRC"), a domestic corporation wholly-owned by SEA BV. In a related development, SEA BV also sold a portion of its interest in Petron equivalent to 10.1% of the issued shares to SRC.

On December 24, 2008, San Miguel Corporation ("SMC") and SEA BV entered into an Option Agreement (the "Option Agreement") granting SMC the option to buy the entire ownership interest of SEA BV in its local subsidiary SRC. The option may be exercised by SMC within a period of two (2) years from December 24, 2008. Under the Option Agreement, SMC would have representation in the Board of Directors and the Management of Petron. In the implementation of the Option Agreement, SMC representatives were elected to the Board of Directors and appointed as senior officers on January 8 and February 27, 2009.

At its April 29, 2010 meeting, the Board of Directors endorsed the amendment of the articles of incorporation of the Company (the "Company's Articles") and its by-laws (the "Company's By-laws") increasing the number of directors from 10 to 15 and quorum from six (6) to eight (8). The same was approved by the stockholders during their annual meeting on July 12, 2010. The amendment was approved by the Securities and Exchange Commission ("SEC") on August 13, 2010.

On April 30, 2010, SMC notified SEA BV that it would exercise its option to purchase 16,000,000 shares of SRC from SEA BV, which was approximately 40% of the outstanding capital stock of SRC. SRC owned 4,696,885,564 common shares of Petron, representing approximately 50.1% of its issued and outstanding common shares. SMC conducted a tender offer for the common shares of Petron as a result of its intention to exercise the option to acquire 100% of SRC from SEA BV under the Option Agreement. A total of 184,702,538 Petron common shares tendered were crossed at the Philippine Stock Exchange ("PSE") on June 8, 2010, equivalent to approximately 1.97% of the issued and outstanding common stock of Petron. On June 15, 2010, SMC executed the Deed of Sale for the purchase of the 16,000,000 shares of SRC from SEA BV.

On July 30, 2010, the Petron Corporation Employees' Retirement Plan ("PCERP") bought 2,276,456,097 common shares in Petron comprising 24.025% of the total outstanding capital stock thereof from SEA BV. The purchase and sale transaction was executed on the board of the PSE at the price of ₱7.20 per share.

SMC purchased additional 1,517,637,398 common shares of Petron from SEA BV through a special block sale crossed at the PSE on August 31, 2010. Said shares comprise approximately 16% of the outstanding capital stock of Petron.

On October 18, 2010, SMC also acquired from the public a total of 530,624 common shares of Petron, representing approximately 0.006% of the outstanding capital stock of Petron.

On December 15, 2010, SMC exercised its option to acquire the remaining 60% of SRC from SEA B. V. pursuant to the Option Agreement. With the exercise of the option, SMC became beneficial owner of approximately 68% of the outstanding and issued shares of stock of Petron. As such, on that date, SMC obtained control of SRC and Petron.

On January 24, 2012, PCERP sold 695,300,000 of its common shares in the Company through the PSE. On December 5, 2012, PCERP further sold 195,000,000 common shares and 470,000,000 common shares, respectively, through the PSE. By way of update, PCERP further sold 470,000,000 common shares through the PSE on March 27, 2014.

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

(ii) Subsidiaries

Petron had 10 direct subsidiaries as of December 31, 2013 as listed below:

- **New Ventures Realty Corporation** ("NVRC") is a realty firm established on August 24, 1995. NVRC is authorized to acquire and develop land but it does not engage in the subdivision business. Land suitable for use as service station sites, bulk plants or sales offices are purchased by NVRC, which are then leased to Petron for use in the latter's operation. NVRC's wholly-owned subsidiary, Las Lucas Development Corporation, which was acquired in 2003, was later renamed "Las Lucas Construction and Development Corporation" upon approval by the SEC in September 2009. In 2012, NVRC acquired 100% of Parkville Estates and Development Corporation and 60% of Mariveles Landco Corporation. In 2013, NVRC further acquired 100% of South Luzon Prime Holdings Incorporated, MRGVeloso Holdings, Inc. and Abreco Realty Corp.

- **Petrogen Insurance Corporation** ("Petrogen") is a wholly-owned subsidiary of Petron incorporated on August 23, 1996. It serves the insurance requirements of Petron and its allied business partners such as contractors, suppliers and dealers.

- **Overseas Ventures Insurance Corporation Ltd.** ("Ovincor") was incorporated on November 16, 1995 under the laws of Bermuda for the purpose of expediting the reinsurance of Petron's insurable interests as covered by Petrogen. Reinsurance includes the insurance cover for the refinery of Petron in Bataan (the "Petron Bataan Refinery") , the bulk plants and service station properties, petroleum and cargo insurance and performance bonds for Petron contractors and haulers as well.

- **Petron Freeport Corporation** ("PFC"; formerly, "Petron Treats Subic, Inc.") was incorporated on November 6, 2003. The company is registered with the Subic Bay Metropolitan Authority ("SBMA") as a Subic Bay Freeport ("SBF") enterprise. PFC is engaged in the business of importing, transporting, trading and retailing petroleum products and related products. As a registered SBF enterprise, PFC is entitled to tax-free and duty-free importation of raw materials and capital equipment for use solely within SBF. PFC has two (2) divisions - retail and manufacturing. The retail division handles the service station operations (*i.e.*, forecourt, quick-service restaurant, and locators). The manufacturing division is engaged in refining, distilling and manufacturing any and all kinds of petroleum products, oil, gas and other vehicle substances. Direct operations of the retail facilities and the manufacturing plant of PFC allows Petron to deal in the business of purchasing, marketing, distributing and trading petroleum, oil, gas, and related products.

- **Petron Marketing Corporation** ("PMC") was incorporated on January 27, 2004 with the same business purpose as PFC. PMC is a wholly owned subsidiary of Petron. In 2013, PMC operated a total of 26 service stations, eight (8) of which (located in Taytay, Rizal; PEC1, Bulacan; Pozorrubio, Pangasinan; Santolan, San Juan; M. Alvarez, Las Piñas; G. Araneta, Quezon City; Daang Hari, Las Piñas; and Lower Bicutan, Taguig) were turned over to third party dealers.

- **Limay Energen Corporation** ("LEC") was incorporated on August 23, 2010. LEC became wholly owned by Petron in January 2012. The primary purpose of LEC is to build, operate, maintain, sell and lease power generation plants, facilities, equipment and other related assets and generally engage in the business of power generation and sale of electricity generated by its facilities.

- **Petron Singapore Trading Pte. Ltd.** ("PSTPL") was established in 2010 as Petron's trading subsidiary in Singapore. The subsidiary aims to optimize crude procurement and participate in Singapore's Global Trader Program, which allows the Company access to a wider selection of crude alternatives, resulting in further optimization of Petron's crude selection.

- **Petron Global Limited** ("Petron Global") is a holding company incorporated under the laws of the British Virgin Islands acquired by the Company on February 24, 2012.

- **Petron Finance (Labuan) Limited** ("Petron Finance") is a holding company incorporated under the laws of Labuan, Malaysia acquired by the Company on March 2, 2012.

- **Petron Oil & Gas Mauritius Ltd.** ("POGM") is a holding company incorporated under the laws of Mauritius acquired by the Company on February 8, 2012.

  Petron Oil & Gas International Sdn Bhd ("POGI") is a subsidiary of POGM incorporated under the laws of Malaysia, which, on March 30, 2012, acquired 65% of the issued and outstanding share capital of Esso Malaysia Berhad ("EMB"), a publicly-listed company in Malaysia, and 100% of the issued and outstanding share capital of ExxonMobil Malaysia Sdn Bhd and ExxonMobil Borneo Sdn Bhd. POGI subsequently acquired an additional 8.4% of the voting shares of EMB in May 2012 pursuant to a mandatory takeover offer under Malaysian laws. On April 23, 2012, the Companies Commission of Malaysia ("CCM") approved the change of name of ExxonMobil Malaysia Sdn Bhd to "Petron Fuel International Sdn Bhd" ("PFISB") and of ExxonMobil Borneo Sdn Bhd. to "Petron Oil (M) Sdn Bhd." ("POMSB"). Thereafter, on July 11, 2012, the CCM approved the change of name of EMB to "Petron Malaysia Refining & Marketing Bhd." ("PMRMB").

PMRMB, PFISB and POMSB (collectively, the “Petron Malaysia Companies”) are companies also incorporated under the laws of Malaysia and are engaged in the downstream oil business in Malaysia. The Petron Malaysia Companies operate eight (8) product terminals and a network of approximately 560 retail service stations in the country, which are being rebranded under the *Petron* brand. PMRMB owns and operates the 88,000 bpd Port Dickson Refinery (“PDR”). The PDR produces a range of products, including gasoline, diesel, jet fuel, liquefied petroleum gas (“LPG”) and low sulfur waxy residue (“LSWR”). The Petron Malaysia Companies’ fuels marketing business in Malaysia is divided into retail business and commercial sales. The retail business markets fuel and other retail products through its retail network of service stations located throughout Peninsular and East Malaysia. The Petron Malaysia Companies’ commercial sales are divided into five (5) segments: industrial, wholesale, aviation fuels, LPG and lubricants/specialties. The industrial segment sells diesel and gasoline fuels to mini-stations and power plants, as well as to the manufacturing, plantation, transportation and construction sectors. The Malaysian wholesale segment consists of sales, primarily of diesel, gasoline and kerosene, to company-appointed resellers, which sell the Company’s products to industrial customers. The aviation group mainly sells to key airline customers which operate at the Kuala Lumpur International Airport where the product is supplied through the pipeline connected to the Port Dickson Terminal. The Petron Malaysia Companies’ market LPG in 12-kg and 14-kg cylinders for domestic use. In April 2012, the Petron Malaysia Companies established a lubricants and specialties segment to introduce Petron lubricants and greases into the Malaysian market. Automotive lubricants are sold through the service stations in Malaysia and appointed distributors. PMRMB exports LSWR and naphtha from the PDR.

The above-listed subsidiaries of the Company have no plans of engaging in lines of products or services other than those provided in connection with the promotion and enhancement of the business of the Company.

The Company and its subsidiaries are not subject of any bankruptcy, receivership or similar proceedings.

Operating Highlights

National Sales Division

Amid a highly competitive market environment, Petron remained a market leader with a market share of 36.9% (based on published data from the Department of Energy (“DOE”) as of year-to-date June 2013).

Petron reseller (service station) trade’s full year 2013 volume increase of 3.9% was attributed to stronger network sales supported by various sales push programs, network expansion, and aggressive dealer solicitation efforts.

Petron’s industrial trade’s 2013 volume surged by 1.0% with the increased dispatch of fuel-fired power plants following the maintenance shutdown of coal-fired power plants, acquisition of new and competitive accounts, increased participation in split-supplied accounts, and expansion of existing customers.

Gasul trade’s sales declined by 15.6% versus 2012, given reduced participation in the price-sensitive refiller market. Nevertheless, *Gasul* maintains its market leadership.

Lube trade’s sales decreased by about 5% mainly due to lower consumption of mining and power accounts.

Refinery

The Petron Bataan Refinery continues to move forward as it endeavors to complete and eventually operate the Refinery Master Plan Phase 2 ("RMP-2").

The highlights of 2013 include the following:

- **RMP-2 Full Swing Construction and Pre-Commissioning Activities.** Construction activities in 2013 were in full swing, highlights of which include the (1) erection of delayed coker unit's coker drum structure and heaters, (2) installation of fluidized catalytic cracking unit 2 reactor and regenerator, (3) installation of 630 meters/450 meters sea water intake/outlet piping, (4) energization of 34.5 kV main substation and all new RMP-2 sub-stations, and (5) tie-in and equipment modification works in the existing refinery. Pre-commissioning activities started on September 18, 2013 which included plant water activation, cooling water activation, and completion of the medium pressure stream and high pressure stream line steam blowing, line flushing and loop tests.

- **Production of Blaze 100 RON Euro IV.** In June 2013, the Petron Bataan Refinery initiated the production of the first batch of X100 Euro IV grade of gasoline. This grade of gasoline is the first in the country that complies with the Euro IV standards of lesser sulfur and benzene content and yet retains the optimum engine performance enjoyed by consumers with its high octane characteristic.

- **Sustainment of the Integrated Management System ("IMS") Certification for Five (5) Consecutive Years.** The Petron Bataan Refinery successfully passed the IMS Surveillance Audit conducted by TUV SUD PSB Phils Inc. from June 26 to 28, 2013 and was confirmed to conform with the international standard of Quality (ISO-9001:2008), Environment (ISO-14001:2004), and Health and Safety (OHSAS-18001:2004). Aside from the full compliance of the Petron Bataan Refinery with the international standards, the audit team also commended the Petron Bataan Refinery for its projects, the Petron Scholarship Grant and Petron Clinic and its pioneering action of producing Euro IV standard fuel.

- **Flare Gas Recovery Unit ("FGRU") Commercial Operation.** Start-up and commissioning activities of the FGRU commenced in December 2013 were completed to facilitate the full commercial operation of the unit on January 23, 2014. With the FGRU operation, the hydrocarbon gases normally sent burnt in the flare system would be recovered for use as refinery fuel. This project will reduce losses, enhance processing efficiency and reduce environmental foot print.

- **Continuous Intensive Hiring and Training for Refinery Employees.** Hiring and training of employees are being continued as the Petron Bataan Refinery nears the completion of the RMP-2. Refinery manpower increased from 874 in 2012 to a total of 1,057 by the end of December 2013.

- **Outstanding Processing Efficiency.** In 2013, the Petron Bataan Refinery registered a 99.8% Processing Efficiency Index versus the target of 99.7% due to various programs and margin generation initiatives.

Supply

Since April 2013, the Company has attained full compliance in blending 10% ethanol in its regular-grade gasoline. The Company continued to support the DOE's directive on prioritization of locally-produced ethanol, complying with the required monthly allocation. San Carlos Bioenergy Inc. was the Company's sole local E98 supplier for 2013.

Human Resources

The Company's Human Resources Management Department ("HRMD") continued to play a more strategic role in aligning human resource strategies with corporate objectives of growth and expansion in the midst of challenging demands for transformation in an evolving business environment.

HRMD recruited more than 300 new hires to support Petron's expansion activities. Customized training programs on leadership and management development were continued, organizational units were realigned, and restructured and business processes were rationalized to more effectively cater to customer requirements and the changing needs of the business itself. Benefit policies such as those on insurance plans were reviewed and revised.

Petron continued to support and encourage participation to work-life balance programs that fostered commitment among employees and strengthened synergies among work groups.

HRMD assisted in providing critical support to Petron employees affected by the calamities that hit the country in 2013.

Petron continues to coordinate with its contractors and the Department of Labor and Employment ("DOLE") for the ongoing implementation of the latter's Big Brother program.

The Collective Bargaining Agreements ("CBAs") with the Petron Employees Labor Union ("PELU") and the Bataan Refiners Union of the Philippines ("BRUP") are due for renewal in 2014. As of December 31, 2013, the BRUP CBA and the PELU CBA were under negotiations.

Health, Safety and Environment ("HSE")

The Company achieved several milestones as well as recognition from local government agencies. Its Depot & Plant Operations ("DPO") achieved a significant safety milestone attaining zero lost time incident posting a combined record of 55.6 million safe-man hours milestone covering the entire depot network and its contractors.

With the annual safety programs being implemented by the Company, the Nasipit, Tacloban and Gasul San Fernando depots received the Tripartite Certificate of Compliance with Labor Standards ("TCCLS") provided under DOLE Department Order No. 115, a first level seal of good housekeeping issued by the DOLE. The DOLE previously awarded all Petron depots/terminals the Safety Milestone in recognition of their zero lost time accidents for a year's operations.

The Iligan Depot was also awarded the "Cleanest and Most Improved Safety Facilities Award" in Iligan City for the third consecutive year. The San Fernando Depot also won first prize in the search of the "Most Fire Safety Conscious Places" in San Fernando, Pampanga. The Tacloban Depot was awarded by the Department of Environment and Natural Resources ("DENR") the Seal of Approval award – Track 1 Category.

The Petron Bataan Refinery attained 15.4 million safe-man hours of safe refinery operations covering the refinery and its contractors as of November 2012, in spite of the increased number of activities at the refinery during the year due to major expansions, turnaround and construction. Hazards and unsafe behaviors identified were addressed immediately to prevent them from causing accidents/incidents. A total of 14,534 man-hours were spent in health, safety and environmental trainings, which include basic safety, fire fighting and SCBA, confined space, first aid and basic life support, personal H2S monitor and multi gas detector operation and maintenance, and oil spill equipment orientation.

Corporate Social Responsibility ("CSR")

In 2013, Petron received from the Public Relations Society of the Philippines Anvil Awards of Excellence for *Tulong Aral ng Petron: A Decade of Fueling Hope, Sustainability: Petron's Way of Life*, and the Boracay Beach Management Program, as well as Anvil Awards of Merit for *Managing our Environmental Footprint in Bataan* and our 2011 Petron Sustainability Report. Petron also received three (3) Awards of Excellence for *Tulong Aral ng Petron: A Decade of Fueling Hope*, *Sustainability: Petron's Way of Life*, and the Boracay Beach Management Program. Petron was also recognized with the prestigious Gold Award for Best Environmental Excellence during the fifth Global CSR Awards organized by Singapore-based The Pinnacle Group International.

Among the CSR and sustainability activities of Petron are the following:

- ***Tulong Aral ng Petron***. In partnership with the Department of Social Welfare and Development ("DSWD"), the Department of Education ("DepEd") and the World Vision Development Foundation, the Company continued its *Tulong Aral ng Petron* ("Tulong Aral"), a long-term, strategic initiative that helps send poor children to school, keep them there and make sure they learn. This is the centerpiece CSR program that defines what Petron stands for socially - to FUEL H.O.P.E. (Helping the Filipino children and youth Overcome Poverty through Education). *Tulong Aral* has scholarship programs for elementary, high school and college/vocational students.

