



**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS**

**Information Statement Pursuant to Section 20  
of the Securities Regulation Code**

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter **PETRON CORPORATION (“Petron” or the “Company”)**
3. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**
4. SEC Identification Number **31171**
5. BIR Tax Identification Code **000-168-801**
6. Address of principal office  
**SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City**  
Postal Code **1550**
7. Registrant’s telephone number, including area code **(632) 8.886-3888**
8. Date, time and place of the meeting of security holders  

<b>Date</b>	-	<b>May 17, 2022, Tuesday</b>
<b>Time</b>	-	<b>2:00 p.m.</b>
<b>Livestream</b>	-	<b>via <a href="https://www.petron.com/2022asm/">https://www.petron.com/2022asm/</a></b>

(The Chairman of the meeting will call and preside over the meeting at the SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City 1550.)
9. Approximate date on which the Information Statement is first to be sent or given to security holders  
**April 25, 2022**
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares Outstanding
<b>Common Stock</b>	<b>9,375,104,497 shares</b>
<b>Series 3A Preferred Shares</b>	<b>13,403,000 shares</b>
<b>Series 3B Preferred Shares</b>	<b>6,597,000 shares</b>
<b>Total Liabilities (consolidated as of December 31, 2021)</b>	<b>₱ 211,841 million</b>
<b>Series B Bonds due 2023</b>	<b>₱ 7.0 billion</b>
<b>Series C Bonds due 2024</b>	<b>₱ 13.2 billion</b>
<b>Series D Bonds due 2025</b>	<b>₱ 6.8 billion</b>
<b>Series E Bonds due 2025</b>	<b>₱ 9.0 billion</b>
<b>Series F Bonds due 2027</b>	<b>₱ 9.0 billion</b>

11. Are any or all of registrant's securities listed on any Philippine stock exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange**

**Common Shares  
Series 3A Preferred Shares  
Series 3B Preferred Shares**

**Philippine Dealing & Exchange Corp.**

**Series B Bonds due 2023  
Series C Bonds due 2024  
Series D Bonds due 2025  
Series E Bonds due 2025  
Series F Bonds due 2027**



## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

March 8, 2022

The annual meeting of the stockholders of Petron Corporation (the "Company") will be held on May 17, 2022, Tuesday, at 2:00 p.m. and will be conducted virtually and streamed live through <https://www.petron.com/2022asm>, which shall also be accessible through the Company website.

The agenda of the meeting are as follows:

1. Call to Order
2. Report on Attendance and Quorum
3. Review and Approval of the Minutes of the Previous Annual Stockholders' Meeting
4. Management Report and Submission to the Stockholders of the 2021 Financial Statements
5. Ratification of All Acts of the Board of Directors and Management  
Since the 2021 Annual Stockholders' Meeting
6. Appointment of an External Auditor and Ratification of External Auditor Fees
7. Election of the Board of Directors for the Ensuing Term
8. Ratification of Directors' Fees for 2022
9. Other Matters
10. Adjournment

Attendance only via Remote Communication;  
Questions through Dedicated Email Address

Pursuant to Memorandum Circular No. 6 (Series of 2020) issued by the Securities and Exchange Commission, and by the unanimous vote by the Board of Directors at its regular meeting held on March 8, 2022, the Company will conduct its annual stockholders' meeting for 2022 through livestreaming and will not hold a physical meeting. Stockholders can therefore only attend the meeting by remote communication. Stockholders intending to attend the meeting by remote communication should notify the Company by email to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com) by May 10, 2022 at 12 noon. The procedure and further details for attending and voting at the meeting through remote communication are set forth in Appendix 1.

Votes will be cast through ballots or proxies. The deadline for the submission of ballots and proxies is on May 2, 2022. For your convenience, a sample of a ballot/proxy is attached to the Definitive Information Statement (SEC Form 20-IS) issued by the Company for this meeting. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Ballots and proxies may be sent through email at [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com) or by mail to the office of SMC Stock Transfer Service Corporation at the 2<sup>nd</sup> Floor, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City. Proxies need not be notarized. Validation of ballots and proxies will be on May 12, 2022 at 2:00 p.m. at the above office of SMC Stock Transfer Service Corporation Office.

Questions and comments to the Board of Directors and/or Management may be sent in advance of, or during, the meeting by email to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com).

Rationale for Agenda; Dividend Policy; Draft Minutes

Please refer to Appendix 2 of this notice for a brief discussion of and the rationale for the above agenda items. The dividend policy of the Company is discussed in the Definitive Information Statement.

The draft of the minutes of the annual stockholders' meeting held in 2021 has been posted on the company website [www.petron.com](http://www.petron.com) since May 25, 2021, the fifth business day after the meeting.

Mandaluyong City, March 8, 2022.

A handwritten signature in black ink, appearing to read "JCCruz".

JOEL ANGELO C. CRUZ  
VP - General Counsel & Corporate Secretary

**PROCEDURE FOR ATTENDING AND VOTING AT THE MEETING THROUGH REMOTE COMMUNICATION**

1. Stockholders of record as of March 22, 2022 who intend to attend the meeting through remote communication are requested to notify the Company by email to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com) by May 10, 2022 at 12 noon. Stockholders whose shares are lodged with brokers are requested to directly contact their respective brokers for guidance on their participation in the meeting.
2. For validation purposes, the email should contain the following information: (i) name; (ii) address; (iii) telephone number; and (iv) email address, and a scanned copy of any valid government-issued identification card (“ID”) with photo of the stockholder.

Only the stockholders who have notified the Company of their intention to participate through remote communication as above-described and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance at the meeting, together with the stockholders attending through proxies.

3. Unregistered stockholders may still attend the meeting by accessing the livestreaming link <https://www.petron.com/2022asm/>.
4. Votes of all stockholders on all the agenda items can only be cast through ballots or proxies submitted from the date of the distribution of this Definitive Information Statement until May 2, 2022. A sample of the ballot and proxy is included in the Definitive Information Statement. The other details of the voting procedure (including the required number of votes to approve any agenda item) are set out in Item 2 (“Voting and Voting Procedure”) of Annex 2 of this Definitive Information Statement.

All ballots and proxies should be received by the Corporate Secretary on or before May 2, 2022 at 12 noon by email sent to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com) or by mail sent to the office of SMC Stock Transfer Service Corporation at the 2<sup>nd</sup> Floor, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City.

For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary’s certification stating the representative’s authority to represent the corporation in the meeting.

Validation of ballots and proxies received via email or mail will be on May 12, 2022 at 2:00 p.m. at the above-mentioned office of the SMC Stock Transfer Service Corporation (“STSC”). Validation of ballots and proxies by STSC includes the verification of the due execution and completeness of the ballots and proxies (such as checking if the persons signing such ballots or proxies are stockholders as of record date and if the forms are signed and/or their supporting documents such as the Secretary’s Certificate for corporate stockholders are complete) and the encoding of the votes in the stockholder database of STSC. The stockholder database system contains the list of stockholders as of record date, the number of shares owned/held, and the votes cast for each agenda item.

5. Shareholders may send their questions and/or comments prior to or during the meeting to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com).

Questions and comments may also be written in the space provided in the sample ballot/proxy form.

6. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for attending the annual stockholders' meeting through remote communication, please email them to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com).

**RATIONALE AND BRIEF DISCUSSION OF THE AGENDA  
OF THE 2021 ANNUAL STOCKHOLDERS' MEETING  
(THE "ANNUAL STOCKHOLDERS' MEETING")**

**1. Call to Order**

The Chairman of the meeting (the "Chairman") will call the meeting to order.

**2. Report on Attendance and Quorum**

Notice and Quorum

The Corporate Secretary (or the Secretary of the meeting, as the case may be) (the "Secretary") will certify the date when the written notice of the Annual Stockholders' Meeting was sent to the stockholders as of record date of March 22, 2022 and the dates of publication of the notice in newspapers of general circulation.

The Secretary will likewise certify the presence of a quorum. Under the by-laws of the Company (the "Company's By-laws"), the holders of a majority of the issued and outstanding capital stock of the Company entitled to vote shall, if present in person or by proxy, constitute a quorum for the transaction of business.

Voting and Voting Procedure

- Each common share is entitled to one vote. Preferred shareholders have no voting rights except under instances provided under the Revised Corporation Code of the Philippines (the "Revised Corporation Code").
- A simple majority vote of the stockholders holding common shares, where a quorum is present, will be needed for the approval of the minutes of the previous stockholders' meeting, the ratification of all acts of the Board of Directors and Management since the last annual stockholder's meeting in 2021, the appointment of the external auditor of the Company for 2022, the ratification of external auditor fees, and the ratification of directors' fees.
- In the election of directors, the 15 nominees who get the highest votes shall be deemed duly elected as directors. Under the express provisions of the Company's By-Laws, cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his/her shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.

Question and Answer

The Secretary will advise the stockholders of the holding of an open forum after the Management's Report and provide the guidelines in the conduct of the open forum.

Priority will be given to written questions emailed in advance to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com).

Questions or comments during the meeting may be emailed to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com) and the stockholders sending the questions or comments will be requested to include their full name, address, email address, telephone number, and consent to the processing of personal information.

### **3. Review and Approval of the Minutes of the Previous Annual Stockholders' Meeting**

A draft of the minutes of the annual stockholders' meeting held on May 18, 2021 has been posted on the company website [www.petron.com](http://www.petron.com) since May 25, 2021, the fifth business day after the meeting.

The stockholders will be requested to approve the draft of the minutes of the 2021 annual stockholders' meeting.

The minutes of the 2021 annual stockholders' meeting cover the description of the manner, procedure and results of voting, the questions and answers during the meeting, the matters discussed and the resolutions approved, and the percentage of stockholders and the list of directors, officers, and representatives of the external auditors in attendance.

### **4. Management Report and Submission to the Stockholders of the 2021 Financial Statements**

The Management of the Company will deliver the report on the performance of the Company for 2021.

The stockholders will be given the opportunity to ask questions or raise comments through emails submitted to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com) and which should include the stockholders' full name, address, telephone number, and consent to the processing of personal information.

The stockholders will then be requested to approve the report and the audited financial statements of the Company for 2021.

Duly authorized representatives of R. G. Manabat & Co./KPMG ("KPMG"), the external auditor for 2021, will be present at the Annual Stockholders' Meeting to respond to appropriate questions concerning the 2021 financial statements of the Company.

### **5. Ratification of All Acts of the Board of Directors and Management Since the 2021 Annual Stockholders' Meeting**

The acts and resolutions of the Board of Directors, including those of the Executive Committee, are reflected in the minutes of meetings, the materials of which are disclosed to the Securities and Exchange Commission ("SEC"), the Philippine Stock Exchange ("PSE") and the Philippine Dealing & Exchange Corp. ("PDEX") and posted on the company website, [www.petron.com](http://www.petron.com). A list of such acts and resolutions are also set out in the Annex B attached to the Definitive Information Statement.

The acts of Management were taken in furtherance of the conduct of the business of the Company and in the implementation of the matters approved by the Board of Directors or the Executive Committee.

The stockholders will be requested to ratify all acts of the Board of Directors and Management since the last annual stockholders' meeting in 2021.

## **6. Appointment of an External Auditor for 2022 and Ratification of External Auditor Fees**

Pursuant to the Manual on Corporate Governance of the Company (the “Corporate Governance Manual”) and the Audit Committee Charter, the Audit Committee recommended to the Board of Directors the appointment of an external auditor which would examine the accounts of the Company for 2022 and the approval of the external auditor’s fees.

The Board of Directors, at its meeting held on March 8, 2022, approved the endorsement of the Audit Committee of the re-appointment of R. G. Manabat & Co./KPMG (“KPMG”) as the external auditor of the Company for 2022 and the fees of the external auditor. The stockholders will be requested to approve the re-appointment of KPMG and ratify the fees of KPMG.

KPMG and its fees are further discussed in the Definitive Information Statement.

## **7. Election of the Board of Directors for the Ensuing Term**

At its meeting held on March 8, 2022, the Corporate Governance Committee, as the standing committee of the Board of Directors constituted for the purpose of reviewing and evaluating the qualifications of persons nominated to become members of the Board of Directors (including the independent directors) and pursuant to the provisions of the Corporate Governance Manual of the Company and the Charter of the Corporate Governance Committee, reviewed the candidates for director to ensure that they have all the qualifications and none of the disqualifications for nomination and election as members of the Board of Directors.

Independent Director Ret. Chief Justice Artemio V. Panganiban has been serving the Company as an independent director for more than nine (9) years. The Corporate Governance Committee evaluated the independence of Director Panganiban and determined that he possesses all the qualifications and none of the disqualifications to act as independent director of the Company, in accordance with Section 2.2.1.6.1 of the Manual on Corporate Governance of the Company (as amended) approved by the Board of Directors of the Company on May 8, 2017, which adopted Recommendation 5.2 of the Code of Corporate Governance for Publicly Listed Companies (SEC Memorandum Circular No. 19, Series of 2016). Serving as an independent director, Director Panganiban has brought high standards of corporate governance to the Company and objectively contributed by providing his insights to the committees where he either chairs or is a member of, and to the Board of Directors of the Company, based on his years of experience and expertise in the legal profession. Being familiar with the mission, vision and corporate values of the Company, Director Panganiban has enhanced these values by his sustained advisory relationship with the Company, especially with respect to the protection of the interest of its minority stockholders and other stakeholders.

On the basis of the foregoing, the Board of Directors found that the independence of Director Panganiban has not been diminished or impaired by his long service as a member of the Board of Directors of the Company. The Board of Directors has full confidence that Director Panganiban will continue acting as an independent director with the same zeal, diligence and vigor as when first elected. At its meeting held later that day, the Board of Directors, as favorably endorsed and recommended by the Corporate Governance Committee, approved and endorsed for the vote of the stockholders of the Company the election of the 15 nominees, including Director Panganiban as an independent director pursuant to Section 2.2.1.6.2 of the Corporate Governance Manual of the Company.

The 15 nominees will be submitted for election to the Board of Directors by the stockholders at the Annual Stockholders’ Meeting. The profiles of the nominees are provided in this Information Statement for the Annual Stockholders’ Meeting.

#### **8. Ratification of Directors' Fees**

Pursuant to the Manual and the Corporate Governance Committee Charter, the Corporate Governance Committee also recommended to the Board of Directors the approval of the fees of the directors for 2022, inclusive of *per diem* for each board and committee meeting. The matter will be presented for the ratification by the stockholders at the Annual Stockholders' Meeting.

#### **9. Other Matters**

The Chairman will inquire whether there are other relevant matters and concerns to be discussed.

#### **10. Adjournment**

Upon determination that there are no other relevant matters to be discussed, the meeting will be adjourned on motion duly made and seconded.

**PETRON CORPORATION**  
**ANNUAL STOCKHOLDERS' MEETING**  
MAY 17, 2022, 2PM, VIA LIVESTREAMING AT <https://www.petron.com/2022asm/>  
("2022 PETRON ASM")

Please mark as applicable:

- Vote by ballot:** The undersigned stockholder of PETRON CORPORATION (the "Company") casts his/her vote on the agenda items for the 2022 Petron ASM, as expressly indicated with "X" below in this ballot.
- Vote by proxy:** The undersigned stockholder of the Company hereby appoints \_\_\_\_\_ or, in his/her/its absence, the Chairman of the meeting, as attorney and proxy, to represent and vote all the shares registered in his/her/its name at the 2022 Petron ASM and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below.

PROPOSAL	ACTION			
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION	FULL DISCRETION OF PROXY (IF FORM USED AS PROXY)
1. Election of Directors The nominees are: Ramon S. Ang Lubin B. Hepomuceno Estelito P. Mendoza Jose P. De Jesus Ron W. Haddock Aurora T. Calderon Francis H. Jardeleza Mirzan Mahathir Virgilio S. Jacinto Nelly Favis-Villafuerte Horacio C. Ramos John Paul L. Ang Artemio V. Panganiban (independent) Margarito B. Teves (independent) Ricardo C. Marquez (independent) <b>INSTRUCTIONS:</b> To withhold authority to vote for any individual nominee(s), please mark "Exception" box and list the name(s) under				
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2021 Annual Stockholders' Meeting ("2021 ASM")				
3. Approval of the Management Report and the Audited Financial Statements of the Company for Year-Ended December 31, 2021				
4. Ratification of all Acts of the Board of Directors and Management since the 2021 ASM				
5. Appointment of the External Auditor of the Company and Ratification of External Auditor Fees				
6. Ratification of Directors' Fees for 2022				

Signed this \_\_\_ day of \_\_\_\_\_ 2022 at \_\_\_\_\_.

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY

QUESTION/COMMENT: \_\_\_\_\_

THIS BALLOT/PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE MAY 2, 2022 BY EMAIL SENT TO [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com) OR BY MAIL SENT TO THE OFFICE OF SMC STOCK TRANSFER SERVICE CORPORATION AT THE 2<sup>ND</sup> FLOOR, SMC HEAD OFFICE COMPLEX, 40 SAN MIGUEL AVENUE, MANDALUYONG CITY. THIS BALLOT/PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS MARKED/DIRECTED HEREIN BY THE STOCKHOLDER. IF NO DIRECTION IS MADE IN A PROXY, SUCH PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AS RECOMMENDED BY THE MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT EITHER IN AN INSTRUMENT IN WRITING DULY PRESENTED TO AND RECORDED WITH THE CORPORATE SECRETARY AT LEAST FIVE (5) DAYS PRIOR TO THE MEETING. NOTARIZATION OF THIS PROXY IS NOT REQUIRED. FOR AN INDIVIDUAL, HIS/HER BALLOT/PROXY MUST BE ACCOMPANIED BY A VALID GOVERNMENT-ISSUED ID WITH A PHOTO. FOR A CORPORATION, ITS PROXY MUST BE ACCOMPANIED BY ITS CORPORATE SECRETARY'S CERTIFICATION CERTIFYING THE REPRESENTATIVE'S AUTHORITY TO REPRESENT THE CORPORATION IN THE MEETING. VALIDATION OF BALLOTS AND PROXIES WILL BE UNDERTAKEN ON MAY 12, 2022 AT 2:00 P.M. AT THE ABOVE-MENTIONED OFFICE OF THE SMC STOCK TRANSFER SERVICE CORPORATION.

## INFORMATION STATEMENT

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

### **Date and Time of Annual Meeting; Conduct via Livestream**

Pursuant to Memorandum Circular No. 6 (Series of 2020) issued by the Securities and Exchange Commission, and by the unanimous vote by the Board of Directors at its regular meeting held on March 8, 2022, the Company will conduct its annual stockholders' meeting for 2022 (the "Annual Stockholders' Meeting") through livestreaming and will not hold a physical meeting.

Stockholders intending to attend the meeting by remote communication should notify the Company by email to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com) by May 10, 2022 at 12 noon. The procedure and further details for attending the meeting through remote communication are set forth in Appendix 1 of the notice of meeting in this Definitive Information Statement.

Votes will be cast through ballots and proxies. The deadline for the submission of ballots and proxies is on May 2, 2012. Ballots and proxies may be sent by email to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com) or by mail to the office of SMC Stock Transfer Service Corporation at the 2<sup>nd</sup> floor, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City. For the convenience of the stockholders of the Company, a sample of a ballot/proxy is attached to this Definitive Information Statement.

For an individual, his/her ballot proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification stating the representative's authority to represent the corporation in the meeting. Proxies need not be notarized. Validation of ballots and proxies will be on May 12, 2022 at 2:00 p.m. at the above office of SMC Stock Transfer Service Corporation Office.

Questions and comments to the Board of Directors and/or Management may be sent in advance of, or during, the meeting by email to [2022asmpetron@petron.com](mailto:2022asmpetron@petron.com).

The approximate date on which this Information Statement will be first sent or given to the stockholders is April 25, 2022.

The principal office of the Company is at the SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City.

### **Dissenters' Right of Appraisal**

As provided in Section 80 and Title X of the Revised Corporation Code, a dissenting stockholder may demand payment of the fair value of his/her shares in the exercise of his/her appraisal right in the following instances:

- (1) when there is a change or restriction in the rights of any stockholder or class of shares;
- (2) when the corporation authorizes preferences in any respect superior to those of outstanding shares of any class;
- (3) when there is an extension or shortening of the term of corporate existence;
- (4) in case of a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;
- (5) in case of a merger or consolidation; and
- (6) in the event of an investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation is organized.

Section 81 of the Revised Corporation Code provides the following procedure on how the appraisal right may be exercised by any stockholder who shall have voted against a proposed corporate action on any of the above instances:

- (1) A dissenting stockholder files a written demand within 30 days after the date on which the vote was taken. Failure to file the demand within the 30-day period constitutes a waiver of the appraisal right. Within 10 days from demand, the dissenting stockholder shall submit his/her stock certificates to the corporation for notation that such shares are dissenting shares. From the time of demand for payment until either abandonment of the corporate action or purchase of the shares by the corporation, all rights accruing to the shares (including voting and dividend rights) shall be suspended, except the stockholders' right to receive payment of the fair value of his/her shares.
- (2) If corporate action is implemented, the corporation pays the stockholder the fair value of his/her shares upon surrender of the certificate/s of stock. Fair value is the value of shares on the day prior to the date on which the vote was taken, excluding appreciation or depreciation in anticipation of such corporate action.
- (3) If the fair value is not determined within 60 days from date of action, it will be determined by three (3) disinterested persons (one chosen by the stockholder, another chosen by the corporation, and the last one chosen by both). The findings of a majority of the said appraisers will be final and their award will be paid by the corporation within 30 days after such award is made. Upon such payment, the stockholder shall forthwith transfer his/her shares to the corporation. No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings.
- (4) If the stockholder is not paid within 30 days from such award, his/her voting and dividend rights shall be immediately restored.

There is no matter to be voted upon during the Annual Stockholders' Meeting that will trigger the exercise by a stockholder of his/her appraisal rights under the law.

#### **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

There is no matter to be acted upon in which any of the current directors and executive officers and those who will be nominated as directors during the meeting is involved or had a direct, indirect, or substantial interest, other than their election to office and the approval of the directors' fees generally given to all non-executive directors. Likewise, no director has informed the Company in writing of his/her opposition to any matter to be acted upon.

#### **Voting Securities and Principal Holders Thereof**

As of the date of this Information Statement, the total number of outstanding shares of the Company is comprised of 9,375,104,497 common shares, 13,403,000 Series 3A preferred shares (the "Series 3A Preferred Shares"), and 6,597,000 Series 3B preferred shares (the "Series 3B Preferred Shares"), each with a par value of ₱1.00.

The 7,122,320 Series 2A preferred shares and the 2,877,680 Series 2B preferred shares were redeemed on November 4, 2019 and November 3, 2021, respectively.

The principal common shareholders of the Company owning at least 5% of the common shares are SEA Refinery Corporation (“SRC”) (50.10%), PCD Nominee Corporation (Filipino) (19.78%), and San Miguel Corporation (“SMC”) (18.16%) as of March 22, 2022 (the record date for the Annual Stockholders’ Meeting). SRC is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

All stockholders of record holding common shares as of March 22, 2022 are entitled to notice and vote at the Annual Stockholders’ Meeting. Each common share is entitled to one vote. Preferred shareholders have no voting rights except under instances provided under the Revised Corporation Code, none of which forms part of the agenda of the Annual Stockholders’ Meeting.

Under the express provisions of the Company’s By-Laws (the “Company’s By-Laws”), cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his/her shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.

The equity ownership of foreigners as of March 22, 2022 (the record date for the Annual Stockholders’ Meeting) is set out below:

<b>Class of Shares</b>	<b>Number of shares held by foreigners</b>	<b>Percentage to Total Outstanding Shares (common and preferred shares combined)</b>
Common shares (PCOR)	216,582,615	2.31
Series 3A Preferred Shares (PPRF3A)	60,890	nil
Series 3B Preferred Shares (PPRF3B)	46,340	nil
Combined common and preferred shares	<b>216,689,845</b>	2.31

## Security Ownership of Certain Record and Beneficial Owners and Management

The security ownership of certain record and beneficial owners of more than 5% of the common shares of the Company as of March 22, 2022 (the record date for the Annual Stockholders' Meeting) is as follows:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common Shares	<b>SEA Refinery Corporation ("SRC")</b> 19/F Liberty Center Dela Costa St., Salcedo Village, Makati City Major Stockholder	SEA Refinery Corporation	Filipino	4,696,885,564	50.10%
Common Shares	<b>PCD Nominee Corporation</b> (Filipino) 37 <sup>th</sup> Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paso de Roxas, Makati City Major Stockholder	PCD Nominee Corporation	Filipino	1,854,435,077 <sup>1</sup>	19.78%
Common Shares	<b>San Miguel Corporation ("SMC")</b> SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Major Stockholder	San Miguel Corporation	Filipino	1,702,870,560	18.16%

<sup>1</sup> The Company has no beneficial owner under the PCD Nominee Corporation that owns more than 5% shareholdings.

SRC is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

In the annual stockholders' meeting held in 2021, Mr. Ramon S. Ang, the Chairman of the meeting, represented and voted the shares registered in the names of SRC, SMC and the Petron Corporation Employees' Retirement Plan. The representation of the afore-mentioned stockholders for the Annual Stockholders' Meeting will be based on the proxy that they will file in accordance with this Information Statement and the Company's By-Laws.

The security ownership of directors and officers holding the position of Vice President and up (including the Assistant Corporate Secretary) as of March 22, 2022 (the record date for the Annual Stockholders' Meeting) is as follows:

Directors

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
<b>Directors</b>					
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500 225,000	D I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Horacio C. Ramos	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.

Common	Francis H. Jardeleza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	John Paul L. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Carlos Jericho L. Petilla	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.

Officers

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
<b>Executive Officers</b>					
Common	Emmanuel E. Eraña	Filipino	-	-	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Susan Y. Yu	Filipino	791,600	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			12,000	I	N.A.
Common	Albertito S. Sarte	Filipino	765,500	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			5,000	I	N.A.
Common	Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 3A Preferred			500	I	N.A.
Series 3B Preferred			-	-	N.A.
Common	Joel Angelo C. Cruz	Filipino	-	-	N.A.
Series 3A Preferred			2,500	I	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jaime O. Lu	Filipino	14,200	I	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Rolando B. Salonga	Filipino	845	D	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Maria Rosario D. Vergel de Dios	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Magnolia Cecilia D. Uy	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.

Common	Myrna C. Geronimo	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			3,000	I	N.A.
Common	Allister J. Go	Filipino	11,030	D	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			300	I	N.A.
Common	Reynaldo V. Velasco, Jr.	Filipino	5,200 17,100	D I	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Virgilio V. Centeno	Filipino	13,200 1,532	D I	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			300	I	N.A.
Common	Mark Tristan D. Caparas	Filipino	2,000	I	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	I	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jhoanna Jasmine M. Javier-Elacio	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			200	I	N.A.
Series 3B Preferred			-	-	N.A.
<b>Directors and Officers from Vice President and up (including the Assistant Corporate Secretary) as a Group</b>		Common	<b>241,001</b> <b>1,630,787</b> <b>1,871,788</b>		<b>0.00%</b>
		Series 3A Preferred	<b>8,200</b>		<b>0.00%</b>
		Series 3B Preferred	<b>20,300</b>		<b>0.00%</b>

As of March 22, 2022 (the record date of the Annual Stockholders' Meeting), the directors and executive officers of the Company owned 1,871,788 common shares, 8,200 Series 3A Preferred Shares and 20,300 Series 3B Preferred Shares for a total of 1,900,288 or 0.02% of the Company's total outstanding capital stock. No one of the directors and executive officers of the Company directly owns 5% or more of the outstanding capital stock of the Company.

The first-time nominee for independent director, Mr. Ricardo C. Marquez, owns 1,000 common shares.

#### **Voting Trust Holders of 5% or more**

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

#### **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.

#### **Directors and Executive Officers**

Listed below are the nominees for directors and the incumbent officers of the Company from Vice President and up (including the Assistant Corporate Secretary) with their respective ages, citizenships, and current and past positions held and business experience for at least the past five (5) years.

The directorship of the directors in other companies listed in the PSE is also specified.

#### **A. Nominees for Directors**

The following are the nominees for 12 directors and three (3) independent directors of the Company:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Position</b>	<b>Year Appointed as Director</b>
Ramon S. Ang	68	Filipino	President and Chief Executive Officer	2009
Lubin B. Nepomuceno	70	Filipino	Director and General Manager	2013
Ron W. Haddock	81	American	Director	2008
Estelito P. Mendoza*	92	Filipino	Director	2009
Aurora T. Calderon	67	Filipino	Director	2010
Mirzan Mahathir	63	Malaysian	Director	2010
Francis H. Jardeleza	72	Filipino	Director	2020
Virgilio S. Jacinto	65	Filipino	Director	2010
Nelly F. Villafuerte	85	Filipino	Director	2011
Jose P. de Jesus	87	Filipino	Director	2014
Horacio C. Ramos	77	Filipino	Director	2018
John Paul L. Ang	42	Filipino	Director	2021
Artemio V. Panganiban	85	Filipino	Independent Director	2010
Margarito B. Teves	78	Filipino	Independent Director	2014
Ricardo C. Marquez	61	Filipino	Independent Director	First time nominee

\*Previously served as a Director of the Company from 1974 to 1986.

Set out below are the profiles of the nominees for election as Directors of the Company at the Annual Stockholders' Meeting.

**Ramon S. Ang**, Filipino, born 1954, has served as the Chief Executive Officer and an Executive Director of the Company since January 8, 2009 and the President of the Company since February 10, 2015. He is also a member of the Company's Executive Committee. In relation to the oil and gas industry, Mr. Ang holds the following positions, among others: Chairman of SEA Refinery Corporation ("SEA Refinery"), Petron Marketing Corporation ("PMC"), New Ventures Realty Corporation ("NVRC"), Petron Freeport Corporation ("PFC"), Petron Fuel International Sdn. Bhd. (Malaysia) ("PFISB"), Petron Malaysia Refining & Marketing Bhd. (Malaysia) ("PMRMB"), Petron Oil (M) Sdn. Bhd. ("POMSB") (Malaysia), and Philippine Polypropylene Inc. ("PPI"); Chairman and President of Mariveles Landco Corporation ("MLC"), Petrochemical Asia (HK) Ltd. ("PAHL"), and Robinson International Holdings Ltd. (Cayman Islands); Director of Las Lucas Construction and Development Corporation ("LLCDC"), Petron Oil & Gas Mauritius Ltd. ("POGM") and Petron Oil & Gas International Sdn. Bhd. ("POGI"). He also holds the following positions, among others: Chairman and Chief Executive Officer and President and Chief Operating Officer of SMC Global Power Holdings Corp., Chairman and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc. and Privado Holdings Corporation; Chairman of San Miguel Brewery Inc. ("SMB"), San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation ("SMYPC"), Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Petrogen Insurance Corporation ("Petrogen"), and Philippine Diamond Hotel and Resort, Inc.; President and Chief Executive Officer of Integrated Geo Solutions, Inc. and Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited. Mr. Ang formerly held the following positions, among others: Chairman of Cyber Bay Corporation and Liberty Telecoms Holdings, Inc.; President and Chief Operating Officer of PAL Holdings, Inc., and Philippine Airlines, Inc.; Director of Air Philippines Corporation; Chairman of Manila North Harbour Port Inc. ("MNHPI") (2015 - 2017). Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University. He holds a doctoral degree in Business Engineering (Honoris Causa, 2018) from the Far Eastern University and a Ph. D. in Humanities (Honoris Causa, October 1, 2006) from the National University.

Mr. Ang also holds the following positions in other publicly listed companies: Vice Chairman, President and Chief Operating Officer of San Miguel Corporation ("SMC") and San Miguel Food and Beverage, Inc. ("SMFB"); President and Chief Executive Officer of Top Frontier Investment Holdings Inc. ("Top Frontier"); Chairman of PMRMB (a company publicly listed in Malaysia), San Miguel Brewery Hongkong Limited (a company publicly listed in Hong Kong) and Eagle Cement Corporation; and President of Ginebra San Miguel, Inc. ("GSMI").

**Lubin B. Nepomuceno**, Filipino, born 1951, has served as a Director of the Company since February 19, 2013 and the General Manager of the Company since February 10, 2015. He is also a member of the Company's Executive Committee. He holds the following positions, among others: President and Chief Executive Officer of PMC; Director and Chief Executive Officer of PMRMB; Director of POGI, PFISB, POMSB, LLCDC, NVRC, PFC, PPI, PAHL, Mariveles Landco Corporation, Robinson International Holdings, Ltd. and Petron Singapore Trading Pte. Ltd. ("PSTPL"); Chairman and Chief Executive Officer of Petron Foundation, Inc. ("PFI"); and Chairman of Overseas Ventures Insurance Corporation Ltd. ("Ovincor"). Mr. Nepomuceno has held various board and executive positions in the San Miguel Group. He started with SMC as a furnace engineer at the Manila Glass Plant in 1973 and rose to the ranks to become the General Manager of the San Miguel Packaging Group in 1998. He was also formerly the Senior Vice President and General Manager of the Company (September 2009 - February 2013) and the President of the Company (February 2013 - February 2015). He also served as the Chairman of Petrogen (until 2021) and a Director of MNHPI (2012 - 2014). Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and master's degree in Business Administration from the De La Salle University. He also attended the Advanced Management Program at the University of Hawaii, University of Pennsylvania and Japan's Sakura Bank Business Management.

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

**Ron W. Haddock**, American, born 1940, has served as a Director of the Company since December 2, 2008. He holds the following positions, among others: Chairman and Chief Executive Officer of AEI; and lead independent director of the board of Delek Logistics Partners LP. Mr. Haddock was formerly Honorary Consul of Belgium in Dallas, Texas. He also served as Chairman of Safety-Kleen Systems; Chairman and Chief Executive Officer of Prisma Energy International and FINA, and held various management positions in Exxon Mobil Corporation including as Manager of Baytown Refinery, Corporate Planning Manager, Vice President for Refining, and Executive Assistant to the Chairman; and Vice President and Director of Esso Eastern, Inc. He holds a degree in Mechanical Engineering from Purdue University.

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

**Estelito P. Mendoza**, Filipino, born 1930, served as a Director of the Company from 1974 to 1986; thereafter, since January 8, 2009. He is a member of the Corporate Governance Committee and the Audit Committee. He is likewise a member of the Board of Directors of SMC, and Philippine National Bank (“PNB”). He has now been engaged in the practice of law for more than 60 years, and presently under the firm name Estelito P. Mendoza and Associates. He has been consistently listed for several years as a “Leading Individual in Dispute Resolution” among lawyers in the Philippines in the following directories/journals: “The Asia Legal 500”, “Chambers of Asia” and “Which Lawyer?” yearbooks. He was also a Professorial Lecturer of law at the University of the Philippines and served as Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was also the Chairman of the Sixth (Legal) Committee, 31<sup>st</sup> Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He holds a Bachelor of Laws degree from the University of the Philippines (*cum laude*) and Master of Laws degree from Harvard University. He is the recipient on June 28, 2010 of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and was also awarded by the University of the Philippines Alumni Association its 1975 “Professional Award in Law” and in 2013 its “Lifetime Distinguished Achievement Award”.

Of the companies in which Atty. Mendoza currently holds directorships other than Petron, SMC and PNB are also listed with the PSE.

**Aurora T. Calderon**, Filipino, born 1954, has served as a Director of the Company since August 13, 2010. She is a member of the Executive Committee, the Audit Committee, the Risk Oversight Committee and the Related Party Transaction Committee. She holds the following positions, among others: Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of SMC; President of Petrogen; Director of SMC, PMRMB, POGM, POGI, PMC, PFC, PSTPL, SEA Refinery, NVRC, LLCDC, SMYPC, Thai San Miguel Liquor Co., Ltd., SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., Trans Aire Development Holdings Corp., and various subsidiaries of SMC; and Director and Treasurer of Petron-affiliate Top Frontier. She has served as a Director of the Manila Electric Company (“MERALCO”) (January 2009 - May 2009), Senior Vice President of Guoco Holdings (1994 - 1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981 - 1989). She is a certified public accountant and is a member of the Capital Market Development Committee of the Financial Executives Institute of the Philippines and the Philippine Institute of Certified Public Accountants. She is also a director of the Market Governance Board of the Philippine Dealing System Holdings. Ms. Calderon graduated *magna cum laude* from the University of the East in 1973 with a degree in Business Administration major in Accounting and earned her master’s degree in Business Administration from the Ateneo de Manila University in 1980.

Of the companies in which Ms. Calderon currently holds directorships other than Petron, SMC and Petron-affiliate Top Frontier are also listed with the PSE.

**Francis H. Jardeleza**, Filipino, born 1949, has served as a Director of the Company since August 4, 2020. He is likewise a Director of GSMI and SMFB. He is also a director of MORE Electric and Power Corporation. He has been a Professorial Lecturer in Constitutional, Administrative, Remedial and Corporation Law at the University of the Philippines College of Law since 1993. He was formerly the Senior Vice President and General Counsel of SMC (1996 - 2010), a partner of Angara Abello Concepcion Regala and Cruz Law Offices (1975 - 1987), Roco Buñag Kapunan Migallos and Jardeleza Law Offices (1992 - 1995), Jardeleza Sobreviñas Diaz Hayudini and Bodegon Law Offices (1987 - 1990) and Jardeleza Law Offices (1990 - 1992). He is a retired Associate Justice of the Supreme Court of the Philippines (August 19, 2014 - September 25, 2019). He also served as Solicitor General of the Office of the Solicitor General of the Philippines (February 20, 2012 - August 18, 2014) and Deputy Ombudsman for Luzon of the Office of the Ombudsman of the Philippines (July 7, 2011 - February 19, 2012). Justice Jardeleza earned his Bachelor of Laws degree (salutatorian and *cum laude*) from the University of the Philippines in 1974, placed third in the bar exam that same year, and earned his Master of Laws degree from Harvard Law School in 1977.

Of the companies in which Justice Jardeleza currently holds directorships other than Petron, Petron-affiliates GSMI and SMFB are also listed with the PSE.

**Mirzan Mahathir**, Malaysian, born 1958, has served as a Director of the Company since August 13, 2010. He is the Chairman and Chief Executive Officer of Crescent Capital Sdn. Bhd and Betamek Electronics (M) Sdn Bhd. He holds directorships in several public and private companies. He was formerly the Executive Chairman of SBI Offshore Ltd., which is listed on the Singapore Stock Exchange (2017 - 2020) and the Executive Chairman and President of Konsortium Logistik Berhad (1992 - 2007). Mr. Mirzan graduated with a Bachelor of Science (Honours) degree in Computer Science from Brighton Polytechnic, United Kingdom and obtained his master's degree in Business Administration from the Wharton School, University of Pennsylvania, USA.

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

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

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

**Nelly F. Villafuerte**, Filipino, born 1937, has served as a Director of the Company since December 1, 2011. She was a columnist of the Manila Bulletin for more than 34 years and resigned recently. She was also a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2005 until July 2011. She is the President and General Manager of LRV Agri-Science Farm, Inc. (a family-owned corporation) and a Director of Bicol Broadcasting Systems, Inc. (also a family-owned corporation). She is an author of business handbooks on microfinance, credit card transactions, exporting and cyberspace and a four (4)-volume series on the laws on banking and financial intermediaries (Philippines). Atty. Villafuerte has served as Governor of the Board of Investments (1998 - 2005), Undersecretary for the International Sector (Trade Promotion and Marketing Group) of the Department of Trade and Industry ("DTI") (July 1998 - May 2000), and Undersecretary for the Regional Operations Group of the

DTI (May 2000 - 2005). She holds a master's degree in Business Management from the Asian Institute of Management ("AIM") and was a professor of international law/trade/marketing at the graduate schools of AIM, Ateneo Graduate School of Business and De La Salle Graduate School of Business and Economics. Atty. Villafuerte obtained her Associate in Arts and law degrees from the University of the Philippines and ranked 7<sup>th</sup> place in the bar examinations.

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

**Jose P. de Jesus**, Filipino, born 1934, has served as a Director of the Company since May 20, 2014. He is the Chairman of Converge Information and Communications Technology Solutions, Inc. He was the Chairman of Clark Development Corporation (March 2017 - November 2020), the President and Chief Executive Officer of Nationwide Development Corporation (September 2011 - June 2015), the Secretary of the Department of Transportation and Communications (July 2010 - June 2011), the President and Chief Operating Officer of MERALCO (February 2009 - June 2010), the President and Chief Executive Officer of Manila North Tollways Corporation (January 2000 - December 2008), Executive Vice President of the Philippine Long Distance Telephone Company (1993 - December 1999), Chairman of the Manila Waterworks & Sewerage System (1992 - 1993) and the Secretary of the Department of Public Works and Highways (January 1990 - February 1993). He was awarded the Philippine Legion of Honor, Rank of Commander in June 1992 by then President Corazon C. Aquino. He was Lux in Domino Awardee (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. He is also a Director of SMC Skyway Corporation, SMC TPLEX Corporation, and SMC SLEX, Inc. He is a Trustee of Automotive Association of the Philippines, Kapampangan Development Foundation and Holy Angel University. Mr. de Jesus earned his Bachelor of Arts degree in Economics and holds a Master of Arts in Social Psychology from the Ateneo de Manila University. He also finished Graduate Studies in Human Development from the University of Chicago.

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

**Horacio C. Ramos**, Filipino, born 1945, has served as a Director of the Company since May 2018. He is also the President of Clariden Holdings, Inc. (2012 - present). He was previously a Director of SMC (2014 to 2016), the Secretary of the Department of Environment and Natural Resources (February 12 - June 30, 2010), and the Director of Mines and Geosciences Bureau (June 1996 - February 2010). Mr. Ramos has a Bachelor of Science degree in Mining Engineering from the Mapua Institute of Technology obtained in 1967, and has a Graduate Diploma in Mining and Mineral Engineering from the University of New South Wales, Australia in 1976, and a Master of Engineering in Mining Engineering also from the University of New South Wales, Australia in 1978.

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

**John Paul L. Ang**, Filipino, born 1980, was elected as a Director of the Company on March 9, 2021. He has been a director of SMC since January 21, 2021, SMC Global Power Holdings Corp. since June 1, 2021, SMFB since June 2, 2021 and Top Frontier since July 9, 2021. He holds and has held various positions in Eagle Cement Corporation, such as the President and Chief Executive Officer since 2008, a Director since 2010, a member of the Audit Committee since 2020 and the Chairman of the Executive Committee since February 2017. He also served as a member of the Nomination and Remuneration Committee (February 13, 2017 - July 15, 2020) and the General Manager and Chief Operating Officer (2008 - 2016). He has been the President and Chief Executive Officer of South Western Cement Corporation since 2017 and a Director of KB Space Holdings, Inc. since 2016. He was the Managing Director of Sarawak Clinker Sdn. Bhd. Malaysia (2002 - 2008) and the Purchasing Officer of Basic Cement (2002 - 2003). Mr. Ang has a Bachelor of Arts in Interdisciplinary Studies from the Ateneo de Manila University.

Of the companies in which Mr. Ang currently holds directorships, parent companies Top Frontier and SMC, Petron affiliate SMFB, and Eagle Cement Corporation are also listed with the PSE.

**Artemio V. Panganiban**, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is the Chairman of the Related Party Transaction Committee and a member of the Audit and Corporate Governance Committees. He is a columnist of the Philippine Daily Inquirer, and an officer, adviser or consultant to several other business, civic, educational and religious organizations. He was the Chief Justice of the Supreme Court of the Philippines in 2005 - 2006; Associate Justice of the Supreme Court (1995 - 2005); Chairperson of the Philippine House of Representatives Electoral Tribunal (2004 - 2005); Senior Partner of Panganiban Benitez Parlade Africa & Barinaga Law Office (1963-1995); President of Baron Travel Corporation (1967 - 1993); and professor at the Far Eastern University, Assumption College and San Sebastian College (1961 - 1970). He authored over a dozen books and received various awards for his numerous accomplishments, most notably the “Renaissance Jurist of the 21<sup>st</sup> Century” conferred by the Supreme Court in 2006 and the “Outstanding Manilan” for 1991 by the City of Manila. Chief Justice Panganiban earned his Bachelor of Laws degree (*cum laude*) from the Far Eastern University in 1960, placed sixth in the bar exam that same year, and holds honorary doctoral degrees in law from several universities.

Apart from Petron, Chief Justice Panganiban is an Independent Director of the following listed companies: MERALCO, JG Summit Holdings, Inc., Philippine Long Distance Telephone Co., Metro Pacific Investment Corp., RL Commercial REIT, Inc., GMA Network, Inc., GMA Holdings, Inc., and Asian Terminals, Inc. and is a non-executive Director of Jollibee Foods Corporation.

