

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) 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

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

San Miguel Head Office Complex, 40 San Miguel Avenue, Mandaluyong City

Postal Code

1550

7. Registrant's telephone number, including area code

(63 2) 8884-9200

8. Date, time and place of the meeting of security holders

May 21, 2024, 2:00pm, Livestream via <https://www.petron.com/2024asm/>

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Apr 8, 2024

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code 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 of Common Stock Outstanding and Amount of Debt Outstanding
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COMMON (PCOR)	9,375,104,497
PREFERRED SERIES 3A (PRF3A)	13,403,000
PREFERRED SERIES 3B (PRF3B)	6,597,000
PREFERRED SERIES 4A (PRF4A)	5,000,000
PREFERRED SERIES 4B (PRF4B)	2,995,000
PREFERRED SERIES 4C (PRF4C)	6,005,000
PCOR SERIES C BONDS DUE 2024 (IN MIL PESO)	13,200
PCOR SERIES D BONDS DUE 2025 (IN MIL PESO)	6,800
PCOR SERIES E BONDS DUE 2025 (IN MIL PESO)	9,000
PCOR SERIES F BONDS DUE 2027 (IN MIL PESO)	9,000
TOTAL DEBT AS OF DEC. 31, 2023 (IN MIL PESO-CONSO)	246,806

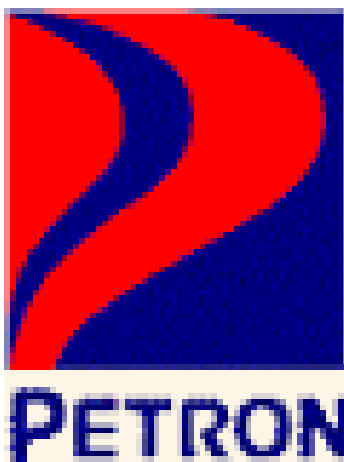
13. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

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

Philippine Stock Exchange-Common, and Series 3A, 3B, 4A, 4B and 4C Preferred Shares; Philippine Dealing & Exchange Corp.-Series C, D, E and F Bonds

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



Petron Corporation
PCOR

**PSE Disclosure Form 17-5 - Information Statement for Annual or
Special Stockholders' Meeting**
*References: SRC Rule 20 and
Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	May 21, 2024
Type (Annual or Special)	Annual
Time	2:00 p.m.
Venue	Livestream via https://www.petron.com/2024asm/
Record Date	Mar 19, 2024

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Mar 19, 2024
End date	Mar 26, 2024

Other Relevant Information
<p>Further to our related disclosures dated February 5, 2024 and March 5, 2024, please see attached Definitive Information Statement (SEC Form 20-IS) of the Company for the 2024 Annual Stockholders' Meeting scheduled on May 21, 2024 (with the notice, agenda and the rationale for each agenda item) cleared for release by the Securities and Exchange Commission.</p>

Filed on behalf by:

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

COVERSHEET

3 1 1 7 1

S. E. C. Registration Number

P E T R O N
C O R P O R A T I O N

(Company's Full Name)

S M C H E A D O F F I C E C O M P L E X 4 0 S A N

M I G U E L A V E M A N D A L U Y O N G C I T Y

(Business Adress: No. Street City / Town / Province)

ATTY. JHOANNA JASMINE M. JAVIER-ELACIO

Contact Person

8884-9200

Company Telephone Number

SEC FORM 20-IS

DEFINITIVE INFORMATION STATEMENT 2024

1 2

Month

3 1

Day

Fiscal Year

FORM TYPE

0 5

Month

2 1

Day

Annual Meeting (for 2024)

Certificates of Permit to Offer Securities for Sale dated 1994, 1995, 1996, 2010, 2014, 2016, 2018, 2019, 2021 and 2023

Secondary License Type, if Applicable

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Debt Outstanding: P246,806 Million (as of December 31, 2023 - CONSO)

144,097 (as of December 31, 2023)

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

Fiscal Numer

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

**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

Date	-	May 21, 2024, Tuesday
Time	-	2:00 p.m.
Livestream	-	via https://www.petron.com/2024asm/

(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 8, 2024
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
Common Stock	9,375,104,497 shares
Series 3A Preferred Shares	13,403,000 shares
Series 3B Preferred Shares	6,597,000 shares
Series 4A Preferred Shares	5,000,000 shares
Series 4B Preferred Shares	2,995,000 shares
Series 4C Preferred Shares	6,005,000 shares
Total Liabilities (consolidated as of December 31, 2023)	Php246,806 million
Series C Bonds due 2024	₱ 13.2 billion
Series D Bonds due 2025	₱ 6.8 billion
Series E Bonds due 2025	₱ 9.0 billion
Series F Bonds due 2027	₱ 9.0 billion

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

Series 4A Preferred Shares

Series 4B Preferred Shares

Series 4C Preferred Shares

Philippine Dealing & Exchange Corp.