  At the end of 2013, *Tulong Aral ng Petron* had a total of 2,687_scholars enrolled from Grades three to six: 1,997 scholars in 23 partner schools in the National Capitol Region (Caloocan, Malabon, Navotas, Valenzuela, Manila, Pasay, Mandaluyong, Quezon City, Parañaque, Taguig, Pateros, Pasig and Las Piñas) and 690 scholars in nine (9) partner schools in Mindanao (Davao, South Cotabato, Sarangani, Iligan, Misamis Oriental and Zamboanga). The scholars continued to enjoy the benefits of Petron's send-a-child to school program, including the provision of books, school supplies, shoes and uniforms; daily meal allowances for children, as well as capability building and livelihood programs for parents. Seven hundred twenty-one graduated in March 2013. A significant majority of our scholars (98.2%) were able to complete their primary education, while the drop-out rate was kept to a mere 2% way below the national average of 6.38%.

- A total of 442 children are receiving scholarships to go to high school in 25 public schools in Metro Manila. For the school year 2013-2014, Petron sponsored the college education of 24 scholars pursuing different degrees from various academic institutions, the qualified of whom can eventually earn the opportunity to be employed by Petron.

- **Petron Schools**. As a parallel effort and in support of DepEd's *Adopt-A-School Program*, Petron continued to pursue its school building program. In 2013, Petron was able to build a Petron School of four (4) new classrooms in San Miguel, Compostela Valley which was badly hit by Typhoon Pablo. This brings the total number of classrooms constructed to 197 classrooms or 80 schools, since 2002.

- Petron also sponsored the establishment of classrooms called *Silid Pangarap* for the pre-school level in support of SMC's commitment to the AGAPP *(*Aklat, Gabay, Aruga Tungo sa Pag-angat at Pag-asa) Foundation's program of building pre-schools. Petron is building 39 classrooms, with 19 having already been turned over in Bataan, Compostela Valley, Samar, Tagaytay, Negros Oriental, South Cotabato, and Sultan Kudarat.

- **Skills Development Programs.** In the seventh year of the Youth in Entrepreneurship and Leadership Development ("YIELD") Program, 100 third year students of the Muntinlupa Business High School ("MBHS") spent their summer at certain Petron stations to learn about the operations at the forecourt and back office and the rudiments of food service. Another program is the Skills Training Program for the Federation of Jeepney Operators and Drivers Associati*on o*f the Philippines ("FEJODAP") where 106 FEJODAP members and their dependents had been given technical/vocational skills training courses since July 2012, 54 of whom have already completed their courses this year. In 2013, 140 more received vouchers for training with the Technical Education and Skills Development Authority.

- **Promotion of Environmental Sustainability.** In 2013, Petron continued to take a leading role in the implementation of the Integrated Coastal Management Program in partnership with the Provincial Government of Bataan and the Global Environment Facility-United Nations Development Programme-United Nations Office for Project Services Partnerships on Environmental Management for the Seas of East Asia. Its activities included guiding local government units ("LGUs") in developing the respective zoning plans in accordance with the Bataan Coastal Land and Sea Use Zoning Plan.

  Through a partnership among Petron, the Municipality of Malay in the Province of Aklan, SMC and the Boracay Foundation, Inc., the Boracay Beach Management Program ("BBMP") was adopted to attain a sustainable development of Boracay Island. The BBMP celebrated its third year anniversary in September 2013 with key accomplishments that include 100% water reliability and service coverage, the acquisition of two (2) seacraft for sea patrol and emergency use and upgrading of communication equipment for better risk management, the establishment of coral nurseries near depleted coral reefs around the island, mangrove reforestation to preserve and ensure the survival of the island's mangrove areas, and reforestation of the Nabaoy River Watershed. Petron signed a Memorandum of Agreement with the DENR and the Municipality of Malay to reforest and rehabilitate 20 hectares of the Nabaoy Watershed for the next three (3) years. This commitment is also aligned with Petron's support to the DENR's National Greening Program.

  Petron also partnered with the DENR and the City Government of Marikina to support the *Adopt-An-Estero/Water Program* for the Marikina River and the DENR's National Greening Program. In 2013, a regular clean up was conducted along the 3.1 kilometer stretch of the Concepcion Creek, a major tributary of the Marikina River and identified by the Marikina City Environmental Management Office as a program pilot site. The dredging and rehabilitation of the creek banks and easements and repair of bike lanes commenced on identified areas of the Concepcion Creek were completed in February 2013.

  Petron is also committed to have its network of facilities nationwide adopt rivers and other water bodies within the proximity of their respective areas. As of 2013, nine (9) Petron depot locations have instituted their own *Adopt-An-Estero* activities.

  For the National Greening Program, Petron undertook to contribute to the DENR's goal of planting 1.5 billion trees from 2011 to 2016 in the following depot locations: (i) 20 hectares in the Nabaoy Watershed in Malay, Aklan and (ii) five (5) hectares in the Maasin Watershed in Iloilo.

- **Community-Based Programs.** Petron's community-based programs benefit residents close to Petron facilities. The community-based programs include: (i) in Bataan: the (a) *Sulong KaBataan* program that provided values formation, technical skills and leadership training to the youth and (b) *Sulong KaBarangay* program, a public-private partnership among the local government of Limay, DSWD, Petron and PinoyME Foundation, that helped establish four (4) community sub-projects and one livelihood sub-project by resident volunteers of Barangays

Alangan and Lamao; (ii) in Pandacan - the Petron Community Health Center which served the health-related needs of 1,393 patients in 2013; and (iii) in Rosario – a donation of seed money to the Municipality of Rosario that allowed a total of more than 700 residents to secure loans to start or enhance their livelihood activities.

- **Responding to Crises.** Petron demonstrated its commitment anew to caring for the community when it immediately mobilized to assist hundreds of families displaced by several major calamities that hit the country through its *Sagip Alalay* program Soup kitchens, relief operations were provided in Zamboanga during the siege early September 2013, in Bohol and Cebu after the magnitude 7.2 earthquake, in areas hardest hit by Typhoon Yolanda (Haiyan) such as areas in Leyte, Oriental Mindoro, Iloilo, Capiz, and Cebu. More than 20,000 families benefitted from these efforts.

  In partnership with SMC, Petron also continued to support rehabilitation efforts being implemented jointly by Habitat for Humanity Philippines, Inc. and *Gawad Kalinga* to build houses for those displaced by Typhoon Sendong in December 2011.

  Petron partnered with the Corporate Network for Disaster Response for the Noah's Ark Project in enhancing the capabilities of LGUs and stakeholders to build disaster-resilient communities. Petron adopted Barangay Nangka in Marikina City, one of the most disaster-prone areas in the country, for its first Noah's Ark Project. Petron also formalized a partnership with the Department of Science and Technology to implement Project NOAH or National Operational Assessment of Hazards in its key facilities nationwide to establish a responsive program for nationwide disaster prevention and mitigation with a monitoring and early warning system along the Philippines' 18 major river basins.

(2) Business of Petron

(i) Principal products or services and their markets

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 gasoline, LPG, diesel, jet fuel, kerosene, industrial fuel oil, solvents, asphalts and petrochemical feedstocks – benzene, toluene, mixed xylene and propylene. Exports include fuel oil, naphtha and petrochemical feedstocks. When necessary, some refined petroleum products are imported.

The major markets in the petroleum industry are the reseller (service station), industrial, LPG and lube trades. Petron sells its products to both industrial end-users and through a nationwide network of service stations and LPG dealerships. It also supplies jet fuel at key airports to international and domestic carriers.

Petron also operates a lube oil blending plant at its Pandacan Terminal. Lubricants are sold through service stations and sales centers. Its fuel additive blending plant in SBF supplies the Company's requirements and serves as Asian supply hub of Innospec, Limited, a global fuel additives supplier.

The Company also continues to expand its non-fuel businesses. It holds franchises of major local food chains, leases space to other consumer services and restaurants to give its customers a one-stop full service experience at the service station.

(ii) Percentage of sales or revenues contributed by foreign sales

Below is the summary of the percentage of sales or revenues of domestic and foreign sales of the Company and its subsidiaries from 2011 to 2013:

	Domestic	Exports/International	Total
2011, in million pesos	246,695	27,261	273,956
2011, in percentage	90%	10%	100%
2012, in million pesos	265,470	159,325	424,795
2012, in percentage	62%	38%	100%
2013, in million pesos	264,445	199,193	463,638
2013, in percentage	57%	43%	100%

(iii) Distribution methods of products or services

Petron's bulk petroleum products are refined from crude oil at the Petron Bataan Refinery in Limay, Bataan. From the Petron Bataan Refinery, products are distributed to the various bulk storage terminals and direct consumer accounts nationwide using a fleet of barges and tankers. From the storage depots, bulk products are hauled by tank trucks to service stations and to direct consumer accounts. Products may also be sourced from depots operated by other oil companies with whom Petron has joint operations, rationalization and/or product supply agreements.

(iv) New products or services

The Company's new products are described below.

- Development of *Petron Super Xtra* and *Xtra Advance*

  Petron Super Xtra (RON 91) and *Xtra Advance* (RON 93) were developed in compliance with the new Philippine National Standards for ethanol-blended gasoline. The two (2) new grades of regular gasoline meet the ethanol-blended regular gasoline set by the DOE.

- **Development of Petron Blaze 100 Euro 4**

  Petron marked another breakthrough in creating high performance products through its Petron Blaze 100 Euro 4 gasoline. Petron Blaze 100 Euro 4 is the Philippines' first 100 octane and Euro-4 level premium plus gasoline. It meets European fuel quality standards for Euro-4 technology vehicles and exceeds the Philippine National Standards Euro-4 PH specifications. It provides optimum performance in terms of power, acceleration, and combustion efficiency. It contains 90% less sulfur and more than 50% less benzene, which make it a very environmentally friendly product.

- **Development of Stemol 300**

  Stemol 300 is a biodegradable oil developed for steel plants as metal casting oil.

- **Development of pCHEM 6000DP**

  pCHEM 6000 DP is a multipurpose fuel additive for diesel fuel in heavy duty applications. This performance fuel additive is intended for mining applications to improve exhaust emissions and fuel economy.

- **Development of Zerflo P68**

  Zerflo P68 is a refrigeration oil formulated with paraffinic baseoil to provide enhanced performance in reciprocating, rotary vane, and rotary screw type refrigeration systems using ammonia as refrigerant.

(v) Competition

Petron operates in a deregulated oil industry along with other major players Pilipinas Shell Petroleum Corporation ("Shell") and Chevron Philippines Inc. ("Chevron"), as well as more than 90 other players. This industry is heavily affected by volatile crude and product prices, strict environmental requirements and a more value-conscious breed of consumers. While pricing remains to be a primary driver of sales in all sectors, a shift towards total customer solutions has also been noted. Major customer initiatives include the establishment of a Petron Customer Interaction Center that attends to various customer needs from order taking to feedback/complaints management.

Oil demand (excluding demand for lubes and greases) sustained growth in 2013. Domestic oil demand expanded from 303 thousand barrels per day ("MBD") in 2012 to about 321 MBD as of year-to-date June 2013 (based on published data from the DOE). High gross domestic product ("GDP") growth, with robust personal and government spending, vibrant industry sectors and increasing vehicle sales, pushed oil demand. Local election spending during the first half of the year also contributed to the strong growth.

Growing industry competition. Deregulation saw the entry of more than 90 other industry players, rendering the petroleum business more competitive. In the reseller (service station) sector, there were a total of about 6,200 outlets as of end 2013, with the new players' count at around 2,100 stations. This is about triple the number of stations they had in 2001. Aggressive expansion of new players is fueled by attractive dealer package, healthy gasoline margins, and flexible product sourcing. Investments such as depot construction continue to pour in from players (both oil majors and independent players) aimed at increasing market share and tapping new markets. The acquisition of Shell's LPG business in the Philippines by Isla Petroleum & Gas Corporation is also expected to put more pressure on the already price-sensitive LPG refiller sector as the new entrant attempts to establish a critical mass in view of its limited brand equity. The new players had a collective market share of about 29% as of year-to-date June 2013 (based on published industry data from the DOE and excluding lubes and greases).

In the lubes market, intense competition among over 50 brands, including big names like Castrol, Mobil, Shell, and Caltex, continues. Brands compete for limited shelf space, which has led to the penetration of uncharted markets like auto-dealerships and malls.

Petron participates in the reseller (service station), industrial, lube and LPG sectors through its network of service stations, terminals and bulk plants, dealers, and distributors nationwide. In addition, Petron is engaged in non-fuels business through its Goldilocks, Jollibee and Chowking franchises, billboards and leasing to locators which are largely situated within premises of service stations.

Petron continued to be the market leader, with a market share of about 36.9% as of year-to-date June 2013 (based on published industry data from the DOE). Its strength lies in its organization, technology, assets, resources and infrastructure. It has continuously developed and adopted initiatives aimed at improving operational efficiency, managing costs and risks, and maximizing utilization of its assets and opportunities by tapping new markets and investing in refinery upgrades to improve the value of product yields.

Illegal trading practices persisted. Despite the efforts of the government and the private sector to fight smuggling through different programs, cases of illegal activities (*e.g.*, “bote-bote” retailing, illegal refilling, under declaration of value or quantity of imports) persists. This has resulted in unfair competition among players and lost tax revenues for the government.

(vi) Sources and availability of raw materials and the names of principal suppliers

In 2013, Petron purchased all its crude through its wholly-owned subsidiary, PSTPL. Majority of the crude purchase was sourced from Saudi Arabian Oil Company (“Saudi Aramco”) under a term contract. Regional crudes such as Miri and Labuan were sourced from Petronas also under a term contract. Other crudes such as ESPO, Lower Zakum, Kikeh, Seria Light and Masila were sourced on spot basis from different companies. For its 2014 requirements, Petron renewed its Crude Oil Supply Agreements with Saudi Aramco from January to December 2014 and with Petronas from January to August 2014, through PSTPL.

LPG imports were directly awarded to Shell International Eastern Trading Company for the period August 2013 to July 2014. For other finished product imports, Petron purchased its requirements in 2014 through PSTPL. Jet A-1 term contracts were concluded for January to March 2014. In addition, aviation gas and asphalt contracts were renewed for the period January to December 2014. For baseoil, the supply contract was also renewed for the period March 2013 to December 2013.

(vii) Dependence on one or a few major customers and identity of any such major customers

Petron and its subsidiaries do not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue.

(viii) Transactions with and/or dependence on related parties

Described below are transactions of Petron with related parties:

1. Petron has existing supply agreements with various SMC subsidiaries. Under these agreements, Petron supplies the bunker, diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.

2. Petron and Philippine Polypropylene Inc. (a subsidiary of PAHL) purchase goods and services, such as those related to construction, information technology, shipping and power, from various SMC subsidiaries

3. Petron entered into a lease agreement with San Miguel Properties, Inc. (“SMPI”) for office space covering 6,802 square meters. The lease, which commenced on June 1, 2013, is for a period of one (1) year and may be renewed in accordance with the written agreement of the parties.

4. Petron also pays SMC for its share in common expenses such as utilities and management fees.

5. Petron has long-term lease agreements with NVRC covering certain parcels of lands where some of its depots, terminals and service stations are located.

6. Petron partly retails its fuel products through its subsidiaries, PMC, PFC, PPI and PSTPL, as well as lubes through PFSIB.

7. Petron obtains insurance coverage from Petrogen, which in turn obtains reinsurance coverage from Ovincor and other local reinsurers.

8. Petron advanced certain monies to PCERP for investment opportunities.

9. Petron has an existing trading agreement with PSTPL for the procurement of crude oil, and trading of finished petroleum products and other materials such as ethanol, coal, and additives.

10. Petron engaged PSTPL to perform the chartering function such as the renewal and negotiation of contract of affreightments and commodity risk management via hedging transactions.

11. PSTPL sells Jet A-1 to PAL.

12. NVRC and SMC Powergen Inc. ("SMC Powergen") entered into a sublease agreement for a portion of the lands on which the Petron Bataan Refinery and SMC Powergen's power plant is located.

13. NVRC acquired parcels of land from SMPI and vice versa.

(ix) Patents, trademarks, licenses, franchises, concessions, royalty agreements

The Company's intellectual property registrations and applications as of December 31, 2013 are described below.

Approved Trademark Registrations. Petron has trademark registrations for a term of 20 years for its Petrogrease, Gearfluid, Gasulette, Gasulite, Gasulgrille, Gasul, Marinekote, LPG Gasul Cylinder 50 kg., Gasul and Device, LPG Gasul Cylinder 11 kg., Petron STM, Petron Autokote, GEP, Gearkote, Cablekote, REV-X superdiesel Multigrade, "AS" Petron, Grease Solve, Petrokote, Petron 2040, Petron XD3, Petron Old Logo, Hypex, Extra, Petron Old Logo (Tradename), 2T, Turnol, Petromar HD, Spinol, Airlube, Hydrotur, Petromix, Voltran, Stemol, Petrocyl 680, Overglide, Grease Away, Petrokut, Petron Railroad Extra, Rubbex, Petron Dust Stop Oil, Oil Saver, DCL 100, Milrol, Petropen, Petron GST, Petron with XCS, With XCS, Super DC, LPG Gasul Cylinder 2.7 kg. Petromul CSS-1, New Petron Logo, Power Booster, Zerflo, TDH 50, Automatic Transmission Fluid, Petrotherm 32, Petrosine, Petron HDX, Petron TF, Petron, Ropgriz, Ultron and Device, 2T Motorcycle Oil, Lubritop, Antimist, Molygrease and Petron GX.