**Margarito B. Teves**, Filipino, born 1943, has served as an Independent Director of the Company since May 20, 2014 and currently sits as the Lead Independent Director of the Company. He is the Chairman of the Audit Committee and is a member of the Corporate Governance, the Related Party Transaction, and the Risk Oversight Committees of the Company. He is also an Independent Director of SMC and Atok Big Wedge Corporation, as well as Alphaland Corporation, Alphaland Balesin Island Club, Inc., and Atlantic Atrium Investments Philippines Corporation. He is also the Managing Director of The Wallace Business Forum. He was the Secretary of the Department of Finance of the Philippine government (2005 - 2010), and was previously the President and Chief Executive Officer of the Land Bank of the Philippines (2000 - 2005), among others. He was awarded as “2009 Finance Minister of Year/Asia” by the London-based *The Banker Magazine*. He holds a Master of Arts degree in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

Of the companies in which Mr. Teves currently holds directorships other than Petron, SMC and Atok are also listed with the PSE.

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

Washington, D.C. He graduated from the Philippine Military Academy and holds a Master in Management degree from the Philippine Christian University.

Of the companies in which Gen. Marquez currently holds directorships (other than Petron after his election), Eagle Cement Corporation and Petron-affiliate SMFB are also listed with the PSE.

The following have been endorsed for election as directors at the Annual Stockholders' Meeting:

1. Ramon S. Ang
2. Lubin B. Nepomuceno
3. Estelito P. Mendoza
4. Jose P. de Jesus
5. Ron W. Haddock
6. Mirzan Mahathir
7. Aurora T. Calderon
8. Francis H. Jardeleza
9. Virgilio S. Jacinto
10. Nelly Favis-Villafuerte
11. Horacio C. Ramos
12. John Paul L. Ang

The final list of nominees for independent directors names the following:

1. Artemio V. Panganiban
2. Margarito B. Teves
3. Ricardo C. Marquez

The nominees for independent directors of the Company have certified that they possess all qualifications and none of the disqualifications provided under the Securities Regulation Code (the "Code") and other applicable law and regulation. The certifications of these independent directors are attached hereto as Annexes A-1, A-2, and A-3.

The Corporate Governance Committee created by the Board of Directors to pre-screen and shortlist candidates nominated to become members of the Board of Directors of the Company pursuant to the Corporate Governance Manual of the Company, at its meeting held on March 8, 2022, reviewed the resumés of the above nominees. Upon finding that the candidates had all the qualifications and none of the disqualifications to be elected as directors as set out in applicable laws and regulations, the Corporate Governance Manual and the Company's By-Laws, the Corporate Governance Committee endorsed the above nominees for election as directors at the Annual Stockholders' Meeting. As of the date of this Information Statement, the Chairman of the Corporate Governance Committee is Mr. Margarito B. Teves and the members are former Chief Justice Artemio V. Panganiban, Atty. Estelito P. Mendoza, and Atty. Virgilio S. Jacinto.

Director Ret. Chief Justice Artemio V. Panganiban has been serving the Company as an independent director for more than nine (9) years. The Company's Corporate Governance Committee evaluated the independence of Director Panganiban and determined that he possesses all the qualifications and none of the disqualifications to act as independent director of the Company, in accordance with Section 2.2.1.6.1 of the Manual on Corporate Governance of the Company (as amended) (the "Petron Corporate Governance Manual") approved by the Board of Directors of the Company on May 8, 2017, which adopted Recommendation 5.2 of the Code of Corporate Governance for Publicly Listed Companies (SEC Memorandum Circular No. 19, Series of 2016). In its meeting held on March 8, 2022, the Board of Directors, as favorably endorsed and recommended by the Company's Corporate Governance Committee, approved and endorsed for the vote of the stockholders of the Company the re-election of Director Panganiban as an independent director of the Company pursuant to Section 2.2.1.6.2 of the Petron Corporate Governance Manual. Serving as an independent director, of Director Panganiban has

brought high standards of corporate governance to the Company and objectively contributed by providing his insights to the committees where he either chairs or is a member of, and to the Board of Directors of the Company, based on his years of experience and expertise in the legal profession. Being familiar with the mission, vision and corporate values of the Company, the presence of Director Panganiban has enhanced these values by his sustained advisory relationship with the Company, especially with respect to the protection of the interest of its minority stockholders and other stakeholders. On the basis of the foregoing, the Board of Directors found that the independence of Director Panganiban has not been diminished or impaired by his long service as a member of the Board of Directors of the Company. The Board of Directors has full confidence that of Director Panganiban will continue acting as an independent director with the same zeal, diligence and vigor as when first elected.

The nominees for Independent Directors, namely, Messrs. Panganiban, Teves, and Marquez, were nominated by Mr. Ramon S. Ang. Mr. Ang is not related to any of such nominees.

The procedure and selection of the independent directors were made in accordance with Section 38 of the Code, the Company's By-Laws, and the Corporate Governance Manual.

The directors elected at the Annual Stockholders' Meeting will serve for a term of one year or until their successors have been elected and qualified, subject to the provisions of the Company's By-Laws.

#### Officers

The following are the officers from Vice President and up (including the Assistant Corporate Secretary) of the Company as of the date of this report:

Name	Age	Nationality	Position	Year Appointed as Officer
Ramon S. Ang	68	Filipino	President and Chief Executive Officer	as President: 2015; as Chief Executive Officer: 2009
Lubin B. Nepomuceno	70	Filipino	General Manager	2015
Emmanuel E. Eraña	61	Filipino	Senior Vice President and Chief Finance Officer	2009
Susan Y. Yu	45	Filipino	Vice President - Procurement	2009
Albertito S. Sarte	55	Filipino	Vice President and Treasurer	2009
Maria Rowena Cortez	57	Filipino	Vice President - Supply	2009
Joel Angelo C. Cruz*	61	Filipino	Vice President - General Counsel & Corporate Secretary and Compliance Officer	as General Counsel, Corporate Secretary and Compliance Officer: 2010; as Vice President: 2013
Jaime O. Lu	58	Filipino	Vice President and Executive Assistant to the President on Petron Malaysia Operations and Refinery Special Projects	2018

Rolando B. Salonga**	61	Filipino	Vice President - Operations and Technical Services Group	2017
Maria Rosario D. Vergel de Dios	58	Filipino	Vice President - Human Resources	2018
Myrna C. Geronimo	55	Filipino	Vice President and Controller	as Controller: 2019; as Vice President: 2020
Allister J. Go	57	Filipino	Vice President, Refinery	2020
Reynaldo V. Velasco, Jr.	56	Filipino	Vice President, Refinery Plant Operations	2020
Magnolia Cecilia D. Uy	55	Filipino	Vice President, Retail Sales	2021
Virgilio V. Centeno	52	Filipino	Vice President, Commercial Sales	2021
Mark Tristan Caparas	39	Filipino	Vice President and Chief Finance Officer, Petron Malaysia	2022
Jhoanna Jasmine M. Javier-Elacio	49	Filipino	Assistant Corporate Secretary	2021

\* Retiring effective April 1, 2022; positions of Officer-in-Charge of the Office of the General Counsel, Corporate Secretary and Compliance Officer to be assumed by Jhoanna Jasmine M. Javier-Elacio

\*\* Retiring effective April 1, 2022; No officer has been elected yet by the Board of Directors to replace Mr. R.B. Salonga to head the Operations Division and the Technical Services Group of the Company

Set out below are the profiles of the officers from Vice President and up (including the Assistant Corporate Secretary) of the Company as of the date of this report who are not nominees for directors.

**Emmanuel E. Eraña**, Filipino, born 1960, has served as the Senior Vice President and Chief Finance Officer of the Company since January 2009. He holds the following positions, among others: Chairman, President and Chief Executive Officer of LLCDC and NVRC; President of PFI and SEA Refinery; Deputy Chairman of Ovincor; and Director of PFC, POGM, PFISB, POMSB, and Petron Finance (Labuan) Limited. He was formerly the President of Petrogen. Mr. Eraña also held the following positions in the San Miguel Group: as the Vice President and Chief Information Officer (January 2008 - December 2009), Vice President and Executive Assistant to the Chief Financial Officer, Corporate Service Unit (December 2006 - January 2008), Vice President and Chief Finance Officer of SMFBIL/NFL Australia (May 2005 - November 2006), Vice President and Chief Finance Officer of SMPFC (July 2002 - May 2005), and Assistant Vice President and Finance Officer (January 2001 - June 2002), Assistant Vice President and Finance and Management Services Officer, San Miguel Food Group (2000 - 2001). He also served as a Director of MNHPI (2012 - 2017). Mr. Eraña has a Bachelor of Science degree in Accounting from the Colegio de San Juan de Letran.

**Susan Y. Yu**, Filipino, born 1976, has served as the Vice President for Procurement of the Company since January 2009. She is Corporate Procurement Head of San Miguel Corporation since June 2021 and Vice President for Procurement of San Miguel Infrastructure since November 2016. She is also a Director of Petrogen and Petron Singapore Trading Pte. Ltd. (“PSTPL”). Ms. Yu has served as a Trustee of PFI, the Treasurer of Petrogen, Assistant Vice President and Senior Corporate Procurement Manager of SMB, Assistant Vice President and Senior Corporate Procurement Manager of SMC Corporate Procurement Unit (July 2003 - February 2008), and Fuel Purchasing and Price Risk Management Manager of Philippine Airlines (May 1997 - June 2003). She holds a commerce degree in Business Management from the De La Salle University and a master’s degree in Business Administration from the Ateneo de Manila University, for which she was awarded a gold medal for academic excellence.

**Albert S. Sarte**, Filipino, born 1967, has served as the Treasurer of the Company since August 2009 and the Treasurer and Deputy Chief Finance Officer of the Company since May 4, 2021. He is also the Treasurer of most of the Company's subsidiaries. Mr. Sarte served as Assistant Vice President for SMC International Treasury until June 2009. He graduated from the Ateneo de Manila University in 1987 with a Bachelor of Science degree in Business Management and has attended the Management Development Program of the AIM in 1995.

**Maria Rowena O. Cortez**, Filipino, born 1964, has served as the Vice President for Supply of the Company since November 2013, and concurrently the Executive Director for PSTPL since June 2013. She is also a Director of PAHL, Robinson International Holdings Ltd., and Mariveles Landco Corporation. The various positions she has held in the Company include Vice President for Supply & Operations (July 2010 - November 2013), Vice President for Supply (June 2009-June 2010) and various managerial and supervisory positions in the Marketing/Sales and Supply and Operations Divisions of Petron. Ms. Cortez also held various positions at the Phil. National Oil Company-Energy Research and Development Center from 1986 to 1993. She holds a Bachelor of Science degree in Industrial Engineering and a Master's Degree in Business Administration both from the University of the Philippines, Diliman. She also took post graduate courses at the AIM, University of Oxford in Oxfordshire, UK and ExecOnline-Columbia University. She has attended local and foreign trainings and seminars on leadership, market research, supply chain, commodity risk management, petroleum, petrochemicals and energy oil trading.

**Joel Angelo C. Cruz**, Filipino, born 1961, has served as the Vice President of the Office of the General Counsel of the Company since March 2013 and the Corporate Secretary and Compliance Officer of the Company since April 2010. He holds the following positions, among others: Corporate Secretary and Compliance Officer of Petrogen, Corporate Secretary of LLCDC, NVRC, PMC, and PFC; and Corporate Secretary of Petron Global Limited. Atty. Cruz was formerly the Assistant Vice President of the Office of the General Counsel, Assistant Corporate Secretary and Legal Counsel of the Company, and Assistant Corporate Secretary of all the Company's subsidiaries. He also served as Assistant Corporate Secretary of MNHPI (2012 - 2017). He is a member of the Integrated Bar of the Philippines. Atty. Cruz holds a Bachelor of Arts degree in Economics from the University of the Philippines and a Bachelor of Laws degree from San Beda College. He attended the Basic Management Program of the AIM in 1997 as well as numerous local and foreign training and seminars.

**Jaime O. Lu**, Filipino, born 1963, has served as the Company's Vice President and Executive Assistant to the President on Petron Malaysia Operations and Special Projects since November 2018. He is also a director of PLI, PFISB and POMSB. Mr. Lu was formerly the Company's Vice President - Operations Manager for Petron Malaysia (April 2012 - October 2018), the Operations Manager of PMRMB (April 2012 - October 2018) and the General Manager of PPI (January 2011 - February 2012). He holds a Bachelor of Science Degree in Chemical Engineering from the Pamantasan ng Lungsod ng Maynila and a master's degree in Business Administration from the Ateneo de Manila University.

**Rolando B. Salonga**, Filipino, born 1961, has served as Vice President for Operations and Corporate Technical Services Group since May 1, 2017. Previous positions he held include Vice President for Terminal Operations (November 16, 2016-April 30, 2017), Assistant Vice President for Operations (September 2015 - November 2016), Officer-in-Charge-Operations (March 2015 - August 2015), Supply and Distribution Head of Petron Malaysia (April 2012 - February 2015), Functional Team Lead-Distribution, Project Rajah (Malaysian Acquisition) (October 2011 - March 2012), Manager-Visayas Operations (July 2009 - October 2011), Manager-Distribution (May 2005 - May 2009), Superintendent-Mandaue Terminal (April 2001 - May 2005), Superintendent-Pandacan Manufacturing (April 1994 - April 2001), Superintendent-Pandacan Lubeoil Warehouse (November 1994 - March 1995) and Superintendent-Pandacan Transportation/Distribution (April 1993 - October 1994). Mr. Salonga has a Bachelor of Science degree in Mechanical Engineering from the Mapua Institute of Technology.

**Maria Rosario D. Vergel de Dios**, Filipino, born 1963, has served as Vice President for Human Resources Management of the Company since November 16, 2018. Other positions she has held include Assistant Vice President for Human Resources (July 2012 - November 15, 2018), Head for Human Resources (October 2011 - June 2012), Human Resources Planning and Services Manager (October 2008 - September 2011), Payroll and Benefits Officer (January 2002 - September 2008), Payroll Officer (February 1997 to - December 2001), Assistant for Treasury/ Funds Management (May 1994 to - January 1997), Assistant for Treasury/ Foreign Operations (September 1991 - April 1994) and Secretary for the Office of the President (April 1991 - August 1991). She has a Bachelor of Science degree in Economics from the University of the Philippines and a master's degree in Business Management from the Ateneo de Manila University.

**Myrna C. Geronimo**, Filipino, born 1966, has served as Vice President for Controllers and Controller the Company since February 13, 2020. She holds the following positions, among others: Controller of LLCDC, NVRC, PMC, PFC, MLC and PPI; and director, Controller and Treasurer of PEDC and SLHPI and Corporate Secretary of Petron Global Limited. She is also the Controller of PFI. Ms. Geronimo was formerly the Assistant Vice President for Controllers and Controller of the Company and the Chief Finance Officer of PMRMB, PFISB and POMSB. Ms. Geronimo holds a Bachelor of Arts degree in Accountancy from the Polytechnic University of the Philippines.

**Allister J. Go**, Filipino, born 1965, has served as Vice President for Refinery of the Company since February 13, 2020. Other positions he has held include Head of Refinery Plant Operations (February 2018 - November 2019), Assistant Vice President for Refinery Production A (January 2018), Officer-in-Charge of Refinery Production A (April 2017 - December 2017), Operations Manager of Refinery Production B (July 2014 - March 2017), Project Manager of RMP2 Project (December 2010 - June 2014), Supply Head, Supply Division (June 2010 - November 2010), Manager of Production Division B Expansion Facilities (June 2009 - May 2010), Manager of Refinery Planning and Quality Control (January 2007 - May 2009), Refinery Engineering Technology Manager (April 2003 - Dec 2006), and Assistant Manager of Business Development, Corporate Planning (June 2001 - March 2003), Business Development Officer, Corporate Planning (March 1995 - May 2001). He joined the Company as a Refinery Process Design Engineer in May 1988 and has handled several positions in the refinery, including Linear Program Engineer, prior to his assignment in Corporate Planning. He graduated from Adamson University in 1987 with a Bachelor of Science degree in Chemical Engineering and placed Top 2 in the November 1987 Chemical Engineering Licensure Exam. He has attended the Management Development Program of the Asian Institute of Management in 2002 as well as several foreign and local trainings and seminars, including an Engineering Design Course at UOP in Illinois, USA in 1993.

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

**Magnolia Cecilia D. Uy**, Filipino, born 1966, has served as Vice President for Retail Sales since October 1, 2021. She was formerly the Vice President for Management Services Division of the Company from February 13, 2020 to September 30, 2021. Other positions she has held include Assistant Vice President for Management Services (June 2018 - February 2020), Assistant Vice President for Market Planning, Research and Sales Information and concurrent Head of the Management Information Systems (February 2018 - May 2018) and Assistant Vice President for Market Planning, Research and Sales Information (February 2013 - January 2018). She has a Bachelor of Science degree in Computer Science and a master's degree in Business Administration from the University of the Philippines.

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

**Mark Tristan D. Caparas**, Filipino, born 1983, has served as the Vice President and Chief Finance Officer - Petron Malaysia since March 8, 2022. Previous positions he held include Chief Finance Officer of Petron Malaysia (July 2019 - March 7, 2022), Assistant Controller of the Office of the Chief Finance Officer (September 2015 - June 2019), Financial Analysis and Compliance Manager (August 2014 - August 2015), Finance Manager of PPI (July 2010 - July 2014), Financial Analyst (April 2009 - June 2010), and Credit Analyst (February 2006 - March 2009). Mr. Caparas has a Bachelor of Science degree in Business Administration and Accountancy, *magna cum laude*, from the University of the Philippines. He is a licensed CPA and has a master's degree in Business Administration from the Ateneo Graduate School of Business.

**Jhoanna Jasmine M. Javier-Elacio**, Filipino, born 1972, is presently the Assistant Corporate Secretary and Alternate Compliance Officer of the Company. She has been the Assistant Corporate Secretary of Petron since May 15, 2012. She is also the Legal Manager of Petron Corporation and the Assistant Corporate Secretary of Petron Foundation, Inc. and a number of the domestic subsidiaries of the Company. She is also the Data Privacy Officer of the Company, Petrogen Insurance Corporation and Petron Foundation, Inc. Effective April 1, 2022, she will serve as the Officer-in-Charge of the Office of the General Counsel, Corporate Secretary and Compliance Officer of the Company and the Corporate Secretary of the domestic subsidiaries of the Company vice Atty. Cruz upon his retirement from the Company. Atty. Javier-Elacio previously held the positions of Associate General Counsel of San Miguel Yamamura Packaging Corporation (January 2010-February 2012), Manager for Corporate Restructuring and Reorganization of San Miguel Corporation (December 2007-December 2009) and legal counsel of San Miguel Corporation (October 2005-November 2007). She has also acted as Corporate Secretary and Assistant Corporate Secretary of various subsidiaries of San Miguel Corporation. She was a former associate at the law firm SyCip Salazar Hernandez & Gatmaitan. Atty. Javier-Elacio holds a Bachelor of Arts degree in English (*cum laude*) and a Bachelor of Laws degree from the University of the Philippines, and a master's degree in law from the Kyushu University in Fukuoka, Japan.

#### **Identify Significant Employees**

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

## Family Relationship

Director John Paul L. Ang is the son of Director Ramon S. Ang. Other than this, the Company has no director or executive officer related to any other director or executive officer up to the fourth degree of consanguinity or affinity.

## Involvement in Certain Legal Proceedings

The Company is not aware that any one of the incumbent directors and executive officers and persons nominated to become a director or executive officer has been the subject of a bankruptcy petition or a conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by final judgment or decree, found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities for the past five (5) years until the date of this Information Statement.

## Certain Relationships and Related Transactions

The major stockholders of the Company holding at least 5% of its common shares, with their respective stockholdings as of March 22, 2022 (the record date for the Annual Stockholders' Meeting), are as follows:

- |                                      |   |        |
|--------------------------------------|---|--------|
| • SEA Refinery Corporation           | - | 50.10% |
| • PCD Nominee Corporation (Filipino) | - | 19.78% |
| • San Miguel Corporation             | - | 18.16% |

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

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

## Compensation of Executive Officers and Directors

The aggregate compensation paid or estimated to be paid to the executive officers and the aggregate fees and *per diem* allowances paid or estimated to be paid to the directors of the Company during the periods indicated below are as follows (in million pesos):

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the table of compensation follows on the next page.]*

(a) Name & Principal Position		(b) Year	(c) Salary (including Fee and Per Diem Allowance of Directors)	(d) Bonus	(e) Other Annual Compensation
Ramon S. Ang	President & CEO	2022 (est)	108.83	18.14	2.44
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	SVP / Chief Finance Officer				
Ma. Rowena O. Cortez	Vice President - Supply				
Susan Y. Yu	Vice President -Procurement				
Ramon S. Ang	President & CEO	2021	108.33	22.57	2.97
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	SVP / Chief Finance Officer				
Ma. Rowena O. Cortez	Vice President - Supply				
Susan Y. Yu	Vice President -Procurement				
Ramon S. Ang	President & CEO	2020	109.30	18.22	5.81
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	SVP / Chief Finance Officer				
Archie B. Gupalor	Vice President - Retail Sales				
Susan Y. Yu	Vice President - Procurement				
All Other Officers as a Group Unnamed		2022 (est)	63.35	12.74	3.38
		2021	86.52	16.91	4.28
		2020	84.25	14.07	4.80
All Directors as a Group		2022 (est)	15.01	0.00	0.00
		2021	14.69	0.00	0.00
		2020	15.37	0.00	0.00

The Company provides each non-executive directors with reasonable *per diem* of P75,000 and P50,000 for each board and board committee meeting attended, respectively, in addition to monthly fees and monthly fuel allowances. In 2021, the Company paid the following fees to these directors (in pesos):

Directors	Per Diem for Board and Board Committee Meetings	Directors' Fees	Total
Atty. Estelito P. Mendoza	650,000.00	477,029.11	1,127,029.11
Mr. Jose P. de Jesus	525,000.00	410,436.77	935,436.77
Mr. Ron W. Haddock	525,000.00	530,296.32	1,055,296.32
Mr. Mirzan Mahathir	525,000.00	530,296.32	1,055,296.32
Ms. Aurora T. Calderon	825,000.00	530,296.32	1,355,296.32
Ret. Justice Francis H. Jardeleza	525,000.00	530,296.32	1,055,296.32
Atty. Virgilio S. Jacinto	625,000.00	530,296.32	1,155,296.32
Atty. Nelly Favis-Villafuerte	525,000.00	530,296.32	1,055,296.32
Mr. Horacio C. Ramos	525,000.00	530,296.32	1,055,296.32
Mr. John Paul L. Ang	375,000.00	446,353.67	821,353.67
Ret. Chief Justice Artemio V. Panganiban	875,000.00	530,296.32	1,405,296.32
Mr. Margarito B. Teves	875,000.00	530,296.32	1,405,296.32
Mr. Carlos Jericho L. Petilla	675,000.00	530,296.32	1,205,296.32
<b>TOTAL</b>	<b>8,050,000.00</b>	<b>6,636,782.75</b>	<b>14,686,782.75</b>

Under the Corporate Governance Manual of the Company, the Corporate Governance Committee is tasked with the establishment of a formal and transparent procedure to determine the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.

On March 8, 2022, the fees of the directors for 2022 were reviewed by the Corporate Governance Committee and favorably endorsed for approval by the Board of Directors and were later approved by the Board of Directors. The matter will be presented for the ratification by the stockholders at the Annual Stockholders' Meeting.

As of the date of this Information Statement and as discussed above, the Chairman of the Corporate Governance Committee is Carlos Jericho L. Petilla and the members are Mr. Margarito B. Teves, former Chief Justice Artemio V. Panganiban, Atty. Estelito P. Mendoza, and Atty. Virgilio S. Jacinto.

### **Other Arrangements**

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

### **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.

### **Warrants, Options or Other Plans**

There are no warrants, options or plans pursuant to which stock, stock options, warrants, convertible securities and similar instruments of the Company are held by directors or officers.

### **External Auditor and Its Presence at the Stockholders' Meeting**

The Company's external auditor for the last fiscal year was R. G. Manabat & Co./KPMG ("KPMG"). KPMG was first appointed the external auditor of the Company in 2010. In 2016, KPMG assigned another partner, Mr. Darwin P. Virocel, to lead the audit of the Company's 2015 financial statements.

At its meeting held on March 8, 2022, the Board of Directors, upon the endorsement of the Audit Committee, nominated KPMG as the external auditor of the Company for fiscal year 2022 and approved KPMG's fees. The stockholders are requested to approve the re-appointment of KPMG as external auditor of the Company for 2022 and ratify its fees at the Annual Stockholders' Meeting.

Among its other functions set out in the Corporate Governance Manual and the Audit Committee Charter, the Audit Committee primarily recommends to the Board of Directors each year the appointment of the external auditor to examine the accounts of the Company for that year and the fees of such external auditor. As of the date of this report, the Chairman of the Audit Committee of the Company is Mr. Margarito B. Teves and its members are former Chief Justice Artemio V. Panganiban, Carlos Jericho L. Petilla, Atty. Estelito P. Mendoza, and Ms. Aurora T. Calderon. Mr. Ferdinand K. Constantino acts as advisor to the Audit Committee.

Duly authorized representatives of KPMG will be present at the Annual Stockholders' Meeting to respond to appropriate questions concerning the 2021 financial statements of the Company. KPMG auditors will also be given the opportunity to make a representation or statement in case they decide to do so.

## **Action with Respect to Reports**

### **2022**

At the Annual Stockholders' Meeting scheduled on May 17, 2022, the Management will report on the 2021 performance of the Company, which closed with a consolidated net income of P6.14 billion as disclosed to the PSE and PDEX on March 8, 2022 and the SEC through an SEC Form 17-C dated March 8, 2022.

In its meeting held on March 8, 2022, the Board of Directors approved the following items to be taken up at the Annual Stockholders' Meeting:

1. Review and approval of the minutes of the previous annual stockholders' meeting;
2. Approval of the management report and submission to the stockholders of the 2021 financial statements;
3. Ratification of all acts of the Board of Directors and Management since the last stockholders' meeting in the year 2021, including, but not limited to, the matters set out in Annex B of this Definitive Information Statement;
4. Appointment of an external auditor for 2022 and ratification of external auditor fees;
5. Election of the Board of Directors for 2022-2023; and
6. Ratification of directors' fees for 2022.

A brief description of and the rationale for the above agenda items are set out in Appendix 1 of the notice of the Annual Stockholders' Meeting.

No action will be taken at the Annual Stockholders' Meeting with respect to (i) the issuance of securities other than in exchange for outstanding securities, (ii) the modification of any class of securities, (iii) the issuance of securities of one class in exchange for outstanding securities of another class, or (iv) any merger, consolidation, acquisition of the securities or any going business or assets of another person, sale or transfer of all or substantially all of the assets of Petron or Petron's liquidation or dissolution, (v) any material acquisition or disposition of property, or (vi) any restatement of any asset, capital or surplus account of Petron, (vii) any matter which is not required to be submitted to the vote of the stockholders, (viii) or the amendment of the Company's Articles or the Company's By-laws.

### **2021**

At the Annual Stockholders' Meeting held on May 17, 2021, the Management reported on the 2020 performance of the Company, which closed with a consolidated net loss of ₱11.4 billion as disclosed to the PSE and PDEX on March 9, 2021 and the SEC through an SEC Form 17-C dated March 9, 2021.

All the actions of the Management and the Board of Directors since the last stockholders' meeting held in 2021 were done in accordance with the general resolutions of the Board of Directors which identify the corporate acts and transactions of the Company, the officer(s) or approving authority(ies) for corporate transactions, and the corresponding approval (amount) limit(s) of such officer(s)/approving authority(ies), and/or the other more specific resolutions of the Board of Directors and the Executive Committee.

Among the significant actions undertaken in 2021 which were endorsed by the Management and approved by the Board of Directors (or approved by the Executive Committee then confirmed and ratified by the Board of Directors) are as follows:

- Approval of items for the 2021 stockholders' meeting such as (i) the date of meeting on May 18, 2021, (ii) the record date of March 23, 2021, (iii) the agenda of the meeting, and (iv) the endorsement of nominees for directors, including the final list of candidates for independent directors;
- Appointments to the Executive, Nomination, Compensation and Audit Committees of the Company;
- Election of directors and officers;
- Declarations of cash dividends as follows:
  - (i) cash dividends of ₱17.14575 per Series 2B Preferred Share to shareholders of such shares for the following periods: (a) second quarter of 2021, with a record date of April 7, 2021 and a pay-out date of May 3, 2021, (b) third quarter of 2021, with a record date of July 8, 2021 and a pay-out date of August 3, 2021; and (c) fourth quarter of 2021, with a record date of October 7, 2021 and a pay-out date of November 3, 2021; and
  - (ii) cash dividends of ₱17.17825 per Series 3A Preferred Share and ₱17.84575 per Series 3B Preferred Share to shareholders of such shares for the for the following periods: (a) second quarter of 2021, both with a record date of June 2, 2021 and a pay-out date of June 25, 2021; (b) third quarter of 2021, both with a record date of September 2, 2021 and a pay-out date of September 27, 2021 (with September 25, 2021 falling on a Saturday); (c) fourth quarter of 2021, both with a record date of November 29, 2021 and a pay-out date of December 27, 2021 (with December 25, 2021 being a holiday and falling on a Saturday); (d) first quarter of 2022, both with a record date of March 3, 2022 and a pay-out date of March 25, 2022; and I second quarter of 2022, both with a record date of June 3, 2022 and a pay-out date of June 27, 2022 (with June 25, 2022 falling on a Saturday).
- Redemption of the Series 2B preferred shares on November 3, 2021
- Redemption of the Series A fixed rate bonds on October 27, 2021
- Shelf registration of P50 billion retail bonds and the issuance of the first tranche of P18 billion
- Issuance of US Dollar-denominated senior perpetual capital securities

### **Voting Procedure**

Each common share is entitled to one vote. A simple majority vote of the stockholders, where a quorum is present at the Annual Stockholders' Meeting scheduled on May 17, 2022, will be needed for the approval of the minutes of the previous stockholders' meeting, the ratification of all acts of the Board of Directors and Management since the last annual stockholder's meeting in 2021, and the appointment of the external auditor of the Company for 2022, the ratification of auditor fees, and the ratification of directors' fees.

In the election of directors, the 15 nominees who get the highest votes shall be deemed duly elected as directors. Under the express provisions of the Company's By-Laws, cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his/her shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned

by him/her as shown in the books of the corporation multiplied by the whole number of directors to be elected.

The procedure and manner of voting through remote communication is set out in Appendix 1 to the Notice in this Information Statement (*“Procedure for Attending and Voting at the Meeting through Remote Communication”*).

**Management’s Discussion and Analysis or Plan of Operation**

The *Management’s Discussion and Analysis of the Financial Conditions and Other Information* of the Company as of December 31, 2021 is attached as Annex C.

**Financial Statements**

The *Statement of Management’s Responsibility* and the Consolidated Audited Financial Statements of the Company as of December 31, 2021, including the Index to Financial Statements and the Supplementary Schedules, are attached as Annex D.

*[Signature page follows]*

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed on March 28, 2022.

PETRON CORPORATION

By:



Joel Angelo C. Cruz  
Vice President - General Counsel  
& Corporate Secretary

NOTICE: The Company will post the full version of this SEC Form 20-IS (Definitive Information Statement), together with all its annexes including the 2021 consolidated audited financial statements of the Company, on the company website [www.petron.com](http://www.petron.com) upon its approval by the Securities and Exchange Commission.

The Company will likewise post on the company website [www.petron.com](http://www.petron.com) and make the relevant disclosures through the PSE Electronic Disclosure Generation Technology of the Philippine Stock Exchange (PSE Edge) its SEC Form 17-A (Annual Report) for 2021 by April 15, 2022 (or such later date as may be allowed by the SEC) and its interim unaudited financial statements for the first quarter of 2022 on SEC Form 17-Q by May 12, 2022.

Upon the written request of a stockholder, and when circumstances permit, the Company undertakes to furnish such stockholder with a copy of the full version of this SEC Form 20-IS (Definitive Information Statement) and/or the above-described SEC Form 17-A and/or SEC Form 17-Q, free of charge. Such written request shall be directed to the Office of the General Counsel & Corporate Secretary, Petron Corporation, 7/F, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City, Philippines.

# ANNEX A

## CERTIFICATIONS OF THE INDEPENDENT DIRECTORS

*[Rest of page intentionally left blank;  
certifications of the independent directors follow on next pages]*

# ANNEX A - 1

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARTEMIO V. PANGANIBAN**, Filipino, of legal age, and a resident of 1203 Acacia Street, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Petron Corporation and have been its independent director since October 21, 2010.
2. I am affiliated with the following listed companies or organizations:

Company/Organization	Position/Relationship	Period of Service
GMA Network, Inc.	Independent Director	2007 - present
Metro Pacific Investments Corporation	Independent Director	2007 - present
Manila Electric Company	Independent Director	2008 - present
GMA Holdings, Inc.	Independent Director	2009 - present
Asian Terminals, Inc.	Independent Director	2010 - present
PLDT, Inc.	Independent Director	2013 - present
JG Summit Holdings, Inc.	Independent Director	2021 - present
RL Commercial REIT, Inc.	Independent Director	2021 - present
Jollibee Foods Corporation	Non-Executive Director	2012 - present
Metropolitan Bank & Trust Company	Senior Adviser	2007 - present
Bank of the Philippine Islands	Member, Advisory Council	2016 - present
Double Dragon Properties Corporation	Adviser	2014 - present
MerryMart Consumer Corporation	Adviser	2020 - present

For my full bio-data, log on to my personal website: [cjpanganiban.com](http://cjpanganiban.com)

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Petron Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations and other issuances of the Securities and Exchange Commission (the "SEC").
4. To the best of my knowledge, I am not related to any director/officer/substantial shareholder of Petron Corporation and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any criminal or administrative investigation or proceeding pending in court.
6. I am neither in government service nor affiliated with a government agency or government-owned and -controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Petron Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 8<sup>th</sup> day of March at MANDALUYONG CITY.

  
**ARTEMIO V. PANGANIBAN**  
Independent Director

SUBSCRIBED AND SWORN to before me this MAR 08 2022 at MANDALUYONG CITY affiant personally appeared before me and exhibited to me his Passport with No. P0388884B issued at DFA Manila on January 24, 2019 valid until January 23, 2029.

Doc. No. 990 ;  
Page No. 35 ;  
Book No. 117 ;  
Series of 2022.

  
**MARIA CRISSELDA N. TAMONDONG**  
Notary Public for Mandaluyong City  
40 San Miguel Avenue, 1550 Mandaluyong City  
Appointment No. 0562-21  
Until December 31, 2022  
Attorney's Roll No. 71094  
PTR No. 4896453/01-28-22/Mandaluyong  
IBP No. 184247/02-03-22/RSM  
MCLE Compliance No. VI-0023071/4-24-2019

# ANNEX A-2

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARGARITO B. TEVES**, Filipino, of legal age, and a resident of 411 Ambuklao Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

- I am a nominee for independent director of Petron Corporation and have been its independent director since May 20, 2014.
- I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
P.J. Lhuillier Group of Companies	Member, Strategic Committee	February 2015 to present
Atlantic Aurum Investments Philippines Corporation	Independent Director	July 19, 2013 to present
AB Capital Investment Corp.	Independent Director	June 29, 2012 to present
San Miguel Corporation	Independent Director	June 14, 2012 to present
The Wallace Business Forum	Managing Director	March 1, 2012 to present
Alphaland Balesin Island Club, Inc.	Independent Director	2012 to present
Alphaland Corporation	Independent Director	May 26, 2011 to present
Atok-Big Wedge Co., Inc.	Independent Director	2011 to present
The City Club at Alphaland Makati Place, Inc.	Independent Director	2011 to present
Pampanga Sugar Development Co.	Director	July 2011 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Petron Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and regulations and other issuances of the Securities and Exchange Commission ("SEC").

4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of Petron Corporation and its subsidiaries and affiliates.

5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

Offense Charged/Investigated	Tribunal or Agency Involved	Status
A legal suit between private parties for qualified theft and/or estafa. I was included only because I was the former President of Land Bank.	Office of the City Prosecutor (Manila)	Have not received copy of the actual complaint-affidavit
Republic Act No. 3019. I was included only because I was the former <i>ex officio</i> Chairman of Land Bank (as DOF Secretary)	Sandiganbayan	Pending at the Sandiganbayan; latest court order to date: case suspended pending civil suit of SMC vs. Land Bank

6. I am neither in government service nor affiliated with a government agency or government-owned and-controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Petron Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 8<sup>th</sup> day of March 2022 at MANDALUYONG CITY

  
**MARGARITO B. TEVES**  
 Independent Director

SUBSCRIBED AND SWORN to before me this MAR 08 2022 at MANDALUYONG CITY affiant exhibiting to me his Passport with No. P4425969B issued at DFA NCR South on January 17, 2020 valid until January 16, 2030.

Doc. No. 399 ;  
 Page No. 75 ;  
 Book No. IV ;  
 Series of 2022.

  
**MARIA CRISSELDA R. TAMONDONG**  
 Notary Public for Mandaluyong City  
 40 San Miguel Avenue, 1550 Mandaluyong City  
 Appointment No. 0582-21  
 Until December 31, 2022  
 Attorney's Roll No. 71094  
 PTR No. 489453011-25-22/Mandaluyong  
 IBP No. 18424702-03-22/RSM  
 MCLE Compliance No. VI-00230714-24-2019

# ANNEX A-3

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RICARDO C. MARQUEZ**, Filipino, of legal age, and a resident of 14 R. Kangleon Street, Phase 4, AFPOVAL, Fort Bonifacio, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a first-time nominee for independent director of Petron Corporation for election at its 2022 annual stockholders' meeting scheduled on May 17, 2022.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations):

Company/Organization	Position/Relationship	Period of Service
San Miguel Food and Beverage, Inc.	Independent Director	March 2017 - present
Eagle Cement Corporation	Independent Director	February 2017 - present
Public Safety Mutual Benefit Fund, Inc.	Trustee	July 2015 - present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Petron Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations and other issuances of the Securities and Exchange Commission ("SEC").
4. To the best of my knowledge, I am not related to any director/officer/substantial shareholder of Petron Corporation and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any criminal or administrative investigation or proceeding pending in court.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Petron Corporation of any changes in the abovementioned information within five days (5) from its occurrence.

Done this MAR 22 2022 day of March 2022 at Mandaluyong City.

  
**RICARDO C. MARQUEZ**  
Independent Director

SUBSCRIBED AND SWORN to before me this MAR 22 2022 at Mandaluyong City, affiant exhibiting to me his Passport with No. P8150038B issued at DFA Manila on November 12, 2021 valid until November 11, 2031.

Doc. No. 421 ;  
Page No. 84 ;  
Book No. IV ;  
Series of 2022.

  
**MARIA CRISSELDA N. TAMONDONG**  
Notary Public for Mandaluyong City  
40 San Miguel Avenue, 1550 Mandaluyong City  
Appointment No. 0582-21  
Until December 31, 2022  
Attorney's Roll No. 71094  
PTR No. 4896453/01-28-22/Mandaluyong  
IBP No. 184247/02-03-22/RSM  
MCLE Compliance No. VI-00230714-24-2019

# ANNEX B

**MATERIAL MATTERS APPROVED BY THE BOARD OF DIRECTORS/  
BOARD EXECUTIVE COMMITTEE  
SINCE THE 2021 ANNUAL STOCKHOLDERS' MEETING  
UNTIL THE DATE OF THIS REPORT**

Meeting Date	Matters Approved by the Board of Directors										
May 18, 2021	<p>Matters approved at the annual stockholders' and organizational meetings held:</p> <p>A. Annual Stockholders' Meeting</p> <ol style="list-style-type: none"> <li>1. Appointment of R.G. Manabat &amp; Co. as independent external auditor of the Company for year 2021 and ratification of external auditor fees</li> <li>2. Election of the following as directors of the Company for 2021-2022:               <ol style="list-style-type: none"> <li>1. Ramon S. Ang</li> <li>2. Lubin B. Nepomuceno</li> <li>3. Estelito P. Mendoza</li> <li>4. Jose P. De Jesus</li> <li>5. Ron W. Haddock</li> <li>6. Mirzan Mahathir</li> <li>7. Aurora T. Calderon</li> <li>8. Francis H. Jardeleza</li> <li>9. Virgilio S. Jacinto</li> <li>10. Nelly Favis-Villafuerte</li> <li>11. Horacio C. Ramos</li> <li>12. John Paul L. Ang</li> </ol> </li> </ol> <p style="text-align: center;">Independent Directors</p> <ol style="list-style-type: none"> <li>1. Artemio V. Panganiban</li> <li>2. Margarito B. Teves</li> <li>3. Carlos Jericho L. Petilla</li> </ol> <p>B. Organizational Meeting</p> <ol style="list-style-type: none"> <li>1. Appointment of the following as members of the board committees and lead independent director:           <p style="margin-left: 40px;"><b><u>Executive Committee</u></b></p> <table style="margin-left: 40px; border: none;"> <tr> <td>Ramon S. Ang</td> <td>- Chairman</td> </tr> <tr> <td>Lubin B. Nepomuceno</td> <td>- Member</td> </tr> <tr> <td>Aurora T. Calderon</td> <td>- Member</td> </tr> <tr> <td>John Paul L. Ang</td> <td>- Alternate Member</td> </tr> <tr> <td>Virgilio S. Jacinto</td> <td>- Alternate Member</td> </tr> </table> </li> </ol>	Ramon S. Ang	- Chairman	Lubin B. Nepomuceno	- Member	Aurora T. Calderon	- Member	John Paul L. Ang	- Alternate Member	Virgilio S. Jacinto	- Alternate Member
Ramon S. Ang	- Chairman										
Lubin B. Nepomuceno	- Member										
Aurora T. Calderon	- Member										
John Paul L. Ang	- Alternate Member										
Virgilio S. Jacinto	- Alternate Member										

### **Audit Committee**

Margarito B. Teves	- Chairman (Independent Director)
Artemio V. Panganiban	- Member (Independent Director)
Carlos Jericho L. Petilla	- Member (Independent Director)
Estelito P. Mendoza	- Member
Aurora T. Calderon	- Member
Ferdinand K. Constantino	- Advisor

### **Risk Oversight Committee**

Carlos Jericho L. Petilla	- Chairman (Independent Director)
Margarito B. Teves	- Member (Independent Director)
Aurora T. Calderon	- Member

### **Corporate Governance Committee**

Carlos Jericho L. Petilla	- Chairman (Independent Director)
Margarito B. Teves	- Member (Independent Director)
Artemio V. Panganiban	- Member (Independent Director)
Estelito P. Mendoza	- Member
Virgilio S. Jacinto	- Member

### **Related Party Transaction Committee**

Artemio V. Panganiban	- Chairman (Independent Director)
Margarito B. Teves	- Member (Independent Director)
Aurora T. Calderon	- Member

### **Lead Independent Director**

Margarito B. Teves

2. Election of the following as officers of the Company for 2021-2022:

<b>Name</b>	<b>Position</b>
Ramon S. Ang	President & CEO
Lubin B. Nepomuceno	General Manager
Emmanuel E. Eraña	SVP & Chief Finance Officer
Susan Y. Yu	VP, Procurement
Maria Rowena O. Cortez	VP, Supply
Archie B. Gupalor	VP, National Sales
Albertito S. Sarte	Deputy Chief Finance Officer and Treasurer
Joel Angelo C. Cruz	VP - General Counsel & Corporate Secretary/Compliance Officer
Jaime O. Lu	VP & Executive Assistant to the President on Petron Malaysia Operations and Refinery Special Projects
Rolando B. Salonga	VP, Operations and Corporate Technical Services Group

	Fernando S. Magnayon	Sales Advisor to National Sales Division Vice President
	Maria Rosario D. Vergel de Dios	VP, Human Resources Management
	Magnolia Cecilia D. Uy	VP, Management Services Division
	Myrna C. Geronimo	VP, Controllers
	Allister J. Go	VP, Refinery Division
	Reynaldo V. Velasco, Jr.	VP, Refinery Plant Operations (Production A and B)
	Virgilio V. Centeno	VP, LPG & Strategic Business Development
	Ronaldo T. Ferrer	AVP, Internal Audit
	Noel S. Ventigan	AVP, Metro Manila & Manufacturing
	Terelu O. Carrillo	AVP, Supply Trading & Risk Management
	Fe Irma A. Ramirez	AVP, Supply Optimization, Commercial Services & Synergy
	Jacqueline A. Chai	AVP, Procurement
	Agnes Grace P. Perez	AVP, Mergers & Acquisitions
	Leon G. Pausing II	AVP, Commercial Sales
	Ferdinando H. Enriquez	AVP, Refinery Solid Fuel-Fired Boiler/ Thermal Power Plant
	Mark Tristan D. Caparas	AVP and Chief Finance Officer, Petron Malaysia
	John Ronald S. Pineda	AVP, Special Projects
	Ma. Aileen M. Cupido	AVP, Business Planning & Development
	Francisco Rizal G. Bumagat, Jr.	AVP, PBR Production B
	Lemuel C. Cuezon	AVP, Market Planning, Research and Sales Information
	Michael D. Flores	AVP, Retail Sales
	Jhoanna Jasmine M. Javier-Elacio	Assistant Corporate Secretary
August 3, 2021	Matters approved at the board meeting held: <ul style="list-style-type: none"> <li>1. First Semester 2021 Financial Statements</li> <li>2. Cash dividends for preferred shareholders</li> <li>3. The shelf registration of P50 billion retail bonds and the issuance of the first tranche of P18 billion</li> </ul>	
November 9, 2021	Matters approved at the board meeting held: <ul style="list-style-type: none"> <li>1. Year-to-date September 2021 Financial Statements</li> <li>2. Cash dividends for the preferred shareholders</li> <li>3. Approval of material related party transactions for 2022</li> </ul>	
February 15, 2021	Matter approved at the board meeting held was the 2022 operating budget	

<p>March 8, 2022</p>	<p>Matters approved at the board meeting held:</p> <ol style="list-style-type: none"> <li>1. 2021 Audited Financial Statements</li> <li>2. Endorsement of the Re-Appointment of the External Auditor and Approval of Fees</li> <li>3. Holding of the Annual Stockholders' Meeting for 2022</li> <li>4. Directors' Fees for 2022</li> <li>5. Election of Officers <ul style="list-style-type: none"> <li>• Mark Tristan D. Caparas - Vice President, Petron Malaysia CFO</li> <li>• Jonathan F. Del Rosario - Assistant Vice President, Metro Manila and Manufacturing District</li> <li>• Mia S. Delos Reyes - Assistant Vice President, Corporate Affairs</li> <li>• Brian R. Ocampo - Assistant Vice President, Management Information Systems</li> <li>• Alejandro R. Romulo - Assistant Vice President, PBR Technical Services</li> <li>• Jhoanna Jasmine M. Javier-Elacio - OIC General Counsel, Corporate Secretary and Compliance Officer*</li> <li>• Atty. Marian Wilma H. Bautista - Assistant Corporate Secretary* *effective April 1, 2022</li> </ul> </li> </ol>
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# ANNEX C

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

### Financial Performance

#### 2021 vs 2020

As global vaccination rate continued to improve, pandemic restrictions were relaxed and more economic activities were resumed. This supported the continued recovery in global demand towards its pre-pandemic level. This rebound was complemented by the OPEC's managed approach in increasing crude supply back in the market which allowed the oil sector to regain momentum and enjoy improved margins. With this as the backdrop, Petron Corporation's consolidated net income for 2021 reached **₱6.14 billion**, a turnaround from **₱ 11.41 billion** net loss suffered in the previous year.