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

The annual meeting of the stockholders of Petron Corporation (the "Company") will be held on May 21, 2024, Tuesday, at 2:00 p.m. and will be conducted virtually and streamed live through <https://www.petron.com/2024asm/>, 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 2023 Financial Statements
5. Ratification of All Acts of the Board of Directors and Management
Since the 2023 Annual Stockholders' Meeting
6. Appointment of the 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 2024
9. Ratification of the Amendments of the By-Laws of the Company
 - a. Completion of the Address of the Principal Office of the Company (Article I, Section 1)
 - b. Change in the Annual Stockholders' Meeting Date (Article II, Section 2)
 - c. Change in the Manner of Delivery of Notices for Stockholders' Meetings (Article II, Section 4)
10. Other Matters
11. 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 5, 2024, the Company will conduct its annual stockholders' meeting for 2024 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 2024asmpetron@petron.com by May 7, 2024 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 7, 2024. 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 2024asmpetron@petron.com or by mail to the office of SMC Stock Transfer Service Corporation at the 2nd 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 16, 2024 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 2024asmpetron@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 2023 has been posted on the company website www.petron.com since May 23, 2023, the fifth business day after the meeting.

Mandaluyong City, March 5, 2024.

Jhoanna Jasmine M. Javier-Elacio
Assistant Vice President - General Counsel
and Corporate Secretary

PROCEDURE FOR ATTENDING AND VOTING AT THE MEETING THROUGH REMOTE COMMUNICATION

- i. Stockholders of record as of March 19, 2024 who intend to attend the meeting through remote communication are requested to notify the Company by email to 2024asmpetron@petron.com by May 7, 2024 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.
- ii. 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.

- iii. Unregistered stockholders may still attend the meeting by accessing the livestreaming link <https://www.petron.com/2024asm/>.
- iv. 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 7, 2024. 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 Appendix 2 of this Definitive Information Statement.

All ballots and proxies should be received by the Corporate Secretary on or before May 7, 2024 at 12 noon by email sent to 2024asmpetron@petron.com or by mail sent to the office of SMC Stock Transfer Service Corporation at the 2nd 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 16, 2024 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.

- v. Shareholders may send their questions and/or comments prior to or during the meeting to 2024asmpetron@petron.com.

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

- vi. 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 2024asmpetron@petron.com.

**RATIONALE AND BRIEF DISCUSSION OF THE AGENDA
OF THE 2024 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 19, 2024 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 in respect of all agenda items.

Each preferred share is entitled to one vote in respect of the ratification of the proposed amendment of the Company's By-laws, which forms part of the agenda of the Annual Stockholders' Meeting.

- 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 2023, the appointment of the external auditor of the Company for 2024, the ratification of external auditor fees for 2024, and the ratification of directors' fees for 2024.
- In the election of directors, the 15 nominees who get the highest votes from the stockholders holding common shares 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.
- A vote of at least two-thirds of the stockholders holding common and preferred shares, where a quorum is present, will be needed for the ratification of the amendment of the Company's By-laws.

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 2024asmpetron@petron.com.

Questions or comments during the meeting may be emailed to 2024asmpetron@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 16, 2023 has been posted on the company website www.petron.com since May 23, 2023, the fifth business day after the meeting.

The stockholders will be requested to approve the draft of the minutes of the 2023 annual stockholders' meeting.

The minutes of the 2023 annual stockholders' meeting cover the description of the manner, procedure and results of voting, the questions and answers during the meeting, the matters discussed, the resolutions approved, the stockholders in attendance and the list of directors, officers, and representatives of the external auditors in attendance.

4. Management Report and Submission to the Stockholders of the 2023 Financial Statements

The Management of the Company will deliver the report on the performance of the Company for 2023.

The stockholders will be given the opportunity to ask questions or raise comments through emails submitted to 2024asmpetron@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 2023.

Duly authorized representatives of R. G. Manabat & Co./KPMG ("KPMG"), the external auditor for 2023, will be present at the Annual Stockholders' Meeting to respond to appropriate questions concerning the 2023 financial statements of the Company.