Petron Gasul 11-kg POL-VALVED Cylinder, Ultron Rallye, Rev-X Trekker, Rev-X Hauler, Rev-X HD, Bull's Eye, Ultron Extra, Sprint 4T, Xpert Diesel Oils, Penetrating Oil, Solvent 3040, Ultron Race, Ultron Touring, Lakbay Alalay, Blaze, Clean 'n Shine, Fuel Hope, Fuel Success, Fuel X Fuel Customer Experience, Pchem, Petron Farm Trac Oil for Farm Equipment, Petron Freeport Corporation, Petron Marketing Corporation, PetronConnects, Treats (for bottled water), Tulong Aral ng Petron & Device, Ultimate Release from Engine Stress, Xpert sa Makina X-tra ang Kita, "Your friend on the Road", Fuel Trust, Fuel Experience, Fuel Drive, Fuel Excellence, Fuel Efficiency, Xtend, Car Care & Logo,Go for the Xtra Miles, e-fuel, Rider, Enduro, Extra, Fiesta Gas with device, Xtra, Fiesta Gas 2.7kg cylinder, Fiesta Gas 5kg cylinder, Fiesta Gas 5kg POL-VALVED. Fiesta Gas 11kg cylinder, Fiesta Gas 11kg POL-VALVED. Fiesta Gas 22kg POL-VALVED, Fiesta Gas 50kg POL-VALVED, Bulilit Station, Bulilit Station(Gasoline Station), How far can you go on one full tank these days?, Fuel Journeys, Petron Lakbay Pinoy, Petron

PInoy Fuels & Device, Petron Pinoy Diesel & Device, Petron Pinoy Regular & Device, Econo, Elite, Pantra, Limay Energen Corporation, Racer Maximum Performance, Petrolene, Petron Value Card and Device, Pstore, Pmart, Pshop, Go Petron! Get Rewards & Benefits, TSI and Device, Footprints Inside a Sphere & Device, Lakbay Alalay Para sa Kalikasan, Everyone's Vision & device, Petron Super Xtra Gasoline, Xtra Advance, Petron Ronnie Mascot in Seatbelt & device, and Petron Super Driver are registered for a term of ***10 years***.

Pending Trademark Registration Applications. Petron has pending applications for registration of the following trademarks: Rover, Petron Blaze 100, Sagip Alalay, Petron Canopy Fascia, Petron XCS3, Petron XCS3 Triple Action Premium Unleaded, Xtra Advance, Champion Gasoline, Maxi-Gas, Xtra Exceed, Ultramax Gasoline, Ecomax Gasoline, Pmax Gasoline, Pharmacy Plus & device, Petron Ronnie Mascot & device, Xtra Ultra, Xtra Prime, Xtra Miles, Pinoy HP Gasoline, Extra Excel, Unli Power Saver Gasoline, Seat Belt Lives, Petron Fleet Card & device, Privilege Miles Card & device, View it & device, Euro 4 (stylized), Blaze 100 Octane Euro 4 & device, Aim here & device, Focus here & device, AR View & device, See It & device, AR Focus & device, Pay with Points Save your Cash, Mix & Treats device, Treats Plus & device, Everyone's Treats, Everyone's Shop & device, Super Treats & device, AR Scan & device, AR Spot & device, Scan It & device, e-Pay, Triangle device, Boomerang device, Gasulito, REV-X, Road Safety & device, and Miles.

Petron also has registered and pending trademarks in Malaysia, Indonesia, Cambodia, Thailand and Myanmar.

Copyrights. Petron has copyrights for its seven (7)-kg LPG container, Gasulito with stylized letter "P" and two (2) flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs and Malaysian Card Designs, and Petron font. Copyrights are protected during the lifetime of the creator and for 50 years after his death.

Utility Models. Petron has pending applications for registration of utility models: (i) Carbon Buster (process) and (ii) Carbon Buster (composition).

(x) Government Approval of Principal Products or Services

Government approval of Petron products and services is not generally required. Petroleum products refined at the Petron Bataan Refinery conform to specifications under the Philippine National Standards. Importations of petroleum products and additives are reported to the DOE, in accordance with the Downstream Oil Industry Deregulation Act of 1998. Clearances are secured from concerned government authorities for importations of restricted goods. Supply of products or services to government and government agencies undergo bidding process in accordance with law.

(xi) Effect of existing or probable government regulations on the business

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

- Biofuels Act of 2006 (the "Biofuels Act"). The Biofuels Act mandates that ethanol comprise 5% of total gasoline volumes and that diesel contain 2% cocomethyl ester ("CME"). By February 2012, all gasoline grades should contain 10% ethanol. However, the DOE extended an exemption to regular gasoline and gasoline with 97 and above RON from the mandated ethanol content pending completion of technical testing on ethanol compatibility with motor vehicle engines especially the two (2)-stroke motorcycle engines. To produce compliant fuels, the Company invested in CME injection systems at the Petron Bataan Refinery and the depots. Prior to the mandatory blending of ethanol into gasoline by 2009, the Company already started selling ethanol-blended gasoline in selected service stations in Metro Manila in May 2008.

- LPG Bill. This bill aims to ensure safe practices and quality standards and mitigate unfair competition in the LPG sector. LPG cylinder seal suppliers must obtain a license and certification of quality, health and safety from the DOE before they are allowed to operate. LPG cylinder re-qualifiers, repairers and scrapping centers will also have to obtain a license from the Department of Trade and Industry. The bill also imposes penalties for underfilling, under-delivering, illegal refilling and storage, sale or distribution of LPG-filled cylinders without seals, illegal possession of LPG cylinder seal, hoarding, and importation of used or second-hand LPG cylinders, refusal of inspection, and non-compliance with standards.

- Inclusion of LPG and Kerosene in the Price Act. An amendment to the Price Act is proposed to include LPG and kerosene to the list of basic necessities which are under strict monitoring by the government. Prices of these goods can be subject to price control or price ceiling in the event of emergencies, calamities, war, rebellion, etc.

- Compliance with Euro 4 standards. The DENR issued in September 2010 Administrative Order 2010-23 mandating that, by 2016, all new motor vehicles that would be introduced in the market shall comply with Euro 4 emission limits, subject to Euro 4 fuel availability. The oil industry is currently conducting discussions on the fuel specification requirements to comply with the DENR administrative order in 2016.

- Renewable Energy Act of 2008 (the "Renewable Energy Act"). The Renewable Energy Act aims to promote development and commercialization of renewable and environment-friendly energy resources (*e.g.*, biomass, solar, wind) through various tax incentives. Renewable energy developers will be given a seven (7)-year income tax holiday, power generated from these sources will be VAT-exempt, and facilities to be used or imported will also have tax incentives.

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

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

(xii) Estimate of the amount spent during each of the last three fiscal years on research and development activities

The Company's Research and Development ("R&D") is responsible for all product development that complies with government laws and regulations such as the Clean Air Act, the Biofuels Act, and the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990. Other drivers of product innovations are the requirements of original engine manufacturers and the latest technological trends in the industry.

R&D spent a total of ₱59.2 million in 2013, higher than the previous year's expense of ₱48.6 million. Expenses in 2011 amounted to ₱13.5 million.

(xiii) Costs and effects of compliance with environmental laws

Compliance with the various environmental laws like the Renewable Energy Act, the Biofuels Act, the Clean Air Act, and the Clean Water Act entails costs and additional investments on the part of the Company, resulting in higher production costs and operating expenses. In 2013, the Company spent a total of ₱217.5 million for treatment of wastes, monitoring and compliance, permits and personnel training at the Petron Bataan Refinery.

(xiv) Total number of employees

As of December 31, 2013, the total manpower of the Company and its subsidiaries was at 2,262 distributed as follows: 2,098 from Petron, five (5) from Petrogen, 13 from NVRC, 10 from the Petron Malaysia Companies, six (6) from PSTPL, three (3) from PPI, 127 from PMC and PFC. The workforce may further increase in the ensuing 12 months due to the Petron Bataan Refinery expansion project.

Petron has CBA's with its three (3) unions, namely: (a) BRUP; (b) PELU; and (c) Petron Employees Association - affiliated with the National Association of Trade Unions ("PEA-NATU"). The BRUP's CBA covers the period January 1, 2011 to December 31, 2013; PELU's CBA was in effect from January 1, 2011 to December 31, 2013; and PEA-NATU's CBA is from January 1, 2012 to December 31, 2014. As of December 31, 2013, the BRUP CBA and the PELU CBA were under negotiations.

In addition to the statutory benefits, the Company provides medical and life insurance, vacation/sick and emergency leaves, and computer and emergency loans to employees. It has a savings plan wherein an eligible employee may contribute 5-15% of his monthly basic salary. The Company, in turn, contributes a corresponding maximum of 5% to the member-employee's account in the savings plan.

(xv) Major Risks Involved

(i) Risk Management Framework and Process

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

The Company's risk management process is a bottom-up approach, with each division mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As Petron's operation is an integrated value chain, risks emanate from every process and some can cut across divisions. The results of these activities flow up to the Management Committee and eventually the Board through the Company's annual Business Planning process.

Oversight and technical assistance is likewise provided by corporate units with special duties. The Risk and Insurance Management Group is mandated with the overall coordination and development of the enterprise-wide risk management process. The Financial Risk Management Unit of the Treasurers Department is in charge of foreign exchange hedging transactions. The Transaction Management Unit of the Controller's Department provides backroom support for all financial transactions. The Corporate Technical & Engineering Services Group oversees compliance with the domestic and international standards set for health, safety and environment. The Internal Audit Department is tasked with the implementation of a risk-based auditing. PSTPL executes the hedging transactions involving crude and product imports on behalf of the Company.

(ii) (ii) Major Risks

The Company classifies a risk as a major risk if it assesses the risk event to both have a relatively high probability of occurring and a substantial adverse impact on the Company if the risk would occur. The major risks that the Company managed in 2013 were substantially the same as those in the previous year since there were no fundamental changes in the nature of the Company's operations. These risks were the following:

- Foreign exchange risk arising from the difference in the denomination of majority of revenues in Philippine Pesos against that for the bulk of costs in US Dollars. In addition, starting March 31, 2012, the Group's exposure to foreign exchange risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of the Petron Malaysia Companies 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. Changes in the foreign exchange rate would result in the revaluation of key assets and liabilities, and could subsequently lead to financial losses for the Company.
- The risk of substantial disruptions in the Company's operations caused by accidents, process or machinery failure, human error or adverse events outside of human control. This risk could also include delays in the implementation of major capital expansion activities. These disruptions may result to injury or loss of life, as well as financial losses should these disruptions lead to product run-outs, facility shutdown, equipment repair or replacement, insurance cost escalation and/or unplanned inventory build-up.
- Profit margin and cash flow risk arising from fluctuations in the relative prices of input crude oil and output oil and petrochemical products. Changes in output and input prices, particularly when mismatched, may produce significant cash flow variability and may cause disruptions in the Company's supply chain, as well as higher financing expenses.
- Regulatory risk, arising from changes in national and local government policies and regulations that may result to substantial financial and other costs for the Company, either directly or indirectly.

Except as covered by the above mentioned specific risks, the Company has determined that none of the risk factors faced by any of its subsidiaries would be a major risk. These risk factors either have a low probability of occurring or have an insignificant potential impact. Thus, while subsidiary-specific risks were considered in the risk management process, these are considered relatively minor.

(iii) Management of Major Risks

(a) Foreign exchange risk

- The Company hedges its dollar-denominated liabilities using forwards, other derivative instruments and the generation of dollar-denominated sales. It avoids the creation of risk from derivative speculation by limiting the use of derivative instruments up to 100% of the value of the underlying dollar-denominated liabilities net of dollar-denominated assets.
- Dollar-denominated assets and liabilities and the resulting potential foreign exchange losses are recorded on a daily basis through software that monitors financial transactions under the Company's enterprise resource planning system. This allows real-time awareness and response to contain losses posed by foreign exchange exposure. Such software is also capable of tracking risk exposures arising from other market sensitive financial variables, such as interest rates and commodity prices.

(b) Risk of operational disruptions

- The risk of operational disruptions is most relevant to the refining unit since disruptions in these units can have severe and rippling effects.
- The Refinery Division and the Petron Malaysia Companies have been implementing programs designed to directly promote the avoidance of operational disruptions through effective maintenance practices and the inculcation of a culture of continuous process improvement.
- The Company has a corporate-wide health, safety and environment program that likewise addresses the risk of operational disruptions.
- The Company has complied with and has been certified to be compliant with the strictest international standards for quality management system under ISO 9002:1994 in August 1998; and for environmental management system under ISO 14001:1996 in September 2004 and was upgraded and certified to ISO 14001:2004 in October 2006 up to present for its refinery operations. The refining division is implementing and maintaining an IMS composed of Quality Management System (ISO 9001:2008); Occupational Health and Safety Management System (OHSAS or ISO 18001:2007); Environmental Management System (ISO-14001:2004), certified and recertified since July, June and May 2009, respectively, up to present.
- A total of 32 locations are covered by ISO 9001 certification. Of these locations, a total of 20 have been migrated to the ISO 9001:2008 certification. As of December 31, 2013, 23 locations had been certified to the IMS that includes ISO 9001:2008, ISO 14001:2004, and ISO18001:2007. The target is to have all the depots certified to the integrated management standards by 2015.
- Furthermore, a total of 18 locations are compliant with International Ship and Port Facility Security ("ISPS") code certified by the Office of the Transport Security under the DOTC. ISPS certification is a requirement by the International Maritime Organization of the United Nations for all international vessels calling on international ports and for all ports accepting international vessels. Petron's shipping ports for both domestic and international vessels are ISPS certified.

(c) Profit margin and cash flow risk

- Margin hedging strategies are used for some US dollar-based contracts in order to eliminate the risk of profit margin compression due to changes in crude and product prices. A margin hedge simultaneously fixes the future dollar prices of Dubai crude oil and that of a selected product (contracted to be sold at the future date) manufactured from the crude.

- The Company endeavors to arrange long-term contracts for some of its fuel and petrochemical products whenever these are financially attractive. Long-term sales contracts provide a partial hedge on future cash flow uncertainty.
- The Company uses cash flow projection software that enables it to proactively respond to potential future cash flow imbalances. It likewise maintains access to credit lines in excess of typical requirements so that funds can be readily tapped in case of a cash flow squeeze.

(d) Regulatory risk

- The Company maintains strong lines of communication with its various counterparties in government and in the public arena, in both local and national levels. The Company uses these lines of communication to identify potential risk factors and respond to these in a proactive manner.
- The Company remains compliant with the various environmental standards set by the government.

(B) Description of Property

Petron owns the largest petroleum refinery complex in the Philippines located in Limay, Bataan. This refinery has a crude distillation capacity of 180,000 barrels per day ("BPD"). It has three (3) crude distillation units, a vacuum pipestill unit, a petrofluidized catalyst cracking unit, a continuous catalyst regeneration reformer unit, a semi-regenerative reformer unit, two (2) naphtha hydrotreaters, two (2) LPG treaters, an isomerization unit, benzene, toluene and mixed xylene recovery units, sour water facilities, a propylene recovery unit, a kerosene merox treater, two (2) gas oil hydrotreater units, a sulfur recovery unit, a nitrogen plant, waste water treatment facilities, eight (8) steam generators, five (5) turbo generators, four (4) cooling towers, a reverse osmosis unit, flare and safety relieving facilities, bulk asphalt receiving facilities, several crude storage tanks, as well as a number of refined petroleum products storage tanks. It has its own piers and other berthing facilities, one of which can accommodate very large crude carriers.

Petron also operates an extensive network of terminals, plants and LPG plants which are located in Luzon, Visayas and Mindanao. Its terminals, depots and plants are in Limay, Bataan; Pandacan, Manila; Mabini, Batangas; Mandaue City; Poro Point-San Fernando, La Union; Ugong, Pasig City; Subic, Zambales; Aparri, Cagayan; Rosario, Cavite; Pasacao, Camarines Sur; Puerto Princesa, Palawan; Lapuz, Iloilo City; Bacolod City; Tagoloan, Misamis Oriental; Sasa, Davao City; Legaspi City, Albay; San Fernando City, Pampanga, Navotas, Metro Manila; Amlan, Negros Oriental; Culasi, Roxas City; Linao, Ormoc City; Anibong, Tacloban City; Isabel, Leyte; Tagbilaran City, Bohol; Iligan City; Jimenez, Misamis Occidental; Bawing, General Santos City; Nasipit, Agusan del Norte and Zamboanga City. Its sales offices in Luzon are located in Calapan, Oriental Mindoro and in Masbate.

Petron has aviation depots at JOCASP-NAIA, Pasay City; Mactan, Cebu and airport installations at Laoag City; Iloilo; Cagayan de Oro and Davao City.

Petron leases from PNOC and NVRC on renewable 25-year terms the parcels of land where the PBR, the terminals, the bulk plants and the service stations are located. Petron's lease agreements for lands owned by other private persons vary as to their terms and conditions, including the period of lease.

The lease agreement of NVRC with PNOC on refinery property is effective until 2039, renewable for another 25 years upon mutual agreement of the parties. Lease charges on refinery facilities escalated at 3% per annum until 2011. The leased premises are subject to reappraisal every fifth year of the rental period beginning 2012. The amount equivalent to 5% of the reappraised value of the property shall be the new rental rate, subject to an annual 3% escalation for the four (4) years following the appraisal. Lease payments for 2013 amounted to ₱159 million.

Petron anticipates that it would lease desirable lots from NVRC and third parties for development as service stations and for its refinery expansion projects in the next 12 months.

(C) Contingent Liabilities

Petron is involved in certain cases, the material of which are discussed below:

1. **Tax Cases**

- **Petron Corporation vs. Commissioner of Internal Revenue**
  SC-G.R. SP No. 204119-20
  Supreme Court
  Date Filed: December 2012

  Background: In 1998, the Company contested before the Court of Tax Appeals ("CTA") the collection by the Bureau of Internal Revenue ("BIR") of deficiency excise taxes arising from the Company's acceptance and use of tax credit certificates ("TCCs") worth ₱659 million from 1993 to 1997. In July 1999, the CTA ruled that, as a fuel supplier of companies registered with the BOI, the Company was a qualified transferee for the TCCs. The CTA ruled that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. The BIR appealed the ruling to the Court of Appeals ("CA").