**Consolidated Sales volume** grew by 5% to **82.24 million barrels (MMB)** from 78.58 MMB in prior year. Through the Company's volume-generating programs, retail volumes in the Philippines managed to grow despite granular lockdowns. Petrochemical sales and PSTPL trading volume were also up. However, growth in commercial sales remained subdued largely due to the slowdown in the aviation industry.

**Net Sales** more than doubled to **₱ 438.06 billion** from **₱ 286.03 billion** in prior year traced to the steady rise in regional reference MOPS prices during the year.

**Cost of Goods Sold (CGS)** likewise surged by 47% to **₱ 407.56 billion** from **₱ 277.32 billion** mainly due to higher cost per liter. Benchmark crude Dubai breached the \$80/bbl-mark in the 4<sup>th</sup> quarter and averaged US\$69/bbl for the year, up by 64% from US\$42/bbl average in 2020. **Gross profit** climbed up to **₱ 30.50 billion** traced to the absence of inventory losses and improved refining cracks.

**Selling and Administrative Expenses (OPEX), net of Other Operating Income** at **₱ 13.28 billion** was the same level as previous year. Savings on terminalling and storage expenses, outsourced services and increase in rent income were offset by higher maintenance and repairs related to service stations, depot and information technology as well as higher LPG cylinder purchases.

**Net Financing Costs and Other Charges** declined by 14% to **₱ 9.92 billion** largely due to reduced borrowing level and interest rates as well as lower unrealized losses on commodity hedges.

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

#### 2020 vs. 2019

The year 2020 was marked with the adverse impact of the COVID-19 pandemic to the global economy. The unprecedented destruction in worldwide fuel demand caused oil prices to crash at record-low levels in the second quarter. The lockdowns implemented in most parts of the Philippines and Malaysia pulled down sales volume while the historic slump in prices resulted in substantial inventory losses. Despite the moderate recovery in the second semester, Petron ended the year with a consolidated net loss of **₱11.4 billion**, a reversal from its 2019 net income of **₱2.3 billion**. Aside from the impact of the volume contraction and inventory loss, the prevailing weak refining cracks also continued to challenge the Company's financial performance.

**Consolidated Sales volume** dropped by 27% to **78.58 million barrels (MMB)**, from 106.96 MMB in previous year (PY) primarily due to reduced economic activities and travel restrictions from worldwide lockdowns.

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

**Cost of Goods Sold** declined to **₱ 277.32 billion** from PY's **₱ 483.86 billion** traced to lower sales volume and average cost per liter as benchmark crude Dubai plunged from an average of US\$64/bbl in 2019 to US\$42/bbl, partly offset by higher excise taxes. **Gross profit** fell to **₱ 8.71 billion** from the **₱ 30.51 billion** in 2019 largely on account of the volume drop, inventory losses and product cracks narrowing, which partly mitigated by improved marketing margins.

Continuous cost reduction measures led to the 7% dip in **Selling and Administrative Expenses (OPEX), net of Other operating Income**, to **₱ 13.34 billion** compared to previous year's 14.31 billion. The OPEX savings mainly came from outsourced services, advertising and promotional expenses, service station & depot maintenance & repairs, and employee costs, but were partly offset by decrease in rent income.

**Net Financing Costs and Other Charges** was also down by 7% from **₱ 12.46 billion** to **₱ 11.58 billion** attributed to the decline in interest expense at the back of lower average borrowing rates, partly offset by higher marked-to-market losses on commodity hedges and lower interest income.

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

### **2019 vs. 2018**

For 2019, the Company reported a consolidated net income of **₱ 2.30 billion**, 67% lower than previous year's (PY) **₱ 7.07 billion** essentially from the continued weakening of regional refining margins. Its Bataan refinery was forced to an unplanned total plant shutdown for 108 days following the April 22 earthquake that hit Luzon which resulted in losses due to low production and start-up and stabilization activities on the processing units.

**Consolidated Sales volume** slightly declined to **106.96 million barrels (MMB)**, from 108.50 MMB in 2018 primarily due to the 5% drop in Philippine volumes following the low production of the Bataan refinery. Meanwhile, Petron Malaysia's volumes sustained its growth by 3% mostly coming from its domestic sales.

**Net sales** decreased by 8% to **₱ 514.36 billion** mainly due to lower average selling price, further reduced by the decline in volume and impact of the **₱ 0.88** average appreciation of the Philippine peso against the US dollar. These were partly offset by the increase in excise tax per liter.

**Cost of Goods Sold (CGS)** at **₱ 483.86 billion** was also lower by 7% or **₱ 38.97 billion** due to the combined effect of lower cost per liter and sales volume. During the year, the average price of benchmark Dubai crude fell to US\$63.53/bbl from US\$69.42/bbl in 2018.

**Gross Margin** contracted by 12% from **₱ 34.56 billion** to **₱ 30.51 billion** due to lower product cracks, higher crude premium and losses incurred as a result of the Bataan refinery total plant shutdown. These were partially mitigated by the net inventory holding gains and improved marketing margins.

**Selling and Administrative Expenses (OPEX) net of Other operating Income** was reduced by 9% or ₱ 1.33 billion to **₱ 14.31 billion** largely from lower advertising expenses, employee costs, donation and provision for bad debts as well as reduced LPG cylinder purchases, partly offset by higher terminal operation expenses.

**Net Financing Costs and Other Charges** grew by 47% from ₱ 8.47 billion to **₱ 12.46 billion** brought about by the increase in average borrowing level and interest rates, adoption of PFRS 16, as well as the recognition of unrealized commodity hedging loss versus gain LY. These were partly offset by higher interest income.

**Income tax expense** was cut by more than half from ₱ 3.39 billion to **₱ 1.43 billion** on account of lower pre-tax income.

## **Financial Position**

### **2021 vs 2020**

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end-2021 amounted to **₱ 402.42 billion**, 16% or ₱ 57.69 billion higher than end-2020 balance of ₱ 349.73 billion. The increase in total assets can be traced to higher inventories, trade and other receivables, and cash and cash equivalents.

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

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

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

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

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

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

**Right of Use asset** declined by 7% or ₱ 398 million to **₱ 5.65 billion** due to depreciation for the period.

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

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

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

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

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

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

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

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

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

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

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

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

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

### 2020 vs 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2019 vs 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Cash Flows

### 2021 vs 2020

As of end-2021, cash and cash equivalents stood at **₱ 36.41 billion**. Cash generated from internal operations of **₱ 28.45 billion** and the issuance of Capital securities amounting to **₱ 26.23 billion** were used to finance the increase in working capital requirements of **₱ 30 billion**, payment of interest and taxes amounting to **₱ 8.96 billion**, and settlement of maturing loans, dividends and distributions. During the year, the Company also spent **₱ 9.89 billion** for various capital projects at the refinery, service stations and terminals.

In Million Pesos	December 31, 2021	December 31, 2020	Change
Operating (outflows) / inflows	(10,668)	2,533	(13,201)
Investing outflows	(9,759)	(8,437)	(1,322)
Financing inflows	28,098	318	27,780

### 2020 vs 2019

The Company ended 2020 with Cash and cash equivalents at **₱ 27.05 billion**. The 21% reduction from previous year's balance and the remaining cash generated from internal operations were used to finance the various capital expenditures at the refinery, service stations and terminals amounting to **₱ 8.44 billion**. Funds from the net issuance of capital securities amounting to **₱ 11.30** were largely spent to pay the matured loans and dividends and distribution to stakeholders.

In Million Pesos	December 31, 2020	December 31, 2019	Change
Operating inflows	2,533	25,362	(22,829)
Investing outflows	(8,437)	(20,467)	12,030
Financing inflows	318	13,116	(12,798)

## 2019 vs 2018

By the end of 2019, cash and cash equivalents amounted to P 34.22 billion. Cash provided by operating activities of P 38.62 billion was used to pay off interest and taxes of P 13.67 billion. The remaining operating inflows and proceeds from financing activities of P 13.12 billion, net of dividends and distributions payments totaling P 4.10 billion, were used to finance various capital investments at the refinery, terminals and service stations totaling P 20.47 billion.

In Million Pesos	December 31, 2019	December 31, 2018	Change
Operating inflows	25,362	5,047	20,315
Investing outflows	(20,467)	(11,141)	(9,326)
Financing inflows	13,116	5,949	7,167

### Discussion of the Company's key performance indicators:

Ratio	December 31, 2021	December 31, 2020	December 31, 2019
Current Ratio	1.0	0.9	1.1
Debt to Equity Ratio	2.7	3.1	3.3
Return on Equity (%)	6.2	(12.8)	2.6
Interest Rate Coverage Ratio	1.7	(0.4)	1.3
Assets to Equity Ratio	3.7	4.1	4.3

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

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

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

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

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

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

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

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

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

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

## **BUSINESS ENVIRONMENT**

### **Philippine Economy**

The 2021 Philippine economy posted a growth of 5.6%, a rebound from last year's 9.6% slump. The rebound was attributed to the reopening of the economy with accelerated vaccination. Although new variants continued to pose risks to the economy, demand continued to improve as daily Covid-19 cases declined leading to easing of movement restrictions and increased operational capacities for various businesses and establishments. The resumption of construction, growth of remittances of overseas Filipino workers, and increased trade with global recovery also supported growth.

The peso strengthened by 0.72% to average Php49.28/\$ in 2021, from P49.64/\$ in 2020. Strength in the Philippine peso was due to BSP's all-time low interest rates, balance-of-payments surplus, and rising international reserves.

Inflation averaged 4.5% in 2021, much higher than the 2.6% in 2020. Continuous increase in electricity rates, prices of key food items, and global crude prices, aggravated by the prolonged pandemic, pushed up inflation.

### **Oil Market**

Oil demand<sup>1</sup> in the country grew by 10.9% to 70,505 thousand barrels ("MB") in the first half 2021 from 63,563 MB in the first half of 2020. Growth in demand was mainly due to the transition to less stringent travel restrictions implemented nationwide during the first half of 2021, resulting to increased economic activity.

Crude price benchmark, Dubai, averaged \$69.2 per barrel ("/bbl") in 2021, much higher than the 2020 average of \$42.2/bbl due to continued managed production increases by OPEC+ amid higher crude demand. Recorded improvement in gasoline and kero-jet cracks is due to an improvement in demand arising from increased mobility with the wider vaccine roll-out. Diesel cracks remained weak due to relatively low demand and ample stocks.

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

### **Guimaras Oil Spill Incident**

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

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<sup>1</sup> Information as of the first half of 2021; only includes gasoline, kerosene, aviation turbo, diesel, industrial fuel and liquified petroleum gas ("LPG") and does not include direct imports by end-users of naphtha, condensate, aviation turbo, LPG, diesel, asphalt, and petcoke

Department of Transportation and Communication (“DOTC”), now the Department of Transportation (“DOTr”), 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.

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 ₱292 million. The cases are still pending.

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

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

**Seasonal aspects that have material effect on the financial statements**

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

**Audit and Audit-Related Fees**

The Company paid KPMG the fees set out below for 2020 and 2021:

	2020 (in Pesos)	2021 (in Pesos)
Audit fees for professional services - Annual Financial Statement (tax-exempt and exclusive of out-of-pocket expenses)	7,197,000	6,744,200
Professional fees for due diligence and study on various internal projects	-	7,000,000
Professional fees for tax consulting services	-	-

KPMG, the external auditor of SMC, was first appointed by the Company in 2010. 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 Audit Committee, at its meeting held on March 8, 2022, endorsed the re-appointment of KPMG as external auditor of the Company for 2022 and the approval of KPMG’s proposed fees. At its meeting held later on the same day, the Board of Directors, finding the recommendation of the Audit Committee to be in order, endorsed the re-appointment of KPMG as external auditor of the Company for 2022 and approved its fees for the approval and ratification, respectively, of the stockholders at the Annual Stockholders’ Meeting.

With the engagement partner of KPMG, Mr. Darwin P. Virocel, assigned to the Company only beginning with the 2015 audited financial statements, the rule on the rotation for the signing partner under the Revised Securities Regulation Code Rule 68 and other applicable rules in respect of the Company’s engagement of KPMG does not yet apply.

Set out below is the report of the Audit Committee for the year 2021.

#### 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.

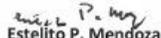
In the performance of our responsibilities, we report that in 2021:

- 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 R.G. Manabat & Co./KPMG as the Company's independent auditors for 2021;
- We reviewed with R.G. Manabat & Co./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 R.G. Manabat & Co./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 Asst. Vice President the annual internal audit plan, approved the same, and satisfied ourselves on the independence of the internal audit function; and
- 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.

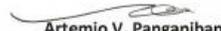
The Board Audit Committee is satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2021.



**Margarito B. Teves**  
Chairperson  
Independent Director



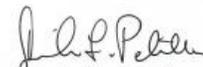
**Estelito P. Mendoza**  
Director



**Artemio V. Panganiban**  
Independent Director



**Aurora T. Calderon**  
Director



**Carlos Jericho L. Petilla**  
Independent Director

## **Commitments for Capital Expenditure**

In 2021, the Company spent ₱7.71 billion in capital investments, majority of which was spent for Petron Bataan Refinery-related projects, including those that were incurred for the Refinery Solid Fuel Fired Boilers (“RSFFB”) Phase 3, amounting to ₱6.74 billion. In addition, expenditures incurred for projects in depots amounted to ₱468 million, service-station related expenditures totaled ₱417 million and ₱80 million for other commercial, maintenance and miscellaneous projects.

In 2020, Petron spent ₱4.4 billion in capital projects, ₱3.1 billion of which were spent for Petron Bataan Refinery-related projects, including the expenditures for RSFFB Phase 3 amounting to ₱2.2 billion. In addition, plant and other depot projects totaled ₱646 million, ₱419 million for service station-related expenditures, and ₱272 million for other commercial, maintenance and miscellaneous projects.

## **Any Known Trends, Events or Uncertainties with Material Impact on Liquidity and Net Sales or Revenues or Income**

The Company is in a healthy liquidity position with ample cash balances, and strong support from domestic and international banks for its working capital lines. The Company is not in default or breach of any loans or other financing arrangements, does not anticipate any cash flow or liquidity problems, and does not have a significant amount of trade payables that has not been paid within agreed trade terms. The expected increase in working capital requirements stemming from currently elevated oil prices is sufficiently addressed by the Company’s healthy cash balances, available credit lines from financial institutions, and continuous and prudent management of the Company’s cash position.

Crude oil accounts for more than 30% of the Company’s total cost of goods sold. Because of the commodity nature of oil, the cost of the Company’s refined products is highly dependent on international crude oil and product prices. Fluctuations in the price of crude oil and finished products in the global market arise from factors that are beyond the Company’s control, such as changes in global oil supply and demand. The Company’s financial results are primarily affected by the differential or margin between the prices for its refined petroleum products and the prices for the crude oil that is the main raw material for these refined petroleum products., geopolitical factors (such as the current Russia-Ukraine conflict), global economic conditions, weather, and government regulations. The Company holds approximately two months of crude oil and finished petroleum products inventory in the Philippines, which is accounted for using the first in-first-out method. Thus, a sharp drop in crude oil prices, for example, will result in losses, as the Company sells products produced from higher-priced crude oil, at lower prices.

## **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There are no changes in and disagreements with the accountants on accounting and financial disclosures.

## **Description of the Nature and Business of the Company**

### **(1) Business Development**

#### **(i) The Company**

Petron was incorporated in the Philippines on December 22, 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 Petrophil Corporation as the surviving corporation. The Company changed its corporate name to “Petron Corporation” in 1988. The Company’s original 50-year corporate term expired on December 22, 2016. But prior to this date, at its meeting held on November

12, 2012, the Board of Directors approved the extension of the corporate term of the Company for another 50 years and the relevant amendment of the Company's Articles. This proposed amendment was ratified by the stockholders at the annual stockholders' meeting held on May 21, 2013. On September 13, 2013, the SEC approved the amendment of the Company's Articles by extending the corporate term of the Company for another 50 years from and after December 22, 2016. As a general rule under the Revised Corporation Code, which took effect on February 23, 2019, a corporation with a certificate of incorporation prior to the effectivity of the Revised Corporation Code, and which did not elect to retain its specific corporate term under its articles of incorporation, shall have perpetual existence. By operation of law, therefore, the Company shall now have perpetual existence because it did not elect to retain its specific corporate term under its Articles.

The two (2) principal common shareholders of the Company holding at least 5% of its common stock are SEA Refinery Corporation ("SEA Refinery") (50.10%) and San Miguel Corporation ("SMC"). SEA Refinery is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

The registered office address of Petron is at the SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City.

#### (ii) Subsidiaries

The direct subsidiaries of the Company as of December 31, 2021 are 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.
- **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 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 but operated outside the SBF. PMC is a wholly-owned subsidiary of Petron. PMC turned over to Petron the operation of service stations that PMC held and the operation of Treats stores, effective August 1, 2016 and November 30, 2016, respectively. PMC also terminated its franchises to the fastfood stores.
- **Petron Singapore Trading Pte. Ltd. (“PSTPL”)** was established in 2010 as Petron’s trading subsidiary in Singapore. The subsidiary aims to optimize crude and petroleum product procurement and participate in Singapore’s Global Trader Program, which allows the Company access to a wider selection of crude and petroleum product alternatives, resulting in further optimization of Petron’s crude and petroleum product 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.
- **Petrochemical Asia (HK) Limited (“PAHL”)** is a holding company incorporated under the laws of Hong Kong over which the Company obtained control in January 2013.
- **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. On April 23, 2012, the Companies Commission of Malaysia (“CCM”) issued a certificate for 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 10, 2012, the CCM issued a certificate for the change of name of EMB to “Petron Malaysia Refining & Marketing Bhd.” (“PMRMB”).

PMRMB, PFISB and POMSB (collectively, the “Petron Malaysia Companies”) are companies incorporated under the laws of Malaysia and are engaged in the downstream oil business in Malaysia. The Petron Malaysia Companies’ distribution network (including in the state of Sabah) is comprised of 12 product terminals and facilities. The Petron Malaysia Companies have a network of approximately 740 retail service stations in the country. PMRMB owns and operates the 88,000 bpd Port Dickson Refinery (“PDR”). The PDR produces a range of products, including LPG, naphtha, gasoline, diesel, jet fuel, 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 fuels and other retail products through its network of service stations located throughout Peninsular and Sabah-East Malaysia. In December 2016, POMSB launched its downstream business in the state of Sarawak-East Malaysia. The Petron Malaysia Companies’ commercial sales are divided into four (4) segments: industrial and 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 while the Malaysian wholesale segment primarily engages in diesel sales 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. PMRMB markets LPG in 12-kg and 14-kg cylinders for domestic use and 50-kg and bulk for commercial use. In April 2012, PFISB established a lubricants and specialties segment to introduce Petron lubricants and greases into the Malaysian market. Automotive lubricants are sold through the service stations and vehicle workshops by appointed distributors in Malaysia. PMRMB exports LSWR and naphtha from the PDR.

The above-named 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.

### (iii) Operating Highlights

#### **Sales**

For the whole of 2021, the Company's consolidated sales volume stood at 82.2 million barrels, 5% higher than 2020's 78.6 million barrels.

#### **Refining**

The Petron Bataan Refinery Master Plan Phase-2 Upgrade ("RMP-2") upgraded the Petron Bataan Refinery to a full conversion refining complex, where all fuel oil is converted to higher value products (gasoline, diesel, and petrochemicals), making it comparable to other highly complex refineries worldwide. RMP-2 started its full commercial operation in January 2016.

The closure of the Shell Refinery since May 2020 leaves the Petron Bataan Refinery as the only remaining refining facility in the country.

In December 2021, the Petron Bataan Refinery renewed its registration with the AFAB as a registered enterprise. FAB-registered enterprises are entitled to avail of fiscal incentives under the Special Economic Zone Act of 1995 or the Omnibus Investment Code of 1987 such as (i) tax- and duty-free importation of merchandise which include raw materials, capital equipment machineries and spare parts; (ii) exemption from export wharfage dues, export taxes, imposts, and fees; and (iii) VAT zero-rating of local purchases, subject to compliance with Bureau of Internal Revenue and AFAB requirements. Further, VAT will only be imposed on the Company as a FAB Registered Enterprise upon the withdrawal of products from the refinery instead of the VAT being payable upon importation of crude oil.

#### **Product Supply and Distribution**

The Company continues to implement programs to ensure adequate and timely product supply such as storage capacity additions, effective inventory management, keeping a sufficient fleet of tank trucks and marine vessels, and an inter-depot support system during periods of calamities.

#### **Human Resources ("HR")**

In 2021, the Company aimed at providing learning opportunities to support the increasingly dynamic business conditions. The training programs were centered on fueling career growth through developing both hard and soft skills of the Company's talents. Capitalizing on online learning platforms such as MS Teams and Zoom, Petron dedicated 49,074.65 training hours for all employees or an average of 19.58 hours of training per employee.

In strengthening the leadership pipeline, leadership development programs were the top priority as Petron maximized the learning opportunities offered by SMC. This is supported by Petron's coaching program composed of 60 coachees and 40 coaches which generated 790 coaching hours in 2021.

### **Health, Safety and Environment (“HSE”)**

The Company's HSE programs continue to be an important element in the operations of its facilities. HSE programs of the Company include ECOWATCH assessment and safety oversight assessment and compliance inspections of the depots/terminals, service stations and third-party LPG filling plants, participation in industry-wide oil spill response exercises, emergency drills and exercises, safety seminars/trainings, and maintenance of management systems and ISO certifications on environment, health and safety.

All 30 terminals are certified under the new ISO 9001:2015 (QMS), ISO 14001:2015 (EMS) standards and ISO 45001:2018 (Occupational Health and Safety (OH&S) Management System). Furthermore, all 15 Petron pier facilities are compliant with the International Ship and Port Facility Security Code (“ISPS Code”) and certified by the Office of the Transport Security under the DOTC. The ISPS certification is a requirement by the International Maritime Organization for all international vessels calling on international ports and for all ports accepting international vessels.

The Terminal Operations Division of the Company implemented the Loss Prevention System (“LPS”). LPS is a system to prevent or reduce losses using behavior-based tools and proven management techniques. With this new system, the Company aims to improve the over-all safety culture of the division to prevent all types of losses, and eventually apply the same system throughout the organization

From January to December 2021, a total of 10.6 million safe man hours were achieved by the Head Office, the Petron Bataan Refinery and the Terminals.

### **Corporate Social Responsibility (“CSR”)**

Through Petron Foundation, Inc. (“PFI”), the Company remains in the consciousness of the Filipino public and in the process, support the Company's business growth. The Company continues to add value to the business by actively engaging with its host communities through relevant and strategic CSR programs that focus on education, environment, entrepreneurship and livelihood, and community engagement, as well as strengthening ties with its stakeholders.

#### **Education**

- *Tulong Aral ng Petron.* In partnership with the Department of Social Welfare and Development (“DSWD”) and the Department of Education (“DepEd”), the Company continued to implement its flagship education program Tulong Aral ng Petron (“Tulong Aral”) in sending deserving children and youth through elementary, high school and college.

By the end of school year 2020-2021, Tulong Aral had a total of 2,752 scholars from elementary to college in 129 partner schools in the National Capitol Region and in provinces where the Company's terminals are located. A total of 690 Tulong Aral scholars from elementary to college graduated at the end of School year 2020-2021 (596 elementary, 91 high school and three college scholars).

An internal Christmas campaign among Petron employees generated additional support for Tulong Aral scholars.

- Bataan scholarships. Graduates of the Company’s Bataan engineering scholarship program joined the Petron Bataan Refinery work force in 2021, bringing the number of Bataan scholars presently employed by the Petron Bataan Refinery to 86.
- Brigada Eskwela. The Company provided financial assistance to nearly 100 partner schools located in fence-line communities nationwide, benefitting at least 100,000 students and educators.

In October 2021, the Company renewed its partnership with the DepEd supporting DepEd’s Basic Education Learning Continuity Plan.

## Environment

- Bataan Integrated Coastal Management Program (“BICMP”). The Company continued to support the implementation of the BICMP in 2021. It sustained its partnership with the Provincial Government of Bataan in the hosting of the virtual annual Pawikan Festival in December 2021 that had an online audience of at least 2,700 public school students and teachers and DepEd officials from Bataan.
- Participation in the National Greening Program. The Company continued to help reduce its environmental footprint, comply with government regulations, contribute to operational efficiency, and maintain its sustainable practices.
- Reforestation and Tree-Planting. In the first half of 2021, the Company secured approval from the local government units for the planting by the Bawing Terminal of about 2,500 new mangrove propagules and by the Tagaloan Terminal of bamboo and other seedlings. The Subic and Davao Terminal conducted tree-planting activities in the fourth quarter of 2021 in celebration of International Coastal Cleanup Month.

## Health and Human Services

- Petron Clinic. The Petron Clinics in Rosario, Pandacan and Limay are intended to complement government health centers with specialized medical services, such as x-ray, ultrasound, ECG and other laboratory services. The Covid-19 pandemic has however kept these clinics closed to the community as part of health protocols. The Company though has accommodated the request of the Rosario, Cavite local government unit for the temporary use of a room at the Petron Rosario Clinic to perform elective surgery one day each weekend, as the few government health facilities in the municipality have prioritized their available beds for Covid-related cases.
- Responding to Crises. The Company continued to assist the workforce and stakeholders during the pandemic. Throughout 2021, the Company funded the RT-PCR tests of Petron employees and third party personnel nationwide. The Company also joined SMC’s Ligtas Lahat Core Team handling the coordination with external partners for the vaccination of Petron employees, with Petron acting as the lead for the SMC Bataan Vaccination Site. By end-2021, more than 5,000 SMC Group employees, third party service personnel, endorsed individuals, and Limay residents were vaccinated.

The Company, through San Miguel Foundation, provided food packs to a total of 3,700 families from the Petron fence-line communities in Mandaue and Mactan affected by the Super typhoon Odette in December 2021.

- Engaging employees and partners. Petron employees continued actively participate in the Volunteers In Action Program through their support to those affected by the Super typhoon Odette and the Covid-19 pandemic. Also, through the generosity of Petron employees in Manila, Malaysia and Singapore, Petron was able to distribute tablet computers to more than 280 Tulong Aral scholars.

- Adopt-a-School Program. Petron continued to invest its resources in support of education. DepEd continues to recognize Petron as one of its longest and strongest supporters of this public-private partnership arrangement.

## **Petron Malaysia**

The Petron Malaysia Companies have completed the upgrading of the product terminals to comply with the B10 biodiesel and Euro E4M gasoline requirements in line with the Malaysian government’s thrust of providing cleaner and more environment-friendly fuels to consumers. As part of the Petron brand enhancement program, three (3) card programs, *Petron Miles* loyalty card, Petron Fleet Card with microchip technology (post-paid and pre-paid), and co-branded Petron Public Bank Visa Card program are in place.

### **(2) Business of the Company**

#### **(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, naphtha, LPG, diesel, jet fuel, kerosene, and petrochemicals (benzene, toluene, mixed xylene, propylene and polypropylene). 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 through a nationwide network of service stations, LPG dealerships and lube outlets and to industrial end-users and bulk off-takers.

The Company also continues to expand its non-fuel businesses with the addition of various food kiosks, restaurants, and other service establishments at some of its stations and the expansion of its Treats convenience store network.

#### **(ii) Percentage of sales or revenues 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 2019 to 2021:

	<b>Domestic</b>	<b>Exports/International</b>	<b>Total</b>
2019, in million pesos	301,445	212,917	514,362
2019, in percentage	59%	41%	100%
2020, in million pesos	166,820	119,213	286,033
2020, in percentage	58%	42%	100%
2021, in million pesos	223,222	214,835	438,057
2021, in percentage	51%	49%	100%

#### **(iii) Distribution methods of products or services**

From the Petron Bataan Refinery, Petron moves its products, mainly by sea, to depots, terminals and airport installations situated throughout the Philippines, representing the most extensive distribution

network for petroleum products in the country. The network is comprised of 36 terminals and sales offices across the country. Through this nationwide network, Petron supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. Petron also supplies jet fuel to international and domestic carriers at key airports in the Philippines through its 12 into-plane facilities.

Petron sells gasoline, diesel, and kerosene to motorists and to the public transport sector through its network of close to 2,000 retail service stations in the Philippines as of December 31, 2021. Petron continues to evaluate its station network to ensure sustainability of operations amidst the demand decline brought about by the Covid-19 pandemic. Petron also sells its LPG brands *Gasul* and *Fiesta Gas* to households and other consumers through its extensive dealership network.

Petron also manufactures lubricants and greases through its blending plant in Manila, and these products are sold through its service stations and various lubes outlets.

**(iv) New products or services**

The Company’s 2021 new products and approvals from accredited global industry certifying bodies and original equipment manufacturers (“OEMs”) are described below.

For 2021, Petron was able to secure the renewal of licenses and approvals for industry standards such as the International Lubricant Specification Advisory Committee, Association des Constructeurs Européens d’Automobiles/Association European Automobile Manufacturers Association, and the National Marine Manufacturers Association and OEM approvals from Mercedes-Benz, MTU, Porsche, Cummins, MAN, Scania, Volvo, Mack, Renault, and Wartsila.

**1. Product Approvals and Company Certifications**

Petron obtained certifications and approvals from globally accepted licensing organizations and OEMs, which are also applicable to the Malaysian, Chinese, Brunei, Vietnamese and Cambodian markets.

- Registration with Association des Constructeurs Européens d’Automobiles/Association European Automobile Manufacturers Association (“ACEA”)

In 2021, Petron renewed the registration for its Blaze Racing, Rev-X and Ultron automotive lubricants with ACEA in compliance with the European Engine Lubricant Quality Management System.

- License with American Petroleum Institute (“API”)

Petron also renewed its license to use the API service symbol and API certification mark for the following Petron automotive engine oils:

Product	API Quality Level
Blaze Racing Fully Synthetic 0W-20	API SP/SN PLUS Resource Conserving, ILSAC GF-6A
Blaze Racing Fully Synthetic 0W-20	API SN Resource Conserving
Blaze Racing Fully Synthetic 5W-30	API SN
Blaze Racing Fully Synthetic 5W-30	API SN Resource Conserving
Blaze Racing Fully Synthetic 5W-40	API SN
Blaze Racing Premium Multi-Grade 20W-50	API SL
Blaze Racing Synthetic Blend 5W-30	API SN Resource Conserving

Petron Blaze Racing HTP 0W-40	API SN
Rev-X All Terrain 5W-40	API CJ-4 / SM
Rev-X Fully Synthetic 5W-40	API CJ-4 / SN
Rev-X Fully Synthetic 5W-40	API CJ-4 / SM
Rev-X Premium Multi-grade 15W-40	API CI-4 / SL
Rev-X Trekker 15W-40	API CI-4 / SL
Rev-X Turbo HTP	API CJ-4 / SN
Ultron Fully Synthetic 5W-40	API SN
Ultron Premium Multi-Grade 20W-50	API SL
Ultron Race 5W-40	API SN

- OEM Approval Renewals

The following OEM approvals were renewed in 2021:

- Blaze Racing HTP SAE 0W-40: Mercedes Benz MB-Approval 229.3 and MB-Approval 229.5
- Blaze Racing Fully Synthetic SAE 5W-40: Mercedes Benz MB-Approval 229.31
- Rev-X Turbo HTP: Volvo VDS-4, Mack EO-O Premium Plus and Renault VI RLD-3; Cummins CES 20081
- Rev-X Premium Multi-Grade SAE 15W-40: Volvo VDS-3, Mack EO-N and Renault VI RLD-2; Mercedes Benz MB-Approval 228.3
- Petron Regatta 2T Outboard: NMMA TC-W3

**(v) Competition**

Petron operates in a deregulated oil industry along with more than 300 other industry players. With several players sharing in the market, competition is intense. Retail and depot network expansion, pricing, and various marketing programs are being employed to gain a bigger share of the domestic market. However, Petron's wider retail and depot network allows it to expand its reach in the domestic market more effectively. Moreover, with its upgraded refinery, Petron now produces more fuels, namely, gasoline, diesel and jet fuel.

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

In 2021, Petron purchased all its term and spot crude requirements through its wholly-owned subsidiary, PSTPL. Majority of the crude purchases were sourced under a term contract with a supplier and various spot suppliers for the balance of the crude slate. For its 2022 crude requirements, Petron, through PSTPL, will continue to source from both term and spot suppliers.

Petron purchased its finished product import requirements in 2021 also through PSTPL. For 2022, aviation gasoline, asphalt, LPG, high RON gasoline and base oil contracts were renewed for the period January to December 2022 through PSTPL.

For its requirements for ethanol, Petron continued to support the directive of the DOE on prioritization of locally produced ethanol, complying with the required monthly allocation. About 67.5% of the total ethanol requirement of the Company in 2021 was sourced from various local ethanol producers.

**(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 20% or more of the total revenue.

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

Petron, certain of its subsidiaries and its affiliate, as well as SMC and certain of its subsidiaries, purchase products and services from one another in the normal course of business.

On August 6, 2019, the Board of Directors of the Company approved the Policy on Related Party Transactions of the Company that requires that all related party transactions of the Company be conducted on an arm's length basis and under fair terms so that no shareholder or stakeholder will be unduly disadvantaged and there will be no prejudice to the interest of the Company's stakeholders. Under the terms of this policy, board approval is required for related party transactions with the same related party, either individually or in aggregate over a 12-month period from the first transaction, amounting to at least 10% of the Company's total consolidated assets based on its latest audited financial statements.

On January 11, 2021, upon the recommendation of the Related Party Transaction Committee of the Board of Directors and pursuant to the Policy on Related Party Transactions of the Company, the Board Executive Committee approved the proposed transactions for 2021 between the Company and PSTPL and the Board of Directors ratified such action of the Executive Committee at the board meeting held on February 16, 2021.

On November 9, 2021, also upon the recommendation of the Related Party Transaction Committee of the Board of Directors and pursuant to the Policy on Related Party Transactions of the Company, the Board of Directors approved the proposed transactions for 2022 between the Company and PSTPL.

Described below are transactions of Petron with related parties as of 2021:

1. Supply agreements with various SMC subsidiaries. Under these agreements, Petron supplies the fuel and lube requirements of selected SMC plants and subsidiaries.
2. Purchase goods and services, such as those related to construction, information technology, shipping and terminaling, from various SMC subsidiaries.
3. A lease agreement with San Miguel Properties, Inc. for office space covering 6,683 square meters and certain parcels of lands where service stations are located.
4. Lease agreements with SMC covering certain parcels of lands where service stations are located.
5. Payment to SMC for its share in common expenses such as utilities and management fees.
6. Long-term lease agreements with NVRC covering certain parcels of lands where the Petron Bataan Refinery and some of its depots, terminals and service stations are located.
7. Retail of its fuel products through its subsidiary PFC as well as lubes through PFISB.
8. Insurance coverage from Petrogen which, in turn, obtains reinsurance coverage from Ovincor and other local reinsurers.
9. Certain advances to PCERP for investment opportunities.
10. Trading agreement with PSTPL for the procurement of crude oil, and trading of finished petroleum products and other materials such as ethanol, coal, catalysts and additives.
11. Engagement of PSTPL to perform the chartering function such as the renewal and negotiation of contract of affreightments and commodity risk management via hedging transactions.

12. General management services to PFISB.
13. NVRC and SMC subsidiaries entered into various lease agreements for portion of lands located at Limay, Bataan.
14. Logistics and freight forwarding agreement with PLI.
15. Purchase from San Miguel Foods, Inc. and Foodcrave Marketing, Inc. of the Treats convenience store business in February 2021.

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

The Company's intellectual property registrations and applications as of December 31, 2021 are described below.

**Trademark.** Petron has registered the following trademarks for a term of 10 years: Petron (word mark), Petron (logo), P logo (color), P logo (black and white), Petron Canopy Fascia, Petron Canopy Fascia (color), Petron Canopy Fascia (black and white), Blaze, Diesel Max, Petron Blaze 100, Blaze 100 Octane Euro 6, Petron XCS3, Xpert Diesel Oils, Petron Super Xtra Gasoline, Xtra Advance (inside a rectangle device), Tri-Action, Blaze Racing, Tri Plus, Petron XCS3 Triple Action Premium Unleaded, Thermal Control System, Tri-Action Advantage, Petron XCS3, Triangle Device, Boomerang Device, Gasul, Gasul (stylized), Gasulette, Gasulite, Gasulgrille, Gasulite, Gasulgrille, LPG Gasul Cylinder 50 kg, Gasul and Device, LPG Gasul Cylinder 11 kg, Petron Gasul 11-kg POL-VALVED Cylinder, Gasulito (word mark), New Gasulito (word mark), Petron Gasul Elite, Petron Gasul Elite, Petron Gasul Elite Blue Pantone 298, 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, REV-X, Rev-X Trekker, Rev-X Hauler, Rev-X HD, Rev-X Turbo, Rev-X Power, Ultron Rallye, Ultron Extra, Ultron Race, Ultron Touring, Sprint 4T, Clean 'n Shine, Rider, Racer Maximum Performance, Rider 4T, ADVANSTRASSE MOTO (word mark), ADVANSTRASSE MOTO (logo), 3D Engine Oil Lubricant Bottle 1L and 6L (black), 3D Engine Oil Lubricant Bottle 1L and 6L (red), 3D Engine Oil Lubricant Bottle 1L and 6L (silver), 3D Engine Oil Lubricant Bottle 1L and 6L (blue), 3D Specialty Lubricant Bottle 1L (silver), 3D Specialty Lubricant Bottle 1L (black), Petron Value Card and Device, Petron Super Driver, Petron Fleet Card & device, e-fuel, Miles Better (word mark), Pshop, Car Care Center & Logo, Treats (word mark), Treats & device, Treats & device with blue background, Petron Laser Wash, Petron Car Wash, Lakbay Alalay (word mark), Lakbay Alalay (logo), Lakbay Alalay, Lakbay Ligtas, Lakbay Alalay Para sa Kalikasan, Sagip Alalay, Tulong Aral ng Petron & Device, Puno ng Buhay, Fuel Hope, Fuel Trust, Fuel Experience, Fuel Drive, Fuel Excellence, Fuel Efficiency, Everyone's Vision & device, I fuel (logo), I Fuel Hope, I Fuel Communities, Petron Blaze Spikers, Petron Lakbay Pinoy, Petron! Get Rewards & Benefits, Ultimate Release from Engine Stress, Your friend on the Road, Super Tsuper, Road Safety & device, Miles, Extra with a car device against a red background, Gift and App Device, Footprints Inside a Sphere & Device, Petron Ronnie Mascot in Seatbelt & device, Ronnie Mascot, Seat Belts Save Lives, Pay with Points Save your Cash, Thermal Stress Stabilizing System, Dynamic Cleaning Technology, Your Fleet Your Rules, Blu & Device, Blu with Gasul Tank, Gas Padala, Performance Run, Petron Best Day, Super Saya, Resibo Blowout, Power that Persists, Mean Clean Machine, Petron Motorsports, Fuel Wise (long form), Fuel Wise (flag type), Fuel Wise (long form in black), Fuel Wise (flag type in black), Fuel Wise, Fuel Wisely, Choose Quality Fuel Wisely, Fuel Wisely with Petron (word mark), Be Sure to Fuel Wisely (word mark), Kalakbay (word mark), Kasabay sa Lakbay (word mark), Kasabay sa Paglakbay (word mark), Kasabay sa Paglalakbay (word mark), #Beastmode, Kalmakina (colored), Kalmakina (word mark), Kalmakina (black and white), Hypex, 2T, Turnol, Petrogrease EP-2, Gearfluid, Petron STM, Petron Autokote, GEP, Petrokote, Marinekote, Petron 2040, Penetrating Oil, Solvent 3040, Pchem, Xtend, HTP, Petrolene, PCHEM DEF (Diesel Exhaust Fluid), Petromate, TCS and Device, TDH50 (word mark), Econo, Elite, Pantra, Petron Pinoy Fuels & Device, Petron Pinoy Diesel & Device, Petron Pinoy Regular & Device, Go, Maxi Gas, Xtra Exceed, Xtra Ultra, Xtra Prime, Xtra Miles, Pinoy HP Gasoline, Xtra Excel, UnliPower Saver Gasoline, Ultramax

Gasoline, Ecomax Gasoline, PMax Gasoline, Carbon Buster, Petron PMB, Reyna (logo), and Reyna (word mark).

Spinol, Petrokut, Petron Railroad Extra, Rubbex, Dust Stop Oil, Oil Saver, Milrol, Petron GST, Petron with XCS, With XCS, Super DC, Petromul CSS-1, Power Booster, Automatic Transmission Fluid, Petrotherm, Petrosine, Petron HDX, Petron TF, Ropgriz, Ultron and Device, 2T Motorcycle Oil, Molygrease and Petron GX are registered for a term of 20 years.

**Pending Trademark Applications.** Petron has pending applications for registration of the following trademarks: Miles Better, Turbo Diesel, Turbo Diesel (logo), Vision Petron, Automotive Fuels Specialist, 3D Gasul 2.7kg, 3D Fiesta 2.7kg, 3D Gasul 2.7kg (colored), 3D Fiesta 2.7kg (colored), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (black), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (dark grey), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (blue), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (red), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (silver), AUTO ADVANSTRASSE, AUTO ADVANSTRASSE logo, REV-X HD4X, REV-X HD, Sprint 4T (logo), ELITE (logo), Fe Dela Fiesta (logo), Vision Petron (logo), 2T (logo), EXPRESS (logo), CCC Automotive Fluids Specialist, New Petron Logo, Puno ng Buhay, and Petron PMB.