5. Ratification of All Acts of the Board of Directors and Management Since the 2023 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 material 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. A list of such acts and resolutions are also set out in the Annex A 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 2023.

6. Appointment of an External Auditor for 2024 and Ratification of External Auditor Fees for 2024

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 will examine the accounts of the Company for 2024 and the approval of the external auditor's fees for the audit and finalization of the financial statements for 2024.

The Board of Directors, at its meeting held on March 5, 2024, 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 2024 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 5, 2024, 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 and Independent Director Margarito B. Teves will be serving the Company as independent directors for more than nine (9) years. The Corporate Governance Committee evaluated the independence of Directors Panganiban and Teves and determined that each of them 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, each of them 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. Being familiar with the mission, vision and corporate values of the Company, Directors Panganiban and Teves have enhanced these values by their 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 Directors Panganiban and Teves has not been diminished or impaired by their long service as members of the Board of Directors of the Company. The Board of Directors has full confidence that Directors Panganiban and Teves will continue acting as independent directors with the same zeal, diligence and vigor as when they were 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 Directors Panganiban and Teves as independent directors 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 for 2024

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 2024, 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. Ratification of the Amendment of the By-laws of the Company

The proposed amendments to the Company's By-laws are the following:

- (i) Completion of the Address of the Principal Office (Article I, Section 1) - to complete the indicated principal office of the Company from "Metro Manila" to "San Miguel Head Office Complex, 40 San Miguel Avenue, Mandaluyong City";
- (ii) Change in Annual Stockholders' Date (Article II, Section 2) - to change the annual stockholders' meeting date from "third Tuesday of May" to the "first Thursday of May"; and
- (iii) Change in Manner of Delivery of Notices for Stockholders' Meetings (Article II, Section 4) - to amend the minimum period for the release of notices for stockholders' meetings from "15 days" to "21 days" and to add electronic mail or other manner allowed by law or regulation as a means to deliver such notice.

Item (i) above will align the principal office indicated in both the Company's Articles of Incorporation and the Company's By-laws. Item (ii) will set the annual stockholders' meeting date earlier than 135 days after December 31 of each year to facilitate compliance by the Company with the required financial statements to be included in definitive information statements of the Company under the Implementing Rules and Regulation of the Securities Regulation Code ("SRC Rules"). Lastly, item (iii) will align the Company's By-laws with the relevant provisions of the Revised Corporation Code.

The relevant provisions of the Company's By-laws will be revised as follows, with the amendments underscored:

**ARTICLE I
OFFICES**

SECTION 1. **Principal Office.** The principal office of PETRON CORPORATION, hereinafter called the Corporation, shall be at the San Miguel Head Office Complex, 40 San Miguel Avenue, Mandaluyong City, Metro Manila, Republic of the Philippines.

**ARTICLE II
MEETINGS OF THE STOCKHOLDERS**

SECTION 2. **Annual Meetings.** The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may come before the meeting shall be held every first Thursday of May (or if this day falls on a legal holiday, the meeting shall be held on the next working day) or on such date and at such hour as may be named in the notice of said meeting. If the election of directors shall not held on the day designated herein for any annual meeting or at any adjournment of such meeting, the Board of Directors shall cause the election to be held at a special meeting as soon thereafter as may be convenient. At such special meeting, the stockholders may elect the directors and transact other business as stated in the notice of the meeting with the same force and effect as at an annual meeting duly called and held.

**ARTICLE II
MEETINGS OF THE STOCKHOLDERS**

SECTION 4. **Notices of Meeting.** Except as otherwise provided by law, rule or regulation, written or printed notice of all annual and special meetings of stockholders stating the place and time of the meeting and the general nature of the business to be considered shall be sent by facsimile, personal delivery, mail postage prepaid, electronic mail or such other manner as law, rule or regulation may allow at least twenty-one (21) days before the day on which the meeting is to be held to each stockholder of record at his last known post-office or email address or, at the option of the Corporation, by publication in a newspaper of general circulation, provided that, unless expressly required by law, no publication of any notice of a meeting of stockholders shall be required. Notice of any meeting of the stockholders may be waived by written statement of the stockholder or his authorized representative, delivered to the Secretary before or after the meeting referred to. The notice required herein shall be deemed waived by any stockholder who shall attend such meeting, in person or by proxy unless his presence is to question the lack of notice. Notice of any adjourned meeting of the stockholders shall not be required to be given, except when expressly required by law. At the reconvened meeting, any business that might have been transacted on the original date of the meeting may be transacted.