  On March 21, 2012, the CA promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR for deficiency excise taxes in 1998 based on a finding by the BIR that the TCCs used by Petron as payment were fraudulent. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CA in its resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. On June 17, 2013, the Company filed its comment on BIR's petition for review on *certiorari*.

  Exposure: ₱1,107,542,547.08 plus 20% annual interest and 25% surcharge from April 22, 1998

  Relief sought on Appeal: The petition for review on *certiorari* filed by the BIR seeks the reversal of the decision of the CTA in favor of Petron, setting aside the BIR assessment in relation to Petron's payments of excise taxes through TCCs.

  Status: The petition for review on *certiorari* filed by the BIR was still pending as of December 31, 2013.

2. **Pandacan Cases**

   a. **Petron Corporation v. The City of Manila, *et al*.**
   Civil Case N0. 07-116700
   RTC Manila Br. 41
   Date Filed: February 8, 2007

   Background: The City Council passed the Manila Comprehensive Land Use Plan and Zoning Regulations of 2006 ("Ordinance No. 8119"), which was approved by Mayor Jose L. Atienza on June 16, 2006. Ordinance No. 8119 reclassified the area of the Pandacan depots from Industrial to High Density Residential/Mixed Use Zone. Ordinance No. 8119 gave non-conforming establishments, including the oil depots, seven (7) years to phase out or relocate.

Shell and Chevron filed their complaint questioning Ordinance No. 8119. The Company, which was not allowed to intervene, filed a separate complaint on February 8, 2007, questioning the validity of the Manila City Ordinance No. 8119.

On August 24, 2012, the Regional Trial Court of Manila ("RTC of Manila") ruled that Section 23 of Ordinance 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC of Manila upheld the validity of all other provisions of Ordinance 8119. On September 25, 2012, Petron sought clarification and partial consideration of the August 24 decision and prayed for the nullification of the entire Ordinance 8119. In an order dated December 18, 2012, the RTC of Manila denied the motion filed by Petron. As an update, Petron filed a notice of appeal on January 23, 2013. In an order dated February 6, 2013, the RTC of Manila ordered the records to be forwarded to the CA. In compliance with the order of the CA dated April 15, 2013, Petron submitted its appellant's brief on July 29, 2013. On December 19, 2013, Petron, through its counsel, received the City of Manila's appellee's brief dated December 12, 2013.

Exposure: No monetary claim. Adverse decision would mean closure of the terminals at Pandacan.

Relief sought: Nullification of Ordinance No. 8119

Status: The appeal filed by Petron on January 23, 2013 was still pending as of December 31, 2013.

b. Social Justice Society ("SJS") v. Alfredo S. Lim
SC G.R. No. 187836 Supreme Court

Background: This is a petition for prohibition by SJS against Mayor Alfredo S. Lim for nullification of Ordinance No. 8187 which repealed both City Ordinance Nos. 8027 and 8119, effectively allowing the continued operation of the oil depots at Pandacan.

On June 1, 2009, SJS officers filed a petition for prohibition against Mayor Lim before the Supreme Court ("SC"), seeking the nullification of Ordinance 8187. The lawyers of the oil companies have met and would come up with a plan of action, including intervention once the SC directs the City of Manila to comment or gives due course to the petition. There has been no official action from the SC on this latest petition yet. The City filed its Comment on August 13, 2009. Petron filed a motion for leave to intervene dated November 27, 2009 and a comment-in-intervention dated November 27, 2009. The comment-in-intervention was allowed by the SC.

Petron filed a manifestation on November 30, 2010 informing the SC that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five (5) years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of Petron and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented Petron from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), Petron reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

This case is consolidated with SC G.R. No. 187916.

Exposure: No monetary claim. Adverse decision would mean closure of the terminals at Pandacan.

Status: The case was still pending as of December 31, 2013.

c. Jose L. Atienza vs. Mayor Alfredo S. Lim
SC G.R. No. 187916 Supreme Court

Background: This is the second petition filed against Ordinance 8187. Former Manila Mayor Atienza filed a petition for certiorari for the nullification of Ordinance No. 8187.

On June 5, 2009, former Manila Mayor Jose L. Atienza, represented by the former City Legal Officer, filed his own petition with the SC seeking to stop the implementation of Ordinance 8187. The City of Manila filed its Comment on August 13, 2009.

Petron filed a manifestation on November 30, 2010 informing the SC that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five (5) years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of Petron and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented Petron from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), Petron reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

Exposure: No monetary claim. Adverse decision would mean closure of the terminals at Pandacan.

Status: The case was still pending as of December 31, 2013.

3. Guimaras Oil Spill

a. In the Matter of the Sinking of the MT Solar I
SBMI No. 936-06
Special Board of Marine Inquiry

Background: Petron hired on a "single voyage basis" the vessel MT Solar I owned by Sunshine Maritime Development Corporation ("SMDC") for the transport of industrial fuel oil from the Petron Refinery in Bataan to Zamboanga. Petron, as a shipper of the cargo, conducted inspection of the vessel MT Solar I and likewise, relied on the documents presented by SMDC as carrier. Petron also relied on the implied warranties of SMDC as a carrier with respect to the seaworthiness of the vessel MT Solar I and other statutory/trading certificates issued by MARINA and other pertinent government agencies.

SMDC, taking into consideration the vessel's trim, stability and draft, declared to Petron that the vessel MT Solar I can safely load approximately 13,500 barrels of cargo as stated in the Fixture Note, Notice of Readiness and Seaworthiness Certificate. On this basis and relying on the declaration of SMDC, Petron loaded the quantity as specified by SMDC. Unfortunately, the vessel MT Solar I sank off Guimaras when it encountered bad weather on or about August 11, 2006.

In September 2006, the Special Board of Marine Inquiry ("SBMI") was created by the Philippine Coast Guard for the purpose of determining the administrative liability of the crew, owner of the vessel and other involved parties. The SBMI in its initial findings found Petron liable for allegedly overloading the vessel.

On November 21, 2006, Petron filed a memorandum of appeal with the Department of Transportation and Communication ("DOTC"), elevating the disputed ruling of the SBMI for review. The appeal to the DOTC of the finding of the SBMI that Petron was negligent and responsible for overloading the MT Solar I remained pending as of December 31, 2012.

Exposure: Considering the nature of this investigation, no potential liability exists for Petron at this point.

Relief sought: Reversal of the SBMI's initial finding that Petron was liable for allegedly overloading the vessel.

Status: The matter was still pending as of December 31, 2013.

b. People of the Philippines vs. Clemente Cancio, *et. al*.
Criminal Case No. 12-1721
RTC, Branch 65
San Miguel, Jordan, Guimaras

Background: Complaints for homicide and less serious physical injuries were filed by Dalida and Gacho on June 17, 2009 and for violation of the Clean Water Act by Oliver Chavez on July 29, 2009 against the Company represented by Messrs. Nicasio I. Alcantara and Khalid D. Al-Faddagh, its former Chairman and President, respectively, and the Captain and owner of MT Solar 1, as a result of the complainants' alleged exposure to and close contact with the waters along the shoreline and mangroves affected by the oil spill coming from the said vessel which sank on August 11, 2006.

The respondents denied the allegations imputed against them, as the same accusations were already resolved and dismissed by the Provincial Prosecutor's Office of Guimaras in its resolution dated March 2, 2007.

On July 14, 2011, the Provincial Prosecutor's Office of Guimaras issued a joint resolution finding probable cause to indict the owner and the Captain of MT Solar 1 and Messrs. Alcantara and Mr. Faddagh for violation of Section 28, Paragraph 5 in relation to Section 4 of the Clean Water Act. An information was filed before the Regional Trial Court of Guimaras (the "RTC Guimaras") on the basis of the said Joint Resolution.

On March 28, 2012, the RTC Guimaras dismissed the information for lack of probable cause and for lack of jurisdiction over the offense charged.

Status: The provincial prosecutor and the private prosecutor in the case filed a motion for reconsideration, which was denied by the RTC Guimaras on August 13, 2012. The external counsel for the Company advised that the case was no longer elevated to higher court but the entry of judgment has not yet been issued by the RTC Guimaras.

c. **Rogelio Arsenal, Jr., et al. v. SMDC, Petron, et al.**
Civil Case No. 09-0394;
RTC Br. 65, Jordan, Guimaras

Oliver S. Chavez, et al. v. SMDC, Petron, et al.
Civil Case No. 09-0395;
RTC Br. 65, Jordan, Guimaras

Background: These are complaints for damages filed on August 6, 2009 by a total of 1,063 plaintiffs who allegedly did not receive any payment from the defendants of their claims for damages arising from the oil spill due to the sinking of MT Solar 1 on August 11, 2006. Total claims for both cases amount to ₱291.9 million (₱286.4 million and ₱5.5 m).

In the Arsenal case, respondents filed a motion to hear affirmative defenses based on lack of jurisdiction for non-payment of docket fees, prescription and lack of cause of action but it was denied. The respondents went to the CA on a petition for *certiorari*. The respondents filed with the CA a compliance with the resolution requiring submission of pleadings and orders. The complainants filed their comment on the petition and the respondents filed their reply to the said comment. The petition has been submitted for resolution by the CA.

In the Chavez case, the respondents likewise filed the same motion based on the same grounds. The lower court also denied the motion so the respondents went to the CA on a petition for *certiorari*. The CA dismissed the petition for failing to attach the necessary pleadings and orders.

Status: In the Arsenal case, the petition has been submitted for resolution by the CA.

In the Chavez case, the respondents filed a motion for reconsideration which the CA denied in a resolution dated October 25, 2012.

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"Part II – Securities of the Registrant" follows on next page]

PART II – SECURITIES OF THE REGISTRANT

(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

Petron's common and preferred shares are traded at the PSE.

As of December 31, 2013, the total number of stockholders of the Company was 153,383. As of December 31, 2012, the total number of stockholders of the Company was 157,465.

Common Shares

The price of the common shares of the Company on December 27, 2013, the last trading day of 2013, was ₽13.96 per share. The price of the common shares of the Company on December 28, 2012, the last trading day of 2012, was ₽10.46 per share.

The high and low prices of the common shares for each quarter of the last two (2) fiscal years are indicated in the table below:

	Highest Close		**Lowest Close**	
Period	**Price (in Peso)**	**Date**	**Price (in Peso)**	**Date**
2013				
1st Quarter	14.40	March 12 & 15	10.38	January 10
2nd Quarter	16.20	May 14	12.62	June 25
3rd Quarter	14.82	July 26	11.70	September 10
4th Quarter	14.18	December 2 & 19	12.20	October 10
2012				
1st Quarter	13.40	January 5	9.74	February 24
2nd Quarter	10.80	May 3	10.00	June 15 & 29
3rd Quarter	10.60	September 14 & 17	9.80	August 10 & 13
4th Quarter	11.04	October 8	10.34	December 21

Preferred Shares

The price of the preferred shares of the Company on December 27, 2013, the last trading day of 2013, was ₽109.00 and on December 28, 2012, the last trading day of 2012, was ₽108.00 per share.

The high and low prices of the preferred shares for each quarter of the last two (2) fiscal years are indicated in the table below:

	Highest Close		Lowest Close	
Period	**Price (in Peso)**	**Date**	**Price (in Peso)**	**Date**
2013				
1st Quarter	110.40	February 12	107.10	February 1 & 18
2nd Quarter	115.00	April 15	109.40	April 1
3rd Quarter	112.00	August 2	108.70	August 27
4th Quarter	111.40	November 05	108.00	December 18
2012				
1st Quarter	116.70	February 8	112.70	January 2 & 3
2nd Quarter	116.00	April 23	110.00	June 18, 19, 21, 25, 26, 27 & 28
3rd Quarter	111.30	August 8 & 9	106.10	September 13
4th Quarter	110.00	November 7, 8, 9, 12 & 13	105.50	December 3

(2) Holders

The list of the top 20 stockholders of the common shares and preferred shares of the Company as of December 31, 2013 is as follows:

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top 20 stockholder lists follow on next page]

Petron Corporation
List of Common Stockholders
As of December 31, 2013

Rank	TIN	Stockholder Name	Common Shares	Total Shares	% of O/S
1	7195808000	SEA REFINERY CORPORATION	4,696,885,564	4,696,885,564	50.099554%
2	60741000	SAN MIGUEL CORPORATION	1,702,870,560	1,702,870,560	18.163750%
3	294447633000	PETRON CORPORATION EMPLOYEES RETIREMENT PLAN	1,386,156,097	1,386,156,097	14.785500%
4	4774849000	PCD NOMINEE CORP. (FILIPINO)	843,198,349	843,198,349	8.994015%
5	4774849000	PCD NOMINEE CORP. (NON-FILIPINO)	253,762,202	253,762,202	2.706767%
6	205915439000	A. SORIANO CORPORATION	22,760,000	22,760,000	0.242771%
7	333518000	ANSALDO GODINEZ & CO. INC. FAO MARK V. PANGILINAN	8,000,000	8,000,000	0.085332%
8	100181208	ERNESTO CHUA CHIACO &/OR MARGARET SY CHUA CHIACO	6,000,000	6,000,000	0.063999%
9	100849738	MARGARET S. CHUACHIACO	3,900,000	3,900,000	0.041600%
10	104450533	RAUL TOMAS CONCEPCION	3,504,000	3,504,000	0.037376%
11	251460239	GENEVIEVE S. CHUACHIACO	2,735,000	2,735,000	0.029173%
12	251460406	ERNESSON S. CHUACHIACO	2,732,000	2,732,000	0.029141%
13	103748762	CHING HAI GO &/OR MARTINA GO	2,500,000	2,500,000	0.026666%
14	251460239	GENEVIEVE S. CHUA CHIACO	2,490,000	2,490,000	0.026560%
15	239183166	BENEDICT CHUA CHIACO	2,310,000	2,310,000	0.024640%
16	203581006	SHAHRAD RAHMANIFARD	2,000,000	2,000,000	0.021333%
17	218210722	ANTHONY CHUA CHIACO	1,953,000	1,953,000	0.020832%
18	208849625	KRISTINE CHUA CHIACO	1,901,000	1,901,000	0.020277%
19	251460406	ERNESSON S. CHUA CHIACO	1,450,000	1,450,000	0.015466%
20	227993250000	SOUTH CHINA PETROLEUM & EXPL. INC.	1,147,500	1,147,500	0.012240%
			8,948,255,272	8,948,255,272	95.446992%

Total Number of Shares :	9,375,104,497
Total Number of Accounts:	153,267

Petron Corporation
List of Preferred Stockholders
As of December 31, 2013

Rank	TIN	Stockholder Name	Preferred Shares	Total Shares	% of O/S
1	477484900	PCD NOMINEE CORPORATION (FILIPINO)	90,775,250	90,775,250	90.775250%
2	503303000000	SAN MIGUEL CORPORATION RETIREMENT PLAN-FIP	3,177,080	3,177,080	3.177080%
3	259617129000	SAN MIGUEL BREWERY INC. RETIREMENT PLAN	2,035,000	2,035,000	2.035000%
4	301001044461	AFP RETIREMENT AND SEPARATION BENEFITS SYSTEM	500,000	500,000	0.500000%
5	1587693000	SAN MIGUEL FOODS INC. RETIREMENT PLAN	455,000	455,000	0.455000%
6	477484900	PCD NOMINEE CORPORATION (NON-FILIPINO)	367,910	367,910	0.367910%
7	456600000	FIRST LIFE FINANCIAL CO., INC.	340,000	340,000	0.340000%
8	103998166	DOMINIC LIM SYTIN &/OR ANN MARIETTA LIM SYTIN	300,000	300,000	0.300000%
9	149028000	THE FIRST RESOURCES MANAGEMENT & SECURITIES CORPORATION	275,000	275,000	0.275000%
10	6537535000	HSY REALTY & DEVELOPMENT CORPORATION	150,000	150,000	0.150000%
11	474490000	MANILA BANKERS LIFE INSURANCE CORPORATION	122,500	122,500	0.122500%
12	1033120	SECURITIES INVESTORS PROTECTION FUND, INC.	110,000	110,000	0.110000%
13	172330000000	TELEVISION INTERNATIONAL CORP.	100,000	100,000	0.100000%
14	332260	SAFEWAY CUSTOMS BROKERAGE, INC.	60,000	60,000	0.060000%
15	1007909	KNIGHTS OF COLUMBUS FR. GEORGE J. WILLMANN CHARITIES, INC.	60,000	60,000	0.060000%
16		CARMENCITA R. GUTIERREZ &/OR GIRME L. GUTIERREZ	51,000	51,000	0.051000%
17	102829708	REYNALDO R. SARMENTA &/OR ROSARIO G. SARMENTA	50,000	50,000	0.050000%
18	144435431	ELENA TAN LAO	50,000	50,000	0.050000%
19	117898916	SALLY BAYLE &/OR SILVESTRE BAYLE	50,000	50,000	0.050000%
20	184847131000	ARMANDO HUN &/OR MARY KATHLYN KHONG HUN	50,000	50,000	0.050000%
			99,078,740	99,078,740	99.078740%

Total Number of Shares :	100,000,000
Total Number of Accounts:	116

(3) Dividends

It is the policy of the Company to declare as dividends out of its unrestricted retained earnings at least 25% of its unappropriated net income (after taxes) for the prior fiscal year, payable either in cash, distribution of property, or by issuance of new shares of stock. The Board of Directors shall determine, by resolution, the exact amount, the date and the shareholders entitled thereto.

The dividends for the preferred shares is fixed at the rate of 9.5281% *per annum* calculated in reference to the offer price of ₽100 per share on a 30/360-day basis and shall be payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Since the listing of the preferred shares in March 2010, cash dividends have been paid out in March, June, September, and December of each year.