Petron also has registered and pending trademarks in Malaysia, Indonesia, Cambodia, Thailand, Myanmar, Australia, China, United Kingdom, India, Japan, Republic of Korea, Singapore, Hong Kong, China and Saudi Arabia. The Company has filed trademark applications in Malaysia relating to its Malaysian operations. It has obtained copyright protection for the stylized letter “P” and has registered trademarks in Malaysia, including but not limited to the Petron, Petron Logo, Gas Miles, Gasul, Fiesta Gas, Energen, Petron Plus, Perks, Miles, Propel, XCS, Petromate, Hydrotur, Miles with P-Logo, MILES with P Logo and ‘Privilege Miles Card’ words, Petroil, Fuel Journeys, Better by Miles, Petron Cares, DCL 100, Petromar, Energy, Treats with Crocodile Logo, and Petron Greenfuel, Kedai Mart with P logo, Rider, Rider 4T, Petrolaysia, Prime, Petron with Canopy Fascia logo, Petron Racing, Sprint 4T, Rev-X Diesel Engine Oils, Prestige, Xtra Mile, Xtra Unleaded, Treats and Device, Petron Value Card Rewards & Benefits, Turbo Diesel, Diesel Maz, Blaze Gasoline, Petron XCS3, Powerburn 2T & Device, Racing, Powerburn, Petrogrease, Greaseway, GEP, Gearfluid, Clean ‘n Shine, ATF, Treats & Device, Powered by Petron, Miles with P Logo & Petrol Word, Petromar HD, Petrogrease EP, Blaze with P Logo and Petrol, Fuel Trust, Fuel Success, Fuel Hope, Blaze Racing, Fuel Care, Treats, Petron Motorsports, Fuel Life, Fueled by Petron, Miles Better, Your Fleet Your Rules, 5th year Anniversary Fuel Happy, and Petron Car Care Center.

**Copyright.** 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 the creator’s death.

**Pending Industrial Design Applications.** Petron has pending applications for registration of the following industrial designs: Petron Specialty Lubricant Bottle (1Liter container), Petron Engine Oil Bottles (1L and 800ML Jerry can bottle container), Petron Engine Oil Bottles (4L and 6L container), Petron Fiesta 2.7kg LPG Cylinder, and Petron Gasul 2.7kg LPG cylinder.

#### **(x) Government Approval of Principal Products or Services**

Government approval of Petron products and services is not generally required. Petroleum products, both locally refined and imported, however, must 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 and its implementing rules and regulations. Clearances are secured from concerned government authorities for importations of restricted goods. The supply of products or services to government and government agencies undergo a bidding process in accordance with law.

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

- Corporate Recovery and Tax Incentives for Enterprise Act (“CREATE Act”). Republic Act No. 11534 or the CREATE Act was signed into law by the President of the Philippines on March 26, 2021 and is expected to take effect on April 12, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives.

The corporate income tax rate for domestic corporations and resident foreign corporations has been reduced to 25% effective July 1, 2021 and on January 1, 2021 for non-resident foreign corporations. Domestic corporations and resident foreign corporations no longer have an option to be taxed at 15% on gross income and the rate of the minimum corporate income tax shall be lowered to 1%. Under the CREATE Act, persons that directly import petroleum products for resale in the Philippine customs territory and/or in free zones will be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program, and/or other tax-exempt sales by the importer.

The CREATE Act also provides for the rationalization of tax incentives that may be granted by investment promotion agencies (such as the AFAB) to qualified registered business enterprises. As part of the rationalization of tax incentives, the CREATE Act provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person will be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, will be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the Bureau of Internal Revenue.

Under the CREATE Act, the Company shall be entitled to, among others: (i) a lower corporate income tax and (ii) the tax exemption for the importation of crude oil to be refined at a local petroleum refinery.

Under the tax regime prior to the effectivity of the CREATE Act, domestic refiners are disadvantaged because they are made to pay VAT upon importation of crude oil which they cannot recover until the finished products refined from them are sold. Compared to non-refiners, which pay VAT upon importation of finished products, domestic refiners are unable to recover the VAT for a longer period. The Company believes that the CREATE Act allows it to be more competitive as domestic petroleum refineries are now taxed on finished products, similar to importers of refined fuel which only pay after sales tax.

- LPG Industry Regulation Act. Republic Act No. 11592 or the “LPG Industry Regulation Act”, enacted into law on October 14, 2021, aims to ensure health, safety, security, environmental and quality standards in the LPG industry by instituting reforms in the existing standards and practices. The law defines prohibited acts such as engaging in LPG industry activities without the required licenses, certificates, and permits; selling, fabricating, or refilling unfilled LPG cylinders without the approval of the trademark owner; selling, exchanging, possessing empty LPG cylinders that belong to another trademark owner; and non-compliance with standards such as those relating to safety, materials, and markings. It also provides for the establishment of an LPG Cylinder Exchange and Swapping Program for the exchange, swapping or buy back of LPG cylinders among industry

participants and the establishment of accredited swapping centers. The implementing rules and regulations of the law are expected to be finalized in 2022.

- Tax Reform for Acceleration and Inclusion (the “TRAIN Law”). Republic Act No. 10963 or the TRAIN Law, which took effect on January 1, 2018, imposed a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three (3)-year period was P2.65-P2-P1 per liter (“/li”) per year for gasoline, P2.50-P2-P1.50/li for diesel and fuel oil, P1-P1-P1/kg for LPG, and P0.33-P0-P0/li for jet fuel. The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene and electric, and gasoline with public transportation as alternative.

The TRAIN law also mandates the implementation of a fuel marking program for diesel, gasoline and kerosene to help curb illicit trading of fuel products. While the cost for the fuel marker would be shouldered by the government in the initial year of implementation, this cost was eventually passed on to oil companies beginning 2020 which resulted in higher fuel prices.

- Biofuels Act of 2006 (the “Biofuels Act”). The Biofuels Act and its implementing circulars mandate that gasoline and diesel volumes contain 10% bioethanol and 2% biodiesel/cocomethyl ester (“CME”) components, respectively. To produce compliant fuels, the Company invested in CME injection systems at the Petron Bataan Refinery and the depots. On the bioethanol component, the DOE issued in June 2015 its Circular No. 2015-06-0005 entitled “Amending Department Circular No. 2011-02-0001 entitled Mandatory Use of Biofuel Blend” which currently exempts premium plus gasoline from the 10% blending requirement.
- Renewable Energy Act of 2008 (the “Renewable Energy Act”). The Renewable Energy Act aims to promote development and commercialization of renewable and environment-friendly energy resources (e.g., biomass, solar, wind, hydro, geothermal) through various tax incentives such as seven (7)-year income tax holiday and duty-free importation of renewable energy equipment and machinery. The sale of power generated from these sources is also exempt from value-added tax under the TRAIN Law. The growth in renewable energy may displace or reduce use of oil-based power plants affecting the Company’s sales to the power sector.
- Clean Air Act of 1999 (the “Clean Air Act”). The Clean Air Act established air quality guidelines and emission standards for stationary and mobile equipment. It also included the required specifications for gasoline, diesel and IFO to allow attainment of emission standards. Petron invested in a gasoil hydrotreater plant and an isomerization plant to enable it to produce diesel and gasoline compliant with the standards set by law.
- Laws on Controlled Chemicals (Presidential Decree No. 1866 as amended by Republic Act No. 9516). The implementing rules and regulations for this amended law were approved on June 9, 2016 and listed the chemicals under the control of the Philippine National Police. These rules reduced the controlled list from 101 to 32 chemicals and further classified 15 chemicals as high-risk and 17 as low-risk substances. The rules also outline the procedures for regulating, storing, handling and transporting chemicals.
- Compliance with Euro 4 standards. In September 2010, the DENR issued Administrative Order 2010-23 mandating that, by 2016, all new motor vehicles that would be introduced in the market shall comply with Euro 4 emission limits, subject to Euro 4 fuel availability. In June 2015, the DOE issued Circular 2015 - 06-0004 entitled “Implementing the Corresponding Philippine National Standard Specifications (PNS) for the Euro 4/IV PH Fuels Complying with the Euro 4/IV Emissions” directing all oil companies to adopt Euro4-compliant fuels. With its RMP-2, Petron is now producing Euro 4-compliant fuels ahead of the 2016 mandate.

- Department Circular 2014-01-0001. The DOE issued Department Circular 2014-01-0001 directed at ensuring safe and lawful practices by all LPG industry participants as evidenced by standards compliance certificates. The circular also mandates that all persons engaged or intending to engage as a refiller of LPG shall likewise strictly comply with the minimum standards requirements set by the DTI and the DOE. The circular imposes penalties for, among others, underfilling, illegal refilling and adulteration.
- Laws on Oil Pollution. To address issues on marine pollution and oil spillage, the Maritime Industry Authority (“MARINA”) mandated the use of double-hull vessels for transporting black products beginning end-2008 and white products by 2011. Petron has been using double-hull vessels in transporting all its products.
- Oil Marine Pollution Circulars. The Philippine Coast Guard has memorandum circulars prescribing the rules and regulations on the prevention, containment, abatement and control of oil marine pollution by all marine vessels, coastal and offshore facilities and other facilities utilizing or storing petroleum products. The circulars identify the prohibited acts and provide the penalties.
- Anti-Competition Law (the “Philippine Competition Act”). The Philippine Competition Act, approved in July 2015, prohibits anti-competitive agreements, abuses of dominant positions, and mergers and acquisitions that limit, prevent, and restrict competition. To implement the national competition policy and attain the objectives and purposes of the law, the Philippine Competition Commission (“PCC”) was created. Among the powers of the PCC is the review of mergers and acquisitions based on factors it may deem relevant. The PCC, after due notice and hearing, may impose administrative fines on any entity found to have violated the provisions of the law on prohibited arrangements or to have failed to provide prior notification to the PCC of certain mergers and acquisitions. The PCC is empowered to impose criminal penalties on an entity that enters into any anti-competitive agreement and, when the entities involved are juridical persons, on its officers, directors, or employees holding managerial positions who are knowingly and willfully responsible for such violation. Currently pending with the House of Representatives are two bills to amend the Philippine Competition Act to, among others, legislate competition policy, amend requirements for PCC notification, and strengthen the powers of the PCC.
- Amended Price Freeze Act of 2013. This law mandates the implementation of a 15-day price freeze of basic necessities, including LPG and kerosene, for areas declared under a state of emergency or calamity.
- Executive Order 890: Removing Import Duties on All Crude and Refined Petroleum Products. After the ASEAN Trade in Goods Agreement was implemented in 2010, the tariff rate structure in the oil industry was distorted with crude and product imports from ASEAN countries enjoying zero tariff while crude and product imports from outside the ASEAN were levied 3% tariff. To level the playing field, Petron filed a petition with the Tariff Commission to apply the same tariff duty on crude and petroleum product imports, regardless of source. In June 2010, the government approved Petron’s petition and issued Executive Order 890 which eliminated import duties on all crude and petroleum products regardless of source. The reduction of duties took effect on July 4, 2010.
- Department Circular 2019-05-008. This DOE circular requires oil companies to submit a detailed computation, with corresponding explanation and supporting documents, of the cost components of liquid fuel and LPG on a per liter and per product basis. The circular has not been implemented following the temporary restraining orders and writs of preliminary injunction issued by the Regional Trial Courts of Taguig and Mandaluyong.

- Department Circular 2021-06-0014. The DOE issued the “Revised Circular for the Accreditation and Submission of Notices and Reports of the Philippine Downstream Oil Industry Pursuant to the Biofuels Act” on July 2, 2021 requiring oil companies to submit notices, accreditation and reportorial requirements using revised templates in relation to the utilization of biofuels. The new circular provides for more stringent penalties and additional monthly and quarterly reports for DOE to monitor compliance with regard to the utilization of biofuels, including compliance to local monthly allocation for ethanol.
- Department Circular 2021-09-0029. The “Revised Guidelines on Notices and Reportorial Requirements Pursuant to the Oil Deregulation Law”, published on November 5, 2021, requires the submission of monthly and annual reports using revised templates for DOE to monitor importation and/or production of oil companies (and for Petron as a refiner) and includes additional reportorial requirements for lubes and blending plants, with more stringent penalties for non-compliance.
- Department Circular 2021-07-0023. The DOE issued this circular on July 2, 2021 providing for a framework for the adoption and development of electric vehicles (“EVs”) and electric charging stations (“EVCs”) in the Philippines, including installation of EVCs in retail stations. While there is no current law on EVs and EVCs, a bill on these has already passed the Bicameral Conference Committee in Congress and is for the signature of the President of the Philippines.
- House Bill No. 10483. In light of rising fuel prices, House Bill No. 10483 was filed with the House Committee Ways and Means on November 3, 2021 seeking to amend the TRAIN Law by reducing excise taxes for diesel, gasoline, kerosene and LPG for the period December 2021 to June 2022. The bill is pending in Congress.

**(xii) Estimate of the amount spent during each of the last three (3) 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 and the Biofuels Act. Other drivers of product innovations are the requirements of original engine manufacturers and the latest technological trends in the industry.

Petron R&D spent a total of ₱61.71 million in 2021, lower than the ₱65.55 million in 2020. Expenses in 2019 totaled the ₱76.31 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 2021, the Company spent a total of ₱39.52 million for treatment of wastes, monitoring and compliance, permits, and personnel training at the Petron Bataan Refinery while in 2020, it spent a total of ₱28.42 million.

**(xiv) Total number of employees and labor relations matters**

As of December 31, 2021, the Company and its subsidiaries had 2,665 employees, with 2,033 employees in the Company (comprising one president, one general manager, 28 vice presidents and assistant vice presidents, 1,424 managerial, professional and technical employees, and 579 rank-and-file employees); 600 employees of the Company’s Malaysian operations; 19 in PSTPL; and 13 in PFC.

Petron has CBAs with its three (3) labor unions, namely: (i) Bataan Refiners Union of the Philippines (“BRUP”), which is affiliated with the Philippine Transport and General Workers Organization; (ii) Petron Employees Labor Union (“PELU”), affiliated with the Philippine Transport and General Workers Organization, and (iii) Petron Employees Association (“PEA”), which is affiliated with the National

Association of Trade Unions. BRUP's CBA covers the period January 1, 2019 to December 31, 2021. PELU's CBA is in effect from January 1, 2019 to December 31, 2021. PEA's CBA covers the period from January 1, 2020 to December 31, 2022. Preliminary discussions of Petron with the respective representatives of BRUP and PELU have started in preparation for the formal CBA negotiations. In the meantime that negotiations and the finalization of the renewal of the CBAs are ongoing, the expiring CBAs remain effective pursuant to their respective terms that provide for a carry-over of the CBA provisions until their renewals have been signed by the parties.

In addition to the statutory benefits, the Company provides medical and life insurance, vacation, sick and emergency leaves, computer and emergency loans to employees, and a savings plan program.

#### **(xv) Description of Property**

Petron operates an extensive network of terminals, depots, and LPG and aviation plants which are located in Luzon, Visayas and Mindanao. As of December 31, 2021, its bulk fuel terminals were in Limay, Bataan; Mabini, Batangas; Mandaue City, Cebu; Poro Point, San Fernando, La Union; Navotas, Metro Manila; Rosario, Cavite; Puerto Princesa, Palawan; Culasi, Roxas City; Lapuz, Iloilo City; Bacolod City, Negros Occidental; Ormoc City, Leyte; Anibong, Tacloban City; Isabel, Leyte; Tagoloan, Misamis Oriental; Sasa, Davao City; Iligan City, Lanao del Norte; Jimenez, Misamis Occidental; Bawing, General Santos City; Nasipit, Agusan del Norte; and Zamboanga City. It has third party facilities at Harbor Center, Tondo, Manila; Limay, Bataan; Subic, Zambales, and PHIVIDEC, Tagoloan, Misamis Oriental. Its sales offices are located in Calapan, Oriental Mindoro; San Jose in Occidental Mindoro; Odiongan, Romblon; Pasacao, Camarines Sur; Mobo, Masbate; Amlan, Negros Oriental; and Tagbilaran City, Bohol. Petron has LPG bulk refilling plants in Ugong, Pasig City; San Fernando, Pampanga; San Pablo City, Laguna; and Legazpi City, Albay. Among its other installations were the aviation depots at JOCASP-NAIA, Pasay City and Mactan, Cebu; airport installations at Laoag City, Davao City and Laguindingan, Misamis Oriental; an additive plant in Subic, Zambales, a grease plant in Pandacan Manila, and a lube oil blending plant in Harbor Center, Tondo, Manila.

Petron owns the largest petroleum refinery complex in the Philippines located in Limay, Bataan, with a crude distillation capacity of 180,000 barrels per day. In addition to major process units, the refinery also has several crude and product storage tanks, and its own piers and other berthing facilities, one of which can accommodate very large crude carriers.

The Company entered into commercial leases with the PNOC for parcels of land occupied by the Petron Bataan Refinery, depots, terminals and some of its service stations. The lease agreements include upward escalation adjustment of the annual rental rates. In 2009, the Company renewed its lease with PNOC (through NVRC) for the continued use of the Petron Bataan Refinery for 30 years starting January 1, 2010 (renewable upon agreement of the parties for another 25 years). In 2015, the Company also entered into another 25-year lease agreement with PNOC effective August 1, 2014 for additional lots near the Petron Bataan Refinery for its expansion projects. Expenses relating to the PNOC leases amounted to ₱311.4 million in 2021.

On October 20, 2017, the Company filed an action against the PNOC in respect of the leased properties to preserve its rights under the lease agreements. On December 11, 2017, the trial court granted the Company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Company from possession of the subject properties until the case is decided. The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. The Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Company's motion for summary judgment and ordered (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Company's conveyance of such leased premises to PNOC pursuant to a property dividend

declaration in 1993, (ii) the reconveyance by PNOC to the Company of all such properties, and (iii) the payment by the Company to PNOC of the amount of P142 million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Company all lease payments the latter had paid to PNOC since 1993. Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Company filed their notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. The Company filed its appellant's brief in October 2020. PNOC filed its appellant's brief in November 2020. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of PNOC and the Company and affirmed the resolution of the trial court as described above. The Court of Appeals upheld the Company's position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate the Company's lease thereby depriving the Company a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that the Company paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, the Company filed its motion for reconsideration insofar as the decision dismissed the Company's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. The parties await the order of the Court Appeals on the motions filed.

Petron anticipates that it may lease desirable lots for development as service stations in the next 12 months.

#### **(4) Contingent Liabilities**

Petron is involved in certain cases that may trigger a direct or contingent financial obligation, the material of which is discussed below based on information available to the Company as of the date of this information statement:

- **Guimaras Oil Spill**
  - **In the Matter of the Sinking of the MT Solar I**  
**SBMI No. 936-06**  
Special Board of Marine Inquiry ("SBMI")

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 Bataan Refinery 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 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 DOTC, elevating the disputed ruling of the SBMI for review.

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 appeal to the DOTC (now the Department of Transportation, "DOTr") of the finding of the SBMI that Petron was negligent and responsible for overloading the MT Solar 1 remained pending as of December 31, 2021.

➤ **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 Million). The reception of plaintiffs' evidence is on-going.

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 Court of Appeals ("CA") on a petition for *certiorari*. On May 29, 2014, the CA rendered a decision directing the plaintiffs to file their respective affidavits substantiating their claims of indigency. The plaintiffs filed a motion for partial reconsideration of the decision which was denied by the CA on January 30, 2015.

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: Both the Arsenal and Chavez cases have been remanded to and are pending with the trial courts. In the course of plaintiffs' presentation of evidence, the plaintiffs moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for *certiorari* to the CA in Cebu City, which, on January 9, 2020 issued a Resolution ordering the Company to file its comment on plaintiffs' petition within 10 days. The Company filed a motion for reconsideration of the said resolution, which remains pending as of the date of this report. In the meantime, proceedings before the trial court continue as of the date of this report.

Other cases involving Petron are discussed in its audited financial statements.

## (5) Securities of the Company

### (a) Market Price of and Dividends on Company's Common Equity and Related Stockholder Matters

- Market Information

The Company's common shares and Series 3 preferred shares are traded at the PSE.

As of March 22, 2022 (the record date for the Annual Stockholders' Meeting), the Company had 144,650 common stockholders. As of December 31, 2021, the total number of common stockholders of the Company was 144,720.

#### Common Shares

The price of the common shares of the Company as of March 22, 2022, the record date for the Annual Stockholders' Meeting, was ₱3.37 per share. The price of the common shares of the Company on December 31, 2021, the last trading day of 2021, was ₱3.17 per share. And the price of the common shares of the Company on December 20, 2020, the last trading day of 2020, was ₱3.99 per share.

The high and low prices of the common shares for each quarter of the last two (2) fiscal years and for the period ended March 22, 2022 (the record date of the Annual Stockholders' Meeting) are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
<b>2022</b>				
For period ended March 22, 2022	3.94	March 8	3.17	January 4
<b>2021</b>				
1 <sup>st</sup> Quarter	3.98	January 4	3.00	March 23 & 24
2 <sup>nd</sup> Quarter	3.50	May 4	2.93	May 27
3 <sup>rd</sup> Quarter	3.64	July 8	3.03	August 31
4 <sup>th</sup> Quarter	4.02	October 20	3.11	December 1
<b>2020</b>				
1 <sup>st</sup> Quarter	4.27	January 7	2.04	March 23
2 <sup>nd</sup> Quarter	3.39	June 8	2.56	April 1
3 <sup>rd</sup> Quarter	3.19	July 6	3.02	September 4 & 23, August 3
4 <sup>th</sup> Quarter	4.27	November 27	2.99	October 7-9

### Preferred Shares

#### *Series 2 Preferred Shares issued in 2014 (“Series 2 Shares”)*

On November 3, 2014, Petron issued and listed on the PSE 10 million cumulative, non-voting, non-participating, non-convertible peso-denominated perpetual preferred shares at an offer price of ₱1,000.00 per share. The preferred shares issue, which reached a total of ₱10 billion, was composed of Series 2A Preferred Shares amounting to ₱7.12 billion and the Series 2B Preferred Shares amounting to ₱2.88 billion.

The Series 2A Preferred Shares were redeemed by the Company on November 4, 2019.

The Series 2B Preferred Shares were redeemed by the Company on November 3, 2021.

#### Series 2B Preferred Shares

The high and low prices of the Series 2B preferred shares for each quarter of the last two (2) fiscal years until their redemption on November 3, 2021 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
<b>2021</b>				
1 <sup>st</sup> Quarter	1,051.00	January 25	1,001.00	January 5
2 <sup>nd</sup> Quarter	1,039.00	April 27; May 7, 11, 14, 17 & 18	1,020.00	April 7 & 8
3 <sup>rd</sup> Quarter	1,053.00	July 2	1,000.00	July 30; August 2 & 3
4 <sup>th</sup> Quarter	1,027.00	October 1	1,027.00	October 1
<b>2020</b>				
1 <sup>st</sup> Quarter	1,115.00	January 31	1,000.00	February 19
2 <sup>nd</sup> Quarter	1,040.00	May 26	990.00	April 2
3 <sup>rd</sup> Quarter	1,080.00	September 3, 14 & 15	1,001.00	September 17
4 <sup>th</sup> Quarter	1,054.00	October 5, 7 & 8	1,002.00	October 29 & December 9

#### *Series 3 Preferred Shares issued in 2014 (“Series 3 Shares”)*

On June 25, 2019, Petron issued and listed on the PSE 20 million cumulative, non-voting, non-participating, non-convertible peso-denominated perpetual preferred shares at an offer price of ₱1,000.00 per share. The preferred shares issue, which reached a total of ₱20 billion, was composed of Series 3A Preferred Shares amounting to ₱13.403 billion and the Series 3B Preferred Shares amounting to ₱6.597 billion.

The Series 3A Preferred Shares may be redeemed by the Company starting on 5.5th anniversary from the listing date. The Series 3B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date.

#### Series 3A Preferred Shares

The price of the Series 3A Preferred Shares as of March 21, 2022, the last day they traded prior to March 22, 2022, the record date for the Annual Stockholders’ Meeting, was ₱1,050.00 per share. The price of the Series 3A Preferred Shares on December 31, 2021, the last trading day of 2021, was ₱1,000.00 per share. And the price of the Series 3A Preferred Shares on December 29, 2020, the last trading day of 2020 the shares were traded was ₱1,010.00 per share.

The high and low prices of the Series 3A preferred shares for each quarter of the last two (2) fiscal years and for the period ended March 22, 2022 (the record date of the Annual Stockholders' Meeting) are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
<b>2022</b>				
For period ended March 22, 2022	1,080.00	March 14	1,040.00	January 12 & 25
<b>2021</b>				
1 <sup>st</sup> Quarter	1,019.00	March 8 & 22	1,061.00	March 19
2nd Quarter	1,119.00	April 22	1,068.00	April 6 & 14
3rd Quarter	1,135.00	September 30	1,045.00	September 16
4th Quarter	1,045.00	October 22	1,000.00	December 31
<b>2020</b>				
1 <sup>st</sup> Quarter	1,070.00	February 20 & 21	1,002.00	March 24 & 25
2nd Quarter	1,065.00	June 25	993.00	May 27
3rd Quarter	1,062.00	August 24	1,021.00	July 13
4th Quarter	1,072.00	December 16 & 17	1,010.00	December 29

#### Series 3B Preferred Shares

The price of the Series 3B Preferred Shares as of March 28, 2022, the last day they traded prior to March 22, 2022, the record date for the Annual Stockholders' Meeting, was ₱1,080.00 per share. The price of the Series 3B Preferred Shares on December 31, 2021, the last trading day of 2021, was ₱1,119.00 per share. And the price of the Series 3B Preferred Shares on December 29, 2020, the last trading day of 2020, was ₱1,114.00 per share.

The high and low prices of the Series 3B preferred shares for each quarter of the last two (2) fiscal years and for the period ended March 22, 2022 (the record date of the Annual Stockholders' Meeting) are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
<b>2022</b>				
For period ended March 22, 2022	1,140.00	January 18 & 19	1,052.00	January 31 & Feb 1
<b>2021</b>				
1 <sup>st</sup> Quarter	1,150.00	March 30	1,080.00	January 6 & 7
2nd Quarter	1,159.00	March 25 & June 25	1,120.00	June 29
3rd Quarter	1,170.00	July 9	1,102.00	July 29 & 30
4th Quarter	1,199.00	November 9	1,070.00	December 3

2020				
1 <sup>st</sup> Quarter	1,085.00	February 21	1,003.00	March 19
2nd Quarter	1,075.00	June 29 & 30	1,006.00	April 8 & 13
3rd Quarter	1,100.00	July 22, 23, 24 & 29	1,065.00	July 6 & 8
4th Quarter	1,119.00	December 17	1,075.00	October 1, 2, 5, 6, 7, 8, 9, 15, 22 & 26

- Holders

The lists of the top 20 stockholders of the common shares and preferred shares of the Company as of March 22, 2022 (the record date of the Annual Stockholders' Meeting) are as follows:

Common Shares

ssst823 2022-03-24 11:35:47 AM		Petron Corporation STOCK TRANSFER MODULE List of Stockholders As of Mar 22, 2022			PAGE
RANK	STOCKHOLDER NAME	Common	TOTAL SHARES	% OF O/S	
1	SEA REFINERY CORPORATION	4,696,885,564	4,696,885,564	50.099554 %	
2	PCD NOMINEE CORP. (FILIPINO)	1,854,435,077	1,854,435,077	19.780420 %	
3	SAN MIGUEL CORPORATION	1,702,870,560	1,702,870,560	18.163750 %	
4	PETRON CORPORATION EMPLOYEES RETIREMENT PLAN	459,156,097	459,156,097	4.897610 %	
5	PCD NOMINEE CORP. (NON-FILIPINO)	211,077,104	211,077,104	2.251464 %	
6	F. YAP SECURITIES INC.	15,704,918	15,704,918	0.167517 %	
7	ERNESTO CHUA CHIACO &/OR MARGARET SY CHUA CHIACO	6,000,000	6,000,000	0.063999 %	
8	SYSMART CORP.	4,000,000	4,000,000	0.042666 %	
9	MARGARET S. CHUACHIACO	3,900,000	3,900,000	0.041600 %	
10	MARY FELICCI B. ONGCHUAN	2,950,100	2,950,100	0.031467 %	
11	GENEVIEVE S. CHUACHIACO	2,735,000	2,735,000	0.029173 %	
12	ERNESSON S. CHUACHIACO	2,732,000	2,732,000	0.029141 %	
13	Q - TECH ALLIANCE HOLDINGS, INC.	2,648,500	2,648,500	0.028250 %	
14	GENEVIEVE S. CHUA CHIACO	2,490,000	2,490,000	0.026560 %	
15	BENEDICT CHUA CHIACO	2,365,000	2,365,000	0.025226 %	
16	ANTHONY CHUA CHIACO	2,008,000	2,008,000	0.021418 %	
17	MANUEL AWITEN DY	2,000,000	2,000,000	0.021333 %	
18	SHAHRAD RAHMANIFARD	2,000,000	2,000,000	0.021333 %	
19	KRISTINE CHUA CHIACO	1,956,000	1,956,000	0.020864 %	
20	CHING HAI GO &/OR MARTINA GO	1,500,000	1,500,000	0.016000 %	
		8,979,413,920	8,979,413,920	95.779348 %	
TOTAL NO. OF SHARES :		9,375,104,497			
TOTAL NO. OF DISTINCT STOCKHOLDERS :		144,650			
TOTAL NO. OF ACCOUNTS :		144,650			

Series 3A Shares

ssst823 Petron Corporation (PREFERRED) PAGE 1  
 2022-03-24 STOCK TRANSFER MODULE  
 11:20:12 AM List of Stockholders  
 As of Mar 22, 2022

RANK	STOCKHOLDER NAME	Preferred 3-A	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	13,336,710	13,336,710	99.505409 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	60,890	60,890	0.454301 %
3	MILA LEONINA DIAZ JUSTINIANO	2,000	2,000	0.014922 %
4	LUZ DELA CRUZ CANLAPAN	1,500	1,500	0.011192 %
5	CAROLINA N. DIONISIO	1,000	1,000	0.007461 %
6	ANA UY GAN OR ALBERT DAVID UY GAN, EDWIN FERDINAND UY GAN OR PHILIP BENJAMIN UY GAN	500	500	0.003731 %
7	ALMA FLORENCE A. LOGRONIO	300	300	0.002238 %
8	NSJS REALTY & DEVELOPMENT CORPORATION	50	50	0.000373 %
9	ENRICO DELA LLANA YUSINGCO	50	50	0.000373 %
		-----	-----	-----
		13,403,000	13,403,000	100.000000 %
		=====	=====	=====

TOTAL NO. OF SHARES : 13,403,000  
 TOTAL NO. OF DISTINCT STOCKHOLDERS : 9  
 TOTAL NO. OF ACCOUNTS : 9

Series 3B Shares

ssst823 Petron Corporation (PREFERRED) PAGE 1  
 2022-03-24 STOCK TRANSFER MODULE  
 11:24:24 AM List of Stockholders  
 As of Mar 22, 2022

RANK	STOCKHOLDER NAME	Preferred 3-B	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	6,523,360	6,523,360	98.883735 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	46,340	46,340	0.702441 %
3	CAN ASIA INC RETIREMENT PLAN	5,000	5,000	0.075792 %
4	SMHC MULTI-EMPLOYER RETIREMENT PLAN	5,000	5,000	0.075792 %
5	DISTILERIA BAGO INCORPORATED RETIREMENT PLAN	5,000	5,000	0.075792 %
6	JOIE TINSAY &/OR IRENE TINSAY	4,500	4,500	0.068213 %
7	G. D. TAN & CO. INC.	2,000	2,000	0.030317 %
8	ROMUALDO ESTACIO FRANCO OR VIRGINIA M. FRANCO	1,000	1,000	0.015158 %
9	AGNES LOGRONIO BANIQUED	1,000	1,000	0.015158 %
10	ANTONIO M. OSTREA	500	500	0.007579 %
11	ENRIQUE LL YUSINGCO	500	500	0.007579 %
12	CONCHITA PEREZ JAMORA	500	500	0.007579 %
13	ENRIQUE NOEL L YUSINGCO	500	500	0.007579 %
14	ENRIQUE MIGUEL L YUSINGCO	500	500	0.007579 %
15	MA. TERESA L YUSINGCO	500	500	0.007579 %
16	ANGELO DE GUZMAN MACABUHAY OR MARITESS SIGUA MACABUHAY	400	400	0.006063 %
17	MICHELLE MARIE Y. SAN JUAN	100	100	0.001516 %
18	JOSE MANUEL R. SAN JUAN	100	100	0.001516 %
19	HENRY P. YUSINGCO IV	100	100	0.001516 %
20	MYRA P. VILLANUEVA	60	60	0.000910 %
		-----	-----	-----
		6,596,960	6,596,960	99.999394 %
		=====	=====	=====

TOTAL NO. OF SHARES : 6,597,000  
 TOTAL NO. OF DISTINCT STOCKHOLDERS : 24  
 TOTAL NO. OF ACCOUNTS : 24

- Dividends

it is the policy of the Company under its Corporate Governance Manual to declare dividends when its retained earnings exceed 100% of its paid-in capital stock, except: (a) when justified by definite corporate expansion projects or programs approved by the Board, (b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent and such consent has not been secured, or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

On November 3, 2014, the Company issued 7,122,320 Series 2A Preferred Shares and 2,877,680 Series 2B Preferred Shares. The dividend on the Series 2A Preferred Shares was at the fixed rate of 6.30% per annum and on the Series 2B Preferred Shares was at the fixed rate of 6.8583% per annum, each as calculated based on the offer price of ₱1,000.00 per share on a 30/360-day basis and payable quarterly in arrears, when approved by the Board of Directors. If the dividend payment date was not a banking day, dividends were paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends were paid out on the Series 2 Shares since their listing in November 2014. The Series 2A Preferred Shares and the Series 2B Preferred Shares were redeemed on November 4, 2019 and November 3, 2021, respectively.

On June 25, 2019, the Company issued 13,403,000 Series 3A Preferred Shares and 6,596,900 Series 3B Preferred Shares. The dividend on the Series 3A Preferred Shares is at the fixed rate of 6.8713% per annum and on the Series 3B Preferred Shares at the fixed rate of 7.1383% per annum, each as calculated based on the offer price of ₱1,000.00 per share on a 30/360-day basis and 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. Cash dividends have been paid out on the Series 3 Shares since their listing in June 2019.

#### Dividend Declarations and Payments

##### **2021**

On March 9, 2021, the Board of Directors approved cash dividends of (i) ₱17.14575 per Series 2B Preferred Share to shareholders of such shares for the second quarter of 2021, with a record date of April 7, 2021 and a pay-out date of May 3, 2021; (ii) ₱17.17825 per Series 3A Preferred Share to shareholders of such shares for the second quarter of 2021, with a record date of June 2, 2021 and a pay-out date of June 25, 2021; and (iii) ₱17.84575 per Series 3B Preferred Share to shareholders of such shares for the second quarter of 2021, with a record date of June 2, 2021 and a pay-out date of June 25, 2021.

On May 4, 2021, the Board of Directors approved cash dividends of (i) ₱17.14575 per Series 2B Preferred Share to shareholders of such shares for the third quarter of 2021, with a record date of July 8, 2021 and a pay-out date of August 3, 2021; (ii) ₱17.17825 per Series 3A Preferred Share to shareholders of such shares for the third quarter of 2021, with a record date of September 2, 2021 and a pay-out date of September 27, 2021 (with September 25, 2021 falling on a Saturday); and (iii) ₱17.84575 per Series 3B Preferred Share to shareholders of such shares for the third quarter of 2021, with a record date of September 2, 2021 and a pay-out date of September 27, 2021 (with September 25, 2021 falling on a Saturday).

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

On November 9, 2021, the Board of Directors approved cash dividends of (i) ₱17.17825 per Series 3A Preferred Share to shareholders of such shares for the fourth quarter of 2021 and the first quarter of 2022, with a record date of March 3, 2022 and June 3, 2022, respectively; and a pay-out date of March 25, 2022 and June 27, 2022 (with June 25, 2022 falling on a Saturday); and (ii) ₱17.84575 per Series 3B Preferred Share to shareholders of such shares for the for the fourth quarter of 2021 and the first quarter of 2022, with a record date of March 3, 2022 and June 3, 2022, respectively; and a pay-out date of March 25, 2022 and June 27, 2022 (with June 25, 2022 falling on a Saturday).

## 2020

On March 10, 2020, the Board of Directors approved a cash dividend of ₱0.10 per share to all common shareholders with a record date of March 24, 2020 and a pay-out date of April 8, 2020.

On the same date, the Board of Directors also approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second quarter of 2020 with a record date of April 7, 2020 and a pay-out date of May 4, 2020 (with May 3 falling on a Sunday); (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2020, with a record date of June 1, 2020 and a pay-out date of June 25, 2020; and (iii) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2020, with a record date of June 1, 2020 and a pay-out date of June 25, 2020.

On May 26, 2020, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the third quarter of 2020 with a record date of July 9, 2020 and a pay-out date of August 3, 2020; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2020, with a record date of September 2, 2020 and a pay-out date of September 25, 2020; and (iii) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2020, with a record date of September 2, 2020 and a pay-out date of September 25, 2020.

On August 4, 2020, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2020 with a record date of October 9, 2020 and a pay-out date of November 3, 2020; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2020, with a record date of December 2, 2020 and a pay-out date of December 28, 2020; and (iii) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2020, with a record date of December 2, 2020 and a pay-out date of December 28, 2020.

On November 3, 2020, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the first quarter of 2021 with a record date of January 8, 2021 and a pay-out date of February 3, 2021; (ii) of ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2021, with a record date of March 2, 2021 and a pay-out date of March 25, 2021; and (iii) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2021, with a record date of March 2, 2021 and a pay-out date of March 25, 2021.

### Distributions

Under the terms and conditions of the undated unsubordinated capital securities issued by the Company on January 19, 2018 and April 19, 2021 (collectively, the “Capital Securities”), more particularly described below in “*Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction*,” the Company cannot declare dividends on any Junior Securities (as defined thereunder), which include any class of 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.

- Description of Petron’s Shares

The Company has an authorized capital stock of P10 billion divided into 9,375,104,497 common shares and 624,895,503 preferred shares, with a par value of P1 each. The outstanding shares of the Company are composed of 9,375,104,497 common shares, 13,403,000 Series 3A Preferred Shares, and 6,597,000 Series 3B Preferred Shares. The Company has 90,000,000 treasury shares.

The Series 2 Preferred Shares, with an aggregate issue value of P10 billion, were offered during the period October 20-24, 2014 pursuant to the order of registration and the permit to sell issued by the SEC on October 17, 2014. The Series 2 Preferred Shares were issued and listed on the PSE on November 3, 2014. The Series 2A Preferred Shares and the Series 2B Preferred Shares were redeemed by the Company on November 4, 2019 and November 3, 2021, respectively.

The Series 3 Preferred Shares, with an aggregate issue value of P20 billion, were offered during the period June 3-18, 2019 pursuant to the order of registration and the permit to sell issued by the SEC on May 31, 2019 and issued out of the treasury shares of the Company. The Series 3 Preferred Shares were issued and listed on the PSE on June 25, 2019.

The common shares of the Company are voting shares while preferred shares are generally non-voting, except in cases provided by law.

- 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.

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

Under the Code, 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 offered for the past three (3) years (from 2019) in the Philippines to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers or to any number of qualified buyers as defined in the Code. Thus, the offer and sale of the subject securities qualified as exempt transactions pursuant to Sections 10.1(k) and 10.1(l) of the Code. A confirmation of exemption from the SEC that the offer and sale of the securities in the Philippines qualified as an exempt transaction under the Code was not required to be, and had not been, obtained.

The securities discussed below were not registered with the SEC under the Code. Any future offer or sale thereof is subject to registration requirements under the Code, unless such offer or sale qualifies as an exempt transaction.

#### US\$500 Million Undated Unsubordinated Capital Securities

- a. On January 19, 2018, the Company issued US\$500 million undated unsubordinated capital securities (the “2018 Capital Securities”).
- b. The joint lead managers were Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation, Singapore Branch, Standard Chartered Bank, and UBS AG, Singapore Branch.
- c. The offer price for the 2018 Capital Securities was at 100%.
- d. As the 2018 Capital Securities were offered to qualified buyers in the Philippines, the issuance of such securities was considered an exempt transaction and no confirmation or notice of exemption from the registration requirements of the Code was required to be filed with the SEC pursuant to the Code and the 2015 SRC rules. The capital securities were listed with the Singapore Exchange Securities Trading Limited on January 22, 2018.

#### US Dollar Redeemable Perpetual Securities

- a. On November 27, 2019, June 22, 2020, and August 10, 2020, the Company issued redeemable perpetual securities (the “Redeemable Perpetual Securities”) to SMC in the amounts of US\$6 million, US\$130 million and US\$100 million, respectively.
- b. As the Redeemable Perpetual Securities were offered only to SMC, each issuance of such securities was considered an exempt transaction and no confirmation or notice of exemption from the registration requirements of the Code was required to be filed with the SEC pursuant to the Code and the 2015 SRC rules.

#### US\$550 Million Undated Unsubordinated Capital Securities

- a. On April 19, 2021, the Company issued US\$550 million undated unsubordinated capital securities (the “2021 Capital Securities”).
- b. The sole global coordinator for the transaction was The Hongkong and Shanghai Banking Corporation Limited and the joint lead managers were DBS Bank Ltd., HSBC, MUFG Securities Asia Limited, SMBC Nikko Capital Markets Limited, Standard Chartered Bank and UBS AG Singapore Branch.
- c. The offer price for the 2021 Capital Securities was at 100%.
- d. As the 2021 Capital Securities were offered to qualified buyers in the Philippines, the issuance of such securities was considered an exempt transaction and no confirmation or notice of exemption from the registration requirements of the Code was required to be

filed with the SEC pursuant to the Code and the 2015 SRC rules. The capital securities were listed with the Singapore Exchange Securities Trading Limited on April 20, 2021.

## (6) Corporate Governance

### Corporate Governance Manual

On May 8, 2017, the Board of Directors approved the new Corporate Governance Manual of the Company primarily based on the Code of Corporate Governance for Publicly-Listed Companies approved by the SEC pursuant to its Memorandum Circular No. 19 (2016) (the “Corporate Governance Manual”). A copy of the Corporate Governance Manual was submitted to the SEC on May 29, 2017.

### Various Corporate Policies

For the past years, the Company observed the *San Miguel Corporation and Subsidiaries Whistle-blowing Policy* for itself and its subsidiaries. On May 6, 2013, the Company, in its pursuit of further ensuring that its business is conducted in the highest standards of fairness, transparency, accountability and ethics as embodied in its Code of Conduct and Ethical Business Policy, adopted the *Petron Corporation and Subsidiaries Whistle-blowing Policy*. The *Petron Corporation and Subsidiaries Whistle-blowing Policy* provides for the procedures for the communication and investigation of concerns relating to accounting, internal accounting controls, auditing and financial reporting matters of the Company and its subsidiaries (the “Petron Group”). The policy expressly provides the commitment of the Company that it shall not tolerate retaliation in any form against a director, officer, employee or any the other interested party who, in good faith, raises a concern or reports a possible violation of the policy.

For the past years, the Company also observed the *San Miguel Corporation Policy on Dealings in Securities* for itself and its subsidiaries. On May 6, 2013, the Company likewise adopted the *Petron Corporation Policy on Dealings in Securities*. Under this policy, the directors, officers and employees of the Company are obliged to exercise extreme caution when dealing in the Company’s securities and ensure that such dealings comply with this policy and the requirements under the Securities Regulation Code (“SRC”). The policy sets out the conditions and rules under which the directors, officers and employees of the Company should deal in securities of the Company.

### Board Assessment and Summary of 2021 Assessment

In August 2013, the Board of Directors adopted a new format for the annual self-assessment by each director of his/her performance and that of the Board of Directors and the board committees.