The matter will be presented for the ratification by the stockholders holding both common and preferred shares at the Annual Stockholders' Meeting.

10. Other Matters

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

11. 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 21, 2024, 2PM, VIA LIVESTREAMING AT <https://www.petron.com/2024asm/>
("2024 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 2024 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 2024 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. Nepomuceno 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) INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), please mark "Exception" box and list the name(s) under it				
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2023 Annual Stockholders' Meeting ("2023 ASM")				
3. Approval of the Management Report and the Audited Financial Statements of the Company for Year-Ended December 31, 2023				
4. Ratification of all Acts of the Board of Directors and Management since the 2023 ASM				
5. Appointment of the External Auditor of the Company and Ratification of External Auditor Fees				
6. Ratification of Directors' Fees for 2024				
7. Ratification of the Amendment of the By-Laws of the Company a. Completion of the Address of the Principal Office of the Company (Article I, Section 1) b. Change in the Annual Stockholders' Meeting Date (Article II, Section 2) c. Change in the Manner of Delivery of Notices for Stockholders' Meetings (Article II, Section 4)				

Signed this ___ day of _____ 2024 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 7, 2024 BY EMAIL SENT TO 2024asm@petron.com OR BY MAIL SENT TO THE OFFICE OF SMC STOCK TRANSFER SERVICE CORPORATION AT THE 2ND 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 16, 2024 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 5, 2024, the Company will conduct its annual stockholders' meeting for 2024 (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 2024asmpetron@petron.com by May 7, 2024 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 7, 2024. Ballots and proxies may be sent by email to 2024asmpetron@petron.com or by mail to the office of SMC Stock Transfer Service Corporation at the 2nd 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 16, 2024 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 2024asmpetron@petron.com.

The approximate date on which this Information Statement will be first sent or given to the stockholders is April 8, 2024.

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"), 6,597,000 Series 3B preferred shares (the "Series 3B Preferred Shares"), 5,000,000 Series 4A preferred shares (the "Series 4A Preferred Shares"), 2,995,000 Series 4B preferred shares (the "Series 4B Preferred Shares"), and 6,005,000 Series 4C preferred shares (the "Series 4C Preferred Shares"), each with a par value of Php1.00.

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) (20.04%), and San Miguel Corporation (“SMC”) (18.16%) as of February 29, 2024. SRC is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

One Share, One Vote

All stockholders of record holding both common and preferred shares as of March 19, 2024 are entitled to notice and vote at the Annual Stockholders’ Meeting, as described in this report.

Each common share is entitled to one vote in respect of all agenda items.

Each preferred share is entitled to one vote in respect of the ratification of the proposed amendment of the Company’s By-laws, which forms part of the agenda of the Annual Stockholders’ Meeting.

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 2023, the appointment of the external auditor of the Company for 2024, the ratification of external auditor fees for 2024, and the ratification of directors’ fees for 2024.

The vote of at least two-thirds of the stockholders holding common and preferred shares, where a quorum is present, will be needed for the ratification of the amendment of the Company’s By-laws.

Voting of Directors

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 February 29, 2024 is set out below:

Class of Shares	Number of shares held by foreigners	Percentage to Total Outstanding Shares (common and preferred shares combined)
Common shares (PCOR)	193,549,906	2.06
Series 3A Preferred Shares (PPRF3A)	67,313	Nil
Series 3B Preferred Shares (PPRF3B)	45,080	Nil
Series 4A Preferred Shares (PPRF4A)	29,820	Nil
Series 4B Preferred Shares (PPRF4B)	21,510	Nil
Series 4C Preferred Shares (PPRF4C)	43,210	Nil
Combined common and preferred shares	193,757,349	2.06

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 February 29, 2024 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	SEA Refinery Corporation (“SRC”) 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	PCD Nominee Corporation (Filipino) 37 th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Major Stockholder	PCD Nominee Corporation	Filipino	1,882,580,713 ¹	20.08%
Common Shares	San Miguel Corporation (“SMC”) SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Major Stockholder	San Miguel Corporation	Filipino	1,702,870,560	18.16%

¹ 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 2023, 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 Corporate Secretary) as of the date of this report 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
Directors					
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500	D	0.00%
			225,000	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred	-	-	N.A.		