In 2013, the Board of Directors approved on March 18 a cash dividend of ₽0.05 per share to common shareholders as of the April 12, 2013 record date. Payment of the dividend was made on May 8, 2013. A cash dividend of ₽2.382 per preferred share was also declared on March 18, 2013 for the second and third quarters of 2013 based on the following record and payment dates: May 10, 2013 and August 8, 2013 record dates and June 5, 2013 and September 5, 2013 payment dates. The Board of Directors further approved on August 8, 2013 a cash dividend of ₽2.382 per preferred share for the fourth quarter of 2013 and the first quarter of 2014 with following record and payment dates: November 11, 2013 and February 7, 2014 record dates and December 5, 2013 and March 5, 2014 payment dates.

In 2012, the Board of Directors approved on March 7 a cash dividend of ₽0.10 per share to common shareholders as of the April 2, 2012 record date. The dividends were paid on April 24, 2012. A cash dividend of ₽2.382 per preferred share was also declared on March 7, 2012 for the second and third quarters of 2012 based on the following record and payment dates: May 18, 2012 and August 16, 2012 record dates and June 5, 2012 and September 5, 2012 payment dates. On August 9, 2012, the Board of Directors also approved a cash dividend of ₽2.382 per preferred share for the fourth quarter of 2012 and the first quarter of 2013 with following record and payment dates: November 16, 2012 and February 20, 2013 record dates and December 5, 2012 and March 5, 2013 payment dates.

Under the terms and conditions of the undated subordinated capital securities issued by the Company on February 11 and March 6, 2013 (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 - US$750 Million Undated Subordinated Capital Securities,"* 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.

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

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

The securities discussed below were either offered in the Philippines to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers and/or to any number of qualified buyers as defined in the Code. Thus, 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. Nevertheless, in compliance with the Amended SRC Rules, notices of exemption were filed after the issuance of the securities qualifying as exempt transactions. By way of update, the securities offered in 2013 until the date of this annual report are also described below.

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.

1. <u>Fixed Rate Corporate Notes</u>

- Fixed Rate Corporate Notes in 2009

  a. On June 5, 2009, the Company issued five (5)- and seven (7)-year Fixed Rate Corporate Notes totaling ₽10 billion, consisting of:

     i. Series A Notes amounting to ₽5.2 billion and having a maturity of five (5) years from the issue date; and
     ii. Series B Notes amounting to ₽4.8 billion and having a maturity of seven (7) years from the issue date.

  b. The arrangers were BPI Capital, the Development Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited and ING Bank NV - Manila Branch. The notes were sold to primary institutional lenders not exceeding 19.

  c. The offer price was at 100%.

  d. As the notes described herein were offered to not more than 19 non-qualified buyers and/or to any number of qualified buyers in the Philippines, such notes were considered exempt securities and no confirmation of exemption from the registration requirements of the Code was required to be filed with the SEC.

- Fixed Rate Corporate Notes in 2011

    a. On October 25, 2011, the Company issued Fixed Rate Corporate Notes totaling ₱3.6 billion, broken down into the following series:

        i. Series A Notes amounting to ₱0.69 billion and having a maturity of seven (7) years from the Issue Date; and
        ii. Series B Notes amounting to ₱2.91 billion and having a maturity of 10 years from the Issue Date

    b. The arranger was ING Bank NV Manila Branch. The notes were sold to primary institutional lenders not exceeding 19.

    c. The offer price was at 100%.

    d. As the notes described herein were offered to not more than 19 non-qualified buyers and to any number of qualified buyers in the Philippines, such notes were considered exempt securities and no confirmation of exemption from the registration requirements of the Code was required to be filed with the SEC.

2. ₱20 Billion 7.0% PHP-Denominated Notes Due 2017 Payable in U.S. Dollars

    a. On November 10, 2010, the Company issued the ₱20 Billion 7.0% PHP-Denominated Notes Due 2017 Payable in U.S. Dollars.

    b. The arrangers were Credit Suisse, Deutsche Bank, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank. The notes were sold to various investors.

    c. The offer price was at 100%.

    d. As the notes described herein were offered to not more than 19 non-qualified buyers and to any number of qualified buyers in the Philippines, such notes were considered exempt securities and no confirmation of exemption from the registration requirements of the Code was required to be filed with the SEC. But, in compliance with the requirements of the Amended SRC Rules, a notice of exemption for the transaction was filed on November 22, 2010. The subject notes were listed on the Singapore Exchange on November 11, 2010.

3. US$750 Million Undated Subordinated Capital Securities

    a. On February 6, 2013, the Company issued US$500 million undated subordinated capital securities (the "February 6 Issuance"). On March 11, 2013, the Company further issued US$250 million undated subordinated capital securities, which were consolidated and formed a single series with, the February 6 Issuance (the "March 11 Issuance").

    b. The joint lead managers were Deutsche Bank AG, Singapore Branch, Standard Chartered Bank, The Hongkong and Shanghai Banking Corporation Limited, and UBS AG, Hong Kong Branch.

    c. The offer price for the February 6 Issuance was at 100% and for the March 11 Issuance was at 104.25% plus an amount corresponding to accrued distributions on the capital securities from, and including, February 6, 2013 to, but excluding, March 11, 2013.

d. As the capital securities described herein were offered qualified buyers in the Philippines, such securities were considered exempt securities and no confirmation of exemption from the registration requirements of the Code was required to be filed with the SEC. In compliance with the requirements of the Amended SRC Rules, however, notices of exemption for the transactions were filed on February 12, 2013 for the February 6 Issuance and on March 18, 2013 for the March 11 Issuance. The capital securities were listed with the Stock Exchange of Hong Kong Limited on February 7, 2013 in relation to the February 6 Issuance and on March 12, 2013 in connection with the March 11 Issuance.

(B) Description of Petron's Shares

The Company stock consists of common shares and preferred shares, both with a par value of ₽1.00 per share. Common shares totaling 9,375,104,497 are voting shares while preferred shares, consisting of 100,000,000 issued and outstanding shares, are generally non-voting, except in cases provided by law.

(C) Stock Ownership Plan

Petron currently does not have a stock ownership plan or program. In 1994, when Petron's initial public offering was undertaken, a special secondary sale of Petron's shares was offered to its employees. The entitlement of shares at the listing price of ₽9.00 per share was made equivalent to the employee's base pay factored by his/her service years with Petron. Petron's executive officers, except the Chairman, the President and the Vice President for Corporate Planning, were entitled to own Petron shares under this stock ownership plan. Preparatory to the listing of the Company's preferred shares, availment of said shares was offered to employees from February 15 to 19, 2010.

(D) Public Ownership

Based on the report provided by SMC Stock Transfer Services Corporation, the stock transfer agent of the Company, 16.61% of the outstanding common shares of the Company was owned by the public as of December 31, 2013 in compliance with the minimum public ownership set by the PSE and the SEC. Attached as Annex A is the public ownership report of the Company as of December 31, 2013.

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"Part III - Management's Discussion and Analysis
of Financial Conditions and Other Information" follows on next page]

PART III - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OTHER INFORMATION

Results of Operations

2013 vs. 2012

In 2013, Petron registered a **consolidated net income** of **₱ 5.09 billion**, almost three times the ₱ 1.78 billion restated profit a year before. The significant increase in income was brought about by better margins, partly offset by the rise in selling and administrative expenses with the full consolidation of Petron Malaysia ("PM") this year versus nine months last year.

Revenues grew by 9% or ₱ 38.84 billion to **₱ 463.64 billion** from ₱ 424.80 billion in previous year with the full consolidation of PM. Excluding PM, sales of Petron Philippines ("PP") dropped by ₱ 2.11 billion mainly due to lower volume on account of strategic rationalization of LPG and industrial fuel oil ("IFO") accounts focusing only on profitable sales.

Sales volume generated in 2013 aggregated to **81.5 million barrels ("MM**B"), up by 10% or 7.2MMB from previous year's 74.3MMB essentially due to the full consolidation of PM's 34.4MMB sales volume.

Cost of Goods Sold ("CGS") increased to **₱ 440.48 billion** from last year's ₱ 406.80 billion likewise traced to the full consolidation of PM which contributed 40% (₱ 177.38 billion) to the total CGS. Meanwhile, CGS of PP dipped by 2% or ₱ 5.49 billion due to lower sales volume coupled by the drop in FOB per barrel of crude that formed part of CGS (2013: US$108.42 vs. 2012: US$111.88).

Refinery Operating Expenses in PP which formed part of CGS went up by 7% or ₱ 0.48 billion to **₱ 6.88 billion** in 2013. The increase was attributed to higher employee cost due to additional manpower complement, and higher purchased services and utilities, tempered by lower maintenance and repairs.

Selling & Administrative Expenses ("OPEX") totaled **₱ 11.48 billion** in 2013, ₱ 1.34 billion more than the ₱ 10.14 billion expenditures in the preceding year brought about by the full consolidation of PM's expenses which added ₱ 3.55 billion to the total OPEX. Similarly, PP's expenditures rose by 4% or ₱ 0.30 billion mainly due to higher employee costs, rental expense, and materials and supplies, partially offset by lower advertising expense and the absence of one-off items in 2013.

Net Financing Costs & Other Charges significantly dropped to **₱ 4.74 billion** from ₱ 5.62 billion in 2012 largely due to higher capitalized interest of the on-going Refinery Master Plan-2 Project and higher interest income. These were partly negated by higher bank charges and unrealized translation losses on US-dollar denominated transactions in 2013 as opposed to the gains recognized in the previous year as the Philippine Peso gradually depreciated this year versus the US dollar.

With the remarkable upsurge in income before income tax, **Income tax expense** increased to **₱ 1.85 billion** this year from ₱ 0.46 billion last year.

2012 vs. 2011

Petron closed 2012 with a restated **consolidated net income** of **₱ 1.8 billion,** 80% or ₱ 7.1 billion lower than the ₱ 8.9 billion net income recorded in 2011. Despite the ₱ 2.2 billion restated loss incurred in the second quarter of 2012 due to the volatility in crude and product prices, the company managed to recover and posted a modest income.

Revenues increased by 55% to **₱ 424.80 billion** from ₱ 273.96 billion in 2011 due to the consolidation of PM starting in the second quarter of 2012 and the increase in domestic sales volume.

Sales volume grew by 59% to **74.3 million barrels ("MM**B") from previous year's 46.7MMB. Aside from the 26.6MMB sold by PM, domestic sales volume also improved by 8%, from 41.3MMB to 44.5MMB. The increase was contributed by all major sectors like Retail, Industrial and LPG.

Cost of Goods Sold ("CGS") went up by 62% or ₱ 155.19 billion from ₱ 251.61 billion in the preceding year to **₱ 406.80 billion.** The rise in cost was prompted by the growth in sales volume compounded by the escalation in the FOB of crude that went into cost. Of the total CGS, 34% pertained to PM.

Refinery Operating Expenses in the Philippines which form part of CGS increased by 14% to **₱ 6.40 billion**, from the ₱ 5.64 billion incurred in 2011. The increase was brought about by higher maintenance and repair costs related to the scheduled repair of various process units and turnaround of tanks, rise in consumption and price of catalysts and depreciation of completed projects.

Selling & Administrative Expenses ("OPEX") of **₱ 10.14 billion** exceeded previous year's ₱ 7.23 billion level by 40% owing primarily to the ₱ 2.50 billion expenses of PM. Philippine operation's expenditures increased by 6% or ₱ 0.40 billion due to higher advertising expenses as well as expenses related to the acquisition of PM .

Net Financing Costs & Other Charges substantially increased to **₱ 5.62 billion** from the ₱ 3.36 billion level of the previous year. This was attributed to higher borrowing level despite lower borrowing rate aggravated by the drop in interest earned from advances to PCERP. The increase was partly offset by the decline in share in net losses of associates and higher gains from US-dollar denominated transactions.

With the significant drop in income before income tax, **Income tax expense** decreased from ₱ 2.83 billion in 2011 to **₱ 0.46 billion** in 2012.

Financial Condition

2013 vs 2012

Petron's **consolidated assets** as of December 31, 2013 stood at **₱ 357.46 billion, 28%** (**₱ 77.13 billion**) higher than the ₱ 280.33 billion level as at end of December 2012 on account largely of the increases in property, plant and equipment and cash and cash equivalents.

Cash and cash equivalents rose by 87% or ₱ 23.43 billion to **₱ 50.40 billion** essentially sourced from internally generated funds and proceeds from loans.

Financial assets at fair value through profit or loss of **₱ 783 million** substantially exceeded last year's ₱ 186 million level brought about by higher marked-to-market gain on outstanding foreign currency forwards.

Trade and other receivables - net climbed by 17% or ₱ 9.94 billion to **₱ 67.67 billion** prompted by the increases in PP's receivables from government and customers.

Other current assets of **₱ 12.93 billion** stood higher by 20% from last year's ₱ 10.75 billion traced to PP's input value-added tax ("VAT").

With the sale of the remaining Petron MegaPlaza units and parking spaces in the second quarter, the company has no **Assets held for sale** as of end-December 2013.

Property, plant and equipment - net surged by 36% (₱ 37.54 billion) from ₱ 104.11 billion to **₱ 141.65 billion** attributed to the company's major capital projects such as Refinery Master Plan (RMP)-2 and network expansion, as well as PM's rebranding of service stations.

The reclassification of Petrochemical Asia (HK) Limited ("PAHL") from an associate to a subsidiary resulted in the significant reduction of **Investment in associates** from last year's ₱ 1.64 billion to **₱ 885 million**.

Deferred tax assets of **₱ 162 million** more than double the end-December 2012 level of ₱ 78 million on account of the temporary differences of PM and PAHL.

Other noncurrent assets-net increased by 12% or ₱ 2.2 billion to **₱ 20.85 billion** basically due to company's higher pension asset since substantial amount of actuarial gain was recorded this year.

Short-term loans and **liabilities for crude oil and petroleum product importations** went up by 11% or ₱ 14.08 billion to **₱ 138.78 billion** owing to both PP and PM's higher liabilities for crude oil and finished product importations.

Trade and other Payables rose by 97% (₱ 14.42 billion) to **₱ 29.29 billion** brought about by higher liabilities to company's contractors and suppliers.

Derivative Liabilities decreased by 38% from ₱ 245 million to **₱ 152 million** due mainly to the company's lower marked-to-market loss on outstanding foreign currency forwards tempered by the decline in fair value of outstanding transaction with embedded derivatives.

Income tax payable of **₱ 194 million** went beyond the ₱ 52 million level in 2012 basically on account of the taxes payable of PM.

Long-term debt inclusive of current portion increased by 18% (₱ 10.17 billion) to **₱ 66.19 billion** with the final drawdown of US$210 million loan in January 2013 to complete the US$485 million loan secured in 2012.

Retirement benefits liability declined by 17% from ₱ 983 million to **₱ 820 million** mainly from PM's actuarial gain recorded this year.

Deferred tax liabilities moved up by 47% (₱ 1.46 billion) to **₱ 4.61 billion** due to PP's utilization of minimum corporate income tax and net operating loss carried over from previous year as well as the recognition of deferred tax on retirement's actuarial gain.

Other noncurrent liabilities climbed by 86% (₱ 2.10 billion) to **₱ 4.54 billion** principally due to additional retention payable to contractors.

Total equity amounted to **₱ 111.89 billion**, 45% or ₱ 34.99 billion higher than the ₱ 76.90 billion level last year chiefly due to the ₱ 30.55 billion undated subordinated capital securities issued during the first quarter of this year.

2012 vs 2011

Petron ended 2012 with **total assets** of **₱ 280.33 billion** (as restated), 57% or ₱ 101.21 billion higher than the end-December 2011 level of ₱ 179.12 billion (as restated). The growth was due to the consolidation of PM and the increases in property, plant and equipment, and receivables of PP.

Cash and cash equivalents rose by 13% to **₱ 26.97 billion** sourced mainly from the issuance of preferred shares, collection of PCERP advances and net loan availment. This was partly reduced by major capital expenditures at the Petron Bataan Refinery ("PBR" or the "Refinery"), construction of additional service stations, acquisition of PM and increase in government receivables.

Financial assets at fair value through profit or loss decreased by 22% from ₱ 237 million to **₱ 186 million** with the sale of a number of stock investments partly tempered by higher market value of proprietary membership shares.

Trade and Other Receivables-net amounted to **₱ 57.73 billion**, more than double the ₱ 26.61 billion level reported in 2011 attributed mainly to PM's receivables coupled with the increase in company's collectibles from the government.

Inventories grew by 31% from ₱ 37.76 billion to **₱ 49.58 billion** chiefly due to the consolidation of PM's inventories.

Other current assets of **₱ 10.75 billion** also registered a 31% increase from 2011's ₱ 8.18 billion level attributed to Petron's higher input VAT, and prepaid taxes and other expenses of PM and PP.

Assets held for sale surged to **₱ 588 million** from 2011's ₱ 10 million mainly due to the reclassification of Petron MegaPlaza units and parking spaces which resulted in the decline in **Investment Property - net**, from ₱ 794 million to **₱ 115 million**.

Property, plant and equipment-net escalated to **₱ 104.11 billion** (as restated) from the December 2011 balance of ₱ 50.45 billion traced primarily to the capital projects at the Refinery such as the Refinery Master Plan Phase 2 ("RMP-2") and the Refinery Solid Fuel-Fired Power Plant ("RSFFPP"), construction of additional service stations as well as the fixed assets of the newly acquired subsidiary in Malaysia.

Investment in associates dropped from ₱ 2.51 billion to **₱ 1.64 billion** with the conversion of Limay Energen Corporation from an associate to a subsidiary, partly countered by the additional investment in PAHL.

Available-for-sale financial assets (current and non-current) slid by 12% to **₱ 911 million** basically on account of premium amortization and translation loss of Ovincor's investment in government securities along with matured debt securities of Petrogen.