The self-assessment forms covers the evaluation of the (1) fulfillment of the key responsibilities of the Board of Directors including the consideration of the interests of minority shareholders and stakeholders and their equitable treatment in its decision-making processes, the pursuit of good corporate governance, the establishment of a clear strategic direction for the Company designed to maximize long-term shareholder value, the review and approval of financial statements and budgets, and the appointment of directors who can add value and contribute independent judgment to the formulation of sound policies and strategies of the Company and officers who are competent and highly motivated; (2) relationship between the Board of Directors and the Management of the Company including having a clear understanding of where the role of the Board of Directors ends and where that of Management begins, the participation of the Board of Directors and the board committees in major business policies or decisions, the continuous interaction with Management for an understanding of the businesses better, and the consideration of the correlation between executive pay and Company performance; (3) effectiveness of board process and meetings through the adequacy of the frequency, duration and scheduling of board and committee meetings, the ability of the Board of Directors to balance and allocate its time effectively in discussing issues related to the Company’s strategy and competitiveness, the attendance at board and committee meetings and the conduct of meetings in a manner that ensures open communication, meaningful participation, and timely resolution of issues,

the wide and diverse range of expertise and occupational and personal backgrounds of the directors, and the institutionalization of a formal review process for monitoring the effectiveness of the Board of Directors and the individual directors; and (4) individual performance of the directors including a director's understanding of the mission, values and strategies of the Company, his/her duties as a director and the Company's Articles, the Company's By-Laws and governing policies and applicable law, rules and regulations, the attendance at meetings and the conscious effort to avoid entering into situations where a director may be placed in a conflict of interest with that of the Company.

All the 15 directors accomplished the annual self-assessment for 2021. The average self-rating by the Directors covering all four (4) topics discussed above was 4.73 (out of a possible 5.0), broken down as follows: (1) Fulfilment of Board Key Responsibilities - The ratings averaged 4.73 based on a series of nine (9) questions; (2) Board-Management Relationship - The ratings averaged 4.71 based on a series of four (4) questions; (3) Effectiveness of Board Processes and Meetings - The ratings averaged 4.71 based on a series of nine (9) questions; and (4) Individual Performance of Directors - The ratings averaged 4.79 based on a series of 10 questions.

#### Compliance with the Corporate Governance Manual

The Company is in material compliance with the provisions of the Corporate Governance Manual.

- Its directors possess all the qualifications and none of the disqualifications of a director under the Corporate Governance Manual, the Company's By-laws and applicable laws and regulations.
- The Company had three (3) independent directors (Retired Supreme Court Chief Justice Artemio V. Panganiban, Mr. Margarito B. Teves, and Mr. Carlos Jericho L. Petilla) and a Compliance Officer (Atty. Joel Angelo C. Cruz).
- The Company had a Lead Independent Director (Mr. Margarito B. Teves)
- The Company regularly held board meetings and board committee meetings, at which a quorum was always present.
- The Company conducted an orientation seminar on May 14, 2021 for Director John Paul S. Ang following his election as a director on March 9, 2021.
- The directors properly discharge their duties and responsibilities as directors and attended a corporate governance seminar.
- Each director accomplished a self-assessment form for 2021.
- The Company has an external auditor.
- The Company has an Internal Audit Department.
- The Company respects and observes the rights of its stockholders under applicable law.
- The Company is in material compliance with laws and regulations applicable to its business operations, including applicable accounting standards and disclosure requirements,

#### Pursuit of Corporate Governance

As above-discussed, the Company adopted on May 8, 2017 its new Corporate Governance Manual to align with the Code of Corporate Governance for Publicly Listed Company approved by the SEC and which took effect on January 1, 2017.

The Company is committed in pursuing good corporate governance by keeping abreast of new developments in and leading principles and practices on good corporate governance. The Company also continuously reviews its own policies and practices as it competes in a continually evolving business environment while taking into account the Company's corporate objectives and the best interests of its stakeholders and the Company.

To further instill good governance in the Company, the Company will continue to coordinate with accredited providers for the attendance of the directors and officers in more extensive corporate governance programs to keep them updated with the latest developments in and best practices on good corporate governance. The Office of the General Counsel and Corporate Secretary will also

continue to periodically release internal memoranda to explain and/or reiterate the Company's corporate governance practices and the latest good corporate governance practices in general.

Integrated Annual Corporate Governance Report (“I-ACGR”)

Other matters relating to the governance of the Company are discussed in the I-ACGR of the Company filed with the SEC and posted on the company website.

(7) Director Meeting and Corporate Governance Seminar Attendance

Meeting Attendance

The list of the directors of the Company and the directors' attendance at meetings held in 2021 are set out below.

Corporate Governance Seminar

All the directors of the Company (together with all its executive officers, the Assistant Corporate Secretary and the Internal Auditor) completed a corporate governance seminar for year 2021 conducted in accordance with SEC Memorandum Circular No. 20, Series of 2013.

Director's Name	February 16 Special Board Meeting	March 9 Regular Board Meeting	May 4 Regular Board Meeting	May 18 Annual Stockholders' Meeting	May 18 Organizational Board Meeting	August 3 Regular Board Meeting	November 9 Regular Board Meeting	Attendance at Corporate Governance Seminar in 2021
1. Ramon S. Ang	✓	✓	✓	✓	✓	✓	✓	✓
2. Lubin B. Nepomuceno	✓	✓	✓	✓	✓	✓	✓	✓
3. Estelito P. Mendoza	✓	✓	▼	✓	✓	✓	✓	✓
4. Jose P. De Jesus	✓	✓	✓	✓	✓	✓	✓	✓
5. Ron W. Haddock	✓	✓	✓	✓	✓	✓	✓	✓
6. Mirzan Mahathir	✓	✓	✓	✓	✓	✓	✓	✓
7. Aurora T. Calderon	✓	✓	✓	✓	✓	✓	✓	✓
8. Francis H. Jardeleza	✓	✓	✓	✓	✓	✓	✓	✓
9. Virgilio S. Jacinto	✓	✓	✓	✓	✓	✓	✓	✓
10. Nelly Favis-Villafuerte	✓	✓	✓	✓	✓	✓	✓	✓
11. Horacio C. Ramos	✓	✓	✓	✓	✓	✓	✓	✓
12. John Paul L. Ang*	N/A	N/A	✓	✓	✓	✓	✓	✓
13. Artemio V. Panganiban	✓	✓	✓	✓	✓	✓	✓	✓
14. Margarito B. Teves	✓	✓	✓	✓	✓	✓	✓	✓
15. Carlos Jericho L. Petilla	✓	✓	✓	✓	✓	✓	✓	✓

Legend: ✓ - Present      ▼ - Absent  
\* - Elected as Director at the March 9, 2021 Board Meeting

**2021 Audited Financial Statements  
(Petron & Subsidiaries)  
and Statement of Management's  
Responsibility for Financial Statements**

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**From:** noreply-cifssost@sec.gov.ph  
**Sent:** Friday, March 25, 2022 4:17 PM  
**Subject:** SEC CifSS-OST Initial Acceptance

You don't often get email from noreply-cifssost@sec.gov.ph. [Learn why this is important](#)

Greetings!

**SEC Registration No:** 0000031171  
**Company Name:** Petron Corporation  
**Document Code:** AFS

This serves as temporary receipt of your submission.  
Subject to verification of form and quality of files of the submitted report.  
Another email will be sent as proof of review and acceptance.

Thank you.

**SECURITIES AND EXCHANGE COMMISSION**  
Secretariat Building, PICC Complex,  
Roxas Boulevard, Pasay City,  
1307, Metro Manila, Philippines

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Petron Corporation and Its Subsidiaries** (collectively referred to as the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

A handwritten signature in blue ink, appearing to read "R. Ang", written over a horizontal line.

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

A handwritten signature in blue ink, appearing to read "Emmanuel E. Erana", written over a horizontal line. To the left of the signature is a small blue stamp or mark.

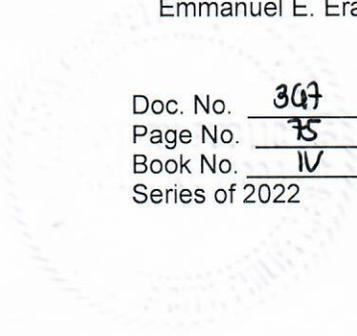
**EMMANUEL E. ERANA**  
Senior Vice President and Chief Finance Officer

Signed this 8th day of March 2022

**SUBSCRIBED AND SWORN TO** before me, a Notary Public for and in the City of Mandaluyong, Metro Manila, this MAR 08 2022, affiants being personally known to me and signed this instrument in my presence and avowed under penalty of law to the whole truth of contents thereof.

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

Doc. No. 307 ;  
Page No. 75 ;  
Book No. IV ;  
Series of 2022

  
**MARIA CRISSELDA N. TAMONDONG**  
Notary Public for Mandaluyong City  
40 San Miguel Avenue, 1550 Mandaluyong City  
Appointment No. 0582-21  
Until December 31, 2022  
Attorney's Roll No. 71094  
PTR No. 4896453/01-28-22/Mandaluyong  
IBP No. 184247/02-03-22/RSM  
MCLE Compliance No. VI-0023071/4-24-2019

# PETRON CORPORATION AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2021, 2020 and 2019**

With Independent Auditors' Report



R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## REPORT OF INDEPENDENT AUDITORS

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

### *Opinion*

We have audited the consolidated financial statements of Petron Corporation and Subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



### *Key Audit Matters*

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

#### *Revenue Recognition (P438,057 million)*

Refer to Note 3, *Significant Accounting Policies* and Note 38, *Segment Information* to the consolidated financial statements.

#### *The risk*

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

#### *Our response*

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

- We tested operating effectiveness of the key controls over revenue recognition. We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls between different information technology applications for the evaluation of relevant information technology systems and the design and operating effectiveness of controls over the recording of revenue transactions.
- We checked on a sampling basis, the sales transactions to the delivery documents for the year.
- We checked on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to the delivery documents to assess whether these transactions are recorded in the correct financial year.
- We tested journal entries posted to revenue accounts, including any unusual or irregular items.
- We tested credit notes recorded after the financial year to identify potential reversals of revenue which were inappropriately recognized in the current financial year.



*Valuation of Inventories (P67,684 million)*

Refer to Note 3, *Significant Accounting Policies*, Note 4, *Significant Accounting Judgments, Estimates and Assumptions* and Note 9, *Inventories* to the consolidated financial statements.

*The risk*

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

*Our response*

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

- We obtained and reviewed the calculation of write-down of the Group's raw materials and finished goods based on the net realizable values of finished goods at yearend.
- For raw materials, projected production yield was used to estimate the cost of conversion for the raw materials as at yearend. We assessed the projected yield by comparing it to the actual yield achieved from crude oil production runs during the year. We then compared the estimated costs of finished goods to the net realizable values to determine any potential write-down.
- For finished goods, we assessed the reasonableness of estimated selling prices by checking various products' sales invoices issued around and after yearend. Any write-down is computed based on the difference between the net realizable value and the cost of inventory held at yearend.

*Valuation of Goodwill (P8,235 million)*

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

*The risk*

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



#### *Our response*

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

- We tested the integrity of the discounted cash flow model used by the Group. This involved the review of component auditor's work and use of their own valuation specialist to assist in evaluating the models used and assumptions applied and comparing these assumptions to external data, where applicable. The key assumptions include sales volume, selling price and gross profit margin.
- We compared the Group's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost of inflation and discount rates, as well as performing break-even analysis on the assumptions.
- We also assessed the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation of goodwill.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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



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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

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

**R.G. MANABAT & CO.**

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8854088

Issued January 3, 2022 at Makati City

March 18, 2022

Makati City, Metro Manila

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Million Pesos)

		December 31	
	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5, 35, 36	<b>P36,406</b>	P27,053
Financial assets at fair value	6, 15, 35, 36	<b>1,005</b>	603
Investments in debt instruments	7, 35, 36	-	184
Trade and other receivables - net	4, 8, 29, 35, 36	<b>51,745</b>	27,195
Inventories - net	4, 9	<b>67,684</b>	44,922
Other current assets	15, 29	<b>31,195</b>	32,337
<b>Total Current Assets</b>		<b>188,035</b>	132,294
<b>Noncurrent Assets</b>			
Investments in debt instruments	7, 35, 36	-	197
Investment in shares of stock of an associate	2, 14	<b>1,012</b>	-
Property, plant and equipment - net	4, 10, 12, 38	<b>171,602</b>	168,831
Right-of-use assets - net	4, 11	<b>5,648</b>	6,045
Investment property - net	4, 10, 12	<b>29,175</b>	30,049
Deferred tax assets - net	4, 28	<b>2,172</b>	2,190
Goodwill - net	4, 13	<b>8,235</b>	8,031
Other noncurrent assets - net	4, 6, 15, 35, 36	<b>1,541</b>	2,088
<b>Total Noncurrent Assets</b>		<b>219,385</b>	217,431
		<b>P407,420</b>	P349,725
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term loans	16, 34, 35, 36	<b>P109,196</b>	P77,704
Liabilities for crude oil and petroleum products	17, 29, 32, 35, 36	<b>42,641</b>	22,320
Trade and other payables	18, 29, 31, 34, 35, 36, 40	<b>14,001</b>	15,402
Lease liabilities - current portion	4, 32, 34, 35	<b>1,335</b>	1,243
Derivative liabilities	35, 36	<b>997</b>	1,124
Income tax payable		<b>302</b>	162
Current portion of long-term debt - net	19, 34, 35, 36	<b>21,580</b>	31,114
<b>Total Current Liabilities</b>		<b>190,052</b>	149,069
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion	19, 34, 35, 36	<b>81,065</b>	88,340
Retirement benefits liability - net	31	<b>3,327</b>	3,705
Deferred tax liabilities - net	28	<b>3,784</b>	3,084
Lease liabilities - net of current portion	4, 32, 34, 35	<b>14,220</b>	14,561
Asset retirement obligation	4, 20	<b>2,857</b>	2,867
Other noncurrent liabilities	21, 35, 36	<b>1,202</b>	1,904
<b>Total Noncurrent Liabilities</b>		<b>106,455</b>	114,461
<b>Total Liabilities</b>		<b>296,507</b>	263,530

Forward

		<b>December 31</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
	22		
Capital stock		<b>P9,485</b>	P9,485
Additional paid-in capital		<b>37,500</b>	37,500
Capital securities		<b>62,712</b>	36,481
Retained earnings		<b>30,232</b>	29,799
Equity reserves		<b>(18,341)</b>	(18,371)
Treasury stock		<b>(18,000)</b>	(15,122)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>		<b>103,588</b>	79,772
<b>Non-controlling Interests</b>	13	<b>7,325</b>	6,423
<b>Total Equity</b>		<b>110,913</b>	86,195
		<b>P407,420</b>	P349,725

*See Notes to the Consolidated Financial Statements.*

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
(Amounts in Million Pesos, Except Per Share Data)

	<i>Note</i>	<b>2021</b>	2020	2019
<b>SALES</b>	29, 32, 38	<b>P438,057</b>	P286,033	P514,362
<b>COST OF GOODS SOLD</b>	23	<b>407,558</b>	277,320	483,855
<b>GROSS PROFIT</b>		<b>30,499</b>	8,713	30,507
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>	24	<b>(14,557)</b>	(14,389)	(15,815)
<b>OTHER OPERATING INCOME</b>	4, 30	<b>1,273</b>	1,047	1,507
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>	27, 38	<b>(10,008)</b>	(11,313)	(13,490)
<b>INTEREST INCOME</b>	27, 38	<b>564</b>	780	1,340
<b>SHARE IN NET INCOME OF AN ASSOCIATE</b>	14	<b>8</b>	-	-
<b>OTHER EXPENSES - Net</b>	27	<b>(482)</b>	(1,049)	(312)
		<b>(23,202)</b>	(24,924)	(26,770)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>7,297</b>	(16,211)	3,737
<b>INCOME TAX EXPENSE (BENEFIT)</b>	28, 37, 38	<b>1,161</b>	(4,798)	1,434
<b>NET INCOME (LOSS)</b>		<b>P6,136</b>	(P11,413)	P2,303
<b>Attributable to:</b>				
Equity holders of the Parent Company	33	<b>P5,369</b>	(P11,380)	P1,701
Non-controlling interests	13	<b>767</b>	(33)	602
		<b>P6,136</b>	(P11,413)	P2,303
<b>BASIC/DILUTED EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	33	<b>P0.05</b>	(P1.58)	(P0.17)

*See Notes to the Consolidated Financial Statements.*

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
(Amounts in Million Pesos)

	<i>Note</i>	<b>2021</b>	2020	2019
<b>NET INCOME (LOSS)</b>		<b>P6,136</b>	(P11,413)	P2,303
<b>OTHER COMPREHENSIVE LOSS</b>				
<i>Item that will not be reclassified to profit or loss</i>				
Equity reserve for retirement plan	31	<b>(597)</b>	(631)	(2,531)
Income tax benefit (expense)	28	<b>(213)</b>	191	751
		<b>(810)</b>	(440)	(1,780)
<i>Items that may be reclassified to profit or loss</i>				
Income (loss) on cash flow hedges	36	<b>202</b>	100	(208)
Exchange differences on translation of foreign operations		<b>880</b>	(1,330)	(1,133)
Unrealized fair value gains on investments in debt instruments at fair value through other comprehensive income	7	-	1	15
Share in other comprehensive income of a joint venture		-	10	-
Income tax benefit (expense)	28	<b>(65)</b>	(30)	58
		<b>1,017</b>	(1,249)	(1,268)
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax</b>		<b>207</b>	(1,689)	(3,048)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax</b>		<b>P6,343</b>	(P13,102)	(P745)
<b>Attributable to:</b>				
Equity holders of the Parent Company		<b>P5,399</b>	(P12,852)	(P1,167)
Non-controlling interests	13	<b>944</b>	(250)	422
		<b>P6,343</b>	(P13,102)	(P745)

See Notes to the Consolidated Financial Statements.

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
(Amounts in Million Pesos)

	Note	Equity Attributable to Equity Holders of the Parent Company									Non-controlling Interests	Total Equity	
		Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves			Treasury Stock			Total
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves					
<b>As of December 31, 2020</b>		<b>P9,485</b>	<b>P37,500</b>	<b>P36,481</b>	<b>P15,000</b>	<b>P14,799</b>	<b>(P5,148)</b>	<b>(P13,223)</b>	<b>(P15,122)</b>	<b>P79,772</b>	<b>P6,423</b>	<b>P86,195</b>	
Net income on cash flow hedges - net of tax	36	-	-	-	-	-	-	137	-	137	-	137	
Exchange differences on translation of foreign operations		-	-	-	-	-	-	707	-	707	173	880	
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(814)	-	-	(814)	4	(810)	
Other comprehensive income (loss)		-	-	-	-	-	(814)	844	-	30	177	207	
Net income for the year		-	-	-	-	5,369	-	-	-	5,369	767	6,136	
Total comprehensive income (loss) for the year		-	-	-	-	5,369	(814)	844	-	5,399	944	6,343	
Cash dividends	22	-	-	-	-	(1,899)	-	-	-	(1,899)	(42)	(1,941)	
Distributions paid	22	-	-	-	-	(3,037)	-	-	-	(3,037)	-	(3,037)	
Issuance of capital securities	22	-	-	26,231	-	-	-	-	-	26,231	-	26,231	
Redemption of preferred shares	22	-	-	-	-	-	-	-	(2,878)	(2,878)	-	(2,878)	
Appropriation of retained earnings	22	-	-	-	3	(3)	-	-	-	-	-	-	
Reversal of appropriation	22	-	-	-	(8,000)	8,000	-	-	-	-	-	-	
Transactions with owners		-	-	26,231	(7,997)	3,061	-	-	(2,878)	18,417	(42)	18,375	
<b>As of December 31, 2021</b>		<b>P9,485</b>	<b>P37,500</b>	<b>P62,712</b>	<b>P7,003</b>	<b>P23,229</b>	<b>(P5,962)</b>	<b>(P12,379)</b>	<b>(P18,000)</b>	<b>P103,588</b>	<b>P7,325</b>	<b>P110,913</b>	

Forward

	Equity Attributable to Equity Holders of the Parent Company												
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves			Treasury Stock	Total	Non-controlling Interests	Total Equity
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves					
As of December 31, 2019		P9,485	P37,500	P25,183	P15,000	P30,510	(P4,704)	(P12,195)	(P15,122)	P85,657	P6,773	P92,430	
Net income on cash flow hedges - net of tax	36	-	-	-	-	-	-	70	-	70	-	70	
Unrealized fair value losses on investments in debt instruments		-	-	-	-	-	-	1	-	1	-	1	
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(1,109)	-	(1,109)	(221)	(1,330)	
Share in other comprehensive income of a joint venture		-	-	-	-	-	-	10	-	10	-	10	
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(444)	-	-	(444)	4	(440)	
Other comprehensive loss		-	-	-	-	-	(444)	(1,028)	-	(1,472)	(217)	(1,689)	
Net loss for the year		-	-	-	-	(11,380)	-	-	-	(11,380)	(33)	(11,413)	
Total comprehensive loss for the year		-	-	-	-	(11,380)	(444)	(1,028)	-	(12,852)	(250)	(13,102)	
Cash dividends	22	-	-	-	-	(2,515)	-	-	-	(2,515)	(100)	(2,615)	
Distributions paid	22	-	-	-	-	(1,816)	-	-	-	(1,816)	-	(1,816)	
Issuance of redeemable perpetual securities	22	-	-	11,298	-	-	-	-	-	11,298	-	11,298	
Transactions with owners		-	-	11,298	-	(4,331)	-	-	-	6,967	(100)	6,867	
As of December 31, 2020		P9,485	P37,500	P36,481	P15,000	P14,799	(P5,148)	(P13,223)	(P15,122)	P79,772	P6,423	P86,195	

Forward

	Equity Attributable to Equity Holders of the Parent Company												
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves			Treasury Stock	Total	Non-controlling Interests	Total Equity
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves					
As of December 31, 2018		P9,485	P19,653	P24,881	P15,160	P34,331	(P2,940)	(P11,091)	(P10,000)	P79,479	P6,707	P86,186	
Adjustment due to adoption of Philippine Financial Reporting Standard (PFRS) 16	3	-	-	-	-	(1,461)	-	-	-	(1,461)	(178)	(1,639)	
As of January 1, 2019, as adjusted		9,485	19,653	24,881	15,160	32,870	(2,940)	(11,091)	(10,000)	78,018	6,529	84,547	
Net loss on cash flow hedges - net of tax	36	-	-	-	-	-	-	(145)	-	(145)	-	(145)	
Unrealized fair value losses on investments in debt instruments		-	-	-	-	-	-	10	-	10	-	10	
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(969)	-	(969)	(164)	(1,133)	
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(1,764)	-	-	(1,764)	(16)	(1,780)	
Other comprehensive loss		-	-	-	-	-	(1,764)	(1,104)	-	(2,868)	(180)	(3,048)	
Net income for the year		-	-	-	-	1,701	-	-	-	1,701	602	2,303	
Total comprehensive income (loss) for the year		-	-	-	-	1,701	(1,764)	(1,104)	-	(1,167)	422	(745)	
Cash dividends	22	-	-	-	-	(2,515)	-	-	-	(2,515)	(178)	(2,693)	
Distributions paid	22	-	-	-	-	(1,697)	-	-	-	(1,697)	-	(1,697)	
Issuance of preferred shares	22	-	17,847	-	-	-	-	-	2,000	19,847	-	19,847	
Redemption of preferred shares	22	-	-	-	-	-	-	-	(7,122)	(7,122)	-	(7,122)	
Issuance of redeemable perpetual securities	22	-	-	302	-	-	-	-	-	302	-	302	
Reversal of retained earnings appropriation	22	-	-	-	(160)	160	-	-	-	-	-	-	
Share issuance cost	13	-	-	-	-	(9)	-	-	-	(9)	-	(9)	
Transactions with owners		-	17,847	302	(160)	(4,061)	-	-	(5,122)	8,806	(178)	8,628	
As of December 31, 2019		P9,485	P37,500	P25,183	P15,000	P30,510	(P4,704)	(P12,195)	(P15,122)	P85,657	P6,773	P92,430	

See Notes to the Consolidated Financial Statements.

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
(Amounts in Million Pesos)

	<i>Note</i>	<b>2021</b>	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		<b>P7,297</b>	(P16,211)	P3,737
Adjustments for:				
Share in net income of an associate	14	<b>(8)</b>	-	-
Depreciation and amortization	26, 38	<b>9,848</b>	9,490	13,245
Interest expense and other financing charges	27, 38	<b>10,008</b>	11,313	13,490
Retirement benefits costs	31	<b>289</b>	289	70
Interest income	27	<b>(564)</b>	(780)	(1,340)
Unrealized foreign exchange losses (gains) - net		<b>2,811</b>	(2,308)	(2,573)
Other losses (gains) - net		<b>(1,228)</b>	(994)	139
Operating income before working capital changes		<b>28,453</b>	799	26,768
Changes in noncash assets, certain current liabilities and others	34	<b>(29,322)</b>	12,031	11,847
Cash generated from (used in) operations		<b>(869)</b>	12,830	38,615
Contribution to retirement fund	31	<b>(810)</b>	(315)	(940)
Interest paid		<b>(9,274)</b>	(10,758)	(12,722)
Income taxes paid		<b>(365)</b>	(110)	(949)
Interest received		<b>650</b>	886	1,358
Net cash flows provided by (used in) operating activities		<b>(10,668)</b>	2,533	25,362
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	10	<b>(9,195)</b>	(8,167)	(17,547)
Proceeds from sale of property and equipment		<b>131</b>	144	43
Acquisition of investment property	12	<b>(695)</b>	(591)	(2,466)
Proceeds from sale of investment property		-	-	116
Increase in other noncurrent assets		-	(43)	(582)
Proceeds from disposal (acquisition) of:				
Investment in subsidiary - net	13	-	181	-
Investments in debt instruments	7	-	39	(31)
Net cash flows used in investing activities		<b>(9,759)</b>	(8,437)	(20,467)

Forward

	<i>Note</i>	<b>2021</b>	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from availment of loans and bonds	34	<b>P227,057</b>	P151,408	P386,875
Payments of:				
Loans and bonds	34	<b>(215,431)</b>	(155,604)	(381,558)
Lease liabilities	30, 34	<b>(2,226)</b>	(2,361)	(1,128)
Cash dividends and distributions	22, 34	<b>(4,655)</b>	(4,423)	(4,100)
Issuance of preferred shares	22	-	-	19,847
Redemption of preferred shares	22	<b>(2,878)</b>	-	(7,122)
Issuance of capital securities	22	<b>26,231</b>	11,298	302
Net cash flows provided by financing activities		<b>28,098</b>	318	13,116
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		<b>1,682</b>	(1,579)	(1,198)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>9,353</b>	(7,165)	16,813
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>27,053</b>	34,218	17,405
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	5	<b>P36,406</b>	P27,053	P34,218

*See Notes to the Consolidated Financial Statements.*

## **PETRON CORPORATION AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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#### **1. Reporting Entity**

Petron Corporation (the “Parent Company” or “Petron”) was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. On September 13, 2013, the SEC approved the extension of the Parent Company’s corporate term to December 22, 2066. Under its Articles of Incorporation (AOI), the Parent Company’s has a corporate life of 50 years or for such longer period as may hereafter be authorized by the laws of the Philippines. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Parent Company shall have a perpetual existence because the Parent Company did not elect to retain its specific corporate term under its AOI.

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

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

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

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

Today, Petron is one of the leading oil companies in Malaysia with an integrated business which includes an 88,000 barrel-per-day refinery, 12 terminals and facilities, and a network of more than 720 service stations.

The Parent Company is a public company under Section 17.2 of Securities Regulation Code (SRC) and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE). As of December 31, 2021, the Parent Company's public float stood at 26.72%.

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

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

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## 2. Basis of Preparation

### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 8, 2022.

### Basis of Measurement

The consolidated financial statements of the Group have been prepared on the historical cost basis of accounting except for the following which are measured on an alternative basis at each reporting date:

<u>Items</u>	<u>Measurement Bases</u>
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Investments in debt instruments at fair value through other comprehensive income (FVOCI)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso is rounded off to the nearest million (P000,000), except when otherwise indicated.

### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. These subsidiaries are:

Name of Subsidiary	Percentage of Ownership		Country of Incorporation
	2021	2020	
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	<b>100.00</b>	100.00	Bermuda
Petrogen Insurance Corporation (Petrogen)*	-	100.00	Philippines
Petron Freeport Corporation (PFC)	<b>100.00</b>	100.00	Philippines
Petron Singapore Trading Pte., Ltd. (PSTPL)	<b>100.00</b>	100.00	Singapore
Petron Marketing Corporation (PMC)	<b>100.00</b>	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	<b>85.55</b>	85.55	Philippines
Petron Global Limited (PGL)	<b>100.00</b>	100.00	British Virgin Islands
Petron Finance (Labuan) Limited (PFL)	<b>100.00</b>	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd. (POGM) and Subsidiaries	<b>100.00</b>	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	<b>100.00</b>	100.00	Hong Kong

*\*Petrogen was deconsolidated on February 4, 2021 as a result of loss of control following the decrease in ownership interest from 100% to 25.06% with SMC's subscription to 1,494,973 shares of Petrogen (Note 14).*

Ovincor is engaged in the business of non-life insurance and re-insurance.

The primary purpose of PFC and PMC is to, among others, sell on wholesale or retail and operate service stations, retail outlets, restaurants, convenience stores and the like.

PSTPL's principal activities include those relating to the procurement of crude oil, ethanol, catalysts, additives, coal and various petroleum finished products; crude vessel chartering and commodity risk management.

NVRC's primary purpose is to acquire real estate and derive income from its sale or lease. As of December 31, 2021 and 2020, NVRC owns 100% of Las Lucas Construction and Development Corporation (LLCDC), Parkville Estates & Development Corporation (PEDC), South Luzon Prime Holdings, Inc. (SLPHI), Abreco Realty Corporation (ARC) and 60% of Mariveles Landco Corporation (MLC).

PGL is a holding company incorporated in the British Virgin Islands.

POGM is a holding company incorporated under the laws of Mauritius. POGM owns an offshore subsidiary Petron Oil and Gas International Sdn. Bhd. (POGI).

As of December 31, 2021 and 2020, POGI owns 73.4% of Petron Malaysia Refining & Marketing Bhd (PMRMB) and 100% of both Petron Fuel International Sdn Bhd (PFISB) and Petron Oil (M) Sdn Bhd (POMSB), collectively hereinafter referred to as "Petron Malaysia".

Petron Malaysia is involved in the refining and marketing of petroleum products in Malaysia.

PFL is a holding company incorporated under the laws of Labuan, Malaysia.

PAHL is a holding company incorporated in Hong Kong in March 2008. As of December 31, 2021 and 2020, PAHL owns 100% of Robinsons International Holdings Limited (RIHL) which owns 100% of Philippine Polypropylene, Inc. (PPI) and 40% of MLC.

A subsidiary is an entity controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of consolidated statements of income and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests represent the interests not held by the Parent Company in NVRC and PMRMB in 2021 and 2020.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in consolidated statements of income; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income (OCI) to consolidated statements of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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### 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

#### Adoption of New or Revised Standards, Amended to Standards and Interpretations

The Group has adopted the following new and amended standards and interpretations starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the new and amended standards and interpretations did not have a material effect on the Group's consolidated financial statements.

- Coronavirus Disease 2019 (COVID-19) - Related Rent Concessions (Amendments to PFRS 16, Leases). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:
  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before June 30, 2021; and
  - no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

#### Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

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

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

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

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

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

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

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

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

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards of which the following are applicable to the Group:
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.
  - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*. It applies to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

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

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:
  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
  - added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

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

In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft is due on March 21, 2022.

- Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

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

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, Making Materiality Judgments). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.
- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4 Insurance Contracts. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:
  - a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
  - b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
  - c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

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

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

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

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 Financial Instruments on or before the date of initial application of PFRS 17.

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

#### Financial Instruments

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

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

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

#### Financial Assets

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

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

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

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

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

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

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

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

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

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

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

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

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

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

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

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

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category.

#### Financial Liabilities

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

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

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

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

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

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

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

#### Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

#### Impairment of Financial Assets

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

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

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

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

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

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

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

- (b) a breach of contract, such as a default or past due event;
- (c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

#### Classification of Financial Instruments between Liability and Equity

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

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

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

### Offsetting Financial Instruments

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

### Derivative Financial Instruments and Hedge Accounting

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

### *Freestanding Derivatives*

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

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

*Cash Flow Hedge.* When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the “Hedging reserve” account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

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

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

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

The Group has outstanding derivatives accounted for as cash flow hedge as at December 31, 2021 and 2020 (Note 36).

#### *Embedded Derivatives*

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

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

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

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

The Group has embedded derivatives as at December 31, 2021 and 2020 (Note 36).

#### Inventories

Inventories are carried at the lower of cost and net realizable value (NRV). For petroleum products and crude oil, the NRV is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

For financial reporting purposes, the Group uses the first-in, first-out method in costing petroleum products and crude oil. Cost is determined using the moving-average method in costing lubes and greases, blending components, polypropylene, materials and supplies inventories. For income tax reporting purposes, cost of all inventories is determined using the moving-average method.

For financial reporting purposes, duties and taxes related to the acquisition of inventories are capitalized as part of inventory cost. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

#### Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the consolidated statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

#### Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination*

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

▪ *Intangible Assets Acquired in a Business Combination*

The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations under Common Control

The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

#### Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

#### Investments in Shares of Stock of Associates and Joint Ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in shares of stock of an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of an associate or joint venture is recognized as "Share in net income of an associate and joint venture" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income of an associate and joint venture" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in the shares of stock of an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in shares of stock of an associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate or joint venture and then recognizes the loss as part of "Share in net income of an associate and joint venture" account in the consolidated statements of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in an associate or joint venture upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group's 25.06% interest in Petrogen, accounted for as an investment in an associate, 33.33% joint venture interest in Pandacan Depot Services, Inc. (PDSI) and 50.00% joint venture interest in Terminal Bersama Sdn Bhd (TBSB), included under "Other noncurrent assets - net" account in the consolidated statements of financial position, are accounted for under the equity method of accounting. The investment in associate and interest in joint ventures is carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net income (loss) of the joint ventures, less any impairment in value. The consolidated statements of income reflect the Group's share in the results of operations of joint ventures presented as part of "Other expenses - Net" account. As of December 31, 2021, the Group has capital commitments amounting to P1.5 and nil for TBSB and PDSI, respectively. The Group has no contingent liabilities in relation to its interest in these associate and joint ventures.

Results of operations as well as financial position balances of PDSI and TBSB were less than 1% of the consolidated balances of the Group and as such are assessed as not material; hence, not separately disclosed.

#### Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

For financial reporting purposes, depreciation for property, plant and equipment other than those assets used in production such as refinery and plant equipment, which commences when the assets are available for its intended use, are computed using the straight-line method. Effective January 1, 2020, depreciation of refinery and plant equipment used in production is computed based on the unit of production method (UPM) which considers the expected capacity over the estimated useful lives of these assets. The estimated useful lives of the assets are as follows:

	Number of Years
Buildings and improvements and related facilities	7 - 50
Refinery and plant equipment	4 - 35
Service stations and other equipment	3 - 33
Computers, office and motor equipment	2 - 20
Land and leasehold improvements	10- 12 or the term of the lease, whichever is shorter

For financial reporting purposes, duties and taxes related to the acquisition of property, plant and equipment are capitalized. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

For income tax reporting purposes, depreciation are computed using the double-declining balance method.

The remaining useful lives, residual values, and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

#### Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and
- the Group has the right to direct the use of the identified asset.

#### *Group as a Lessee*

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in the consolidated statements of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets, including pallets and computer equipment. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

The Group has applied COVID-19-Related Rent Concessions. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

#### *Group as a Lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group identified the use of loaned equipment related to the sale of goods to be accounted for under PFRS 16. The Group provides equipment such as pumps, tanks, signage and other ancillary equipment necessary for the operation of the business. These are loaned to the customers for the duration of the contract for the sole purpose of storing, handling and selling products and shall, at all times, remain the property of Petron. The Group allocates portion of the revenue to the use of loaned equipment and presented as part of "Net sales" in the consolidated statements of income based on adjusted market assessment approach. Lease revenue from the use of loaned equipment is contingent to, and recognized at the same time as, the sale of goods.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

### Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. Cost also includes any related asset retirement obligation (ARO), if any. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation, which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Buildings and improvements	7 - 50
Land and leasehold improvements	10 or the term of the lease, whichever is shorter

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statements of income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and amortization method used for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of the other intangible assets with finite lives:

	Number of Years
Software	5 - 7
Franchise fee	3 - 10
Other intangibles	10 - 16

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

As of December 31, 2021 and 2020, the Group has existing and pending trademark registration for its products for a term of 10 to 20 years. It also has copyrights for its 7-kg LPG container, Gasulito with stylized letter "P" and two flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs and Malaysian Card Designs, and Petron font. Copyrights endure during the lifetime of the creator and for another 50 years after creator's death.

The amount of intangible assets is included as part of "Other noncurrent assets - net" in the consolidated statements of financial position.

Expenses incurred for research and development of internal projects and internally developed patents and copyrights are expensed as incurred and are part of "Selling and administrative expenses" account in the consolidated statements of income.

#### Asset Held for Sale

The Group classifies assets as held for sale, if their carrying amounts will be recovered primarily through sale rather than through continuing use. The assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

The criteria for held for sale is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes will be made or that the decision on sale will be withdrawn. Management must be committed to the sale within one year from date of classification.

Equity accounting of equity-accounted investees ceases once classified as held for sale.

Assets held for sale are presented under "Other current assets" account in the consolidated statements of financial position.

### Impairment of Nonfinancial Assets

The carrying amounts of property, plant and equipment, right-of-use assets, investment property, intangible assets with finite useful lives, investment in shares of stock of an associate and interest in joint ventures are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

### Cylinder Deposits

The Group purchases LPG cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to about 90% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of all its dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under "Other noncurrent liabilities" account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in the consolidated statements of income.

### Fair Value Measurements

The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

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

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

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

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

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

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

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

#### Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

The Group recognizes provisions arising from legal and/or constructive obligations associated with the cost of dismantling and removing an item of property, plant and equipment and restoring the site where it is located, the obligation for which the Group incurs either when the asset is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during the year.

#### Capital Stock

*Common Shares.* Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

*Preferred Shares.* Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Parent Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

#### Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

#### Capital Securities

*Senior Perpetual Capital Securities (SPCS) and Redeemable Perpetual Securities (RPS)* are classified as equity instruments in the consolidated financial statements since these securities are perpetual securities in respect of which there is no fixed redemption date and the redemption is at the option of the Group. Also, the Group has the sole and absolute discretion to defer payment of any or all of the distribution (Note 22).

Incremental costs directly attributable to the issuance of capital securities are recognized as a deduction from equity, net of tax. The proceeds received net of any directly attributable transaction costs are credited to capital securities.

#### Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

#### Equity Reserve

The equity reserve includes the effect of transactions with non-controlling interests and equity adjustments.

#### Translation Reserve

The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### Reserve for Retirement Plan

The reserve for retirement plan represents re-measurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest).

#### Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

The hedging reserve also includes cost of hedging which reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts, time value of options and foreign currency basis spread which are initially recorded in other comprehensive income.

#### Treasury Stock

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

#### Revenue

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

*Sale of Goods.* Revenue is recognized at the point in time when control of petroleum and related products is transferred to the customer, which is normally upon delivery of the goods. The Group provides trade discounts and volume rebates to certain customers based on the level of their purchases which may be applied against the amount of their existing or future payables to the Group. Trade discounts and volume rebates do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each month. The general payment terms with customers are combination of prepayments and credit terms on an average of 45 days from invoice date.

The Group identified several performance obligations related to the sale of goods and accounted for them separately:

- *Provisions of Technical Support.* The Group provides technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs. Revenue is recognized over time upon rendering of services to the customer. The Group allocates portion of the revenue to the technical support based on expected cost plus a margin approach.
- *Consumer Loyalty Program.* The Group has Consumer Loyalty Programs which allows customers to accumulate points when they purchase products at participating service stations. These points can be redeemed for Group's products, rewards, discounts and other privileges from partner merchants. Revenue is allocated between the goods sold and the points issued that are expected to be redeemed. This allocation is based on the relative stand-alone selling price of the points. A deferred liability account is set up for these points. The liability will be reversed when the Group has fulfilled its obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The deferred liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

*Service Income.* Revenue is recognized over time when the performance of contractually agreed task has been rendered and control over the services has been transferred to the customer. General payment terms is on an average of 45 days from invoice date.

Other sources of revenue are as follows:

*Interest Income.* Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

*Dividend Income.* Dividend income is recognized when the Group's right to receive the payment is established.

*Rent Income.* Rent income from operating leases (net of any incentives given to the lessees), other than from the use of loaned equipment, is recognized on a straight-line basis over the lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

*Gain or Loss on Sale of Investments in Shares of Stock.* Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any

*Other Income.* Other income is recognized when there is incidental economic benefit, other than the usual business operations, that will flow to the Group and that can be measured reliably.

#### Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

#### Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### Employee Benefits

*Short-term Employee Benefits.* Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Retirement Benefits Costs and Other Employee Benefit Costs.* Petron has a tax qualified and funded defined benefit pension plan covering all permanent, regular, full-time employees administered by trustee banks. Some of its subsidiaries have separate unfunded, noncontributory, retirement plans.

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in OCI. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset;
- Remeasurements of defined benefit retirement liability or asset; and
- Settlement gain or loss, if any.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

Settlement gain or loss pertains to the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement. Any gain or loss on settlement is recognized as income or expense in the consolidated statements of income.

The Group also provides other benefits to its employees as follows:

*Corporate Performance Incentive Program.* The Group has a corporate performance incentive program that aims to provide financial incentives for the employees, contingent on the achievement of the Group's annual business goals and objectives. The Group recognizes achievement of its business goals through key performance indicators (KPIs) which are used to evaluate performance of the organization. The Group recognizes the related expense when the KPIs are met, that is when the Group is contractually obliged to pay the benefits.

*Savings Plan.* The Group established a Savings Plan wherein eligible employees may apply for membership and have the option to contribute 5% to 15% of their monthly base pay. The Group, in turn, contributes an amount equivalent to 50% of the employee-member's contribution. However, the Group's 50% share applies only to a maximum of 10% of the employee-member's contribution. The Savings Plan aims to supplement benefits upon employees' retirement and to encourage employee-members to save a portion of their earnings. The Group accounts for this benefit as a defined contribution pension plan and recognizes a liability and an expense for this plan as the expenses for its contribution fall due. The Group has no legal or constructive obligations to pay further contributions after payments of the equivalent employer-share. The accumulated savings of the employees plus the Group's share, including earnings, will be paid in the event of the employee's: (a) retirement, (b) resignation after completing at least five years of continuous services, (c) death, or (d) involuntary separation not for cause.

*Land/Home Ownership Plan.* The Group established the Land/Home Ownership Plan, an integral part of the Savings Plan, to extend a one-time financial assistance to Savings Plan members in securing housing loans for residential purposes.

#### Foreign Currency

*Foreign Currency Translations.* Transactions in foreign currencies are initially recorded in the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of financial assets at FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

*Foreign Operations.* The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in OCI and presented in the "Other reserves" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in share of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in OCI, and presented in the "Other reserves" account in the consolidated statements of changes in equity.

## Taxes

*Current Tax.* Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in consolidated statements of income. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

*Deferred Tax.* Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-added Tax (VAT)*. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Trade and other payables" accounts in the consolidated statements of financial position.

#### Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

#### Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of capital securities, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

#### Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 38 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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## **4. Use of Judgments, Estimates and Assumptions**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*Determining Functional Currency.* The Parent Company has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Parent Company operates. It is the currency that mainly influences the sales price of goods and services and the costs of providing these goods and services.

*Identification of Distinct Performance Obligation.* The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of petroleum products such as the provision of technical support and consumer loyalty program and allocates the transaction price into these several performance obligations.

*Determining whether a Contract Contains a Lease.* The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

*Operating Lease Commitments - Group as Lessor.* The Group has entered into various lease agreements as lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases.

Rent income recognized as “Other operating income” in the consolidated statements of income amounted to P1,273, P1,047 and P1,507 in 2021, 2020 and 2019, respectively. Rent income recognized as part of “Other expenses - net” account in the consolidated statements of comprehensive income amounted to P63 each in 2021, 2020 and 2019 (Note 27). Revenues from the customers’ use of loaned equipment amounted to P1,153, P1,150 and P1,100 in 2021, 2020 and 2019, respectively (Note 38).

*Estimating the Incremental Borrowing Rate.* The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgement estimates.

*Determining the Lease Term of Contracts with Renewal Options - Group as Lessee.* The Group determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

*Determining Whether the Group is acting as a Principal or Agent in a Revenue Transaction.* The determination whether the Group is a principal or agent in a contract is made by identifying each specified goods or services promised to the customers in the contract and evaluating whether the Group obtains control of the specified goods and services before it is transferred to the customer.

