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PETRON

**Petron Corporation
PCOR**

PSE Disclosure Form 4-29 - Disbursement of Proceeds and Progress Report
References: Memorandum No. 626 - 2007 dated December 20, 2007
Section 4.4 of the Revised Disclosure Rules

Annual Report
 Quarterly Report
 Others -

Subject of the Disclosure

Quarterly Progress Report on the application of the proceeds from the offer and issuance of the Series 3A and 3B Preferred Shares of Petron Corporation, for the quarter ended June 30, 2019.

Background/Description of the Disclosure

Please refer to the attached report on the application of the proceeds from the offer and issuance of the Series 3A and 3B Preferred Shares of Petron Corporation, for the quarter ended June 30, 2019.

Other Relevant Information

Please refer to the attached report.

Filed on behalf by:

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

July 12, 2019



PHILIPPINE STOCK EXCHANGE, INC.

Disclosure Department
6th Floor, PSE Tower
5th Avenue corner 28th Street
BGC, Taguig City

Attention : **Ms. Janet A. Encarnacion**
Head, Disclosure Department

SECURITIES AND EXCHANGE COMMISSION

G/F Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

Attention : **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

Re : **Progress Report for the Quarter Ended June 30, 2019**

Gentlemen:

Please find below the application of proceeds from the offering of Petron Corporation Preferred Shares Series 3 ("PRF3A" and "PRF3B") for the quarter ended June 30, 2019:

Preferred Shares Series 3 ("PRF3A" and "PRF3B") Gross Proceeds	Php	20,000,000,000.00
Less: Underwriting Fees, Filing and Processing Fees, Documentary Stamp Tax, Legal and Professional Fees and Other Expenses		(152,385,518.00)
Net Proceeds	Php	19,847,614,482.00
Less: Repayment of Outstanding Short-Term Debt from Bank of the Philippine Islands		(6,960,000,000.00)
Less: General corporate purposes		(5,762,081,875.00)
Remaining Balance	Php	7,125,532,607.00

Enclosed herewith is the certification of the external auditor on the use of proceeds.

Very truly yours,

ALBERT S. SARTE
Vice President and Treasurer

DENNIS S. JANSON
Assistant Vice President and Controller

PETRON CORPORATION

**REPORT OF FACTUAL FINDINGS ON THE
APPLICATION OF PROCEEDS FROM THE ISSUANCE OF
P15 BILLION PERPETUAL PREFERRED SHARES SERIES 3
WITH AN OVERSUBSCRIPTION OPTION OF
P5 BILLION PERPETUAL PREFERRED SHARES SERIES 3**



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com

REPORT OF FACTUAL FINDINGS

The Board of Directors and Stockholders
Petron Corporation
San Miguel Corporation Head Office Complex
40 San Miguel Avenue, Mandaluyong City
Metro Manila, Philippines

We have performed the procedures agreed with you and enumerated below with respect to the Progress Report on the application of proceeds from the Issuance of P15 Billion Perpetual Preferred Shares Series 3 With an Oversubscription Option of P5 Billion Perpetual Preferred Shares Series 3 (the "Issuance") of Petron Corporation (the "Company") on June 25, 2019. The procedures were performed solely to comply with the requirement of the Philippine Stock Exchange (PSE) for the Company to submit an external auditor's certification on the accuracy of the information being represented by the Company relating to the use of proceeds from the Offering whenever a report is submitted to the PSE. Our engagement was undertaken in accordance with Philippine Standard on Related Services (PSRS) 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*.

The agreed-upon procedures are summarized as follows:

1. Obtain and check the mathematical accuracy of the Quarterly Progress Report from the Company.
2. Agree the amount of the proceeds from the Offering as stated in the Quarterly Progress Report to the related supporting documents such as bank statements, passbook and other documents evidencing the receipt thereof.
3. Compare the list of all the disbursements in the Quarterly Progress Report with the schedule of planned use of proceeds from the Offering as indicated in the Final Prospectus dated May 30, 2019 ("Prospectus") and agree the amounts to the related supporting documents such as invoices, deposit slips, passbook and letter of instructions.
4. Obtain written management representation as to any reallocation (or absences thereof) on the Company's planned use of proceeds or any change in the work program as disclosed in the Prospectus.



The results of the procedures performed are summarized in Annex A, which is an integral part of this report.