Deferred tax assets of **₱ 78 million** went beyond 2011's ₱ 15 million level attributed to the deferred tax asset of PM.

The acquisition of PM, Parkville Estate and Development Corporation, and Mariveles Landco Corporation resulted in the recognition of **Goodwill** for **₱ 9.03 billion** (as restated).

Restated **Other noncurrent assets-net** dipped by 33% from ₱ 27.71 billion to **₱ 18.64 billion** due to the partial collection of advances to PCERP tempered by the balance brought in by PM.

Short-term loans and **liabilities for crude oil and petroleum product importations** increased considerably from ₱ 54.44 billion to **₱ 124.70 billion** due to additional short-term loan availments of PP and the consolidation of PM.
Trade and other Payables of **₱ 14.87 billion** doubled compared with the ₱ 7.38 billion level as at end of December 2011 prompted by higher liabilities to contractors related to the Company's capital projects on top of the trade and other payables of PM.

Derivative Liabilities ballooned from ₱ 55 million to **₱ 245 million** brought about by the marked-to-market loss on outstanding foreign currency forwards.

Income tax payable showed a 33% reduction from ₱ 78 million to **₱ 52 million** chiefly due to lower taxes payable of PSTPL.

Long-term debt inclusive of current portion went up by 12% from ₱ 49.87 billion to **₱ 56.01 billion** due to newly availed dollar loans to support the capital requirements of the Company.

Restated **Retirement benefits liability** increased significantly to **₱ 983 million** from 2011's ₱ 4 million mainly from the balance of the newly acquired subsidiary in Malaysia.

Asset retirement obligation dropped by 6% from ₱ 1.06 billion to **₱ 1.00 billion** essentially on account of lower accretion rate and contract extensions on various locations.

The surge in **Other noncurrent liabilities** from ₱ 740 million to **₱ 2.44 billion** emanated largely from Petron's retention payable to contractors of major capital projects at the Refinery partly reduced by the drop in cylinder deposits.

Total equity closed at **₱ 76.90 billion** (as restated) as of December 31, 2012 and surpassed the ₱ 62.48 billion (as restated) level as at end of December 2011 by 23% or ₱ 14.42 billion, largely from the issuance of preferred shares by a subsidiary.

Cash Flows

2013 vs 2012

Operating activities contributed **₱ 33.75 billion** to the company's cash balance. Meanwhile, proceeds from issuance of undated subordinated capital securities and net availment of loans were used to finance the major capital projects at the Refinery and construction of additional service stations.

2012 vs 2011

Cash inflows from operating activities amounted to **₱ 1.85 billion**. Meanwhile, proceeds from net availment of loans, partial collection of advances to PCERP, as well as the issuance of preferred shares were used to finance the major capital projects at the Refinery, construction of additional service stations and the acquisition of subsidiaries. Cash balance as at end of 2012 stood at ₱ 26.97 billion.

Top Five (5) Key Performance Indicators

Ratio	Dec-13	Dec-12	Dec-11
Current Ratio	1.0	1.0	1.5
Debt to Equity Ratio	2.4	2.7	1.9
Return on Equity (%)	5.4	3.4	15.0
Interest Rate Coverage Ratio	3.2	1.9	3.6
Assets to Equity Ratio	3.2	3.7	2.9

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

This ratio is a rough indication of a company's ability to service its current obligations. Generally, the higher the current ratio, the greater the "cushion" between current obligations and a company's ability to pay them.

Debt to Equity Ratio - Total liabilities divided by tangible net worth.

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

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

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

Interest Rate Coverage Ratio – EBITDA divided by interest expense and other financing charges.

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

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

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

Business Conditions

Strong economic performance was sustained in 2013 with Philippine GDP growing robustly by 7.2% from 6.8% growth in 2012.

Domestic petroleum products demand (excluding demand for lubes and greases) sustained growth in 2013. Domestic oil demand expanded from 303 MBD in 2012 to about 321 MBD as of year-to-date June 2013 (based on published industry data from DOE). High GDP growth with robust personal and government spending, vibrant industry sectors, and increasing vehicle sales pushed oil demand. Local election spending during the 1H of the year also contributed to the strong growth.

Peso weakens, reversing appreciating trend since 2009. After a sustained strength since 2009 to 2012, the Philippine currency reversed its appreciating trend in 2013. Starting the year at about P41/$, peso depreciated to P44/$ level by December 2013, averaging P42.4/$ in 2013 from P42.2/$ in 2012. China's economic slowdown and US Fed's plan of reducing its economic stimulus policies by tapering its Quantitative Easing program with the improvement in US economy heightened risk aversion and led to funds outflow not only in the Philippines but in the Asian region as a whole.

Inflation and interest rates remain low in 2013. Prices and interest rates remained subdued in 2013. From 3.2% average inflation in 2012, the hike in prices in 2013 has been more subtle with inflation averaging 3.0%. The gradual hike in commodity, food and services prices during the year contributed to the benign inflation in 2013.

Low interest rates were also sustained in 2013. Sufficient liquidity, benign inflation, and BSP's low policy rates brought down interest rates in the financial markets. 3-month PDST-F averaged 0.8% in 2013 from 1.8% in 2012, and 91-day T-bills averaged 0.3% from 1.6% in 2012.

Oil prices less volatile in 2013 than 2012. Dubai averaged 105.4 $/bbl in 2013, 3% lower than 2012 average of 109.1 $/bbl. Volatility was less pronounced in 2013 with monthly fluctuations within a 6 $/bbl range vs. as much as 12 $/bbl in 2012. Weak demand growth and ample supply supported more stable prices. Saudi Arabia stepped up crude production to compensate for the lower supply from other troubled oil-producing countries (Libya, Syria, Nigeria, Sudan, and Yemen).

Product prices were also lower as demand was weaker due to muted economic growth of emerging economies, particularly China and India, and continued weakness of the US and Eurozone.

Industry competition remained tight. New players remained aggressive in strengthening their hold of the market. Their collective market share (excluding end-users' direct imports of jet fuel) has grown to about 29% as of year-to-date June 2013 from 25% in 2012 (based on published industry data from the DOE).

Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Tax Credit Certificates-Related Matters

In 1998, the BIR issued a deficiency excise tax assessment against the Company relating to the Company's use of P659 million worth of TCC to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to the Company by suppliers as payment for fuel purchases. The Company contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that, as a fuel supplier of BOI-registered companies, the Company was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the CA promulgated a decision in favor of the Company and against the BIR affirming the ruling of the

CTA striking down the assessment issued by the BIR for deficiency excise taxes in 1998 based on a finding by the BIR that the TCCs used by the Company as payment were fraudulent. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CA in a resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. On June 17, 2013, the Company filed its comment on the petition for review filed by the BIR. The petition was still pending as of December 31, 2013.

Pandacan Terminal Operations

In November 2001, the City of Manila enacted Ordinance No. 8027 ("Ordinance 8027") reclassifying the areas occupied by the oil terminals of the Company, Shell and Chevron from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. However, in June 2002, the Company, together with Shell and Chevron, entered into a Memorandum of Understanding ("MOU") with the City of Manila and the DOE agreeing to scale down operations, recognizing that this was a sensible and practical solution to reduce the economic impact of Ordinance 8027. In December 2002, in reaction to the MOU, the Social Justice Society ("SJS") filed a petition with the Supreme Court against the Mayor of Manila asking that the latter be ordered to enforce Ordinance 8027. In April 2003, the Company filed a petition with the Regional Trial Court ("RTC") to annul Ordinance 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance ("Ordinance 8119"), which applied to the entire City of Manila. Ordinance 8119 allowed the Company (and other non-conforming establishments) a seven (7)-year grace period to vacate. As a result of the passage of Ordinance 8119, which was thought to effectively repeal Ordinance 8027, in April 2007, the RTC dismissed the petition filed by the Company questioning Ordinance 8027.

However, on March 7, 2007, in the case filed by SJS, the Supreme Court rendered a decision (the "March 7 Decision") directing the Mayor of Manila to immediately enforce Ordinance 8027. On March 12, 2007, the Company, together with Shell and Chevron, filed motions with the Supreme Court seeking intervention and reconsideration of the March 7 Decision. In the same year, the Company also filed a petition before the RTC of Manila praying for the nullification of Ordinance 8119 on the grounds that the reclassification of the oil terminals was arbitrary, oppressive and confiscatory, and thus unconstitutional, and that the said Ordinance contravened the provisions of the Water Code of the Philippines (the "Water Code"). On February 13, 2008, the Company, Shell and Chevron were allowed by the Supreme Court to intervene in the case filed by SJS but their motions for reconsideration were denied. The Supreme Court declared Ordinance 8027 valid and dissolved all existing injunctions against the implementation of the Ordinance 8027.

In May 2009, Manila City Mayor Alfredo Lim approved Ordinance No. 8187 ("Ordinance 8187"), which amended Ordinance 8027 and Ordinance 8119 and permitted the continued operations of the oil terminals in Pandacan.

On August 24, 2012, the RTC of Manila ruled that Section 23 of Ordinance 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC upheld the validity of all other provisions of Ordinance 8119. On September 25, 2012, the Company sought clarification and partial consideration of the August 24 decision and prayed for the nullification of the entire Ordinance 8119. In an order dated December 18, 2012, the RTC of Manila denied the motion filed by the Company. The Company filed a notice of appeal on January 23, 2013. In an order dated February 6, 2013, the RTC of Manila ordered the records to be forwarded to the CA. In an order dated February 6, 2013, the RTC of Manila ordered the records to be forwarded to the CA. In compliance with the order of the CA dated April 15, 2013, the Company submitted its appellant's brief on July 29,

2013. On December 19, 2013, the Company, through its counsel, received the City of Manila's appellee's brief dated December 12, 2013. The appeal was still pending as of December 31, 2013.

With regard to Ordinance 8187, petitions were filed before the Supreme Court seeking its nullification and the enjoinment of its implementation. The Company filed a manifestation on November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five (5) years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of the Company and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented the Company from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), the Company reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016. The petitions were still pending as of December 31, 2013.

<u>Guimaras Oil Spill Incident</u>

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

In 2009, complaints for violation of the Philippine Clean Water Act of 2004 (the "Clean Water Act") and homicide and less serious physical injuries were filed against the Company. The complainants claim that their exposure to and close contact with waters along the shoreline and mangroves affected by the oil spill has caused them major health problems. On February 13, 2012, an Information was filed against the owner and the Captain of MT Solar 1 and Messrs. Khalid Al-Faddagh and Nicasio Alcantara, former President and Chairman of the Company, respectively, for violation of the Clean Water Act. On March 28, 2012, the court dismissed the information for lack of probable cause and for lack of jurisdiction over the offense charged. The provincial prosecutor and the private prosecutor filed a motion for reconsideration of this March 28 order of the court. On August 13, 2012, the court issued an order denying the said motion for reconsideration. The Company was advised by external counsel that the case was no longer elevated to higher court but the entry of judgment has not yet been issued by the court.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims for both cases amount to P292 million. The cases were still pending as of December 31, 2013.

Any significant elements of income or loss (from continuing operations)

There were no significant elements of income or loss from continuing operations.

Seasonal aspects that has material effect on the FS

There were no seasonal items that have material effect on the financial statement.

All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There were no off-balance sheet transactions, arrangements and obligations with unconsolidated entities or persons during the reporting period.

Financial Statements

The 2013 audited financial statements of Petron and its subsidiaries and the Statement of Management Responsibility are attached hereto as Annex "A", with the Supplementary Schedules as Annex "B".

Audit and Audit-Related Fees

For the annual review of the financial statements, consultancy services and other related services, the Company paid KPMG, its external auditor, the amount of P13.6 million in 2012 and P14.1 million in 2013 (exclusive of value-added tax and out-of-pocket expenses). The fees are more particularly set out below:

	2013	**2012**
(a) Audit fees for professional services - Annual Financial Statement	6,026,150.00	5,737,000.00
(b) Professional fees for due diligence and study on various internal projects	7,232,179.64	7,533,439.00
(c) Professional fees for tax consulting services	806,312.36	313,600.00
	14,064,642.00	13,584,039.00

NOTE: Total amount of P5,737,000 for 2012 Audit fees (a) is updated to include additional services engaged totaling P212,000.

After the three (3)-year contract with its previous external auditor, the Company appointed in 2010 KPMG, the existing independent auditor of SMC. With a common external auditor, the consolidation of results of operations and account balances among the subsidiaries of SMC using a uniform audit approach was facilitated.

The appointment of KPMG as the Company's external auditor for 2010 to 2012, subject to annual review of its performance, was endorsed by the Audit Committee for the approval by the Board of Directors. The Board of Directors, finding the recommendation to be in order, in turn, endorsed the appointment of the independent external auditor for the approval of the stockholders during the annual stockholders' meeting in 2010. For years 2011, 2012 and 2013, KPMG was found to have satisfactorily performed its duties as external auditor and was endorsed by the Audit Committee for the approval by the Board of Directors. The Board of Directors, finding the recommendation to be in order, endorsed the appointment of the independent external auditor for the approval of the stockholders during the annual stockholders' meeting for years 2011, 2012 and 2013. KPMG was appointed as external auditor by the stockholders for such years at each relevant annual stockholders' meeting.

Set out below is the report of the Audit Committee for the year 2013.

AUDIT COMMITTEE REPORT

The Board of Directors
Petron Corporation

The Audit Committee assists the Board of Directors in its oversight function with respect to the adequacy and effectiveness of internal control environment, compliance with corporate policies and regulations, integrity of the financial statements, the independence and overall direction of the internal audit function, and the selection and performance of the external auditor.

In the performance of our responsibilities, we report that in 2013:

- We reviewed and discussed with Controllers management the quarterly and annual financial statements of Petron Corporation and Subsidiaries and endorsed these for approval by the Board;
- We endorsed the re-appointment of Manabat Sanagustin/KPMG as the company's independent auditors for 2013;
- We reviewed with Manabat Sanagustin/KPMG the scope and timing of their annual audit plan, audit methodology, and focus areas related to their review of the financial statements;
- We reviewed with Manabat Sanagustin/KPMG, the audit observations and recommendations on the Company's internal controls and management's response to the issues raised;
- We reviewed with the Internal Audit Head and approved the annual internal audit plan and satisfied itself as to the independence of the internal audit function;
- We reviewed on a quarterly basis Internal Audit's report on the adequacy and effectiveness of the internal control environment in the areas covered during the period; and
- We reviewed and approved the proposal for Petron Corporation's Internal Audit group to provide the audit service requirements of Petron Malaysia.

The Audit Committee is satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2013.

Raynaldo G. David
Chairperson
Independent Director

Estelito P. Mendoza
Director

Artemio V. Panganiban
Independent Director

Aurora T. Calderon
Director

Lubin B. Nepomuceno
Director

Material Commitments for Capital Expenditure

The Company spent ₱47.7 billion in capital investments for 2013. Bulk or ₱45.3 billion of the total was ere spent for the expansion of the Petron Bataan Refinery. Meanwhile, service station-related expenditures totaled ₱1.8 billion and ₱0.6 billion for other commercial, maintenance and miscellaneous projects.

In 2012, the Company spent ₱39.7billion in capital investments. Bulk or ₱36.7 billion of the total was spent for the expansion of the Petron Bataan Refinery. Meanwhile, service station-related expenditures totaled ₱1.8 billion and ₱ 1.2 billion for other commercial, maintenance and miscellaneous projects.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosure.

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"Part IV - Management and Certain Security Holders" follows on next page]

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

(A) Directors, Executive Officers and Board Committees of the Registrant

(i) Director and Executive Officers

Listed below are the directors and officers of the Company with their respective ages, citizenships, and current and past positions held and business experience for the past five (5) years until the date of this report.

Directors

The following are the incumbent directors of the Company:

Name	Period Served
Ramon S. Ang	January 8, 2009-present
Eric O. Recto	July 31, 2008–present
Lubin B. Nepomuceno	February 19, 2013-present
Eduardo M. Cojuangco, Jr.	January 8, 2009-present
Estelito P. Mendoza	January 8, 2009-present[1]
Bernardino R. Abes	July 31, 2001-present
Roberto V. Ongpin	July 31, 2008-present
Ron W. Haddock	December 2, 2008-present
Aurora T. Calderon	August 13, 2010-present
Mirzan Mahathir	August 13, 2010-present
Romela M. Bengzon	August 13, 2010-present
Virgilio S. Jacinto	August 13, 2010-present
Nelly Favis Villafuerte	December 1, 2011-present
Reynaldo G. David (Independent Director)	May 12, 2009-present
Artemio V. Panganiban (Independent Director)	October 21, 2010-present

[1] Previously served as a Director of the Company from 1974 to 1986.

Set out below are the profiles of the Directors of the Company.