For the sale of petroleum products to dealers, the Group transfers the control of the goods upon delivery, hence, the Group has determined that it is acting as principal in the sales transactions with dealers. The dealers are likewise acting as principal in the sales transactions to end consumers on the basis of the following: (a) the dealers have the primary responsibility to provide specified goods to the end consumers; (b) the dealers bear inventory risk before the goods are transferred to end consumers; and (c) the dealers have discretion to establish prices for specified goods.

For the Group's fleet card transactions, the Group has likewise determined that it is acting as principal in the sales transactions with the customers since the Group has the primary responsibility for providing goods purchased through fleet cards and the Group has discretion to establish prices for specified goods in a fleet card transaction.

*Classification of Financial Instruments.* The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 36.

*Evaluating Control or Significant Influence over its Investees.* Determining whether the Group has control or significant influence in an investee requires significant judgment. The Group has assessed it has lost its control over Petrogen upon the decrease in ownership interest from 100% to 25.06% in 2021. The Group has no longer the power, in practice, to govern the financial and operating policies of Petrogen, to appoint or remove the majority of the members of the BOD of Petrogen and to cast majority votes at meetings of the BOD of Petrogen. However, the Group has determined that it exercises significant influence over Petrogen by virtue of its representation in the BOD of Petrogen (Note 14).

*Distinction Between Property, Plant and Equipment and Investment Property.* The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

*Determining Impairment Indicators of Other Non-financial Assets.* PFRS requires that an impairment review be performed on property, plant and equipment, investment in shares of stock of an associate and interest in joint ventures, investment property and intangible assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on financial performance.

*Taxes.* Significant judgment is required in determining current and deferred tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax expenses in the year in which such determination is made.

In the determination of the Group's current taxable income, entities within the Group has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. Entities within the Group, at each taxable year from the effectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year. For 2021, 2020 and 2019, majority of the entities within the Group opted to continue claiming itemized standard deductions except for Petrogen and certain subsidiaries of NVRC such as LLCDC, MLC, SLPHI, ARC and PEDC, as they opted to apply OSD (Note 28).

*Contingencies.* The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings.

#### Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

*Assessment for ECL on Trade and Other Receivables.* The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience show significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate.

The Group has assessed that the forward-looking default rate component of its ECL on trade and other receivables is not material because substantial amount of receivables are normally collected within one year. Moreover, based on Management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Impairment losses on trade and other receivables amounted to P28, P67 and P294 in 2021, 2020 and 2019 respectively (Notes 8, 24 and 27). Receivables written-off amounted to P6 in 2021, P8 in 2020 and P375 in 2019 (Note 8).

The carrying amount of trade and other receivables amounted to P51,745 and P27,195 as of December 31, 2021 and 2020, respectively (Note 8).

*Assessment for ECL on Other Financial Assets at Amortized Cost.* The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks, the Government of the Philippines and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2021 and 2020. The carrying amounts of other financial assets at amortized cost are as follows:

	<b>Note</b>	<b>2021</b>	2020
Cash in banks and cash equivalents	5	<b>P35,318</b>	P25,970
Investments in debt instruments	7	-	255
Noncurrent deposits	15	<b>128</b>	121
		<b>P35,446</b>	P26,346

*Net Realizable Values of Inventories.* In determining the NRV of inventories, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amount of inventories of P67,684 and P44,922 as of the end of 2021 and 2020, respectively (Note 9), is affected by price changes in different market segments for crude and petroleum products. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

The Group recognized loss on inventory write-down amounting to P37 in 2021, nil in 2020 and P564 in 2019 (Note 9).

*Allowance for Inventory Obsolescence.* The allowance for inventory obsolescence consists of collective and specific valuation allowance. A collective valuation allowance is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for inventory obsolescence is made. Review of allowance is done every quarter, while a revised set-up or booking is posted at the end of the year based on evaluations or recommendations of the proponents. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In 2021, 2020 and 2019, the Group provided an additional loss on inventory obsolescence amounting to nil, P73, and P31, respectively (Note 9).

*Fair Value Measurements.* A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 36.

*Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Asset, Investment Property and Intangible Assets with Finite Useful Lives.* The Group estimates the useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives would increase recorded cost of goods sold and selling and administrative expenses and decrease noncurrent assets.

Except for refinery and plant equipment used in production, there is no change in estimated useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on management's review at the reporting date.

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

Property, plant and equipment, net of accumulated depreciation, amounted to P171,602 and P168,831 as of December 31, 2021 and 2020, respectively. Accumulated depreciation of property, plant and equipment, amounted to P106,424 and P98,902 as of December 31, 2021 and 2020, respectively (Note 10).

Right-of-use assets, net of accumulated depreciation, amounted to P5,648 and P6,045 as of December 31, 2021 and 2020, respectively. Accumulated depreciation of right-of-use asset amounted to P1,728 and P1,639 at December 31, 2021 and 2020, respectively (Note 11).

Investment property, net of accumulated depreciation, amounted to P29,175 and P30,049 as of December 31, 2021 and 2020, respectively. Accumulated depreciation of investment property amounted to P17,852 and P15,345 at December 31, 2021 and 2020, respectively (Note 12).

Intangible assets with finite useful lives, net of accumulated amortization, amounted to P139 and P138 as of December 31, 2021 and 2020, respectively (Note 15). Accumulated amortization of Intangible assets with finite useful lives amounted to P708 and P662 at December 31, 2021 and 2020, respectively.

*Fair Value of Investment Property.* The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be sold or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering: (a) the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation; or (b) the depreciated replacement cost of the asset, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Estimated fair values of investment property amounted to P43,119 and P42,460 respectively as of December 31, 2021 and 2020 (Note 12).

*Impairment of Goodwill.* The Group determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The recoverable amount of goodwill arising from the acquisition of Petron Malaysia has been determined based on the value in use using discounted cash flows (DCF). Assumptions used in the DCF include terminal growth rate of 3% in 2021 and 2020 and discount rates of 7.7% and 6.3% in 2021 and 2020, respectively (Note 13).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

No impairment losses were recognized in 2021, 2020 and 2019 in relation to the goodwill arising from the acquisition of Petron Malaysia which accounts for almost 99% of goodwill in the consolidated statements of financial position as of December 31, 2021 and 2020.

*Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carry forward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P2,172 and P2,190 as of December 31, 2021 and 2020, respectively (Note 28).

*Present Value of Defined Benefit Retirement Obligation.* The present value of defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 31 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liabilities. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement benefits liability.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement benefits liability.

Retirement benefits costs recognized in the consolidated statements of income amounted to P434, P430 and P196 in 2021, 2020 and 2019, respectively. Remeasurement losses of the net defined retirement obligation recognized in OCI amounted to P597, P631 and P2,531 in 2021, 2020 and 2019, respectively. The retirement benefits liability amounted to P3,459, and P3,808 as of December 31, 2021 and 2020, respectively (Note 31).

*Asset Retirement Obligation (ARO).* The Group has ARO arising from the refinery, leased service stations, terminals and blending plant. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of ARO based on the dismantling costs as estimated by the operating unit responsible for the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 1.85% to 6.83% depending on the life of the capitalized costs. The Group also conducts periodic review of the estimates of dismantling costs to consider actual expenses incurred during the actual retirement of assets and uses this as input in determining future liability. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P2,877 and P2,867 as of December 31, 2021 and 2020, respectively (Note 20).

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## 5. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	<b>2021</b>	2020
Cash on hand		<b>P1,088</b>	P1,083
Cash in banks		<b>8,972</b>	4,253
Short-term placements		<b>26,346</b>	21,717
	35, 36	<b>P36,406</b>	P27,053

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Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term placement rates ranging from 0.01% to 2.75% in 2021, 0.01% to 5.75% in 2020 and 0.13% to 6.25% in 2019 (Note 27).

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## 6. Financial Assets at Fair Value

This account consists of:

	<i>Note</i>	<b>2021</b>	2020
Proprietary membership shares		<b>P298</b>	P275
Derivative assets not designated as cash flow hedge		<b>687</b>	322
Derivative assets designated as cash flow hedge		<b>53</b>	12
	35, 36	<b>1,038</b>	609
Less noncurrent portion	15	<b>33</b>	6
		<b>P1,005</b>	P603

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The fair values presented have been determined directly by reference to published market prices, except for derivative assets which are based on inputs other than quoted prices that are observable (Note 36).

The noncurrent portion pertains to derivative assets designated as cash flow hedge due after 12 months, which is included in "Other noncurrent assets - net" account in the consolidated statements of financial position (Note 15).

Changes in fair value of assets at FVPL recognized in the consolidated statements of income in 2021, 2020 and 2019 amounted to P23, (P9) and P30, respectively (Note 27) while changes in fair value of derivative assets designated as cash flow hedge were recognized in OCI.

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## 7. Investments in Debt Instruments

This account consists of:

	<i>Note</i>	<b>2021</b>	2020
Government securities		<b>P -</b>	P225
Other debt instruments		<b>-</b>	156
	14, 35, 36	<b>-</b>	381
Less current portion		<b>-</b>	184
		<b>P -</b>	P197

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Petrogen's government securities are deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors. These investments bear fixed annual interest rates ranging from 1.78% to 7.02% in 2020 (Note 27).

The breakdown of investments in debt instruments by contractual maturity dates as of December 31 are as follows:

	<b>Note</b>	<b>2021</b>	2020
Due in one year or less		<b>P -</b>	P184
Due after one year through six years		-	197
	<i>14, 35, 36</i>	<b>P -</b>	P381

The breakdown of investments in debt instruments by classification and measurement as of December 31 follows:

	<b>Note</b>	<b>2021</b>	2020
Financial assets at amortized cost		<b>P -</b>	P255
Financial assets at FVOCI		-	126
	<i>14, 35, 36</i>	<b>P -</b>	P381

The reconciliation of the carrying amounts of investments in debt instruments as of December 31 follows:

	<b>Note</b>	<b>2021</b>	2020
<b>Financial Assets at FVOCI</b>			
Balance as of January 1		<b>P126</b>	P163
Disposals*		<b>(126)</b>	(37)
Amortization of premium		-	(1)
Unrealized fair value gains		-	1
Balance as of December 31		-	126
<b>Financial Assets at Amortized Cost</b>			
Balance as of January 1		<b>255</b>	257
Additions		-	69
Disposals*		<b>(255)</b>	(71)
Balance as of December 31		-	255
	<i>14, 35, 36</i>	<b>P -</b>	P381

\*Disposal in 2021 was due to deconsolidation of Petrogen (see Note 14).

## 8. Trade and Other Receivables

This account consists of:

	<b>Note</b>	<b>2021</b>	2020
Trade	35	<b>P32,705</b>	P19,372
Related parties - trade	29, 35	<b>2,684</b>	932
Allowance for impairment loss on trade receivables		<b>(839)</b>	(823)
		<b>34,550</b>	19,481
Government		<b>14,853</b>	5,292
Related parties - non-trade	29	<b>1,193</b>	1,636
Others		<b>1,338</b>	958
Allowance for impairment loss on non-trade receivables		<b>(189)</b>	(172)
		<b>17,195</b>	7,714
	<i>35, 36</i>	<b>P51,745</b>	P27,195

Trade receivables are non-interest bearing and are generally on a 45-day average term. Penalties are charged when the account becomes overdue.

Government receivables pertain to duty drawback, VAT and specific tax claims as well as subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism. The amount includes receivables over 30 days but less than one year amounting to P13,273 and P482 as of December 31, 2021 and 2020, respectively. The filing and the collection of claims is a continuous process and is closely monitored.

Related parties - non-trade consists of advances made by the Parent Company to Petron Corporation Employee Retirement Plan (PCERP) and other receivables from SMC and its subsidiaries.

Others mainly consist of receivables from various non-trade customers and counterparties for matured hedging transactions.

A reconciliation of the allowance for impairment losses at the beginning and end of 2021 and 2020 is shown below:

	<i>Note</i>	<b>2021</b>	2020
Balance at beginning of year		<b>P1,302</b>	P1,260
Additions	24	<b>28</b>	67
Write off	4	<b>(6)</b>	(8)
Reversal/reclassifications		<b>3</b>	-
Currency translation adjustment		<b>16</b>	(17)
Balance at end of year		<b>1,343</b>	1,302
Less noncurrent portion for long-term receivables	35	<b>315</b>	307
		<b>P1,028</b>	P995

The Group computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience over the past three years. Economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of the impact of future economic conditions, if any, over the expected lives of the trade and other receivables are also considered.

Trade accounts receivable written-off amounting to P6 and P8 in 2021 and 2020, respectively, pertained to long outstanding, uncollectible accounts which were previously provided with allowance.

The following table provides information about the exposure to credit risk and ECL of trade and other receivables as of December 31, 2021 and 2020:

	<b>Weighted Average Loss Rate</b>	<b>Gross Carrying Amount</b>	<b>ECL</b>
<b>December 31, 2021</b>			
Retail	<b>2.46%</b>	<b>P4,470</b>	<b>P110</b>
Lubes	<b>1.24%</b>	<b>646</b>	<b>8</b>
Gasul	<b>4.47%</b>	<b>1,186</b>	<b>53</b>
Industrial	<b>2.08%</b>	<b>17,104</b>	<b>355</b>
Others	<b>1.71%</b>	<b>29,367</b>	<b>502</b>
		<b>P52,773</b>	<b>P1,028</b>

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2020			
Retail	2.62%	P4,350	P114
Lubes	0.16%	621	1
Gasul	6.96%	790	55
Industrial	3.99%	7,760	310
Others	3.51%	14,669	515
		P28,190	P995

## 9. Inventories

This account consists of:

	2021	2020
Crude oil and others	<b>P32,573</b>	P17,433
Petroleum	<b>26,168</b>	19,414
Materials and supplies	<b>5,458</b>	5,503
Lubes, greases and aftermarket specialties	<b>3,485</b>	2,572
	<b>P67,684</b>	P44,922

The cost of these inventories amounted to P68,291 and P45,535 as of December 31, 2021 and 2020, respectively.

If the Group had used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other products would have increased by P994 and P142 as of December 31, 2021 and 2020, respectively.

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P390,379, P263,078 and P463,028 in 2021, 2020 and 2019, respectively (Note 23).

Research and development costs on these products constituted the expenses incurred for internal projects in 2021, 2020 and 2019 (Note 24).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2021 and 2020 are as follows:

	Note	2021	2020
Balance at beginning of year		<b>P613</b>	P1,104
Additions/reductions:			
Inventory obsolescence	4	<b>(43)</b>	73
Inventory write-down	4	<b>37</b>	-
Reversals		-	(564)
Balance at end of year		<b>P607</b>	P613

The losses and reversals are included as part of "Cost of goods sold" account in the consolidated statements of income. Reversal of write-down corresponds to inventories sold during the year (Note 23).

## 10. Property, Plant and Equipment

The movements and balances of property, plant and equipment as of and for the years ended December 31 follow:

	Note	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction in-Progress	Total
<b>Cost</b>								
January 1, 2020, as previously reported		P22,717	P192,451	P19,280	P5,652	P4,162	P16,872	P261,134
Adjustments due to reclassification from other noncurrent assets		-	422	-	-	-	-	422
January 1, 2020, as adjusted		22,717	192,873	19,280	5,652	4,162	16,872	261,556
Additions		243	446	560	222	-	7,009	8,480
Disposals/reclassifications		970	1,360	259	77	71	(3,262)	(525)
Reclassification to/from investment property	12	(162)	-	-	-	(31)	(143)	(336)
Currency translation adjustment		(271)	(430)	(315)	(64)	(68)	(294)	(1,442)
December 31, 2020		23,497	194,249	19,784	5,887	4,134	20,182	267,733
Additions		113	1,903	149	111	92	7,164	9,532
Disposals/reclassifications		880	9,918	(89)	271	98	(11,200)	(122)
Reclassification to/from investment property	12	(223)	-	-	-	(50)	(10)	(283)
Currency translation adjustment		296	751	243	61	50	(235)	1,166
<b>December 31, 2021</b>		<b>24,563</b>	<b>206,821</b>	<b>20,087</b>	<b>6,330</b>	<b>4,324</b>	<b>15,901</b>	<b>278,026</b>
<b>Accumulated Depreciation</b>								
January 1, 2020, as previously reported		13,205	61,390	12,832	4,672	1,094	-	93,193
Adjustments due to reclassification from other noncurrent assets		-	96	-	-	-	-	96
January 1, 2020, as adjusted		13,205	61,486	12,832	4,672	1,094	-	93,289
Depreciation		858	4,096	1,028	457	92	-	6,531
Disposals/reclassifications		(73)	(20)	(44)	(84)	3	-	(218)
Reclassification to/from investment property	12	-	-	-	-	(7)	-	(7)
Currency translation adjustment		(197)	(318)	(126)	(51)	(1)	-	(693)
December 31, 2020		13,793	65,244	13,690	4,994	1,181	-	98,902
Depreciation		875	4,687	941	459	91	-	7,053
Disposals/reclassifications		(47)	(1)	(13)	(65)	4	-	(122)
Reclassification to/from investment property	12	-	-	-	-	(4)	-	(4)
Currency translation adjustment		173	241	134	46	1	-	595
<b>December 31, 2021</b>		<b>14,794</b>	<b>70,171</b>	<b>14,752</b>	<b>5,434</b>	<b>1,273</b>	<b>-</b>	<b>106,424</b>
<b>Carrying Amount</b>								
December 31, 2020		P9,704	P129,005	P6,094	P893	P2,953	P20,182	P168,831
<b>December 31, 2021</b>		<b>P9,769</b>	<b>P136,650</b>	<b>P5,335</b>	<b>P896</b>	<b>P3,051</b>	<b>P15,901</b>	<b>P171,602</b>

In 2021 and 2020, certain property, plant and equipment were reclassified to/from investment property due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 12).

No impairment loss was required to be recognized in 2021, 2020 and 2019 based on management's assessment of impairment indicators.

Certain fully depreciated property, plant and equipment with aggregate costs of P25,485 and P21,741 as at December 31, 2021 and 2020, respectively, are still being used in the Group's operations.

The Group capitalized interest amounting to P337, P313 and P114 in 2021, 2020 and 2019, respectively (Notes 16, 19, 27 and 30). The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 1.34% to 8.21% in 2021 and from 1.45% to 8.20% in 2020.

#### Capital Commitments

As of December 31, 2021 and 2020, the Group has outstanding commitments to acquire property, plant and equipment amounting to P6,161 and P12,506, respectively.

### 11. Right-of-Use Assets

The movements and balances of right-of-use assets as of and for the years ended December 31 follow:

	Land	Buildings and Improvements and Related Facilities	Service Stations and Other Equipment	Total
<b>Cost</b>				
January 1, 2020	P5,526	P1,055	P24	P6,605
Additions	204	2	-	206
Remeasurements	867	39	-	906
Currency translation adjustment	(30)	(3)	-	(33)
December 31, 2020	6,567	1,093	24	7,684
Additions	171	421	-	592
Remeasurements	(517)	(406)	-	(923)
Currency translation adjustment	20	3	-	23
<b>December 31, 2021</b>	<b>6,241</b>	<b>1,111</b>	<b>24</b>	<b>7,376</b>
<b>Accumulated Depreciation</b>				
January 1, 2020	872	221	3	1,096
Remeasurements	(115)	(1)	-	(116)
Depreciation	440	225	3	668
Currency translation adjustment	(8)	(1)	-	(9)
December 31, 2020	1,189	444	6	1,639
Remeasurements	(132)	(406)	-	(538)
Depreciation	415	201	3	619
Currency translation adjustment	6	2	-	8
<b>December 31, 2021</b>	<b>1,478</b>	<b>241</b>	<b>9</b>	<b>1,728</b>
<b>Carrying Amount</b>				
December 31, 2020	P5,378	P649	P18	P6,045
<b>December 31, 2021</b>	<b>P4,763</b>	<b>P870</b>	<b>P15</b>	<b>P5,648</b>

The Group recognized right-of-use assets for leases of office space, buildings, machinery and equipment, service stations and parcels of land. The leases typically run for a period of two to 999 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group. The Group recognized interest expense related to these leases amounting to P1,070 and P1,115 in 2021 and 2020, respectively (Note 27 and 30).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P314, P8 and P4, respectively, in 2021, and P251, P13 and P3, respectively, in 2020 (Note 30).

The Group had total cash outflows for leases of P2,862 and P2,972 in 2021 and 2020, respectively (Note 30).

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

## 12. Investment Property

The movements and balances of investment property as of and for the years ended December 31 follow:

	Note	Land	Land and Leasehold Improvements	Buildings and Improvements	Right-of-Use	Total
<b>Cost</b>						
January 1, 2020		P9,253	P5,676	P17,562	P11,543	P44,034
Additions		3	321	588	849	1,761
Disposals/reclassifications		-	-	19	(110)	(91)
Reclassifications from/to property, plant and equipment	10	69	31	236	-	336
Remeasurements		-	-	-	90	90
Currency translation adjustment		(117)	(284)	(335)	-	(736)
December 31, 2020		9,208	5,744	18,070	12,372	45,394
Additions		5	204	486	117	812
Disposals/reclassifications		-	-	118	(131)	(13)
Reclassifications from/to property, plant and equipment	10	(46)	96	233	-	283
Currency translation adjustment		86	213	252	-	551
<b>December 31, 2021</b>		<b>9,253</b>	<b>6,257</b>	<b>19,159</b>	<b>12,358</b>	<b>47,027</b>
<b>Accumulated Depreciation</b>						
January 1, 2020		-	4,122	8,978	999	14,099
Depreciation		-	318	685	941	1,944
Disposals/reclassifications		-	-	(10)	(110)	(120)
Reclassifications from/to property, plant and equipment	10	-	(7)	-	-	(7)
Currency translation adjustment		-	(239)	(332)	-	(571)
December 31, 2020		-	4,194	9,321	1,830	15,345
Depreciation		-	329	720	884	1,933
Disposals/reclassifications		-	-	40	(154)	(114)
Reclassifications from/to property, plant and equipment	10	-	(4)	-	-	(4)
Currency translation adjustment		-	269	423	-	692
<b>December 31, 2021</b>		<b>-</b>	<b>4,788</b>	<b>10,504</b>	<b>2,560</b>	<b>17,852</b>
<b>Carrying Amount</b>						
December 31, 2020		P9,208	P1,550	P8,749	P10,542	P30,049
<b>December 31, 2021</b>		<b>P9,253</b>	<b>P1,469</b>	<b>P8,655</b>	<b>P9,798</b>	<b>P29,175</b>

In 2021 and 2020, certain investment property were reclassified from/to property, plant and equipment to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 10).

No impairment loss was required to be recognized in 2021, 2020 and 2019 based on management's assessment of impairment indicators.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2021, 2020 and 2019.

The fair value of investment property amounting to P43,119 and P42,460 as of December 31, 2021 and 2020, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

For properties with available appraisal reports, the fair value of investment property amounting to P27,166 and P26,138 as of December 31, 2021 and 2020, respectively, were determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property on a regular basis. The fair value of investment property amounting to P6,017 and P4,820 as of December 31, 2021 and 2020, respectively, were determined by using the depreciated replacement cost method. The net present value of lease liability recognized in investment property as of December 31, 2021 and 2020 represents the remaining fair value amounting to P9,936 and P11,502, respectively.

#### Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied the following approaches below:

*Sales Comparison Approach.* The market value of land was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established through such process of comparing available data. The property being valued is then compared with sales transactions involving similar properties in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

*Depreciated Replacement Cost Method.* The fair value of land and leasehold improvements and buildings and related improvements and facilities were arrived at using the depreciated replacement cost method, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

*Income Approach.* The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the remaining lease payments on the property is first determined followed by the application of the proper capitalization rate is applied to arrive at its net present value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment.

### 13. Investment in Shares of Stock of Subsidiaries, Goodwill and Non-controlling Interests

#### Investment in Shares of Stock of Subsidiaries

The following are the major developments relating to the Parent Company's investment in shares of stock of subsidiaries:

#### *Ovincor*

On June 22, 2021 and December 9, 2021, the Executive Committee of the BOD of the Parent Company approved the proposal of Management for an additional investment in Ovincor amounting to US\$1 million and US\$5.2 million, respectively. This is to expand Ovincor's capability to retain a bigger share of insurance cover for the Parent Company. The additional investments were paid on August 19, 2021 and December 15, 2021, respectively.

#### Goodwill

The movements and balances of goodwill as of and for the years ended December 31 are as follows:

	2021	2020
<b>Cost</b>		
Balance at beginning of year	P8,031	P8,319
Translation adjustments	204	(288)
<b>Net carrying amount at end of year</b>	<b>P8,235</b>	P8,031

#### Impairment of Goodwill from Petron Malaysia

Goodwill arising from the acquisition of Petron Malaysia, which accounts for 99% of total goodwill in the consolidated statements of financial position as of December 31, 2021 and 2020, is allocated at the POGI Group cash generating unit (CGU) instead of each individual acquiree company's CGU as it is expected that the POGI Group CGU will benefit from the synergies created from the acquiree companies in combination.

The Group tested the goodwill for impairment. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU and was based on the following key assumptions:

- Cash flows were projected based on past experience and actual operating results. Management believes that this five-year forecast period was justified due to the long-term nature of the business.
- A discount rate of 7.7% in 2021 and 6.3% in 2020 was applied based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM).
- Terminal growth rate of 3.0% in 2021 and 2020 was applied as the POGI Group is in the process of increasing its network of service stations and upgrading its facilities and hence foresees growth in cash flows generated perpetually.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on internal sources (historical data).

For purposes of terminal growth rate sensitivity, terminal growth rate scenarios of 2%, 3% and 4% in 2021 and 2020 are applied on the discounted cash flows analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill to exceed its recoverable amount.

No impairment losses were recognized in 2021, 2020 and 2019 in relation to the goodwill arising from the acquisition of Petron Malaysia.

#### Non-controlling Interests

The following table summarizes the financial information relating to each of the Group's subsidiaries that has material non-controlling interests:

	December 31, 2021		December 31, 2020	
	NVRC	PMRMB	NVRC	PMRMB
<b>Non-controlling Interests Percentage</b>	<b>14.45%</b>	<b>26.60%</b>	14.45%	26.60%
<b>Carrying amount of non-controlling interest</b>	<b>P467</b>	<b>P6,858</b>	P451	P5,972
Current assets	<b>P617</b>	<b>P25,192</b>	P664	P9,606
Noncurrent assets	<b>9,415</b>	<b>27,287</b>	9,317	25,869
Current liabilities	<b>(1,219)</b>	<b>(25,486)</b>	(1,211)	(12,446)
Noncurrent liabilities	<b>(3,791)</b>	<b>(2,942)</b>	(3,906)	(2,281)
<b>Net assets</b>	<b>P5,022</b>	<b>P24,051</b>	P4,864	P20,748
<b>Net income (loss) attributable to non-controlling interests</b>	<b>P12</b>	<b>P755</b>	P11	(P44)
<b>Other comprehensive income (loss) attributable to non-controlling interests</b>	<b>P -</b>	<b>P177</b>	P -	(P217)
<b>Sales</b>	<b>P395</b>	<b>P109,483</b>	P415	P76,733
Net income (loss)	<b>P159</b>	<b>P2,842</b>	P155	(P376)
Other comprehensive income (loss)	-	<b>24</b>	-	(60)
<b>Total comprehensive income (loss)</b>	<b>P159</b>	<b>P2,866</b>	P155	(P436)
Cash flows provided by (used in) operating activities	<b>P123</b>	<b>(P3,832)</b>	P234	P1,147
Cash flows used in investing activities	<b>(5)</b>	<b>(1,938)</b>	(3)	(4,332)
Cash flows provided by (used in) financing activities	<b>(158)</b>	<b>7,175</b>	(212)	2,995
Effects of exchange rate changes on cash and cash equivalents	-	-	-	(20)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(P40)</b>	<b>P1,405</b>	P19	(P210)

#### **14. Investment in Shares of Stock of an Associate**

Petrogen was incorporated and registered with the Philippine SEC on August 23, 1996 primarily to engage in the business of non-life insurance and re-insurance.

On September 10, 2019 and December 16, 2019, the Parent Company subscribed to additional 31,250 and 93,750 common shares, respectively, of Petrogen at P1,000.00 per share for a total consideration of P125, pursuant to the increase in the capital stock of Petrogen which was approved by the SEC on November 4, 2019. As at December 31, 2019, Petrogen has a total of 475,001 common shares issued and outstanding.

On October 21, 2020, the BOD of Petrogen approved the declaration of stock dividends in the total amount of P25 equal to 25,000 shares with par value of P1,000 per share and was subsequently approved by the Insurance Commission on January 4, 2021.

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

As a result, the Parent Company's ownership interest in Petrogen decreased from 100% to 25.06% and Petrogen was deconsolidated effective February 4, 2021. The carrying amount of the Parent Company's investment in Petrogen at deconsolidation date amounted to P991. The Group recognized P13 gain on deconsolidation.

The Group recognized P8 as share in net income of Petrogen accounted for using equity method.

Below summarizes the derecognized accounts at the deconsolidation date:

Cash and cash equivalents	P3,677
Trade and other receivables - net	568
Investments in debt instruments	381
Other current assets	91
Deferred tax assets - net	10
Trade and other payables	(733)
Deposits for future subscription	(3,000)
Equity reserves	(3)
<b>Total</b>	<b>P991</b>

Following are the condensed financial information of Petrogen as of and for the period ended December 31, 2021:

	<b>December 31, 2021</b>
<b>Percentage of ownership</b>	<b>25.06%</b>
Current assets	<b>P7,075</b>
Noncurrent assets	<b>649</b>
Current liabilities	<b>(3,686)</b>
<b>Net assets</b>	<b>P4,038</b>
<b>Revenue</b>	<b>P1,749</b>
<b>Net income</b>	<b>P40</b>
<b>Share in net assets</b>	<b>P1,012</b>
<b>Carrying amount of investment in shares of stock of an associate</b>	<b>P1,012</b>

As of December 31, 2021, the Parent company owns 25.06% of Petrogen accounted for as an investment in an associate.

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## 15. Other Assets

This account consists of:

	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Current</b>			
Prepaid taxes		<b>P26,754</b>	P22,038
Input VAT		<b>3,011</b>	7,698
Prepaid expenses	29	<b>1,097</b>	2,101
Special-purpose fund		<b>158</b>	158
Assets held for sale		-	13
Tax recoverable		<b>5</b>	131
Others - net		<b>170</b>	198
		<b>P31,195</b>	P32,337
<b>Noncurrent</b>			
Input VAT		<b>P127</b>	P588
Catalyst - net		<b>489</b>	552
Prepaid rent		<b>202</b>	290
Derivative assets designated as cash flow hedge	6, 35, 36	<b>33</b>	6
Noncurrent deposits	35, 36	<b>128</b>	121
Intangibles - net	4	<b>139</b>	138
Others - net		<b>423</b>	393
		<b>P1,541</b>	P2,088

The “Others - net” under “Noncurrent” account includes marketing assistance to dealers and other prepayments amounting to P262, P256 and P268 as of December 31, 2021, 2020 and 2019, respectively, net of amortization amounting to P57, P75 and P154 in 2021, 2020 and 2019, respectively.

The amortization of prepaid rent amounted to nil in 2021, P4 in 2020 and nil in 2019.

Amortization of intangibles, marketing assistance to dealers, other prepayments included as part of “Depreciation and amortization” under “Selling and administrative expenses” account in the consolidated statements of income amounted to P67, P86 and P83 in 2021, 2020 and 2019, respectively (Notes 24 and 26).

Amortization of catalyst, intangibles and other prepayments included as part of “Depreciation and amortization” under “Cost of goods sold” account in the consolidated statements of income amounted to P176, P261 and P242 in 2021, 2020 and 2019, respectively (Notes 23 and 26).

As of December 31, 2020, assets held for sale pertain to two condominium properties acquired through dacion en pago.

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## 16. Short-term Loans

This account pertains to unsecured Philippine peso, US dollar and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 1 to 181 days and annual interest ranging from 1.18% to 2.95% in 2021, 0.92% to 6.75% in 2020 and 2.30% to 8.50% in 2019 (Note 27). These loans are intended to fund the importation of crude oil and petroleum products (Note 9) and working capital requirements.

Interest expense on short-term loans amounted to P2,089 in 2021, P3,418 in 2020 and P4,065 in 2019 (Note 27). Interest expense amounting to P115 was capitalized as part of property, plant and equipment in 2021 while P174 in 2020 and P33 in 2019 (Note 10).

## 17. Liabilities for Crude Oil and Petroleum Products

This account pertains to liabilities to suppliers of crude oil, petroleum and other products that are non-interest bearing and generally settled on a 30-day term. Details of the supply agreements in relation to importations of crude oil requirements of the Group are disclosed in Note 32.

Liabilities for crude oil and petroleum products are payable to the following:

	<i>Note</i>	<b>2021</b>	2020
Third parties		<b>P42,586</b>	P22,301
Related parties	29	<b>55</b>	19
	35, 36	<b>P42,641</b>	P22,320

## 18. Trade and Other Payables

This account consists of:

	<i>Note</i>	<b>2021</b>	2020
Trade		<b>P4,427</b>	P6,386
Specific taxes and other taxes payable		<b>4,615</b>	4,072
Accrued payroll		<b>200</b>	73
Due to related parties	29	<b>1,470</b>	1,118
Accrued interest		<b>668</b>	633
Accrued rent		<b>330</b>	303
Dividends payable	34	<b>829</b>	505
Asset Retirement Obligation - current		<b>20</b>	-
Insurance liabilities		<b>154</b>	288
Retention payable		<b>78</b>	180
Retirement benefits liability	31	<b>132</b>	103
Deferred liability on consumer loyalty program		<b>814</b>	1,406
Others	40	<b>264</b>	335
	35, 36	<b>P14,001</b>	P15,402

Trade payables are liabilities to haulers, contractors and suppliers that are non-interest bearing and are generally settled on a 30-day term.

Others include provisions (Note 40), accruals of selling and administrative expenses, and advances which are normally settled within a year.

The Group recognized revenue that was included in the deferred liability on consumer loyalty program amounting to P1,211 and P1,158 in 2021 and 2020, respectively (Note 38).

## 19. Long-term Debt

This account consists of long-term debt of the Parent Company:

	<i>Note</i>	2021	2020
<b>Unsecured Peso-Denominated (net of debt issue costs)</b>			
Term loan of 5.4583% due until 2022	<i>(a)</i>	<b>P1,000</b>	P1,998
Fixed rate retail bonds of 4.0032% due in 2021 and 4.5219% due in 2023	<i>(b)</i>	<b>6,979</b>	19,944
Term loan of 5.5276% due quarterly until 2024	<i>(d)</i>	<b>5,878</b>	8,008
Term loan of 5.7584% due until 2022	<i>(e)</i>	<b>2,497</b>	4,990
Fixed rate retail bonds of 7.8183% due in 2024 and 8.0551% due in 2025	<i>(f)</i>	<b>19,867</b>	19,832
Fixed retail bond of 3.4408% due until 2025 and 4.3368% due until 2027	<i>(k)</i>	<b>17,779</b>	-
Term loan of 4.5900% due until 2025	<i>(i)</i>	<b>4,356</b>	4,970
<b>Unsecured Foreign Currency-Denominated (net of debt issue costs)</b>			
Floating rate dollar loan - US\$1,000 million due until 2022	<i>(c)</i>	<b>P7,219</b>	P13,530
Floating rate dollar loan - US\$800 million due until 2024	<i>(g)</i>	<b>22,992</b>	32,334
Floating rate yen loan - JP¥15 billion due until 2025	<i>(h)</i>	<b>6,556</b>	6,845
Floating rate dollar loan - US\$150 million due until 2023	<i>(j)</i>	<b>7,522</b>	7,003
	<i>34, 35, 36</i>	<b>102,645</b>	119,454
Less current portion		<b>21,580</b>	31,114
		<b>P81,065</b>	P88,340

- a. On October 13, 2015, the Parent Company drew P5,000 from a P5,000 term loan which was signed and executed on October 7, 2015. The facility is amortized over 7 years with a 2-year grace period and is subject to a fixed rate of 5.4583% per annum. The net proceeds from the issuance were used to repay currently maturing obligations and for general corporate requirements. In 2021 and 2020, the Parent Company settled matured interim principal payments aggregating to P1,000 each year.
- b. On October 27, 2016, the Parent Company issued P20,000 retail bonds (the "Bonds") divided into Series A (P13,000) and Series B (P7,000). Series A Bonds is due on October 27, 2021 with interest rate of 4.0032% per annum. Series B Bonds will mature on October 27, 2023 with interest rate of 4.5219% per annum. Interests on these Bonds are payable quarterly on January 27, April 27, July 27 and October 27 of each year. The proceeds from the issuance of the Bonds were used to partially settle the US\$475 million and US\$550 million Term Loan facilities, to repay short-term loans and for general corporate requirements. The Bonds were listed with the Philippine Dealing & Exchange Corp. on October 27, 2016. The Parent Company redeemed its P13,000 Series A retail bonds on October 27, 2021.

- c. On June 16, 2017, the Parent Company signed and executed a US\$1,000 million term facility and has initially drawn US\$600 million on June 28, 2017. The proceeds were used to pay in full the outstanding balances of US\$115 million and US\$470 million loans under the US\$475 million (executed on September 29, 2014) and US\$550 million (executed on July 20, 2015) term loan facilities, respectively. On October 10, 2017, the Parent Company drew the remaining US\$400 million from the facility. The proceeds of which were used to settle the P20,000 Peso-denominated Notes issued on November 10, 2010 which matured on November 10, 2017. The facility is amortized over 5 years with a 2-year grace period and is subject to a floating interest rate based on LIBOR plus a spread. The Parent Company made partial principal payments of US\$86 million and US\$57 million in 2021 and US\$221 million and US\$148 million in 2020 against the US\$600 million and US\$400 million drawdowns, respectively.
- d. On July 25, 2017, the Parent Company drew P15,000 from a P15,000 term loan facility which was signed on July 14, 2017 and executed on July 17, 2017. The facility is amortized over 7 years and is subject to a fixed interest rate of 5.5276% per annum. The proceeds were used to refinance the bridge loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-Fired Power Plant in 2016. As of December 31, 2021, the P9,107 portion of the facility has already been paid.
- e. On December 29, 2017, the Parent Company drew P10,000 from a P10,000 bilateral facility which was signed and executed on December 28, 2017. The facility is amortized quarterly for five years beginning on the fifth quarter and is subject to a fixed rate of 5.7584% per annum. The proceeds were used to fund permanent working capital requirements. In 2021 and 2020, the P2,500 portion of the facility has been paid each year.
- f. On October 19, 2018, the Parent Company offered P20,000 fixed retail bonds (the "Offer Bonds") divided into Series C (P13,200) bearing interest at 7.8183% per annum and Series D (P6,800) bearing interest at 8.0551% per annum. The Series C Offer Bonds will mature on April 19, 2024 (5.5-year term) while the Series D Offer Bonds is due on October 19, 2025 (7-year term). Interests on these Offer Bonds are payable quarterly, commencing on January 19, 2019, and thereafter, on April 19, July 19, October 19 and January 19 of each year. The net proceeds from the issuance of the Offer Bonds were used primarily to settle short-term loans availed by the Parent Company to fund crude oil purchases and redeem a portion of the Parent Company's remaining USCS (Note 22), and the balance for general corporate purposes. The Offer Bonds were listed with the Philippine Dealing & Exchange Corp. on October 19, 2018.
- g. On May 10, 2019, the Parent Company signed and executed a US\$800 million term loan facility. Initial drawdown of US\$300 million was made on May 15, 2019, the proceeds of which were used to refinance the Parent Company's existing dollar-denominated bilateral short-term loans. On May 31, 2019, the Parent Company drew an additional US\$236 million from the facility to partially prepay its US\$1,000 million term loan facility. Finally, the remaining balance of US\$264 million was drawn on July 10, 2019 to refinance various peso-denominated short-term loans and for general corporate purposes. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning May 15, 2021. The facility is subject to a floating interest rate based on LIBOR plus a spread, repriced every 1, 3 or 6 months. In 2021 and 2020, US\$228 million and US\$115 million portion of the facility has been paid, respectively.

- h. On April 22, 2020, the Parent Company drew JP¥15 billion from a JP¥15 billion term loan facility signed and executed on March 27, 2020. The proceeds were used to partially prepay its US\$1 billion term loan facility. The JP¥ facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 27, 2022. It is subject to a floating interest rate based on JP¥ LIBOR plus a spread, repriced every 1, 3 or 6 months. Due to the global discontinuation of JPY LIBOR by December 31, 2021, an amendment was made to the JPY Facility adopting the Tokyo Overnight Average Rate (TONA) as the new benchmark rate. Beginning December 29, 2021, the floating interest rate on the JPY15 billion facility is based on TONA plus a spread, repriced every 1, 3 or 6 months.
- i. On April 27, 2020, the Parent Company drew P5 billion from a P5 billion term loan facility which was signed and executed on April 23, 2020. The facility is subject to a fixed interest rate of 4.59% per annum and amortized over 5 years with a 12-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning July 27, 2021. The proceeds were used for general corporate purposes. In 2021, P625 amortization of principal has been paid.
- j. On August 26, 2020, the Parent Company availed a US\$150 million three-year long-term debt, subject to floating interest rate based on LIBOR plus a spread, repriced every 1, 3 or 6 months that will mature on August 7, 2023. The proceeds were used to prepay part of the existing US\$1.0 billion term loan facility and US\$800 million loan.
- k. On October 12, 2021, the Parent Company issued P18,000 retail bonds divided into Series E due in 2025 (P9,000) and Series F due in 2027 (P9,000) with interest rates of 3.4408% p.a. and 4.3368% p.a., respectively. The Bonds are listed on the Philippine Dealing & Exchange Corp. The proceeds were used for the redemption of the Company's Series A Bonds, the partial financing of the Power Plant project and payment of existing indebtedness.

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

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

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

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P5,220, P5,727 and P6,893 for the years ended 2021, 2020 and 2019, respectively (Note 27). Interest amounting to P130 was capitalized in 2021, P49 in 2020 and P21 in 2019 (Note 10).

Movements in debt issue costs follow:

	<i>Note</i>	<b>2021</b>	2020
Balance at beginning of year		<b>P1,368</b>	P1,240
Additions		<b>229</b>	731
Amortization for the year	27	<b>(615)</b>	(603)
Balance at end of year		<b>P982</b>	P1,368

#### Repayment Schedule

As of December 31, 2021 and 2020, the annual maturities of long-term debt are as follows (Note 35):

#### 2021

<b>Year</b>	<b>Gross Amount</b>	<b>Debt Issue Costs</b>	<b>Net</b>
2022	<b>P21,869</b>	<b>P289</b>	<b>P21,580</b>
2023	<b>31,599</b>	<b>299</b>	<b>31,300</b>
2024	<b>23,785</b>	<b>121</b>	<b>23,664</b>
2025	<b>17,374</b>	<b>161</b>	<b>17,213</b>
2026 and beyond	<b>9,000</b>	<b>112</b>	<b>8,888</b>
	<b>P103,627</b>	<b>P982</b>	<b>P102,645</b>

#### 2020

Year	Gross Amount	Debt Issue Costs	Net
2021	P31,562	P448	P31,114
2022	26,726	339	26,387
2023	30,569	375	30,194
2024	23,542	144	23,398
2025	8,423	62	8,361
	P120,822	P1,368	P119,454

## **20. Asset Retirement Obligation**

Movements in the ARO are as follows:

	<i>Note</i>	<b>2021</b>	2020
Balance at beginning of year		<b>P2,867</b>	P1,720
Additions		<b>133</b>	1
Accretion for the year	27	<b>252</b>	77
Effect of change in estimates	4	<b>86</b>	503
Effect of change in discount rate		<b>(457)</b>	568
Settlement		<b>(4)</b>	(2)
Balance at end of year including current portion		<b>P2,877</b>	P2,867

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## 21. Other Noncurrent Liabilities

This account consists of:

	<i>Note</i>	<b>2021</b>	2020
Cylinder deposits		<b>P687</b>	P617
Cash bonds		<b>450</b>	947
Derivative liabilities designated as cash flow hedge		<b>25</b>	292
Others		<b>40</b>	48
	35, 36	<b>P1,202</b>	P1,904

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“Others” account includes liability to a contractor and supplier.