Common	Ron W. Haddock	American	1	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Francis H. Jardeleza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Horacio C. Ramos	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	John Paul L. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Common	Ricardo C. Marquez	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C 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
Executive Officers					
Common	Emmanuel E. Eraña	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Freddie P. Yumang	Filipino	352,600	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			3,000	I	0.00%
Series 4C Preferred			-	-	N.A.
Common	Albertito S. Sarte	Filipino	765,500	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			5,000	I	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Maria Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 3A Preferred			500	I	0.00%
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			2,000	I	0.00%
Common	Jaime O. Lu	Filipino	14,200	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			2,000	I	0.00%

Common	Maria Rosario D. Vergel de Dios	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Magnolia Cecilia D. Uy	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Myrna C. Geronimo	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			3,000	I	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			3,000	I	0.00%
Common	Allister J. Go	Filipino	11,030	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			300	I	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Reynaldo V. Velasco, Jr.	Filipino	5,200	D	0.00%
Series 3A Preferred			17,100	I	0.00%
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Virgilio V. Centeno	Filipino	13,200	D	0.00%
Series 3A Preferred			1,532	I	0.00%
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	0.00%
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Mark Tristan D. Caparas	Filipino	2,000	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			1,000	I	0.00%
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Jonathan F. Del Rosario	Filipino	-	-	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Common	Lemuel C. Cuezon	Filipino	42,939	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Jhoanna Jasmine M. Javier-Elacio	Filipino	-	-	0.00%
Series 3A Preferred			200	I	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			500	I	0.00%
Series 4C Preferred			500	I	0.00%
Directors and Officers from Vice President and up (including the Corporate Secretary) as a Group	Common	241,501 <u>1,233,881</u> 1,475,382		0.00%	
	Series 3A Preferred	1,200		0.00%	
	Series 3B Preferred	8,300		0.00%	
	Series 4A Preferred	1,000		0.00%	
	Series 4B Preferred	3,500		0.00%	
	Series 4C Preferred	7,500		0.00%	

As of the date of this report, the directors and executive officers of the Company owned 1,475,382 common shares, 1,200 Series 3A Preferred Shares, 8,300 Series 3B Preferred Shares, 1,000 Series 4A Preferred Shares, 3,500 Series 4B Preferred Shares, and 7,500 Series 4C Preferred Shares for a total of 1,496,882 or 0.0002% 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.

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 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:

Name	Age	Nationality	Position	Year Appointed as Director
Ramon S. Ang	70	Filipino	President and Chief Executive Officer	2009
Lubin B. Nepomuceno	72	Filipino	Director and General Manager	2013
Ron W. Haddock	83	American	Director	2008
Estelito P. Mendoza*	94	Filipino	Director	2009
Aurora T. Calderon	69	Filipino	Director	2010
Mirzan Mahathir	65	Malaysian	Director	2010
Francis H. Jardeleza	74	Filipino	Director	2020
Virgilio S. Jacinto	67	Filipino	Director	2010
Nelly F. Villafuerte	87	Filipino	Director	2011
Jose P. de Jesus	89	Filipino	Director	2014
Horacio C. Ramos	78	Filipino	Director	2018
John Paul L. Ang	44	Filipino	Director	2021
Artemio V. Panganiban	87	Filipino	Independent Director	2010
Margarito B. Teves	80	Filipino	Independent Director	2014
Ricardo C. Marquez	63	Filipino	Independent Director	2022

*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"), New Ventures Realty Corporation ("NVR"), Petron Freeport Corporation ("PFC"), Petron Fuel International Sdn. Bhd. (Malaysia) ("PFISB"), Petron Malaysia Refining & Marketing Bhd. (Malaysia) ("PMRMB"), and Petron Oil (M) Sdn. Bhd. ("POMSB") (Malaysia); 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 San Miguel Global Power Holdings Corp. (formerly, SMC Global Power Holdings Corp.), Chairman and President of San Miguel Holdings Corp., SMC SLEX Inc. (formerly, South Luzon Tollway Corporation), San Miguel Equity Investments Inc., San Miguel Properties, Inc., San Miguel Aerocity 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"), Philippine Diamond Hotel and Resort, Inc., and Eagle Cement Corporation; Chairman, President and Chief Executive Officer of SMC TPLEX Corporation (formerly, Private Infra Dev Corporation); President and Chief Executive Officer of Northern Cement Corporation; Chairman and Chief Executive Officer of SMC Asia Car Distributors Corp.. 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); Vice Chairman and Director of the Manila Electric Company ("MERALCO"). Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five (5) years. He has a Bachelor of

Science degree in Mechanical Engineering from the Far Eastern University. He holds a doctoral degree in Business Engineering (Honoris Causa, 2018) from the Far Eastern University and a Ph.D. in Humanities (Honoris Causa, October 1, 2006) from the National University.