Ramon S. Ang, Filipino, born 1954, has served as the Chairman, the Chief Executive Officer and an Executive Director of the Company since January 8, 2009. He is also the Chairman of the Company's Executive Committee and Compensation Committee. He holds the following positions, among others: Chairman of Petron Malaysia Refining & Marketing Berhad ("PMRMB"), Las Lucas Construction and Development Corporation ("LLCDC"), New Ventures Realty Corporation ("NVRC"), and SEA Refinery Corporation ("SRC"); Chairman and Chief Executive Officer of Petron Marketing Corporation ("PMC") and Petron Freeport Corporation ("PFC"); Chairman and President of Mariveles Landco Corporation, Petrochemical Asia (HK) Ltd. ("PAHL"), Philippine Polypropylene Inc. ("PPI") and Robinson International Holdings Ltd.; Director of Petron Fuel International Sdn. Bhd. ("PFISB"), Petron Oil (M) Sdn. Bhd. ("POMSB"), Petron Oil & Gas Mauritius Ltd. and Petron Oil & Gas International Sdn Bhd.; Vice Chairman, President and Chief Operating Officer of SMC; President and Chief Operating Officer of Philippine Airlines, Inc. ("PAL") and PAL Holdings, Inc. ("PAL Holdings"); Chairman of San Miguel Brewery Inc. ("SMB"), San Miguel Foods, Inc., The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Eastern Telecommunications Philippines Inc., Liberty Telecoms Holdings, Inc. ("Liberty Telecoms"), and Philippine Diamond Hotel & Resort Inc.; Chairman and Chief Executive Officer of SMC Global Power Holdings Corp.; Chairman and President of San Miguel Properties, Inc., Bell Telecommunication Philippines, Inc., Atea Tierra

Corporation, Cyber Bay Corporation and Philippine Oriental Realty Development Inc.; Vice Chairman of Ginebra San Miguel, Inc. ("GSMI") and San Miguel Pure Foods Company, Inc. ("SMPFC"); and President and Chief Executive Officer of Top Frontier Investment Holdings Inc. ("Top Frontier"); Director of other subsidiaries and affiliates of SMC in the Philippines and the Southeast Asia Region. Of the companies in which Mr. Ang holds directorships, SMC, PAL Holdings, Liberty Telecoms, GSMI, SMPFC and Top Frontier are also listed with the Philippine Stock Exchange ("PSE"). Previously, Mr. Ang was the Chief Executive Officer of the Paper Industries Corporation of the Philippines and Executive Managing Director of Northern Cement Corporation, Aquacor Food Marketing, Inc., Marketing Investors Inc., PCY Oil Mills, Metroplex Commodities, Southern Island Oil Mills and Indophil Oil Corporation. Mr. Ang has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University.

Eric O. Recto, Filipino, born 1963, has served as the Vice Chairman of the Company since February 19, 2013 and as a Director since July 31, 2008. He holds the following positions, among others: Chairman and Chief Executive Officer of Petron Foundation, Inc. ("PFI"); Chairman of Overseas Ventures Insurance Corporation Ltd. ("Ovincor"); Director of Petron Oil & Gas Mauritius Ltd., Petron Oil & Gas International Sdn Bhd, and PMC; Director of SMC; Chairman of Philippine Bank of Communications ("PBCom"); Chairman and CEO of ISM Communications Corporation ("ISM"), Vice Chairman of Philweb Corporation ("Philweb"), Atok-Big Wedge Corporation ("Atok") and Alphaland Corporation ("Alphaland"); and President and Director of Q-Tech Alliance Holdings, Inc. Of the companies in which Mr. Recto currently holds directorships, SMC, PBCom, Philweb, Atok, Alphaland and ISM are also listed with the PSE. Mr. Recto was previously a Director of PMRMB and the Manila Electric Company ("MERALCO"). He was formerly the Undersecretary of the Philippine Department of Finance, in charge of both the International Finance Group and the Privatization Office from 2002 to 2005. He also served as the President of the Company (2008-2013) and as Senior Vice President and Chief Finance Officer of Alaska Milk Corporation (2000-2002) and Belle Corporation (1994-2000). Mr. Recto has a degree in Industrial Engineering from the University of the Philippines and a Masters degree in Business Administration from the Johnson School, Cornell University.

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

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

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 Nomination Committee and of the Audit Committee. He is likewise a member of the Board of Directors of SMC, Philippine National Bank ("PNB") and PAL. Of the companies in which Atty. Mendoza currently holds directorships, SMC and PNB are also listed with the PSE. He previously served as a Director of MERALCO. He has now been engaged in the practice of law for more than 60 years, and presently under the firm name Estelito P. Mendoza and Associates. He has consistently been listed 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 for several years. He has also been a Professorial Lecturer of law at the University of the Philippines and served as Solicitor General, Minister of Justice, Member of the *Batasang Pambansa* and Provincial Governor of Pampanga. He was also the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He holds a Bachelor of Laws degree from the University of the Philippines (*cum laude*) and Master of Laws degree from Harvard Law School. 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".

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

Mirzan Mahathir, Malaysian, born 1958, has served as a Director of the Company since August 13, 2010. Among other positions, he is currently the Chairman and Chief Executive Officer of Crescent Capital Sdn Bhd. He holds directorships in several public companies in South East Asia and the United States. He also serves as President of the Asian Strategy & Leadership Institute, Chairman of several charitable foundations and a member of the Wharton School Executive Board for Asia and the Business Advisory Council of United Nations ESCAP. He was formerly the Executive Chairman and President of Konsortium Logistik Berhad (1992-2007), Executive Chairman of Sabit Sdn Bhd (1990-1992), Associate of Salomon Brothers in New York, U.S.A. (1986-1990) and Systems Engineer at IBM World Trade Corporation (1982-1985). He graduated with a Bachelor of Science (Honours) degree in Computer Science from Brighton Polytechnic, United Kingdom and obtained his Masters in Business Administration from the Wharton School, University of Pennsylvania, USA.

Ma. Romela M. Bengzon, Filipino, born 1960, has served as a Director of the Company since August 13, 2010. She holds the following positions, among others: Director of PMC; Managing Partner of the Bengzon Law Firm; and professor at the De La Salle University Graduate School of Business, Far Eastern University Institute of Law MBA-JD Program, the Ateneo Graduate School of Business and Regis University. She was formerly a Philippine government Honorary Trade Ambassador to the European Union, and Chairperson of the Committee on Economic Liberalization and Deputy Secretary General of the Consultative Commission, both under the Philippine Office of the President. A Political Science graduate of the University of the Philippines in 1980 (with honors), she obtained her Bachelor of Laws from the Ateneo de Manila University in 1985.

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

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

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

Reynaldo G. David, Filipino, born 1942, has served as an Independent Director of the Company since May 12, 2009. He is the concurrent Chairman of the Audit Committee and the Nomination Committee and likewise a member of the Compensation Committee. He has previously held, among others, the following positions: President and Chief Executive Officer of the Development Bank of the Philippines; Chairman of NDC Maritime Leasing Corporation; and Director of DBP Data Center, Inc. and Al-Amanah Islamic Bank of the Philippines. Other past positions include: Independent Director of ISM and ATOK, Chairman of LGU Guarantee Corporation, Vice Chairman, Chief Executive Officer and Executive Committee Chairman of Export and Industry Bank (September 1997-September 2004), Director and Chief Executive Officer of Unicorp Finance Limited and Consultant of PT United City Bank (concurrently held from 1993-1997), Director of Megalink Inc., Vice President and FX Manager of the Bank of Hawaii (April 1984-August 1986), various directorships and/or executive positions with The Pratt Group (September 1986-December 1992), President and Chief Operating Officer of Producers Bank of the Philippines (October 1982-November 1983), President and Chief Operation Officer of International Corporation Bank (March 1979-September 1982), and Vice President and Treasurer of Citibank N. A. (November 1964-February 1979). A Ten Outstanding Young Men awardee for Offshore Banking in 1977, he was also awarded by the Association of Development Financing Institutions in Asia & the Pacific as the Outstanding Chief Executive Officer in 2007. A certified public accountant since 1964, he graduated from the De La Salle University with a combined Bachelor of Arts and Bachelor of Science in Commerce degrees in 1963 and has attended the Advance Management Program of the University of Hawaii (1974). He was conferred with the title Doctor of Laws, *honoris causa*, by the Palawan State University in 2005.

Artemio V. Panganiban, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is a member of the Audit Committee. Apart from Petron, he is an independent director of the following listed companies: MERALCO, Bank of the Philippine Islands, First Philippine Holdings Corp., Philippine Long Distance Telephone Co., Metro Pacific Investment Corp., Robinsons Land Corp., GMA Network, Inc., GMA Holdings, Inc., Asian Terminals, Inc., and Non-executive Director of Jollibee Foods Corporation; columnist for the Philippine Daily Inquirer; and officer, adviser or consultant to several business, civic, educational and religious organizations. Director Panganiban was formerly the Chief Justice of the Supreme Court of the Philippines (2005-2006); Associate Justice of the Supreme Court (1995-2005); Chairperson of the Philippine House of Representatives Electoral Tribunal (2004-2005); Senior Partner of Panganiban Benitez Parlade Africa & Barinaga Law Office (1963-1995); President of Baron Travel Corporation (1967-1993); and professor at the Far Eastern University, Assumption College and San Sebastian College (1961-1970). He is an author of over ten books and has received various awards for his numerous accomplishments, most notably the "Renaissance Jurist of the 21st Century" conferred by the Supreme Court in 2006 and the "Outstanding Manilan" for 1991 by the City of Manila. Chief Justice Panganiban earned his Bachelor of Laws degree, *cum laude*, from the Far Eastern University in 1960 and placed sixth in the bar exam that same year.

Executive Officers

The following are the current key executive officers of the Company:

Name	Position	Date of Election*
Ramon S. Ang	Chairman and Chief Executive Officer	January 2009-present
Lubin B. Nepomuceno	President	February 2013-present
Emmanuel E. Eraña	Senior Vice President and Chief Finance Officer	January 2009-present
Susan Y. Yu	Vice President - Procurement	January 2009-present
Ma. Rowena Cortez	Vice President - Supply	September 2009-present
Albertito S. Sarte	Vice President - Treasurers and Treasurer	August 2009-present
Freddie P. Yumang	Vice President - Refinery	September 2009-present

Archie B. Gupalor	Vice President - National Sales	March 2012-present
Efren P. Gabrillo	Vice President - Controllers and Controller	April 2010-present; as Vice President: August 2012
Joel Angelo C. Cruz	Vice President - General Counsel & Corporate Secretary and Compliance Officer	April 2010-present; as Vice President: March 2013
Rodulfo L. Tablante	Vice President - Operations	November 2013-present

Set out below are the profiles of the executive officers of the Company.

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: President and Chief Executive Officer of Petrogen, LLCDC and NVRC; President of PFI; Deputy Chairman of Ovincor; and Director of PFC. Mr. Eraña served the following positions in the San Miguel Group: as the Vice President and Chief Information Officer (January 2008-December 2009), Executive Assistant to the Chief Financial Officer, Corporate Service Unit (December 2006-January 2008), Chief Finance Officer of SMFBIL/NFL Australia (May 2005-November 2006), Chief Finance Officer of SMPFC (July 2002-May 2005), and Finance Officer (January 2001-June 2002), Finance and Management Services Officer, San Miguel Food Group (2000-2001). Mr. Eraña has a Bachelor of Science degree in Accounting from the Colegio de San Juan de Letran.

Freddie P. Yumang, Filipino, born 1958, has served as the Vice President for Refinery of the Company since September 2009. He is also a Director of PPI, Mariveles Landco Corporation, Robinson International Holdings Ltd. and PAHL. He is the lead of the Company's RMP-2 project and has held various positions in the Company, including Operations Manager and Technical Services Manager, and different supervisory and managerial positions at the Petron Bataan Refinery. Mr. Yumang is currently a director of the National Association of Mapua Alumni and was formerly National Director of the Philippine Society for Mechanical Engineers (2006-2007). He is a Mechanical Engineering graduate of the Mapua Institute of Technology and has units in Master's in Business Administration from the De La Salle University. He also attended the Basic Management and Management Development Programs of the AIM in 1992 and 2002, respectively, in which he received separate awards for superior performance.

Ma. Rowena O. Cortez, Filipino, born 1964, has served as the Vice President for Supply of the Company since September 2013, and concurrently the Executive Director for Petron Singapore Trading Pte. Ltd. since June 2013. She is also a Director of Petrochemical Asia (HK) Limited, Robinson International Holdings Ltd., Mariveles Lando Corporation, and Pandacan Depot Services Inc. The various positions she has held in the Company include Vice President for Supply & Operations (July 2010 – August 2013), Vice President for Supply (June 2009 to June 2010) and various managerial and supervisory positions in the Marketing/Sales, and Supply and Operations Divisions 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 in Industrial Engineering and a Master's degree in Business Administration from the University of the Philippines, Diliman. She also took post graduate courses at the Asian Institute of Management and at the University of Oxford in Oxfordshire, UK. She has attended local and foreign trainings and seminars on leadership, market research, supply chain, risk management, petroleum, petrochemicals and energy.

Susan Y. Yu, Filipino, born 1976, has served as the Vice President for Procurement of the Company since January 2009. She is also a Trustee of PFI, Director of Ovincor, and Managing Director of Petron Singapore Trading Pte. Ltd. ("PSTPL"). Ms. Yu has served as the Treasurer of Petrogen, Assistant Vice President and Senior Corporate Procurement Manager of San Miguel Brewery Inc., Assistant Vice President and Senior Corporate Procurement Manager of SMC Corporate Procurement Unit (July 2003-

February 2008), and Fuel Purchasing and Price Risk Management Manager of Philippine Airlines (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.

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

Archie B. Gupalor, Filipino, born 1968, has served as the Vice President for National Sales of the Company since March 2012. He has been with the San Miguel Group since 1991. Prior to his appointment in the Company, he held the position of Vice President and General Manager of San Miguel Integrated Sales of San Miguel Foods, Inc.. He earned his Bachelor of Science degree in Industrial Psychology at the University of San Carlos and has attended several programs here and abroad.

Efren P. Gabrillo, Filipino, born 1955, has served as the Vice President for Controllers of the Company since July 2012. He is also a Director of PSTPL and the Controller of most of the Company's subsidiaries. The various positions he has held in the Company include Assistant Vice President for Controllers (June 2010-June 2012), Assistant Vice President for Internal Audit (September 2009-May 2010), and various supervisory and managerial positions in Accounting, Treasurers, Business Support and Services, and Materials and Services Procurement. A certified public accountant, Mr. Gabrillo is a member of the Philippine Institute of Certified Public Accountants and the Institute of Internal Auditors Philippines. He is a graduate of Bachelor of Science in Commerce, major in Accounting, from the De La Salle University. He also completed the Management Development Program of the AIM in October 2003 and has attended numerous trainings here and abroad.

Joel Angelo C. Cruz, Filipino, born 1961, has served as the Vice President of the Office of the General Counsel of the Company since March 2013 and the Corporate Secretary and Compliance Officer of the Company since April 2010. He holds the following positions, among others: Corporate Secretary and Compliance Officer of Petrogen, Corporate Secretary of LLCDC, NVRC, PMC, and PFC; Corporate Secretary of Petron Global Limited; Assistant Corporate Secretary of MNHPI; and Trustee of PFI. Atty. Cruz was formerly the Assistant Vice President of the Office of the General Counsel, Assistant Corporate Secretary and Legal Counsel of the Company, and Assistant Corporate Secretary of all the Company's subsidiaries, Associate of Del Rosario & Del Rosario Law Offices (1986) and Brilliantes Nachura Navarro & Arcilla Law Offices (1987-1989). He is a member of the Integrated Bar of the Philippines. Atty. Cruz holds a Bachelor of Arts degree in Economics from the University of the Philippines and a Bachelor of Laws from San Beda College.

Rodulfo L. Tablante, born 1953, has served as the Vice President for Operations of the Company since November 2013. He was the Head of Corporate Technical and Engineering Services Group of the Company from 2009 to 2013. Mr. Tablante was College Instructor and Mechanical Engineering Reviewer in the Cebu Institute of Technology (1975-1978 and 1976-1977, respectively), Process Control Engineer, Operations Planning and Control Head and Plant Operation Superintendent of SMC Mandaue Brewery (1976-1979, 1979-1980 and 1980-1984, respectively), Engineering Manager and Project Manager of SMC - Polo Brewery (1984-1989 and 1989-1992, respectively), Assistant Brewery Consultant, Assistant Vice President, Engineering Manager and Vice President and Engineering Manager of SMC - Corporate Technical Services (1992-2001, 2001-2004 and January 2005-2007, respectively). He was a consultant of SMC from 2007 until December 2009. Mr. Tablante has a Bachelor of Science degree in Mechanical Engineering from the Cebu Institute of Technology and earned units for a Master's degree in Mechanical Engineering from the same institute.

(ii) Board Committees

The Company has Executive, Compensation, Audit and Nomination Committees constituted in accordance with the principles of good corporate governance and pursuant to the Company's By-Laws.

- **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 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 of the adoption of new by-laws; (d) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable, (e) a distribution of dividends to the stockholders, and (f) such other matters as may be specifically excluded or limited by the Board of Directors.

  The Executive Committee is chaired by Mr. Ramon S. Ang with Mr. Lubin B. Nepomuceno and Mr. Roberto V. Ongpin as members. Ms. Aurora T. Calderon and Mr. Eric O. Recto are the two (2) alternate members of the Executive Committee.

  In 2013, the Executive Committee held four (4) meetings on January 2, January 21, June 4, and October 10. All the resolutions approved by the Executive Committee were passed with the unanimous vote of the committee members in attendance (whether regular members or alternate members) and later presented to and ratified by the Board of Directors at the board meeting held after each approved resolution.

- **Nomination Committee.** The Nomination Committee is composed of three (3) directors with an independent director serving as its Chairman and with the Corporate Secretary acting as its secretary.

  The Nomination Committee is responsible for pre-screening and shortlisting candidates nominated to become members of the Board of Directors and other appointments that require board approval to ensure that the director-candidates meet the criteria for election, *i.e.,* they have the qualifications and none of the disqualifications set out in the law and in the CG Manual. The Nomination Committee, in consultation with the management committee and the under the supervision of the Board of Directors, also redefines the role, duties and responsibilities of the Chief Executive Officer of the Company by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times. It is also the responsibility of the Nomination Committee to assess the effectiveness of the processes and procedures of the Board of Directors in the election or replacement of directors.

  The Nomination Committee is chaired by Mr. Reynaldo G. David, an independent director of the Company, with Atty. Estelito P. Mendoza and Atty. Virgilio S. Jacinto as members. Atty. Jacinto acted as advisor to the Nomination Committee until his election as a member of the committee on May 21, 2013.