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## 22. Equity

### a. Capital Stock

#### Common Shares

Pursuant to the registration statement rendered effective by the SEC on May 18, 1995 and the permit to sell issued by the SEC dated May 30, 1995, 10,000,000,000 common shares of the Parent Company with par value of P1.00 per share were offered for sale at an offer price of P1.00 per share. As of December 31, 2021 and 2020, the Parent Company had 144,720 and 144,979 stockholders with at least one board lot at the PSE, respectively, for a total of 9,375,104,497 (P1.00 per share par value) issued and outstanding common shares.

#### Preferred Shares

On January 21, 2010, the SEC approved the Parent Company’s amendment to its AOI to reclassify 624,895,503 unissued common shares into preferred shares with a par value of P1.00 per share, as part of its authorized capital stock. On February 12, 2010, the SEC issued an order permitting the Parent Company’s offer and sale of 50,000,000 peso-denominated, cumulative, non-participating and non-voting preferred shares, with an oversubscription option of 50,000,000 preferred shares (collectively, the “2010 Preferred Shares”) to the public at an issue price of P100.00 per share. Proceeds from issuance in excess of par value less related transaction costs amounting to P9,764 was recognized as additional paid-in capital. Dividend rate of 9.5281% per annum computed in reference to the issue price was payable every March 5, June 5, September 5 and December 5 of each year, when declared by the Parent Company’s BOD. The 2010 Preferred Shares were listed with PSE on March 5, 2010.

On October 17, 2014, the SEC issued an order permitting the Parent Company’s public offering and sale of 7,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 3,000,000 preferred shares (collectively, the “Series 2 Preferred Shares”) at an issue price of P1,000.00 per share.

On November 3, 2014, the Parent Company issued and listed in the PSE 10,000,000 Series 2 Preferred Shares at an offer price of P1,000.00 per share. The Series 2 Preferred Shares were issued in two (2) sub-series, (i) 7,122,320 Series 2A preferred shares (the "Series 2A Preferred Shares") and (ii) 2,877,680 Series 2B preferred shares (the "Series 2B Preferred Shares"). Proceeds from issuance in excess of par value less related transaction costs amounting to P9,889 was recognized as additional paid-in capital.

The Series 2A Preferred Shares may be redeemed by the Parent Company starting on the fifth anniversary from the listing date while the Series 2B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date. Series 2A and Series 2B Preferred Shares have dividend rates of 6.3000% and 6.8583%, respectively. Cash dividends are payable quarterly every February 3, May 3, August 3 and November 3 of each year, as and if declared by the Parent Company's BOD.

All shares rank equally as regards to the Parent Company's residual assets, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On March 5, 2015, the Parent Company redeemed the 2010 Preferred Shares at P100.00 per share, which were delisted by the PSE on March 6, 2015 in line with the latter's rule on the delisting of redeemed shares which are not re-issuable at the time of redemption under the issuing Parent Company's AOI. On July 6, 2015, the SEC approved the amendment of the AOI of the Parent Company to provide a re-issuability feature of its preferred shares.

On May 31, 2019, the SEC issued a permit for the Parent Company's public offering and sale of 15,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 5,000,000 preferred shares (collectively, the "Series 3 Preferred Shares") at an issue price of P1,000.00 per share.

On June 25, 2019, the Parent Company issued and listed on the PSE 20,000,000 Series 3 Preferred Shares. The net proceeds from the issuance were used for the repayment of the Parent Company's outstanding short-term loans and for general corporate purposes while the remaining balance was allocated for the redemption of the Series 2A Preferred Shares in November 2019.

The Series 3 Preferred Shares were issued in two (2) sub-series: (i) 13,403,000 Series 3A Preferred Shares with dividend rate of 6.8713% per annum and first optional redemption date on its 5.5th anniversary from the issuance date; and (ii) 6,597,000 Series 3B Preferred Shares with dividend rate of 7.1383% per annum and first optional redemption date on its 7th anniversary from the issuance date. Cash dividends are payable quarterly on March 25, June 25, September 25 and December 25 of each year, as and if declared by the Parent Company's BOD. Proceeds from issuance in excess of par value less related transaction costs amounting to P17,847 was recognized as additional paid-in capital.

On November 4, 2019, the Parent Company redeemed its 7,122,320 Series 2A Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 10, 2019. The redemption was approved by the Parent Company's BOD on March 12, 2019.

On November 3, 2021, the Parent Company redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 7, 2021. The redemption was approved by the Parent Company's BOD on March 9, 2021.

As of December 31, 2021 and 2020, the Parent Company had 20,000,000 and 22,877,680 (P1 par value) issued and outstanding preferred shares, respectively. The total number of preferred shareholders with at least one board lot at the PSE as of December 31, 2021 and 2020 are as follows:

	2021	2020
Series 2B Preferred Shares	-	30
Series 3A Preferred Shares	9	8
Series 3B Preferred Shares	24	24
	<b>33</b>	<b>62</b>

b. Retained Earnings

Declaration of Cash Dividends

On various dates in 2019, 2020 and 2021, the Parent Company's BOD approved the declaration of cash dividends for common and preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
<b>2019</b>				
Common	P0.10000	March 12, 2019	March 27, 2019	April 11, 2019
Series 2A	15.75000	March 12, 2019	April 4, 2019	May 3, 2019
Series 2B	17.14575	March 12, 2019	April 4, 2019	May 3, 2019
Series 2A	15.75000	March 12, 2019	July 12, 2019	August 5, 2019
Series 2B	17.14575	March 12, 2019	July 12, 2019	August 5, 2019
Series 2A	15.75000	August 6, 2019	October 11, 2019	November 4, 2019
Series 2B	17.14575	August 6, 2019	October 11, 2019	November 4, 2019
Series 3A	17.17825	August 6, 2019	September 2, 2019	September 25, 2019
Series 3B	17.84575	August 6, 2019	September 2, 2019	September 25, 2019
Series 3A	17.17825	November 5, 2019	December 2, 2019	December 26, 2019
Series 3B	17.84575	November 5, 2019	December 2, 2019	December 26, 2019
Series 2B	17.14575	November 5, 2019	January 14, 2020	February 3, 2020
Series 3A	17.17825	November 5, 2019	March 2, 2020	March 25, 2020
Series 3B	17.84575	November 5, 2019	March 2, 2020	March 25, 2020
<b>2020</b>				
Common	P0.10000	March 10, 2020	March 24, 2020	April 8, 2020
Series 2B	17.14575	March 10, 2020	April 7, 2020	May 4, 2020
Series 3A	17.17825	March 10, 2020	June 1, 2020	June 25, 2020
Series 3B	17.84575	March 10, 2020	June 1, 2020	June 25, 2020
Series 2B	17.14575	May 26, 2020	July 9, 2020	August 3, 2020
Series 3A	17.17825	May 26, 2020	September 2, 2020	September 25, 2020
Series 3B	17.84575	May 26, 2020	September 2, 2020	September 25, 2020
Series 2B	17.14575	August 4, 2020	October 9, 2020	November 3, 2020
Series 3A	17.17825	August 4, 2020	December 2, 2020	December 28, 2020
-Series 3B	17.84575	August 4, 2020	December 2, 2020	December 28, 2020
Series 2B	17.14575	November 3, 2020	January 8, 2021	February 3, 2021
Series 3A	17.17825	November 3, 2020	March 2, 2021	March 25, 2021
Series 3B	17.84575	November 3, 2020	March 2, 2021	March 25, 2021
<b>2021</b>				
Series 2B	P17.14575	March 9, 2021	April 7, 2021	May 3, 2021
Series 3A	17.17825	March 9, 2021	June 2, 2021	June 25, 2021
Series 3B	17.84575	March 9, 2021	June 2, 2021	June 25, 2021
Series 2B	17.14575	May 3, 2021	July 8, 2021	August 3, 2021
Series 3A	17.17825	May 3, 2021	September 2, 2021	September 27, 2021
Series 3B	17.84575	May 3, 2021	September 2, 2021	September 27, 2021
Series 2B	17.14575	August 3, 2021	October 7, 2021	November 3, 2021
Series 3A	17.17825	August 3, 2021	November 29, 2021	December 27, 2021
Series 3B	17.84575	August 3, 2021	November 29, 2021	December 27, 2021
Series 3A	17.17825	November 9, 2021	March 3, 2022	March 25, 2022
Series 3B	17.84575	November 9, 2021	March 3, 2022	March 25, 2022
Series 3A	17.17825	November 9, 2021	June 3, 2022	June 27, 2021
Series 3B	17.84575	November 9, 2021	June 3, 2022	June 27, 2021

Total cash dividends declared by the Parent Company amounted to P1,899 for 2021 and P2,515 both in 2020 and 2019.

#### Appropriation for Capital Projects

On May 5, 2016, the Parent Company's BOD approved the reversal of P25,000 appropriation for the Parent Company's RMP-2 and the re-appropriation of retained earnings amounting to P15,000 for capital projects in 2016 and 2017 which are expected to be completed within five years from the date of the approval.

On August 23, 2016, LLCDC's BOD approved the reversal of appropriation made in 2010 amounting to P5 (P3 - attributable to non-controlling interest) which was aimed to fund its construction management service. On September 29, 2015, NVRC's BOD approved the appropriation of retained earnings of P200 (P120 - attributable to non-controlling interest) and on December 20, 2016, an additional appropriation of P200 (P120 - attributable to non-controlling interest) was approved, both for the programmed lot acquisitions which are expected to be completed in 2019.

On October 16, 2019, the BOD of NVRC authorized and approved the reversal of P400 appropriation following a change in the property acquisition plans of NVRC.

On March 9, 2021, the BOD of the Parent Company approved the reversal of P8,000 of the P15,000 appropriated retained earnings of the Parent Company since majority of the 2016 and 2017 capital projects were already completed while others were deferred. The remaining P7,000 is maintained for the Power Plant project which is expected to be completed by the second half of 2022.

On October 7, 2021, the BOD of PEDC approved the appropriation of its retained earnings amounting to P3 for acquisition of three lots located in Bulacan which is expected to be completed by the second half of 2022.

The appropriated retained earnings attributable to the equity holders of the Parent Company as of December 31, 2021 and 2020 amounted to P7,003 and P15,000, respectively.

- c. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries, joint ventures and an associate amounting to P33,573, P26,345 and P28,791 as of December 31, 2021, 2020 and 2019, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.
- d. Equity reserves comprise of the following:

Reserve for retirement plan pertains to the cumulative remeasurements of the Group's defined benefit retirement plan.

Other reserves comprise the net loss on cash flows hedges, unrealized fair value losses on investments in debt instruments, exchange differences on translation of foreign operations, effect of redemption of USCS and others with details as follows:

	2021	2020	2019
<b>Balance at beginning of year</b>	<b>(P13,223)</b>	(P12,195)	(P11,091)
Net loss on cash flow hedges, net of tax	<b>(718)</b>	(393)	(145)
Changes in fair value of investment in debt instruments	<b>866</b>	464	10
Cumulative translation adjustment	<b>696</b>	(1,109)	(969)
Share in other comprehensive loss of a joint venture	-	10	-
<b>Balance at end of year</b>	<b>(P12,379)</b>	(P13,223)	(P12,195)

e. SPCS

On January 19, 2018, the Parent Company issued US\$500 million SPCS with an issue price of 100% for the partial repurchase and redemption of the Parent Company's existing US\$750 million USCS, the repayment of indebtedness and general corporate purposes including capital expenditures. The SPCS were listed with the Singapore Exchange Securities Trading Ltd. on January 22, 2018.

Holders of the SPCS are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 4.6% per annum, subject to a step-up rate. The Parent Company has a right to defer the distribution under certain conditions.

The SPCS have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Parent Company's option on or after July 19, 2023 or on any distribution payment date thereafter or upon the occurrence of certain other events.

Payments of distributions pertaining to US\$500 million SPCS were made on the following dates: July 16, 2021 (P770), January 15, 2021 (P737), July 17, 2020 (P814), January 17, 2020 (P834), July 18, 2019 (P838), January 18, 2019 (P859)

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

Payments of distributions pertaining to US\$550 million SPCS was made on October 18, 2021 amounting to P1,108.

These SPCS were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, the sale of SPCS was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the SRC was required to be filed with the SEC.

g. RPS

On November 27, 2019, the Parent Company issued US\$6 million RPS to be used for capital expenditures requirements.

Holders of the RPS are conferred a right to receive distributions on a quarterly basis, every February 27, May 27, August 27 and November 27. The Parent Company has a right to defer the distribution under certain conditions.

Distributions to holders of the RPS were made on November 27, 2021 (P3), August 27, 2021 (P3), May 27, 2021 (P3), February 27, 2021 (P3), November 27, 2020 (P3), August 27, 2020 (P3), May 27, 2020 (P3) and February 27, 2020 (P3).

On June 22, 2020, the Parent Company issued US\$130 million RPS used for general corporate purposes. Holders of the RPS are conferred a right to receive distributions on a quarterly basis every March 22, June 22, September 22 and December 22.

Payment of distributions pertaining to RPS were made on December 22, 2021 (P59), September 22, 2021 (P59), June 22, 2021 (P57), March 22, 2021 (P57), December 22, 2020 (P56) and September 22, 2020 (P57).

On August 10, 2020, the Parent Company issued additional US\$100 million RPS used for general corporate purposes. Holders of the RPS are conferred a right to receive distributions on a quarterly basis every February 10, May 10, August 10 and November 10.

Holders of the RPS were paid on November 10, 2021 (P45), August 10, 2021 (P46), May 10, 2021 (P43), February 10, 2021 (P44) and November 10, 2020 (P43).

The RPS have no fixed redemption date and are redeemable in whole, or in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Parent Company's option on any distribution payment date after 90 days from Issuance Date.

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### 23. Cost of Goods Sold

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
Inventories	9	<b>P390,379</b>	P263,078	P463,028
Depreciation and amortization	26	<b>5,099</b>	4,802	8,430
Materials and supplies		<b>3,431</b>	2,969	4,099
Purchased services and utilities		<b>1,387</b>	1,567	2,101
Personnel expenses	25	<b>1,413</b>	1,463	1,771
Others	30, 32	<b>5,849</b>	3,441	4,426
		<b>P407,558</b>	P277,320	P483,855

Distribution or transshipment costs included as part of inventories amounted to P6,035, P8,290 and P11,380 in 2021, 2020 and 2019, respectively.

Others include manufacturing and overhead costs such as maintenance and repairs, taxes and licenses, insurance and rent.

## 24. Selling and Administrative Expenses

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
Depreciation and amortization	26	<b>P4,749</b>	P4,688	P4,815
Purchased services and utilities		<b>3,524</b>	3,988	4,597
Personnel expenses	25	<b>3,219</b>	3,103	3,318
Maintenance and repairs		<b>1,429</b>	1,177	1,342
Materials and office supplies		<b>673</b>	422	528
Advertising		<b>318</b>	421	696
Taxes and licenses		<b>309</b>	340	360
Rent	30	<b>220</b>	130	38
Impairment losses on trade and other receivables	4, 8	<b>28</b>	67	35
Others	9	<b>88</b>	53	86
		<b>P14,557</b>	P14,389	P15,815

Selling and administrative expenses include research and development costs amounting to P62, P66 and P76 in 2021, 2020 and 2019, respectively (Note 9).

## 25. Personnel Expenses

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
Salaries, wages and other employee costs	29	<b>P4,264</b>	P4,194	P4,919
Retirement benefits costs - defined benefit plan	29, 31	<b>289</b>	289	70
Retirement benefits costs - defined contribution plan	29	<b>79</b>	83	100
		<b>P4,632</b>	P4,566	P5,089

The above amounts are distributed as follows:

	<i>Note</i>	<b>2021</b>	2020	2019
Costs of goods sold	23	<b>P1,413</b>	P1,463	P1,771
Selling and administrative expenses	24	<b>3,219</b>	3,103	3,318
		<b>P4,632</b>	P4,566	P5,089

## 26. Depreciation and Amortization

This account consists of:

	<b>Note</b>	<b>2021</b>	2020	2019
Cost of goods sold:				
Property, plant and equipment	10	<b>P4,794</b>	P4,363	P8,081
Right-of-use assets	11	<b>129</b>	178	107
Other assets	15	<b>176</b>	261	242
	23	<b>5,099</b>	4,802	8,430
Selling and administrative expenses:				
Property, plant and equipment	10	<b>2,259</b>	2,168	2,254
Right-of-use assets	11	<b>490</b>	490	595
Investment property	12	<b>1,933</b>	1,944	1,883
Intangible assets and others	15	<b>67</b>	86	83
	24	<b>4,749</b>	4,688	4,815
	38	<b>P9,848</b>	P9,490	P13,245

## 27. Interest Expense and Other Financing Charges, Interest Income and Other Expenses

This account consists of:

	<b>Note</b>	<b>2021</b>	2020	2019
Interest expense and other financing charges:				
Long-term debt	19	<b>P4,490</b>	P5,080	P6,423
Short-term loans	16	<b>1,974</b>	3,244	4,032
Bank charges		<b>1,240</b>	729	920
Accretion on lease liability	30	<b>1,070</b>	1,115	1,165
Amortization of debt issue costs	19	<b>600</b>	598	449
Accretion on ARO	20	<b>252</b>	77	98
Defined benefit obligation	31	<b>201</b>	241	335
Product borrowings		<b>171</b>	218	65
Others		<b>10</b>	11	3
	38	<b>P10,008</b>	P11,313	P13,490
Interest income:				
Short-term placements	5	<b>P400</b>	P507	P953
Advances to related parties	29	<b>79</b>	94	113
Plan assets	31	<b>56</b>	100	209
Trade receivables	8	<b>19</b>	44	40
Cash in banks	5	<b>10</b>	17	7
Investments in debt instruments	7	<b>-</b>	18	18
	38	<b>P564</b>	P780	P1,340

Forward

	<b>Note</b>	<b>2021</b>	2020	2019
Other expenses - net:				
Marked-to-market gains (losses) - net	36	<b>P344</b>	(P2,428)	(P1,926)
Hedging gains (losses) - net		<b>104</b>	(1,121)	(1,783)
Changes in fair value of financial assets at FVPL	6	<b>23</b>	(9)	30
Foreign currency gains (losses) - net	35	<b>(1,242)</b>	2,363	2,609
Others - net		<b>289</b>	146	758
		<b>(P482)</b>	(P1,049)	(P312)

The Group recognized nil share in the net income (loss) of PDSI in 2021 and 2020 and P0.12 in 2019 and its share in the net income of TBSB amounting to P1.78 in 2021, P4.16 in 2020 and P1.69 in 2019. These were recorded as part of "Others - net" under "Other expenses - net" account in the consolidated statements of income. Bank charges amounting to P28 was capitalized as part of property, plant and equipment in 2021 while P5 in 2020 and P2 in 2019 (Note 10).

Also included in "Others - net" were the following: (i) rental income amounting to P63 each in 2021, 2020 and 2019 (Note 30); (ii) impairment losses on other receivables of POMSB amounting to P259 (net of P3 currency translation adjustment) in 2019 and interest income of P20 (Notes 8 and 40); (iii) gain on sale of fixed asset amounting to P95 in 2020; (iv) other income due to rent concession amounting to P23 in 2020.

## 28. Income Taxes

Deferred tax assets and liabilities are from the following:

### 2021

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P2,195	(P118)	(P194)	P -	P1,883
Rental	1,589	(253)	(74)	-	1,262
NOLCO	8,847	(1,054)	-	-	7,793
Various allowances, accruals and others	868	(350)	-	(9)	509
Inventory differential	73	(245)	-	-	(172)
MCIT	491	198	-	-	689
ARO	298	146	-	-	444
Unutilized tax losses	358	44	-	-	402
Fair market value adjustments on business combination	(28)	1	-	-	(27)
Unrealized foreign exchange gains - net	(984)	808	(64)	-	(140)
Capitalized taxes and duties on inventories deducted in advance	(1,234)	470	-	-	(764)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(4,307)	702	-	-	(3,605)
Excess of double-declining over straight-line method of depreciation and amortization	(9,060)	(726)	-	-	(9,786)
	<b>(P894)</b>	<b>(P377)</b>	<b>(P332)</b>	<b>(P9)</b>	<b>(P1,612)</b>

## 2020

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P2,157	(P153)	P191	P -	P2,195
Rental	1,364	225	-	-	1,589
NOLCO	1,286	7,561	-	-	8,847
Various allowances, accruals and others	789	66	-	13	868
Inventory differential	649	(576)	-	-	73
MCIT	491	-	-	-	491
ARO	278	20	-	-	298
Unutilized tax losses	237	121	-	-	358
Fair market value adjustments on business combination	(30)	2	-	-	(28)
Unrealized foreign exchange gains - net	(158)	(826)	-	-	(984)
Unrealized fair value losses (gains) on financial assets at FVOCI	-	30	(30)	-	-
Capitalized taxes and duties on inventories deducted in advance	(1,402)	168	-	-	(1,234)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(4,609)	302	-	-	(4,307)
Excess of double-declining over straight-line method of depreciation and amortization	(7,138)	(1,922)	-	-	(9,060)
	(P6,086)	P5,018	P161	P13	(P894)

## 2019

	January 1	Adjustment Due to Adoption of PFRS 16	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P1,617	P -	(P243)	P751	P -	P2,125
Rental	192	771	401	-	-	1,364
NOLCO	-	-	1,286	-	-	1,286
Various allowances, accruals and others	1,085	-	(332)	-	9	762
Inventory differential	(150)	-	799	-	-	649
MCIT	-	-	491	-	-	491
ARO	415	-	(137)	-	-	278
Unutilized tax losses	-	-	237	-	-	237
Fair market value adjustments on business combination	(32)	-	2	59	-	29
Unrealized foreign exchange gains - net	523	-	(681)	-	-	(158)
Unrealized fair value losses (gains) on financial assets at FVOCI	-	-	1	(1)	-	-
Capitalized taxes and duties on inventories deducted in advance	(863)	-	(539)	-	-	(1,402)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(4,818)	-	209	-	-	(4,609)
Excess of double- declining over straight-line method of depreciation and amortization	(6,162)	-	(976)	-	-	(7,138)
	(P8,193)	P771	P518	P809	P9	(P6,086)

The above amounts are reported in the consolidated statements of financial position as follows:

	<b>2021</b>	2020
Deferred tax assets - net	<b>P2,172</b>	P2,190
Deferred tax liabilities - net	<b>(3,784)</b>	(3,084)
	<b>(P1,612)</b>	(P894)

Net deferred taxes of individual companies are not allowed to be offset against net deferred tax liabilities of other companies, or vice versa, for purposes of consolidation.

The components of income tax expense are shown below:

	<b>2021</b>	2020	2019
Current	<b>P784</b>	P220	P1,952
Deferred	<b>377</b>	(5,018)	(518)
	<b>P1,161</b>	(P4,798)	P1,434

As of December 31, 2021, the NOLCO and MCIT of the Parent Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

<b>Year</b>	<b>Carryforward Benefits Up To</b>	<b>NOLCO</b>	<b>MCIT</b>
2019	December 31, 2022	<b>P4,272</b>	<b>P491</b>
2020	December 31, 2025	<b>25,209</b>	-
2021	December 31, 2026	<b>1,678</b>	<b>198</b>
		<b>P31,159</b>	<b>P689</b>

A reconciliation of tax on the pretax income computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	<b>Note</b>	<b>2021</b>	2020	2019
Statutory income tax rate		<b>25.00%</b>	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:				
Income subject to Income Tax Holiday (ITH)	37	-	-	-
Adjustment to income tax rate due to CREATE		<b>(1.96%)</b>	-	-
Interest income subjected to lower final tax		<b>(0.07%)</b>	0.14%	(1.84%)
Nontaxable income		<b>(4.67%)</b>	0.33%	(17.27%)
Nondeductible expense		<b>(4.46%)</b>	1.49%	4.27%
Nondeductible interest expense		<b>0.04%</b>	(0.05%)	0.61%
Changes in fair value of financial assets at FVPL	27	-	-	(0.24%)
Excess of optional standard deduction over deductible expenses		<b>(0.17%)</b>	0.07%	(0.32%)
Others, mainly income subject to different tax rates		<b>1.47%</b>	(2.38%)	23.14%
Effective income tax rate		<b>15.18%</b>	29.60%	38.35%

### OSD

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or OSD equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made (Note 4).

### Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

The CREATE Act, which seeks to reduce the corporate income tax rates and rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021 (i.e. 25% RCIT, 1% MCIT) for financial reporting purposes.

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

	<b>Increase (decrease)</b>
<b>ASSETS</b>	
Prepaid expenses and other current assets	P4
Deferred tax assets	(224)
	<b>(P220)</b>
<b>LIABILITIES</b>	
Deferred tax liabilities	P28
	<b>28</b>
<b>EQUITY</b>	
Equity reserves	366
Retained earnings	(174)
	<b>192</b>
	<b>(P220)</b>
<b>INCOME TAX EXPENSE</b>	
Current	(P4)
Deferred	(170)
	<b>(P174)</b>

## 29. Related Party Disclosures

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

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

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

	<i>Note</i>	<i>Year</i>	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	<i>Terms</i>	<i>Conditions</i>
Retirement Plan	<i>8, 31, a</i>	<b>2021</b>	<b>P78</b>	<b>P -</b>	<b>P1,138</b>	<b>P -</b>	On demand;	Unsecured;
		2020	93	-	1,562	-	long-term;	no impairment
		2019	113	-	1,971	-	interest bearing	
Intermediate Parent	<i>b, e, f, h, i</i>	<b>2021</b>	<b>18</b>	<b>167</b>	<b>17</b>	<b>333</b>	On demand;	Unsecured;
		2020	7	174	11	251	non-interest	no impairment
		2019	13	228	8	95	bearing	
Under Common Control	<i>14, b, c, d, h, i, j, k</i>	<b>2021</b>	<b>7,911</b>	<b>4,095</b>	<b>2,629</b>	<b>2,307</b>	On demand;	Unsecured;
		2020	4,764	4,445	1,157	1,918	non-interest	no impairment
		2019	6,246	4,904	1,296	2,015	bearing	
Associate	<i>l</i>	<b>2021</b>	<b>-</b>	<b>159</b>	<b>283</b>	<b>101</b>	On demand;	Unsecured;
		2020	-	-	-	-	non-interest	no impairment
		2019	-	-	-	-	bearing	
Joint Ventures	<i>c, g, h, i</i>	<b>2021</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	On demand;	Unsecured;
		2020	-	-	4	-	non-interest	no impairment
		2019	-	52	1	-	bearing	
		<b>2021</b>	<b>P8,007</b>	<b>P4,421</b>	<b>P4,069</b>	<b>P2,741</b>		
		2020	P4,864	P4,619	P2,734	P2,169		
		2019	P6,372	P5,184	P3,276	P2,110		

- As of December 31, 2021 and 2020, the Parent Company has interest bearing advances to PCERP, included as part of "Trade and other receivables - net" in the consolidated statements of financial position, for some investment opportunities (Notes 8 and 31).
- Sales relate to the Parent Company's supply agreements with the Intermediate Parent, various SMC subsidiaries, and an associate. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.
- Purchases relate to purchase of goods and services such as power, construction, information technology, shipping and terminalling from a joint venture and various SMC subsidiaries.
- The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for office space covering 6,683 square meters and certain parcel of lands where service stations are located.
- The Parent Company has existing lease agreements with SMC covering certain parcel of lands where service stations are located.
- The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.

- g. TBSB, an operator of LPG bottling plant, provides bottling services to PFISB and another venturer.
- h. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.
- i. Amounts owed to related parties consist of trade and non-trade payables.
- j. In 2015, NVRC leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.
- k. The Parent Company sold 1,000 shares in 2020 and 50,000 shares in 2019 to a related party at a gain of P3 representing the remaining 0.17% interest in Manila North Harbour Port, Inc.
- l. On February 4, 2021, Petrogen became an associate of the Parent Company as a result of loss of control following the decrease in ownership interest from 100% to 25.06% with SMC's subscription to 1,494,973 shares in Petrogen (Note 14).
- m. On February 22, 2021, the Asset Purchase Agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. for the acquisition of the Treats convenience store business by the Group was executed, for an aggregate purchase price of P68.
- n. The compensation and benefits of key management personnel of the Group, by benefit type, included in the "Personnel expenses" account as follows (Note 25):

	<b>2021</b>	2020	2019
Salaries and other short-term employee benefits	<b>P749</b>	P741	P756
Retirement benefits costs - defined benefit plan	<b>104</b>	109	29
Retirement benefits costs - defined contribution plan	<b>31</b>	33	27
	<b>P884</b>	P883	P812

### **30. Lease Commitments**

#### Group as Lessee

The Group entered into commercial leases on office space, buildings, machinery and equipment, service stations and certain parcels of land for its refinery and service stations (Note 11, 12 and 32). These leases' life ranges from one to 999 years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The lease agreements include upward escalation adjustments of the annual rental rates.

Amounts recognized in profit or loss:

	<b>Note</b>	<b>2021</b>	2020	2019
Interest on lease liabilities	11	<b>P1,070</b>	P1,115	P1,165
Income from sub-leasing		<b>(796)</b>	(1,054)	(1,395)
Income from rent concession	27	-	(23)	-
Expenses relating to the variable portion of lease payments		<b>4</b>	3	7
Expenses relating to short-term leases		<b>314</b>	251	62
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		<b>8</b>	13	32
		<b>P600</b>	P305	(P129)

Rent expense amounting to P14 is included in cost of goods sold - others in 2021, P13 in 2020 and P63 in 2019 (Note 23). Interest expense amounting to P64 was capitalized as part of property, plant and equipment in 2021, P85 in 2020 while P58 in 2019 (Note 10).

Amounts recognized in consolidated statements of cashflows:

	<b>Note</b>	<b>2021</b>	2020	2019
Interest paid under operating activities	34	<b>P310</b>	P344	P1165
Cash outflows for short term and low value lease		<b>326</b>	267	101
Principal lease payments under financing activities	34	<b>2,226</b>	2,361	2,361

#### Group as Lessor - Operating Lease

The Group has entered into lease agreements on its service stations and other related structures. The non-cancellable leases have remaining terms of between three to ten years. All leases include a clause to enable upward escalation adjustment of the annual rental rates.

The following table sets out a maturity analysis of lease payments, showing undiscounted lease payments to be received after the reporting period.

	<b>2021</b>	2020
Less than one year	<b>P992</b>	P794
One to two years	<b>520</b>	614
Two to three years	<b>318</b>	610
Three to four years	<b>275</b>	577
Four to five years	<b>267</b>	532
More than five years	<b>2,632</b>	9,286
	<b>P5,004</b>	P12,413

Rent income recognized in profit or loss amounted to:

	<b>Note</b>	<b>2021</b>	2020	2019
Other operating income		<b>P1,273</b>	P1,047	P1,507
Others - net	27	<b>63</b>	63	63
		<b>P1,336</b>	P1,110	P1,570

### 31. Retirement Plan

The succeeding tables summarize the components of net retirement benefits costs (income) under defined benefit retirement plans recognized in consolidated statements of income and the funding status and amounts of retirement plans recognized in the consolidated statements of financial position. The Parent Company has a funded, noncontributory, defined benefit retirement plan while several subsidiaries have unfunded, noncontributory, defined benefit retirement plans. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is as of December 31, 2021. Valuations are obtained on a periodic basis.

The Parent Company's Retirement Plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act (RA) No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT), as appointed by the BOD of the Parent Company. The BOT of the retirement plan, who exercise voting rights over the shares and approve material transactions, are also officers of the Parent Company, while one of the BOT is also a BOD. The retirement plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Present Value of Defined Benefit Obligation			Fair Value of Plan Assets			Net Defined Benefit Retirement Asset (Liability)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
<b>Balance at beginning of year</b>	<b>(P4,864)</b>	(P4,738)	(P5,779)	<b>P1,056</b>	P1,083	P3,279	<b>(P3,808)</b>	(P3,655)	(P2,500)
<b>Recognized in Profit or Loss</b>									
Current service cost	<b>(289)</b>	(289)	(370)	-	-	-	<b>(289)</b>	(289)	(370)
Past service cost - curtailment**	-	-	435	-	-	-	-	-	435
Interest expense*	<b>(201)</b>	(241)	(335)	-	-	-	<b>(201)</b>	(241)	(335)
Interest income*	-	-	-	<b>56</b>	100	209	<b>56</b>	100	209
Settlement loss**	-	-	(135)	-	-	-	-	-	(135)
	<b>(490)</b>	(530)	(405)	<b>56</b>	100	209	<b>(434)</b>	(430)	(196)
<b>Recognized in Other Comprehensive Income</b>									
Remeasurements:									
Actuarial gains (losses) arising from:									
Experience adjustments	<b>(77)</b>	(64)	(592)	-	-	-	<b>(77)</b>	(64)	(592)
Changes in financial assumptions	<b>235</b>	(64)	(54)	-	-	-	<b>235</b>	(64)	(54)
Changes in demographic assumptions	<b>29</b>	138	137	-	-	-	<b>29</b>	138	137
Return on plan asset excluding interest	-	-	-	<b>(784)</b>	(641)	(2,022)	<b>(784)</b>	(641)	(2,022)
	<b>187</b>	10	(509)	<b>(784)</b>	(641)	(2,022)	<b>(597)</b>	(631)	(2,531)
<b>Others</b>									
Benefits paid	<b>711</b>	357	1,934	<b>(611)</b>	(301)	(1,861)	<b>100</b>	56	73
Contributions	-	-	-	<b>1,310</b>	815	1,478	<b>1,310</b>	815	1,478
Translation adjustment	<b>(30)</b>	37	21	-	-	-	<b>(30)</b>	37	21
	<b>681</b>	394	1,955	<b>699</b>	514	(383)	<b>1,380</b>	908	1,572
<b>Balance at end of year</b>	<b>(P4,486)</b>	(P4,864)	(P4,738)	<b>P1,027</b>	P1,056	P1,083	<b>(P3,459)</b>	(P3,808)	(P3,655)

\*Starting 2019, interest expense on defined benefit obligation and interest income on plan assets are presented as part of Interest Expense and Other Financing Charges, and Interest Income, respectively (Note 27).

\*\*The significant reduction in the Parent Company's headcount resulted in non-routine benefit payments during the year. This led to the recognition of settlement loss and curtailment of past service cost in 2019.

The above net defined benefit retirement liability was recognized in the consolidated statements of financial position as follows:

	<b>Note</b>	<b>2021</b>	2020
Trade and other payables	18	<b>P132</b>	P103
Retirement benefits liability (noncurrent portion)		<b>3,327</b>	3,705
		<b>P3,459</b>	P3,808

Retirement benefits costs (income) recognized in the consolidated statements of income by the Parent Company amounted to P212, P214 and (P40) in 2021, 2020 and 2019, respectively.

Retirement benefits costs recognized in the consolidated statements of income by the subsidiaries amounted to P77, P75 and P110 in 2021, 2020 and 2019, respectively.

The carrying amounts of the Parent Company's retirement fund approximate fair values as of December 31, 2021 and 2020.

Plan assets consist of the following:

	<b>2021</b>	2020
Shares of stock:		
Quoted	<b>72%</b>	76%
Unquoted	<b>12%</b>	11%
Government securities	<b>11%</b>	8%
Cash and cash equivalents	<b>4%</b>	2%
Others	<b>1%</b>	3%
	<b>100%</b>	100%

*Investment in Shares of Stock.* As of December 31, 2021 and 2020, the Group's plan assets include 459,156,097 common shares of Petron with fair market value per share of P3.17 and P3.99 as of December 31, 2021 and 2020, respectively, and 14,250,900 common shares of SMC with fair market value per share of P114.90 and P128.10 as of December 31, 2021 and 2020, respectively.

The Parent Company's plan recognized a loss on the investment in marketable securities of Petron and SMC amounting to P565, P451 and P1,780 in 2021, 2020 and 2019, respectively, mainly as a result of marked-to-market remeasurements.

Dividend income from the investment in shares of stock of Petron and SMC amounted to P20 in 2021, P66 in 2020 and P73 in 2019.

*Investment in trust account* represents funds entrusted to financial institutions for the purpose of maximizing the yield on investible funds.

*Others* include receivables which earn interest. These include the uncollected balance as of December 31, 2021 of the plan's sale of investment in common shares of Petron to SMC Retirement Plan in 2018.

In 2019, the Parent Company's plan has fully withdrawn its investments in pooled funds and Petron bonds.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Parent Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Parent Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Parent Company expects to contribute P526 to its defined benefit retirement plan in 2022.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

The retirement plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

*Investment and Interest Risk.* The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

*Longevity and Salary Risks.* The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	<b>2021</b>	2020	2019
Discount rate	<b>5.00% to 5.20%</b>	3.95% to 5.00%	5.22% to 5.73%
Future salary increases	<b>4.00% to 5.75%</b>	4.00% to 5.75%	5.00% to 6.50%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit obligation is from 6 to 17 years as of December 31, 2021 and 6 to 18 years as of December 31, 2020.

The reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit assets/liabilities by the amounts below:

<b>2021</b>	<b>Defined Benefit Liabilities</b>	
	<b>1 Percent Increase</b>	<b>1 Percent Decrease</b>
Discount rate	<b>(P99)</b>	<b>P138</b>
Salary increase rate	<b>324</b>	<b>(288)</b>

<b>2020</b>	<b>Defined Benefit Liabilities</b>	
	<b>1 Percent Increase</b>	<b>1 Percent Decrease</b>
Discount rate	<b>(P319)</b>	<b>P339</b>
Salary increase rate	<b>138</b>	<b>(124)</b>

The Parent Company has advances to PCERP amounting to P1,138 and P1,562 as of December 31, 2021 and 2020, respectively, included as part of "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 29). The advances are subject to interest of 5% in 2021 and 2020 (Note 29).

In 2021 and in 2020, portion of the Parent Company's interest bearing advances to PCERP were converted into contribution to the retirement plan (Note 29).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2021 and 2020 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Parent Company has not recognized any impairment losses relating to the receivables from retirement plan for the years ended December 31, 2021 and 2020 .

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### **32. Significant Agreements**

*Supply Agreements.* The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), based on the latter's standard Far East selling prices and Kuwait Petroleum Corporation (KPC) to purchase Kuwait Export Crude Oil (KEC) at pricing based on latter's standard KEC prices. The contract with KPC was mutually agreed to be terminated by the parties effective January 1, 2021.

PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with Exxon Trading Asia Pacific, a division of ExxonMobil Asia Pacific Pte. Ltd. On the average, around 70% of crude and condensate volume processed are from EMEPMI with balance of around 30% from spot purchases

Outstanding liabilities of the Group for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the consolidated statements of financial position as of December 31, 2021 and 2020 (Note 17).

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

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

Tolling services started in 2008 on which PFC recognized revenue amounting to P96, P97 and P113 in 2021, 2020 and 2019, respectively.

*Lease Agreements with Philippine National Oil Company (PNOC).* On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P191, starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised in 2022 and every fifth year thereafter in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as at December 31, 2021 and 2020, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 40).

### 33. Basic and Diluted Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share amounts are computed as follows:

	2021	2020	2019
Net income (loss) attributable to equity holders of the Parent Company	<b>P5,369</b>	(P11,380)	P1,701
Dividends on preferred shares for the year	<b>(1,899)</b>	(1,578)	(1,578)
Distributions to the holders of capital securities	<b>(3,037)</b>	(1,816)	(1,697)
Net income (loss) attributable to common shareholders of the Parent Company (a)	<b>P433</b>	(P14,774)	(P1,574)
Weighted average number of common shares outstanding (in millions) (b)	<b>9,375</b>	9,375	9,375
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	<b>P0.05</b>	(P1.58)	(P0.17)

As of December 31, 2021, 2020 and 2019, the Parent Company has no potential dilutive debt or equity instruments.

### 34. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

- a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2021	2020	2019
Decrease (increase) in assets:			
Trade and other receivables	<b>(P24,308)</b>	P16,401	(P2,977)
Inventories	<b>(22,104)</b>	27,456	(8,569)
Other assets	<b>1,923</b>	(2,260)	7,940
Increase (decrease) in liabilities:			
Liabilities for crude oil and petroleum products	<b>17,929</b>	(16,216)	14,859
Trade and other payables and others	<b>(2,742)</b>	(12,943)	1,059
	<b>(29,302)</b>	12,438	12,312
Additional allowance for (net reversal of) impairment of receivables, inventory decline and/or obsolescence, and others	<b>(20)</b>	(407)	(465)
	<b>(P29,322)</b>	P12,031	P11,847

- b. Changes in liabilities arising from financing activities:

	Dividends Payable	Lease Liabilities	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2021	<b>P505</b>	<b>P15,804</b>	<b>P77,704</b>	<b>P119,454</b>	<b>P213,467</b>
Changes from financing cash flows:					
Payment of principal	-	(2,226)	-	-	(2,226)
Proceeds from availment of loans	-	-	209,285	17,772	227,057
Payments of loans	-	-	(178,210)	(37,221)	(215,431)
Dividends and distributions declared	4,979	-	-	-	4,979
Dividends and distributions paid	(4,655)	-	-	-	(4,655)
Total changes from financing cash flows	324	(2,226)	31,075	(19,449)	9,724
New leases	-	843	-	-	843
Interest expense	-	1,376	-	-	1,376
Interest paid	-	(310)	-	-	(310)
Effects of changes in foreign exchange rates	-	68	417	2,026	2,511
Other charges	-	-	-	614	614
<b>Balance as of December 31, 2021</b>	<b>P829</b>	<b>P15,555</b>	<b>P109,196</b>	<b>P102,645</b>	<b>P228,225</b>

	Dividends Payable	Lease Liabilities	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2020	P496	P15,749	P71,090	P133,077	P220,412
Changes from financing cash flows:					
Payment of principal	-	(2,361)	-	-	(2,361)
Proceeds from availment of loans	-	-	132,782	18,626	151,408
Payments of loans	-	-	(126,034)	(29,570)	(155,604)
Dividends and distributions declared	4,432	-	-	-	4,432
Dividends and distributions paid	(4,423)	-	-	-	(4,423)
Total changes from financing cash flows	9	(2,361)	6,748	(10,944)	(6,548)
New leases	-	1,689	-	-	1,689
Interest expense	-	1,115	-	-	1,115
Interest paid	-	(344)	-	-	(344)
Effects of changes in foreign exchange rates	-	(44)	5	(3,282)	(3,321)
Other charges	-	-	(139)	603	464
Balance as of December 31, 2020	P505	P15,804	P77,704	P119,454	P213,467

### 35. Financial Risk Management Objectives and Policies

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

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

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

#### Risk Management Structure

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

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

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

- a. The Risk and Insurance Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.
- b. The Treasurers Department, which is in charge of foreign currency hedging transactions.
- c. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.
- d. The Corporate Technical and Engineering Services Group, which oversees strict adherence to safety and environmental mandates across all facilities.
- e. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.
- f. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the BOD, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.
- g. PSTPL executes the hedging transactions involving crude and product imports on behalf of the Group.