The procedures that we performed did not constitute either an audit or review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standard on Review Engagements (PSRE), thus, we do not express any assurance on the use of proceeds from the Offering based on the said standards.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA and PSRE, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of the proceeds from the Offering and items specified above and do not extend to any financial statements of the Company taken as a whole.

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'Darwin P. Virocel', with a long horizontal line extending to the left.

Darwin P. Virocel

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-AR-1, Group A, valid until June 14, 2020

July 11, 2019

Makati City, Metro Manila

Summary of Results of Agreed-Upon Procedures Performed
Annex A

We report the results of our work as follows:

1. We have obtained and checked the mathematical accuracy of the Company's Quarterly Progress Report for the quarter ended June 30, 2019. No exceptions noted.
2. We have agreed the amount of the proceeds from the Offering as stated in the Quarterly Progress Report to the related supporting documents such as bank statements, passbook and other documents evidencing the receipt thereof. Based on inspection, the total amount of P20,000,000,000 received from the underwriters is the total offer price of the 15,000,000 Perpetual Preferred Shares Series 3 and Oversubscription Option of 5,000,000 Perpetual Preferred Shares Series 3. We agreed the amount of proceeds from the Offering and the actual amount received from the underwriters. No exception noted.
3. We have compared the list of all the disbursements in the Quarterly Progress Report with the schedule of planned use of proceeds from the Prospectus and agree the amounts to the related supporting documents. No exceptions noted.

As presented by the Company and based on the above procedures, the table below lists the details of the disbursements made during the quarter ended June 30, 2019 from the proceeds from Offering.

Purpose	Allocation per Prospectus	Actual Disbursement for Q2	Balance as at end of Q2
Estimated fees, commissions and other expenses related to the offer	P155,598,125	P152,385,518	P3,212,607
Redemption of the Series 2A Preferred Shares ("PRF2A") <ul style="list-style-type: none"> • Dividend Rate: 6.3% p.a. subject to Step-up Rate • Optional Redemption Date: November 3, 2019 	7,122,320,000	0	7,122,320,000
Repayment of Outstanding Short-Term Debt from Bank of the Philippine Islands	6,960,000,000	6,960,000,000	0
General corporate purposes (such as, but not limited to, the purchase of crude oil)	5,762,081,875	5,762,081,875	0
Total	P20,000,000,000	P12,874,467,393	P7,125,532,607

Relative to the actual disbursements for the period, the following procedures were also performed:

- a. Compared and agreed the actual disbursements for the quarter ended June 30, 2019 submitted by the Company to the PSE to the related supporting documents which includes the bank account passbooks, official receipts, collection receipts and bank deposit slips. No exceptions noted.
- b. Checked the details of the disbursements made as shown above to the related supporting documents and noted that portion of the proceeds was allocated for the repayment of outstanding short-term debt from Bank of the Philippine Islands amounting to P6,960 million, and P5,918 million was allocated for the Company's general corporate purposes and estimated fees, commissions and other expenses related to the offer. Such transactions and amounts thereof were agreed to the related passbook, voucher and official receipt. Based on the inspection, we noted the following:
 - b.1 actual amount vouched pertaining to fees, commission and other related expenses to the Offering amounted to P152.39 million while the estimated amount for the same expenses per Prospectus amounted to P155.60 million. The variance pertains to unused proceeds allocated for unbilled expenses and differences between estimated and actual costs;
 - b.2 the amount of P7,122 million allocated for the redemption of Series 2A Preferred Shares ("PRF2A") with an optional redemption date on November 3, 2019 has been placed in a 30-day time deposit bearing an interest rate of 6.25% per annum, maturing on July 25, 2019;
 - b.3 the Company paid the outstanding short-term debt from the Bank of the Philippine Islands with an aggregate amount of P6,960 million. Relevant interest expense amounting to P20.46 million was paid using the fund allocated for general corporate purposes; and
 - b.4 total actual disbursement vouched for general corporate requirements such as, but not limited to, the purchase of crude oil and payment of interest expense in b.3 has been disbursed amounting to P5,918 million, P5,762 million of which came from the Proceeds from Offering while the remaining P156.06 million came from the Company's operating fund.

Based on the procedures performed above, no exceptions noted.

4. We have obtained written management representation and noted that there were no reallocations made on the Company's planned use of proceeds from the Offering or any changes in the work program as disclosed in the Prospectus. Such representation was verified to be correct based on the result of work performed above.