In 2013, the Nomination Committee held four (4) meetings on February 19, March 18, May 6 and November 4, with the attendance of the members as follows:

Member's Name	February 19 Meeting	March 18 Meeting	May 6 Meeting	November 4 Meeting
Reynaldo G. David	✓	✓	✓	✓
Estelito P. Mendoza	✓	✓	✓	–
Virgilio S. Jacinto*	N/A	N/A	N/A	✓

Legend: ✓ - Present – - Absent ** Appointed as member on May 21, 2013*

- **Compensation Committee.** The Compensation Committee is composed of five (5) members of the Board of Directors, one of whom is an independent director. The Chairman and the President of the Corporation are included as members but without voting rights. The Chairman of the Board of Directors is the Chairman of the Compensation Committee.

  Under the CG Manual, the Compensation Committee is responsible for considering and approving salary structures for individuals in the positions of Vice President (or its equivalent) and above, promotions to positions of Division Head and the salary increases to be granted concurrently with such promotions, and other compensation policy matters such as the adoption, modification and interpretation of corporate benefit plans. The Compensation Committee also ensures that the Company's annual reports, information and proxy statements, and such similar documents disclose the fixed and variable compensation received by its directors and top officers for the preceding fiscal year in accordance with the requirements of the law.

  The Compensation Committee is chaired by Mr. Ramon S. Ang (non-voting) with Mr. Lubin B. Nepomuceno (non-voting), Mr. Roberto V. Ongpin, Mr. Reynaldo G. David and Ms. Aurora T. Calderon as members. Mr. Ferdinand K. Constantino acts as the advisor to the Compensation Committee.

- **Audit Committee.** The Audit Committee is composed of five (5) members of the Board of Directors, two (2) of whom are independent directors. All the members of the Audit Committee are required to have adequate accounting and finance backgrounds and at least one member with audit experience, in addition to the qualifications of a director. The Chairman of the Audit Committee is further required by the Manual and the Audit Committee Charter to be an independent director.

  The Audit Committee is governed by the Audit Committee Charter, revisions to which to make it compliant with SEC Commission Memorandum Circular No. 4, Series of 2012 were approved by the Board of Directors on November 12, 2012 (the "Audit Committee Charter").

  Among the other functions set out in the CG Manual and the Audit Committee Charter, the Audit Committee 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. Reynaldo G. David, an independent director of the Company, and its members are Former Chief Justice Artemio V. Panganiban (another independent director of the Company), Atty. Estelito P. Mendoza, Mr. Lubin B. Nepomuceno, and Ms. Aurora T. Caderon. Mr. Ferdinand K. Constantino was appointed on May 21, 2013 as advisor to the committee following his resignation as a member on February 19, 2013.

In 2013, the Audit Committee held four (4) meetings on March 18, May 6, August 6 and November 4. In all the meetings with attendance of the members as follows:

Member's Name	March 18 Meeting	May 6 Meeting	August 6 Meeting	November 4 Meeting
Reynaldo G. David	✓	✓	–	✓
Estelito P. Mendoza	✓	✓	✓	–
Artemio V. Panganiban	✓	✓	✓	✓
Lubin B. Nepomuceno*	N/A	N/A	✓	✓
Aurora T. Calderon	✓	✓	✓	✓

Legend: ✓ - Present – - Absent ***** *Appointed as member on May 21, 2013*

(3) Significant Employees

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

(4) Family Relationships

Mr. Eric O. Recto, Vice Chairman and a director of the Company, is the nephew of Mr. Roberto V. Ongpin, another director of the Company.

(5) Involvement in Certain Legal Proceedings

The Company is not aware that any one of the incumbent directors and executive officers and persons nominated to become a director and executive officer has been the subject of a bankruptcy petition or a conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by 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.

(B) 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 12 months base pay. They also receive whatever gratuity pay the Board of Directors extends to the managerial, supervisory and technical employees of the Company.

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

Other Arrangements. There are no other arrangements for which the directors are compensated by the Company for services other than those provided as a director.

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

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

The aggregate compensation paid or estimated to be paid to the executive officers and directors of the Company during the periods indicated below is as follows (including the estimate for 2014):

(a) Name & Principal Position		*(b) Year*	*(c) Salary*	*(d) Bonus*	*(e) Other Annual Compensation*
Ramon S. Ang Eric O. Recto Lubin B. Nepomuceno Emmanuel E. Eraña Freddie P. Yumang	Chairman Vice-Chairman President SVP / Chief Finance Officer Vice President - Refinery	2014	83.03	33.56	-
Ramon S. Ang Eric O. Recto Lubin B. Nepomuceno Emmanuel E. Eraña Freddie P. Yumang	Chairman Vice-Chairman President SVP / Chief Finance Officer Vice President - Refinery	2013	80.71	6.13	-
Ramon S. Ang Eric O. Recto Lubin B. Nepomuceno Emmanuel E. Eraña Freddie P. Yumang	Chairman Vice-Chairman President SVP / Chief Finance Officer Vice President - Refinery	2012	76.01	39.22	-
All Other Officers & Directors as a Group Unnamed		2014	55.27	16.61	-
		2013	48.50	6.13	-
		2012	38.66	18.81	-

(C) Security Ownership of Certain Beneficial Owners and Management as of December 31, 2013

The security ownership of certain record and beneficial owners of more than 5% of the common shares of the Company as of December 31, 2013 is as follows:

- SEA Refinery Corporation - 50.10%
- San Miguel Corporation - 18.16%
- Petron Corporation Employees' Retirement Plan - 14.79%
- PCD Nominee Corporation - 8.99%

The Company had no beneficial owner under the PCD Nominee Corporation that held no more than 5% of the common shares of the Company.

The security ownership of directors and executive officers holding office as of December 31, 2013 is as follows:

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (ID)	Percentage of Ownership
Directors					
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Preferred			-	-	N.A.
Common	Eric O. Recto	Filipino	1	D	0.00%
Preferred			300,000	I	0.00%
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Preferred			-	-	N.A.
Common	Eduardo M. Cojuangco, Jr.	Filipino	1,000	D	0.00%
Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Preferred			-	-	N.A.
Common	Bernardino R. Abes	Filipino	1	D	0.00%
Preferred			-	-	N.A.
Common	Roberto V. Ongpin	Filipino	1	D	0.00%
Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Preferred			-	-	N.A.
Common	Romela M. Bengzon	Filipino	1,000	D	0.00%
Preferred			-	-	N.A.
Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Preferred			-	-	N.A.
Common	Reynaldo G. David	Filipino	1,000	D	0.00%
Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Preferred			-	-	N.A.

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Executive Officers					
Common	Emmanuel E. Eraña	Filipino	-	-	N.A.
Preferred			20,000	I	0.00%
Common	Freddie P. Yumang	Filipino	-	-	N.A.
Preferred			10,000	I	0.00%
Common	Rowena O. Cortez	Filipino	8,580	D	0.00%
Preferred			1,000	I	0.00%
Common	Susan Y. Yu	Filipino	-	-	N.A.
Preferred			53,000	I	0.00%
Common	Archie B. Gupalor	Filipino	3,000	D	0.00%
Preferred			-	-	N.A.
Common	Albertito S. Sarte	Filipino	-	-	N.A.
Preferred			20,000	I	0.00%
Common	Efren P. Gabrillo	Filipino	8,001	D	0.00%
Preferred			1,500	I	0.00%
Common	Joel Angelo C. Cruz	Filipino	-	-	N.A.
Preferred			-	-	N.A.
Common	Rodulfo L. Tablante	Filipino	-	-	N.A.
Preferred			-	-	N.A.
Directors and Executive Officers as a Group		Common	**34,585**		**0.00%**
		Preferred	**405,500**		**0.00%**

As of December 31, 2013, the directors and executive officers of the Company owned 34,585 common shares and 405,500 preferred shares for a total of 440,085 shares or 0.0047% of the Company's total outstanding capital stock. None of the directors and executive officers of the Company directly owned 5% or more of the outstanding capital stock of the Company.

(2) Voting Trust Holders of 5% or more

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

(3) Changes in Control

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

(D) Certain Relationships and Related Transactions

The major stockholders of the Company as of December 31, 2013 were as follows:

- SEA Refinery Corporation - 50.10%
- San Miguel Corporation - 18.16%
- Petron Corporation Employees' Retirement Plan - 14.79%

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

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

PART V - EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

Below is a list of the annexes to this SEC Form 17-A and the reports on SEC Form 17-C and the press releases submitted to the SEC in 2013 until the date of this report.

Annexes

1. Annex A - Public Ownership Report as of December 31, 2013
2. Annex B - Public Ownership Report as of March 31, 2014
3. Annex C - Audited Financial Statements
4. Annex D - Index to Financial Statements & Supplementary Schedules

Reports on SEC Form 17-C

Disclosure Date	Item Description
January 22, 2013	Approval by the Executive Committee of the issuance of US Dollar-Denominated Undated Subordinated Capital Securities and the release of the Preliminary Offering Circular relating to the proposed issuance of US Dollar-Denominated Undated Subordinated Capital Securities
January 28, 2013	Certification on the compliance by the Company with its Manual on Corporate Governance for 2012
January 28, 2013	Statement on the record of attendance of the Board of Directors at the board meetings held in 2012
January 29, 2013	Release of the Supplement to the Preliminary Offering Circular relating to the proposed issuance of US Dollar-Denominated Undated Subordinated Capital Securities
January 30, 2013	Release of the Final Offering Circular relating to the proposed offering of US Dollar-Denominated Undated Subordinated Capital Securities
February 6, 2013	Completion of the issuance of US Dollar-Denominated Undated Subordinated Capital Securities
February 19, 2013	Election of Mr. Lubin B. Nepomuceno as Director and President and Mr. Eric O. Recto as Vice Chairman
March 7, 2013	Release of the Preliminary Offering Circular and the Final Offering Circular relating to the proposed issuance of additional US Dollar-Denominated Undated Subordinated Capital Securities
March 13, 2013	Completion of the issuance of additional US Dollar Undated Subordinated Capital Securities

March 18, 2013	Matters approved at the board meeting held: 1. Holding of the Annual Stockholders' Meeting on May 21, 2013 2. Nominees for the Election to the Board of Directors 3. 2012 Audited Financial Statements 4. Cash Dividend for Preferred Shareholders 5. Cash Dividend for Common Shareholders 6. Confirmation of Appointment of Atty. Joel C. Cruz as Vice President – General Counsel and Ms. Magnolia D. Uy as Assistant Vice President- Market Planning, Research, & Sales Information (National Sales Division)
April 1, 2013	Corporate Governance Guidelines Disclosure Template for 2012
May 9, 2013	Matters approved at the board meeting held on May 6, 2013: 1. Year-to-Date March 2013 Financial Performance Report 2. Endorsement of the re-appointment of Manabat Sanagustin & Co./CPAs as independent external auditor for year 2013 3. Revision of the Corporate Governance Manual 4. Adoption of the *Whistle-Blowing Policy* and the *Policy on Dealing in Securities* 5. Approval of the charters of the Nomination Committee and the Compensation Committee
May 21, 2013	Matters approved at the Annual Stockholders' and Organizational Meetings: A. Annual Stockholders' Meeting 1. Approval of the amendment of the Articles of Incorporation extending its corporate term for another 50 years 2. Appointment of Manabat Sanagustin Co. & CPAs as independent external auditor for year 2013 3. Election of the following directors for 2013-2014: (i) Ramon S. Ang (ii) Eduardo M. Cojuangco, Jr. (iii) Roberto V. Ongpin (iv) Estelito P. Mendoza (v) Eric O. Recto (vi) Lubin B. Nepomuceno (vii) Mirzan Mahathir (viii) Bernardino R. Abes (ix) Ron W. Haddock (x) Romela M. Bengzon (xi) Aurora T. Calderon (xii) Virgilio S. Jacinto (xiii) Nelly Favis-Villafuerte Independent Directors (xiv) Reynaldo G. David (xv) Artemio V. Panganiban

B. Organizational Meeting

1. Appointment of the following as members of the board committees:

   (i) Executive Committee

   Ramon S. Ang - Chairman
   Lubin B. Nepomuceno - Member
   Roberto V. Ongpin - Member
   Eric O. Recto - Alternate Member
   Aurora T. Calderon - Alternate Member

   (ii) Compensation Committee

   Ramon S. Ang - Chairman
   Lubin B. Nepomuceno - Member
   Roberto V. Ongpin - Member
   Reynaldo G. David - Member
   Aurora T. Calderon - Member
   Ferdinand K. Constantino - Advisor

   (iii) Audit Committee

   Reynaldo G. David - Chairman
   Lubin B. Nepomuceno - Member
   Estelito P. Mendoza - Member
   Artemio V. Panganiban - Member
   Aurora T. Calderon - Member
   Ferdinand K. Constantino - Advisor

   (iv) Nomination Committee

   Reynaldo G. David - Chairman
   Estelito P. Mendoza - Member
   Virgilio S. Jacinto - Member

2. Election of the following as officers for 2013-2014:

   Ramon S. Ang - Chairman & CEO
   Eric O. Recto - Vice Chairman
   Lubin B. Nepomuceno - President
   Emmanuel E. Eraña - Senior Vice President & Chief Finance Officer
   Susan Y. Yu - Vice President, Procurement
   Rowena O. Cortez - Vice President, Supply & Operations
   Freddie P. Yumang - Vice President, Refinery
   Archie B. Gupalor - Vice President, National Sales
   Efren P. Gabrillo - Vice President, Controllers and Controller
   Albertito S. Sarte - Vice President, Treasurers and Treasurer
   Jaime O. Lu - Vice President, Petron Malaysia Country Manager
   Joel Angelo C. Cruz - Vice President, General Counsel & Corporate Secretary/Compliance Officer
   Julieta L. Ventigan - Assistant Vice President,

	Business Planning & Development Nathaniel R. Orillos - Assistant Vice President, Refinery Operations Nolan R. Rada - Assistant Vice President, Reseller Trade Antonio S. Santos - Assistant Vice President, Industrial Trade David M. Mahilum - Assistant Vice President, Maintenance Roland R. Evangelista - Assistant Vice President, Power Plant & Utilities Dennis M. Floro - Assistant Vice President, Supply Rosario D. Vergel de Dios - Assistant Vice President, Human Resources Conrado S. Rivera - Assistant Vice President, Lubes & Greases, Cards Mary Ann M. Neri - Assistant Vice President, Marketing Andrew S. Fortuno - Assistant Vice President, Operations Conrado C. Capule - Assistant Vice President, PPI General Manager Magnolia D. Uy - Assistant Vice President, Market Planning, Research and Sales Information Jhoanna Jasmine M. Javier-Elacio - Assistant Corporate Secretary
August 6, 2013	Matters approved at the board meeting held: 1. First Semester 2013 Financial Statements 2. Cash dividend for preferred shareholders 3. Approval of the adoption of a Self-Assessment Form to be accomplished by the Board of Directors
August 15, 2013	Information and update on the Rosario Terminal incident dated August 15, 2013 submitted to the Philippine Stock Exchange ("PSE") and reply to the PSE clarifying the news article entitled "Petron Buying LPG Operations of Liquigaz" published in the August 15, 2013 issue of the Manila Bulletin
September 30, 2013	Retirement of Mr. Conrado C. Capule as Assistant Vice President
November 4, 2013	Matters approved at the board meeting held: 1. Year-to-Date September 2013 Financial Performance Report 2. Confirmation of the appointments of Mr. Rodulfo L. Tablante as Vice President-Operations and Ms. Charmaine V. Canillas as Assistant Vice President-Corporate Affairs Department
March 24, 2014	Matters approved at the board meeting held: 1. Holding of the Annual Stockholders' Meeting on May 20, 2014 2. 201 Audited Financial Statements 3. Cash Dividend for Common Shareholders
March 27, 2014	Approval by the Executive Committee relating to the sale of 470,000,000 Common Shares of the Petron Corporation Employees' Retirement Plan

Press Releases

The following press releases were made for year 2013 until the date of this annual report:

Disclosure Date	Item Description
March 18, 2013	“Petron Revenues Up to P424.8 Billion, Posts P2.3 Billion Income for 2012”
May 6, 2013	“Petron Revenues Rise to P112 Billion, Posts P2.2 Billion Income for 1st Quarter 2013”
May 21, 2013	“Petron Builds 1,000 Service Stations in 4 Years”
August 6, 2013	“Petron Sales Volumes and Revenues Up in First Half of 2013”
August 27, 2013	“Petron Completes Clean-Up; Community Efforts Continue”
November 4, 2013	“Petron Posts P4.4 Billion Income for the First Nine Months of 2013”
March 24, 2014	“Petron Corporation Posts P5.1 Billion Income for 2013”

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signature page follows on next page]

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on 14 April 2013.

By:

RAMON S. ANG
Chairman/Chief Executive Officer

LUBIN B. NEPOMUCENO
President

EMMANUEL E. ERAÑA
Senior Vice President and Chief Finance Officer

EFREN P. GABRILLO
Vice President - Controllers

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

APR 1 4 2014

SUBSCRIBED AND SWORN to before me this ___ day of April 2014 at Mandaluyong City, affiants exhibiting to me their Competent Evidence of Identity as follows:

Name	Passport/CTC #	Date of Issue (mm-dd-yy)	Place of Issue
RAMON S. ANG	XX0748364	7-11-11	Manila
LUBIN B. NEPOMUCENO	EB5027219	3-29-12	Manila
EMMANUEL E. ERAÑA	EB1133575	10-07-10	Manila
EFREN P. GABRILLO	EB6962099	12-17-12	Manila
JOEL ANGELO C. CRUZ	EB6976457	12-19-12	Manila

Doc. No. A ;
Page No. 5 ;
Book No. I ;
Series of 2014.

LIAM S. PAGDANGANAN
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0423-14
Until December 31, 2015
Attorney's Roll No. 50213
PTR No. 1942189/1-2-14/Mandaluyong
IBP No. 948024/1-2-14/Bulacan
MCLE Compliance No. IV-0015862/4-8-13