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

- a. The Audit Committee is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

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

- b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.
- c. The Compliance Officer, who is a senior officer of the Parent Company reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

### Foreign Currency Risk

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

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

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

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

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

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

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

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

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

	2021		2020	
	US Dollar (in millions)	Phil. Peso Equivalent	US Dollar (in millions)	Phil. Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	569	29,012	455	21,827
Trade and other receivables	522	26,624	137	6,589
Other assets	16	815	18	869
	<b>1,107</b>	<b>56,451</b>	610	29,285
<b>Liabilities</b>				
Short-term loans	294	14,989	124	5,971
Liabilities for crude oil and petroleum products	793	40,465	434	20,853
Long-term debts (including current maturities)	880	44,859	1,266	60,786
Other liabilities	538	27,416	134	6,430
	<b>2,505</b>	<b>127,729</b>	1,958	94,040
<b>Net foreign currency-denominated monetary liabilities</b>	<b>(1,398)</b>	<b>(71,278)</b>	(1,348)	(64,755)

The Group incurred net foreign currency gains (losses) amounting to (P1,242), P2,363 and P2,609 in 2021, 2020 and 2019, respectively (Note 27), which were mainly countered by marked-to-market and realized hedging gains (losses) (Note 27). The foreign currency rates from Philippine peso (PhP) to US dollar (US\$) as of December 31 are shown in the following table:

	Php to US\$
<b>December 31, 2021</b>	<b>50.999</b>
December 31, 2020	48.023
December 31, 2019	50.635

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

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

2021	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P416)	(P465)	P416	P465
Trade and other receivables	(56)	(509)	56	509
Other assets	(11)	(13)	11	13
	(483)	(987)	483	987
Short-term loans	-	294	-	(294)
Liabilities for crude oil and petroleum products	380	1,059	(380)	(1,059)
Long-term debts (including current maturities)	880	660	(880)	(660)
Other liabilities	13	174	(13)	(174)
	1,273	2,187	(1,273)	(2,187)
	P790	P1,200	(P790)	(P1,200)

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

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

#### Interest Rate Risk

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

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

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

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

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

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P449 and P538 in 2021 and 2020, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

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

2021	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
<b>Fixed Rate</b>							
Philippine peso denominated	P6,893	P10,393	P16,057	P16,425	P -	P9,000	P58,768
Interest rate	4.59% - 5.8%	4.59% - 5.5%	4.59% - 7.8%	4.59% - 8.1%	-	4.30%	-
<b>Floating Rate</b>							
US\$ denominated (expressed in Php)	13,078	19,307	5,828	-	-	-	38,213
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin				
JPY denominated (expressed in Php)	1,899	1,899	1,899	949	-	-	6,646
Interest rate*	1, 3, 6 mos. Libor + margin						
	<b>P21,870</b>	<b>P31,599</b>	<b>P23,784</b>	<b>P17,374</b>	<b>P -</b>	<b>P9,000</b>	<b>P103,627</b>

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

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

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

### Credit Risk

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

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

	<b>Note</b>	<b>2021</b>	2020
Cash in banks and cash equivalents	5	<b>P35,318</b>	P25,970
Derivative assets	6	<b>740</b>	334
Investments in debt instruments	7	-	381
Trade and other receivables - net	8	<b>51,745</b>	27,195
Noncurrent deposits	15	<b>128</b>	121
		<b>P87,931</b>	P54,001

#### *Cash and Cash Equivalents, Derivative Assets and Noncurrent Deposits*

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

#### *Investments in Debt Instruments*

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

#### *Trade and Other Receivables and Long-Term Receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 38.

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

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

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

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

Below is the credit quality profile of the Group’s trade accounts receivable as of December 31, 2021 and 2020:

	Trade Accounts Receivables Per Class			Total
	Class A	Class B	Class C	
<b>December 31, 2021</b>				
Retail	P2,464	P1,561	P445	P4,470
Lubes	571	72	2	645
Gasul	955	118	113	1,186
Industrial	7,485	7,110	2,509	17,104
Others	8,460	3,417	107	11,984
	<b>P19,935</b>	<b>P12,278</b>	<b>P3,176</b>	<b>P35,389</b>

	Trade Accounts Receivables Per Class			Total
	Class A	Class B	Class C	
<b>December 31, 2020</b>				
Retail	P1,704	P2,277	P370	P4,351
Lubes	535	83	3	621
Gasul	613	111	66	790
Industrial	2,361	4,657	743	7,761
Others	3,464	2,418	899	6,781
	<b>P8,677</b>	<b>P9,546</b>	<b>P2,081</b>	<b>P20,304</b>

*Collaterals.* To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables (Note 8). Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P4,720 and P4,784 as of December 31, 2021 and 2020, respectively. These securities may only be called on or applied upon default of customers.

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

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

2021						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash in banks and cash equivalents	P35,318	P -	P -	P -	P -	P35,318
Trade and other receivables	-	51,745	1,028	-	-	52,773
Derivative assets not designated as cash flow hedge	-	-	-	687	-	687
Derivative assets designated as cash flow hedge	-	-	-	-	53	53
Investments in debt instruments	-	-	-	-	-	-
Long-term receivables - net	-	-	315	-	-	315
Noncurrent deposits	128	-	-	-	-	128
	<b>P35,446</b>	<b>P51,745</b>	<b>P1,343</b>	<b>P687</b>	<b>P53</b>	<b>P89,274</b>

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

### Liquidity Risk

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

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

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

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

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

2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P36,406	P36,406	P36,406	P -	P -	P -
Trade and other receivables	51,745	51,745	51,745	-	-	-
Derivative assets (including non-current portion)	740	740	707	19	14	-
Proprietary membership shares	298	298	298	-	-	-
Noncurrent deposits	128	128	-	-	3	125
<b>Financial Liabilities</b>						
Short-term loans	109,196	109,474	109,474	-	-	-
Liabilities for crude oil and petroleum products	42,641	42,641	42,641	-	-	-
Trade and other payables*	7,598	7,598	7,598	-	-	-
Derivative liabilities (including non-current portion)	1,022	1,022	997	23	2	-
Long-term debts (including current maturities)	102,645	114,995	26,448	34,870	44,371	9,306
Lease liability (including current portion)	15,555	25,320	2,146	2,047	5,442	15,685
Cash bonds	450	450	14	419	17	-
Cylinder deposits	687	687	-	-	-	687
Other noncurrent liabilities**	38	38	-	4	17	17

\*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others

\*\*excluding cash bonds, cylinder deposits and derivative liabilities

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

\*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others

\*\*excluding cash bonds, cylinder deposits and derivative liabilities

### Commodity Price Risk

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

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

#### Other Market Price Risk

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

#### Capital Management

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

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

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

	<b>2021</b>	2020
Total assets	<b>P407,420</b>	P349,725
Total liabilities	<b>296,507</b>	263,530
Total equity	<b>110,913</b>	86,195
Debt to equity ratio	<b>2.7:1</b>	3.1:1
Assets to equity ratio	<b>3.7:1</b>	4.1:1

There were no changes in the Group's approach to capital management during the year.

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

### 36. Financial Assets and Financial Liabilities

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

	Note	2021		2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	5	<b>P36,406</b>	<b>P36,406</b>	P27,053	P27,053
Trade and other receivables	8	<b>51,745</b>	<b>51,745</b>	27,195	27,195
Investments in debt instruments	7	-	-	255	255
Noncurrent deposits	15	<b>128</b>	<b>128</b>	121	121
FA at amortized cost		<b>88,279</b>	<b>88,279</b>	54,624	54,624
Investments in debt instruments	7	-	-	126	126
Derivative assets designated as cash flow hedge	6	<b>53</b>	<b>53</b>	12	12
FA at FVOCI		<b>53</b>	<b>53</b>	138	138
Financial assets at FVPL	6	<b>298</b>	<b>298</b>	275	275
Derivative assets not designated as cash flow hedge	6, 15	<b>687</b>	<b>687</b>	322	322
FA at FVPL		<b>985</b>	<b>985</b>	597	597
<b>Total financial assets</b>		<b>P89,317</b>	<b>P89,317</b>	P55,359	P55,359

	Note	2021		2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities (FL):					
Short-term loans	16	<b>P109,196</b>	<b>P109,196</b>	P77,704	P77,704
Liabilities for crude oil and petroleum products	17	<b>42,641</b>	<b>42,641</b>	22,320	22,320
Trade and other payables*	18	<b>7,598</b>	<b>7,598</b>	9,402	9,402
Long-term debt including current portion	19	<b>102,645</b>	<b>102,645</b>	119,454	119,454
Derivative liabilities designated as cash flow hedge	21	<b>116</b>	<b>116</b>	592	592
Cash bonds	21	<b>450</b>	<b>450</b>	947	947
Cylinder deposits	21	<b>687</b>	<b>687</b>	617	617
Other noncurrent liabilities**	21	<b>40</b>	<b>40</b>	48	48
Other FL		<b>263,373</b>	<b>263,373</b>	231,084	231,084
Derivative liabilities not designated as cash flow hedge		<b>906</b>	<b>906</b>	824	824
<b>Total financial liabilities</b>		<b>P264,279</b>	<b>P264,279</b>	P231,908	P231,908

\*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others

\*\*excluding cash bonds, cylinder deposits and derivative liabilities

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

*Cash and Cash Equivalents, Trade and Other Receivables and Advances to Subsidiaries and a Joint Venture.* The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of the advances to subsidiaries and a joint venture, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

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

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

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

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

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

#### Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

### Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges (Note 35).

December 31, 2021	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
<b>Foreign Currency Risk</b>				
<b>Call Spread Swaps</b>				
Notional amount	US\$40	US\$ -	US\$ -	US\$40
Average strike rate	P51.96 to P54.47	P -	P -	-
<b>Foreign Currency and Interest Rate Risk</b>				
<b>Cross Currency Swap</b>				
Notional amount	US\$20	US\$20	US\$10	US\$50
Average strike rate	P47.00 to P57.00	P47.00 to P56.50	P47.00 to P56.50	-
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	4.19% to 5.75%	-
<b>Interest Rate Risk</b>				
<b>Interest Rate Collar</b>				
Notional amount	US\$15	US\$30	US\$15	US\$60
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.44% to 1.99%	-

December 31, 2020	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
<b>Foreign Currency Risk</b>				
<b>Call Spread Swaps</b>				
Notional amount	US\$50	US\$50	US\$ -	US\$100
Average strike rate	P52.41 to P54.87	P52.41 to P55.02	P -	-
<b>Foreign Currency and Interest Rate Risk</b>				
<b>Cross Currency Swap</b>				
Notional amount	US\$20	US\$30	US\$30	US\$80
Average strike rate	P47.00 to 57.00	P47.00 to 56.83	P47.00 to 56.50	-
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	4.19% to 5.75%	-
<b>Interest Rate Risk</b>				
<b>Interest Rate Collar</b>				
Notional amount	US\$15	US\$30	US\$45	US\$90
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.44% to 1.99%	-

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

December 31, 2021	Change in Fair Value Used for Measuring Hedge		Cost of Hedging Reserve
	Ineffectiveness	Hedging Reserve	
<b>Foreign Currency Risk</b>			
US dollar-denominated loan	(P8)	P -	P6
<b>Foreign Currency and Interest Rate Risks</b>			
US dollar-denominated loan	67	(72)	65
<b>Interest Rate Risks</b>			
US dollar-denominated loan	4	(3)	-

December 31, 2020	Change in Fair Value Used for Measuring Hedge		Cost of Hedging Reserve
	Ineffectiveness	Hedging Reserve	
<b>Foreign Currency Risk</b>			
US dollar-denominated loan	P85	P -	(P40)
<b>Foreign Currency and Interest Rate Risks</b>			
US dollar-denominated loan	467	(187)	94
<b>Interest Rate Risks</b>			
US dollar-denominated loan	28	(20)	-

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

The table below summarizes the amounts pertaining to the designated hedging instrument as of December 31, 2021 and 2020.

December 31, 2021	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve to Profit or Loss	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
<b>Foreign Currency Risk</b>									
Call spread swaps	US\$40	P20	P12	Financial assets at FVPL, Derivative liabilities	P8	P4	(P28)	P61	Other income (expenses) - net
<b>Foreign Currency and Interest Rate Risks</b>									
Cross currency swap	50	32	99	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(67)	(216)	(276)	168	Interest expense and other financing charges, Other income (expenses) - net
<b>Interest Rate Risk</b>									
Interest rate collar	60	1	5	Derivative liabilities, Other noncurrent assets	(4)	(16)	-	16	Interest expense and other financing charges

December 31, 2020	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve to Profit or Loss	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
<b>Foreign Currency Risk</b>									
Call spread swaps	US\$100	P11	P96	Financial assets at fair value, Other noncurrent assets, Derivative liabilities and Other noncurrent liabilities	(P85)	(P23)	P28	P166	Other income (expenses) - net
<b>Foreign Currency and Interest Rate Risks</b>									
Cross currency swap	80	-	467	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(467)	(234)	129	200	Interest Expense and other financing charges, and Other income (expenses) - net
<b>Interest Rate Risk</b>									
Interest rate collar	90	-	28	Other noncurrent assets, Derivative liabilities	(28)	(9)	-	9	Interest Expense and other financing charges

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

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

	December 31, 2021		December 31, 2020	
	Hedging Reserve	Cost of Hedging Reserve	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	(P207)	P54	(P201)	(P21)
Changes in fair value:				
Foreign currency risk	28	4	(28)	(23)
Foreign currency risk and interest rate risk	448	(216)	(102)	(234)
Interest rate risk	24	(16)	(35)	(9)
Amount reclassified to profit or loss:				
Foreign currency risk	(28)	61	28	166
Foreign currency risk and interest rate risk	(276)	168	129	200
Interest rate risk	-	16	-	9
Income tax effect	(64)	-	2	(34)
Balance at end of year	(P75)	P71	(P207)	P54

#### Derivative Instruments not Designated as Hedges

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

*Call Spread Swaps.* As of December 31, 2021, the Group has no outstanding call spread swaps. As of December 31, 2021 and 2020, the net negative fair value of these call spread swaps amounted to nil and P26, respectively.

*Cross Currency Swaps.* As of December 31, 2021, the Group has outstanding cross currency swaps with a notional amount US\$10 million maturing on May 17, 2022. The net negative fair value of these cross currency swap amounted to P6 in 2021 and P96 in 2020.

*Interest Rate Collar.* As of December 31, 2021, the Group has outstanding interest rate collar with a notional amount US\$15 million maturing on May 17, 2022. The net negative fair value of this interest rate collar amounted to P1 in 2021 and P0.92 in 2020.

#### *Freestanding Derivatives*

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

*Currency Forwards.* As of December 31, 2021 and 2020, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$698 million and US\$395 million, respectively, and with various maturities in 2022 and 2021. As of December 31, 2021 and 2020, the net negative fair value of these currency forwards amounted to P330 and P48, respectively.

*Commodity Swaps.* The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2023 and 2022. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. Total outstanding equivalent notional quantity covered by the commodity swaps were 24.6 million barrels and 32.8 million barrels for 2021 and 2020, respectively. The estimated net payouts for these transactions amounted to (P543) and (P754) as of December 31, 2021 and 2020, respectively.

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

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

#### *Embedded Derivatives*

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

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

For the years ended December 31, 2021, 2020 and 2019, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P344, (P2,428) and (P1,926), respectively (Note 27).

#### Fair Value Changes on Derivatives not Designated as Cash Flow Hedge

The net movements in the fair value of derivative transactions in 2021 and 2020 are as follows:

	<b>Note</b>	<b>2021</b>	2020
Fair value at beginning of year		<b>(P924)</b>	P195
Net changes in fair value during the year	27	<b>344</b>	(2,428)
Fair value of settled instruments		<b>1,219</b>	1,309
Fair value at end of year		<b>P639</b>	(P924)

#### Fair Value Hierarchy

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

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2021 and 2020. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability are not based on observable market data.

	<b>2021</b>	2020
	<b>Level 2</b>	Level 2
<b>Financial Assets</b>		
FVPL	<b>P298</b>	P275
Derivative assets	<b>740</b>	334
Investments in debt instruments	-	126
<b>Financial Liabilities</b>		
Derivative liabilities	<b>(1,022)</b>	(1,416)

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

### **37. Registration with the Board of Investments (BOI) and the Authority of the Freeport Area of Bataan (AFAB)**

#### BOI

*RMP-2 Project.* On June 3, 2011, the BOI approved the Parent Company's application under RA 8479 as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

- a. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration based on the formula of the ITH rate of exemption.
- b. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.
- c. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.
- d. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.
- e. Exemption from real property tax on production equipment or machinery.
- f. Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operation on January 1, 2016. Certificate of entitlement has been timely obtained by the Parent Company to support its ITH credits in 2018. On August 19, 2019, the BOI approved the Parent Company's application for the ITH incentive. The approval also covers the claim for income tax exemption in the Parent Company's 2018 Income Tax Return, subject to adjustment, if any, after the completion of the audit by the BIR.

The Parent Company did not avail of the ITH in 2020 and 2019. The RMP-2 entitlement period ended in June 2020.

#### AFAB

In December 2020, Bataan Refinery was granted approval as a registered enterprise by the AFAB. FAB-registered enterprises are entitled to avail of fiscal incentives under Special Economic Zone Act of 1995 or Omnibus Investment Code of 1987. On December 29, 2021, the Parent Company's Certificate of Registration was renewed.

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### **38. Segment Information**

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

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

- a. Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country.
- b. Insurance premiums from the business and operation of all kinds of insurance and reinsurance, on sea as well as on land, of properties, goods and merchandise, of transportation or conveyance, against fire, earthquake, marine perils, accidents and all others forms and lines of insurance authorized by law, except life insurance.
- c. Lease of acquired real estate properties and equipment for petroleum, refining, storage and distribution facilities, gasoline service stations and other related structures.
- d. Sales on wholesale or retail and operation of service stations, retail outlets, restaurants, convenience stores and the like.
- e. Export sales of various petroleum and non-fuel products to other countries such as China, Taiwan, Malaysia, South Korea, Singapore, Vietnam, Egypt, Indonesia, Iraq and India.
- f. Sale of polypropylene resins to domestic plastic converters of yarn, film and injection molding grade plastic products.
- g. Provision of technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs.

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

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

### Segment Assets and Liabilities

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

### Inter-segment Transactions

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

### Major Customer

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

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the years ended December 31, 2021, 2020 and 2019.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
<b>2021</b>						
Revenue:						
External sales	P435,582	P -	P1,153	P906	P416	P438,057
Inter-segment sales	175,205	125	395	-	(175,725)	-
Operating income	16,860	112	240	48	(45)	17,215
Net income	7,749	116	159	48	(1,936)	6,136
Assets and liabilities:						
Segment assets*	457,506	2,891	10,032	612	(65,793)	405,248
Segment liabilities*	318,567	977	4,863	142	(31,826)	292,723
Other segment information:						
Property, plant and equipment	171,029	-	-	93	480	171,602
Depreciation	9,930	-	85	16	(183)	9,848
Interest expense	10,149	-	300	2	(443)	10,008
Interest income	653	4	230	2	(325)	564
Income tax expense	1,141	3	8	7	2	1,161

\*excluding deferred tax assets and liabilities

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

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
<b>2020</b>						
Revenue:						
External sales	P283,885	P -	P1,150	P674	P324	P286,033
Inter-segment sales	86,363	76	415	-	(86,854)	-
Operating income (loss)	(5,401)	53	266	79	374	(4,629)
Net income (loss)	(10,628)	104	155	74	(1,118)	(11,413)
Assets and liabilities:						
Segment assets*	387,619	3,353	9,981	659	(54,077)	347,535
Segment liabilities*	274,483	1,907	4,949	147	(21,040)	260,446
Other segment information:						
Property, plant and equipment	168,289	-	-	109	433	168,831
Depreciation	9,565	-	9	(90)	6	9,490
Interest expense	11,416	-	316	1	(420)	11,313
Interest income	853	30	232	5	(340)	780
Income tax expense	(4,841)	6	61	8	(32)	(4,798)

\*excluding deferred tax assets and liabilities

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

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2019						
Revenue:						
External sales	P511,921	P -	P1,100	P961	P380	P514,362
Inter-segment sales	228,613	102	406	-	(229,121)	-
Operating income	15,579	78	271	132	139	16,199
Net income	5,017	70	140	137	(3,061)	2,303
Assets and liabilities:						
Segment assets*	444,239	4,355	9,901	673	(64,595)	394,573
Segment liabilities*	319,412	2,981	5,046	136	(31,518)	296,057
Other segment information:						
Property, plant and equipment	167,260	-	-	123	558	167,941
Depreciation	13,326	-	9	(92)	2	13,245
Interest expense	13,647	-	322	2	(481)	13,490
Interest income	1,388	44	240	15	(347)	1,340
Income tax expense	1,346	26	49	15	(2)	1,434

\*excluding deferred tax assets and liabilities

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

Inter-segment sales transactions amounted to P175,736, P86,854 and P229,121 for the years ended December 31, 2021, 2020 and 2019, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the years ended December 31, 2021, 2020 and 2019:

	Retail	Lube	Gasul	Industrial	Others	Total
<b>2021</b>						
Revenue	<b>P206,337</b>	<b>P5,318</b>	<b>P24,947</b>	<b>P71,354</b>	<b>P127,626</b>	<b>P435,582</b>
Property, plant and equipment	<b>7,943</b>	<b>32</b>	<b>217</b>	<b>9</b>	<b>162,828</b>	<b>171,029</b>
Capital expenditures	<b>1,363</b>	<b>4</b>	<b>22</b>	<b>1</b>	<b>14,433</b>	<b>15,823</b>
<b>2020</b>						
Revenue	149,406	3,577	20,259	57,889	52,754	283,885
Property, plant and equipment	9,057	37	258	13	158,924	168,289
Capital expenditures	2,382	1	12	-	22,234	24,629
<b>2019</b>						
Revenue	249,210	4,474	25,745	125,314	107,178	511,921
Property, plant and equipment	9,949	40	303	100	156,868	167,260
Capital expenditures	1,892	2	5	-	14,951	16,850

a. revenues from the use of loaned equipment are presented as part of "Retail", "Gasul" and "Industrial"

b. revenues from provisions of technical support are presented as part of "Retail" and "Industrial"

c. revenues from consumer loyalty program are presented as part of "Others"

### Geographical Segments

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

	2021	2020
Local	<b>P311,567</b>	P282,871
International	<b>93,681</b>	64,664
	<b>P405,248</b>	P347,535

### Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the years ended December 31, 2021, 2020 and 2019.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
<b>2021</b>						
Local	<b>P221,676</b>	<b>P4</b>	<b>P1,548</b>	<b>P906</b>	<b>(P912)</b>	<b>P223,222</b>
Export/international	<b>390,111</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>(175,397)</b>	<b>214,835</b>
<b>2020</b>						
Local	165,139	-	1,565	674	(558)	166,820
Export/international	205,109	76	-	-	(85,972)	119,213
<b>2019</b>						
Local	299,668	60	1,506	961	(750)	301,445
Export/international	440,865	42	-	-	(227,990)	212,917

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

### **39. Events After the Reporting Date**

#### a. Dividend Declaration and Distributions

On January 18, 2022, the Parent Company paid distributions amounting to US\$11.50 million (P787) to the holders of the US\$500 million SPCS.

On February 10, 2022, the Parent Company paid distributions amounting to US\$906.25 thousand (P46) to the holders of the US\$100 million RPS

On March 1, 2022, the Parent Company paid distributions amounting to US\$60 thousand (P3) to the holders of the US\$6 million RPS.

#### b. Acquisition of Mema Holdings, Inc.

On February 16, 2022, the Parent Company paid P104 for the acquisition of 10,000,000 common shares with par value of P1.00 per share representing 100% of the authorized capital stock of Mema Holdings, Inc. (Mema), a corporation duly organized and existing under and by virtue of Philippine laws. Mema is a holding company proposed by the management to be considered, among others, as a vehicle and holding company for the venture by the Parent Company into fuel hauling and logistics services. The acquisition cost approximates the fair value of net assets acquired.

### **40. Other Matters**

#### a. Lease Agreements with PNOC

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

The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and the Parent company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, the Parent company, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

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

The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. The Parent company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13 2019, the trial court granted the Parent company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent company's of all such properties, and (iii) the payment by the Parent company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent company all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. Petron filed its appellant's brief in October 2020. PNOC filed its appellant's brief in November 2020. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of Petron and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Petron's position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate Petron's lease thereby depriving Petron a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that Petron paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, Petron filed its motion for reconsideration insofar as the decision dismissed ~~the~~ Petron's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. The parties await the order of the Court of Appeals on the motions filed.

b. Swakaya Dispute

In 2015, a disputed trade receivable balance of RM25 (P307) in favor of POMSB was reclassified to long-term receivables.

The dispute arose from the supply by POMSB of diesel to Swakaya. In 2013, POMSB entered into an agreement to supply diesel to Swakaya who subsequently sold the product to an operator of power plants in Sabah. In 2013, due to a government investigation, Swakaya's bank accounts were frozen which affected its ability to supply the power plants. Swakaya and the power plants operator agreed to ask POMSB to supply the power plants operator directly and, correspondingly, pay POMSB directly. Unknown to POMSB, Swakaya had a financing arrangement with Sabah Development Bank (SDB) which obligated the power plants operator to remit to SDB payments due to Swakaya. Due to some administrative issues, the moneys due to POMSB were remitted by power plants operator into a joint Swakaya/SDB Bank account. Despite SDB's earlier promise to remit the moneys to POMSB once it is established that the payment was indeed for a direct supply to the power plants operator, SDB subsequently refused and set off the moneys against Swakaya's debt to the bank. The sum involved was RM25 (P307). POMSB sued Swakaya and SDB before the Kota Kinabalu High Court for, among others, breach of trust. Swakaya did not appear in court and judgment was awarded in favor of POMSB and against Swakaya.

In April 2016, the Kota Kinabalu High Court ruled in favor of POMSB and a judgment sum inclusive of interest amounting to RM28 (P343) was deposited to its solicitor account in August 2016. SDB subsequently filed an appeal to Court of Appeal.

In May 2017, the Court of Appeal re-affirmed the decision of the Kota Kinabalu High Court and dismissed SDB's appeal with costs RM0.015 (P0.20) awarded to POMSB. In June 2017, SDB filed a Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal, which was granted in April 2018. After hearing the appeal, in February 2020, the Federal Court allowed the appeal by SDB and set aside the Court of Appeal's decision. POMSB filed an application for a review by the Federal Court (to set aside its own decision). On August 2, 2021, the Federal Court disallowed the review. No further action was taken by POMSB and the decision of the Federal Court has attained finality.

Considering the length of time of litigation matters, a discount of RM8 (P95) was computed based on the original effective interest rate. Part of the discount, amounting to RM2 (P20) was unwound in 2019 and recognized as interest income.

The balance amounting to RM23 (P282) was provided full impairment in 2019.

c. Oil Spill Incident in Guimaras

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

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

d. Effect of COVID-19

Since the start of the global pandemic, the Group, being engaged in the fuel business, has been affected by the implementation of Enhanced Community Quarantine (ECQ) in the National Capital Region and other key cities in the Philippines and Movement Control Order (MCO) in Malaysia. The reduced economic activities and travel restrictions due to lockdowns in many countries significantly affected volumes of both the Philippine and Malaysia operations.

Global oil prices began to plunge in March 2020 as the price war among top oil producing countries was worsened by the demand destruction caused by the COVID-19 pandemic. Dubai crude plunged from US\$64/bbl in January to US\$20/bbl in April, posting record low levels in 26 years, which resulted in successive rollbacks in pump prices and reflected in the substantial net loss of the Group in 2020.

With Organization of Petroleum Exporting Countries (OPEC) and Russia agreeing to output cuts, recovery in oil prices was seen starting May 2020. From then on international oil prices began to climb steadily. Dubai averaged to about \$71/bbl in 2021 as against \$42/bbl in 2020.

The gradual opening-up of economies and easing up of pandemic restrictions especially in the West alongside robust vaccination efforts around the world contributed much to the recovery of demand to reach pre-pandemic level by the 4th quarter of 2021. On the supply-side, consistent effort of oil producing countries to manage supply also supported the escalation in oil prices amidst some resurgences in COVID-19 cases from new variants.

The Group saw fuel consumption began to pick up as shown by the gradual improvement in the Philippine's domestic sales volume in 2021 compared to 2020. However, the prolonged full MCO in Malaysia slightly weighed down volume recovery in the 2nd half of 2021. The Group's consolidated revenues in 2021 rose by more than half to P438,057. Combined with improvement in refining margins, this resulted in modest net income in 2021 of P6,136, a reversal of P11,413 net loss in 2020.

The extent to which the COVID-19 pandemic will continue to impact the Group will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

e. Impact of Ukraine - Russia Conflict

In relation to the ongoing conflict between Russia and Ukraine of which changes in economic conditions developed as a consequence of the Russian invasion of Ukraine in February 2022 and the resulting economic sanctions by the international community, Petron currently does not foresee issues on its oil supply on a short or medium-term basis as Petron does not have term crude supply contracts with Russia. The Company primarily sources its crude requirement from the Middle East. However, based on recent events and market sentiments, oil prices are expected to be high during the crisis and in the event of a protracted conflict, oil supply could become tight.

The extent to which the ongoing conflict will affect the Group will depend on future developments, including the actions and decisions taken or not taken by the OPEC and other oil producing countries, international community, and the Philippine government which are highly uncertain and cannot be quantified nor determined at this point.

f. Construction of Coco-Methyl Ester Plant

On November 24, 2021, the Executive Committee of the BOD of the Parent Company approved the construction of a coco-methyl ester plant (the "CME Plant") with an initial but expandable capacity of 60 million liters per year, enough to meet the Parent Company's current requirements at 2% CME blend. The CME Plant will serve the Parent Company's CME requirements for bio-diesel sales. With a projected cost of P1,200, the CME Plant will be located in and integrated with the Refinery to leverage on the Bataan Refinery's support facilities, minimize freight costs, and benefit from the tax incentives granted by the AFAB. Completion and operation are targeted within two (2) years with commercial operations beginning 2024.

g. Other Proceedings

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

h. The Group has unused letters of credit totaling approximately P52,251 and P14,847 as of December 31, 2021 and 2020, respectively.

**PETRON CORPORATION AND SUBSIDIARIES**  
**INDEX TO SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2021**

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**Statement of Management’s Responsibility for the Consolidated Financial Statements**

**Report of Independent Auditors on Supplementary Information Filed Separately from the Consolidated Financial Statements**

**Supplementary Schedules to the Consolidated Financial Statements**

Supplementary Schedules of Annex 68 - J	Page No.
A. Financial Assets	NA <sup>(a)</sup>
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	NA <sup>(b)</sup>
C. Amounts Receivable and Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements	1 - 2
D. Long-term Debt	3
E. Indebtedness to Related Parties	NA
F. Guarantees of Securities of Other Issuers	NA
G. Capital Stock	4

<sup>(a)</sup>Balance of Financial Assets at Fair Value Through Profit or Loss is less than 5% of total current assets.

<sup>(b)</sup>Balance of account is less than 1% of the total assets of the Group and no individually significant advances over P100,000.

**Map of the Conglomerate within which the Group belongs**

**Financial Soundness Indicators**

**Schedule of Proceeds from Recent Offering of Securities**

**Report on Independent Auditors on Supplementary Information Filed Separately from the Separate Financial Statements**

**Reconciliation of Parent Company’s Retained Earnings Available for Dividend Declaration**



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## **REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation and Subsidiaries (the “Group”) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 18, 2022.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following schedules are the responsibility of the Group’s management:

- Supplementary Schedules of Annex 68-J
- Map of the Conglomerate

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not required parts of the consolidated financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

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

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8854088

Issued January 3, 2022 at Makati City

March 18, 2022

Makati City, Metro Manila



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## REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders

**Petron Corporation**  
SMC Head Office Complex  
40 San Miguel Avenue  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 18, 2022. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

### R.G. MANABAT & CO.

DARWIN P. VIROCEL  
Partner  
CPA License No. 0094495  
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements  
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March 18, 2022  
Makati City, Metro Manila

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financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
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financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## **REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION**

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

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Petron Corporation (the “Company”) as at and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated March 18, 2022.

Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information included in the *Reconciliation of Retained Earnings Available for Dividend Declaration* is the responsibility of the Company’s management.

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to read 'Darwin P. Virocel', written in a cursive style.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

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Issued January 3, 2022 at Makati City

March 18, 2022

Makati City, Metro Manila

**PETRON CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**  
**(Amounts in Millions)**

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Petron Corporation	12,836	166,502	(159,683)	-	19,655	19,474	181	19,655
Overseas Ventures Insurance Corporation Ltd.	31	-	(12)	-	19	19	-	19
Petrogen Insurance Corporation	558	4	(562)	-	-	-	-	-
Petron Freeport Corporation	79	102	(94)	-	87	87	-	87
Petron Singapore Trading Pte., Ltd.	971	16,135	(15,431)	-	1,675	1,675	-	1,675
Petron Marketing Corporation	-	-	-	-	-	-	-	-
New Ventures Realty Corporation and Subsidiaries	2,132	881	(941)	-	2,072	922	1,150	2,072
Petrofuel Logistics, Inc	-	-	-	-	-	-	-	-
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	-	-	-	-	-	-	-
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	38	9,325	(6,049)	-	3,314	3,314	-	3,314
Petrochemical Asia (HK) Limited and Subsidiaries	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>16,645</b>	<b>192,949</b>	<b>(182,772)</b>	<b>-</b>	<b>26,822</b>	<b>25,491</b>	<b>1,331</b>	<b>26,822</b>

**PETRON CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**  
**(Amounts in Millions)**

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Petron Corporation	3,638	18,243	(18,090)	-	3,791	2,631	1,160	3,791
Overseas Ventures Insurance Corporation Ltd.	56	4	(60)	-	-	-	-	-
Petrogen Insurance Corporation	45	-	(45)	-	-	-	-	-
Petron Freeport Corporation	28	-	10	-	38	38	-	38
Petron Singapore Trading Pte., Ltd.	12,588	174,561	(164,494)	-	22,655	22,655	-	22,655
Petron Marketing Corporation	17	-	-	-	17	17	-	17
New Ventures Realty Corporation and Subsidiaries	192	137	(91)	-	238	64	174	238
Petrofuel Logistics, Inc	-	-	-	-	-	-	-	-
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	-	-	-	-	-	-	-
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	-	-	-	-	-	-	-	-
Petrochemical Asia (Hk) Limited and Subsidiaries	81	2	-	-	83	83	-	83
<b>TOTAL</b>	<b>16,645</b>	<b>192,947</b>	<b>(182,770)</b>	<b>-</b>	<b>26,822</b>	<b>25,488</b>	<b>1,334</b>	<b>26,822</b>

PETRON CORPORATION AND SUBSIDIARIES

SCHEDULE D - LONG-TERM DEBT

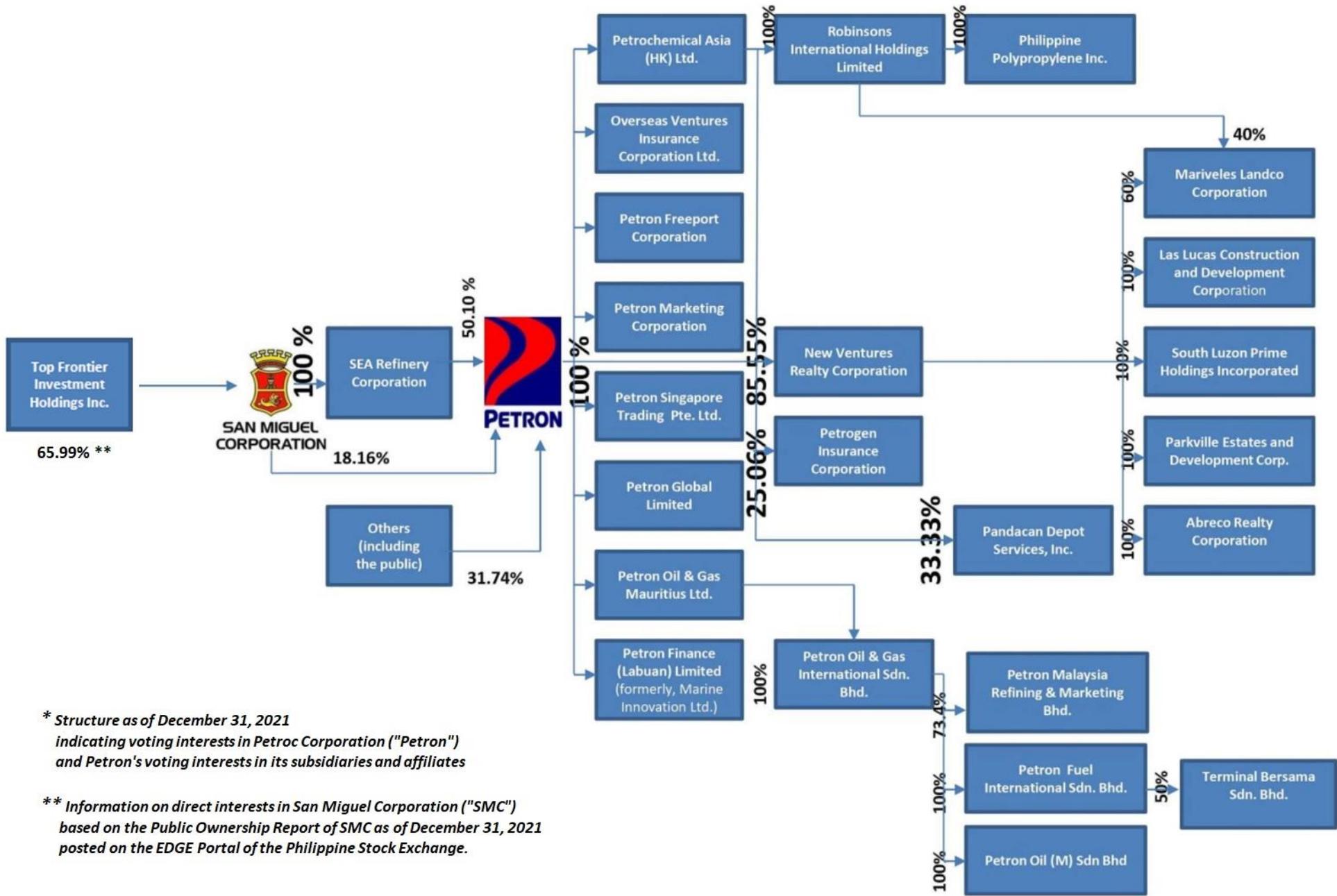
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Amount Shown as Current	Current and Long-term	INTEREST RATES	Number of Periodic Installments	Final Maturity
Unsecured term notes and bonds:							
<u>Peso denominated:</u>							
Fixed	Union Bank of the Philippines	1,000	1,000	1,000	5.4583%	2-yr grace period; amortized 5 years	October 2022
Fixed	Philippine Depository and Trust Corp.	-	-	-	4.0032%	Bullet	October 2021
Fixed	Philippine Depository and Trust Corp.	7,000	-	6,979	4.5219%	Bullet	October 2023
Fixed	Banco De Oro	5,893	2,134	5,878	5.5276%	Amortized quarterly for 7 years	July 2024
Fixed	Bank of the Philippine Islands	2,500	2,496	2,497	5.7584%	Amortized quarterly beginning on the fifth quarter	December 2022
Fixed	Philippine Depository and Trust Corp.	13,200	-	13,117	7.8183%	Bullet	April 2024
Fixed	Philippine Depository and Trust Corp.	6,800	-	6,750	8.0551%	Bullet	October 2025
Fixed	Bank of the Philippine Islands	4,375	1,241	4,356	4.5900%		April 2025
Fixed	PCCI-TIG	9,000	-	8,890	3.4408%		October 2025
Fixed	PCCI-TIG	9,000	-	8,889	4.3368%		October 2027
		<u>58,768</u>	<u>6,871</u>	<u>58,356</u>			
<u>Foreign currency - denominated</u>							
Floating	Standard Chartered Bank (Hongkong) Limitec	7,256	7,218	7,219	LIBOR + margin	2-yr grace period; amortized 5 years	June 2022
Floating	Sumitomo Mitsui Banking Corp.	6,647	1,855	6,556	LIBOR + margin		Mar 2025
Floating	Standard Chartered Bank (Hongkong) Limitec	7,650	-	7,522	LIBOR + margin		Aug 2023
Floating	Standard Chartered Bank (Hongkong) Limitec	23,307	5,636	22,992	LIBOR + margin		May 2024
		<u>44,860</u>	<u>14,709</u>	<u>44,289</u>			
<b>Total Long-term Debt</b>		<b>P <u>103,628</u> P</b>	<b>P <u>21,580</u> P</b>	<b>P <u>102,645</u></b>			

**PETRON CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G - CAPITAL STOCK**  
**DECEMBER 31, 2021**

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors and executive officers	Others
Common stock	9,375,104,497	9,375,104,497	Not applicable	6,858,912,221	1,847,488	2,514,344,788
Preferred stock						
Series 3A Preferred	624,895,503	13,403,000	Not applicable	-	8,000	13,395,000
Series 3B Preferred		6,597,000	Not applicable	-	20,300	6,576,700

# PETRON GROUP STRUCTURE



\* Structure as of December 31, 2021 indicating voting interests in Petroc Corporation ("Petron") and Petron's voting interests in its subsidiaries and affiliates

\*\* Information on direct interests in San Miguel Corporation ("SMC") based on the Public Ownership Report of SMC as of December 31, 2021 posted on the EDGE Portal of the Philippine Stock Exchange.

**PETRON CORPORATION AND SUBSIDIARIES  
FINANCIAL SOUNDNESS INDICATORS**

<b>Financial Ratios</b>	<b>Formula</b>	<b>December 31, December 31,</b>	
		<b>2021</b>	<b>2020</b>
<b>Liquidity</b>			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>0.99</b>	0.89
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	<b>0.47</b>	0.37
<b>Solvency</b>			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^b}{\text{Total Equity}}$	<b>1.91</b>	2.29
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	<b>3.67</b>	4.06
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	<b>1.73</b>	-0.43
<b>Profitability</b>			
f) Return on Equity	$\frac{\text{Net Income}^a}{\text{Average Total Equity}}$	<b>6.23%</b>	-12.78%
g) Return on Assets	$\frac{\text{Net Income}^a}{\text{Average Total Assets}}$	<b>1.62%</b>	-3.07%
<b>Operating Efficiency</b>			
h) Volume Growth	$\left( \frac{\text{Current Period Volume}}{\text{Prior Period Volume}} - 1 \right)$	<b>4.66%</b>	-26.53%
i) Sales Growth	$\left( \frac{\text{Current Period Sales}}{\text{Prior Period Sales}} - 1 \right)$	<b>53.15%</b>	-44.39%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	<b>3.93%</b>	-1.62%

<sup>a</sup> trailing 12 months net income

<sup>b</sup> excludes lease liabilities

**PETRON CORPORATION**  
**SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City**  
**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**As of December 31, 2021**  
(Amounts in Thousand Pesos)

Unappropriated retained earnings, <i>as adjusted to available for dividend distribution</i> , beginning		<b>(P6,719,246)</b>
Less: Reversal of prior years' unrealized net income		<b>(7,618,021)</b>
Adjusted Unappropriated retained earnings, beginning		<b>P898,775</b>
<b>Add: Net income actually earned/realized during the period</b>		
Net income during the period closed to retained earnings	P2,667,232	
Less: Non-actual/ unrealized income, net of tax:		
Fair value gains arising from marked-to-market measurement ( <i>P406,234 if gross of tax</i> )	304,676	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS ( <i>P75,487 if gross of tax</i> )	56,615	
Sub-total	2,305,941	
<b>Net income actually earned during the year</b>	<b>2,305,941</b>	<b>2,305,941</b>
Less: Dividend declarations during the year	(1,899,052)	
Distributions paid	(3,037,492)	
Reversal of appropriations	8,000,000	
	3,063,456	<b>3,063,456</b>
<b>TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION</b>		<b>P6,268,172</b>

**PETRON CORPORATION**  
**For the year ended December 31, 2021**

**Schedule of Proceeds from Recent Offering of Securities to the Public**

Issuance of P18 Billion Series E and Series F Fixed Rate Bonds

**i. Gross and Net Proceeds (as disclosed in the final prospectus)**

The Company estimates that the net proceeds from the Offer shall amount to approximately P 17.78 billion, after deducting the following fees, commissions and expenses:

In P Millions	
<b>Gross Proceeds</b>	<b>P18,000.00</b>
Less: Underwriting fees for the Preferred Shares being sold by the Company	63.00
Taxes to be paid by the Company	135.00
Philippine SEC filing and legal research fee	5.11
Listing application fee	0.20
Listing maintenance fee	0.45
Rating fee	4.05
Trustee fees	0.13
Registry and paying	0.50
Estimated legal and other professional fees	7.80
Estimated other expenses	0.55
<b>Total Expenses</b>	<b>P216.79</b>
<b>Net Proceeds</b>	<b>P17,783.21</b>

The net proceeds of the Offer shall be used for (i) the redemption of the Company's Series A Bonds, (ii) the partial financing of the Power Plant Project, and (iii) payment of existing indebtedness

**ii. Actual Gross and Net Proceeds**

In P Millions	
<b>Actual Gross Proceeds</b>	<b>P18,000.00</b>
Less: Underwriting Fees, Filing and Processing Fees, Documentary Stamp Tax, Legal and Professional Fees and Other Expenses	227.95
<b>Actual Net Proceeds</b>	<b>P17,772.05</b>

**iii. Each Expenditure Item where the Proceeds was Used**

In P Millions

<b>Actual Net Proceeds</b>	<b>P17,772.05</b>
Less: Redemption of the Series A Bonds	13,000.00
Payment for power plant project	1,693.03
Payment of long term loan amortization to:	
Bank of the Philippine Islands	697.49
BDO Unibank, Inc.	535.71
UnionBank	250.00
<b>Total Payments</b>	<b>P16,176.23</b>
<b>Balance</b>	<b>P1,595.82</b>

**iv. Balance of the Proceeds as of the End of the Reporting Period**

As of December 31, 2021, balance of proceeds amounted to P1.60 billion.