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

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

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

Estelito P. Mendoza, Filipino, born 1930, served as a Director of the Company from 1974 to 1986; thereafter, since January 8, 2009. He is a member of the Corporate Governance Committee and the Audit Committee. He is likewise a member of the Board of Directors of SMC, and Philippine National Bank (“PNB”). He has now been engaged in the practice of law for more than 70 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, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He holds a Bachelor of Laws degree from the University of the Philippines (*cum laude*) and Master of Laws degree from Harvard University. He is the recipient on June 28, 2010 of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and was also awarded by the University of the Philippines Alumni Association its 1975 “Professional Award in Law” and in 2013 its “Lifetime Distinguished Achievement Award”.

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

Jose P. de Jesus, Filipino, born 1934, has served as a Director of the Company since May 20, 2014. He is an Independent Director and the Chairman of Converge ICT Solutions, Inc. He was the Chairman of Clark Development Corporation (March 2017 - November 2020), the President and Chief Executive Officer of Nationwide Development Corporation (September 2011 - June 2015), the Secretary of the Department of Transportation and Communications (July 2010 - June 2011), the President and Chief Operating Officer of MERALCO (February 2009 - June 2010), the President and Chief Executive Officer of Manila North Tollways Corporation (January 2000 - December 2008), Executive Vice President of the Philippine Long Distance Telephone Company (1993 - December 1999), Chairman of the Manila Waterworks & Sewerage System (1992 - 1993), the Secretary of the Department of Public Works and Highways (January 1991 - February 1993), and the President of the Development Academy of the Philippines (December 1987 - January 1991). He was awarded the Philippine Legion of Honor, Rank of Commander in June 1992 by then President Corazon C. Aquino. He was *Lux in Domino* Awardee (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. He is also a Director of SMC Skyway Corporation, SMC TPLEX Corporation, SMC SLEX, Inc., Comstech Integration Alliance, Inc., AirAsia, Inc., Philippines AirAsia, Inc., as well as an Independent Director of Alviera Country Club. He is a Trustee of the Kapampangan Development Foundation and Holy Angel University, a Member of the Board of Advisors of Bantayog ng mga Bayani Foundation, an Eisenhower Exchange Fellow (1977 - present), and a member of the Management Association of the Philippines. Mr. de Jesus earned his Bachelor of Arts degree in Economics and holds a Master of Arts in Social Psychology from the Ateneo de Manila University. He also finished Graduate Studies in Human Development from the University of Chicago under university scholarship and Fulbright grant.

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

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

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

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

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

Aurora T. Calderon, Filipino, born 1954, has served as a Director of the Company since August 13, 2010. She is a member of the Executive Committee, the Audit Committee, the Risk Oversight Committee and the Related Party Transaction Committee. She holds the following positions, among others: Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of SMC; President of Petrogen; Director of SMC, PMRMB, POGM, POGI, PMC, PFC, PSTPL, SEA Refinery, NVRC, LLCDC, SMYPC, Thai San Miguel Liquor Co., Ltd., SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., Trans Aire Development Holdings Corp., and various subsidiaries of SMC; and Director and Treasurer of Petron-

affiliate Top Frontier. She has served as a Director of MERALCO (January 2009 - May 2009), Senior Vice President of Guoco Holdings (1994 - 1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981 - 1989). She is a certified public accountant and is a member of the Capital Market Development Committee of the Financial Executives Institute of the Philippines and the Philippine Institute of Certified Public Accountants. She is also a director of the Market Governance Board of the Philippine Dealing System Holdings. Ms. Calderon graduated *magna cum laude* from the University of the East in 1973 with a degree in Business Administration major in Accounting and earned her master's degree in Business Administration from the Ateneo de Manila University in 1980.

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

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

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

Virgilio S. Jacinto, Filipino, born 1956, has served as a Director of the Company since August 13, 2010. He is a member of the Corporate Governance Committee of the Company and an alternate member of the Executive Committee. He holds the following positions, among others: Corporate Secretary, Compliance Officer, Senior Vice President and General Counsel of SMC; Corporate Secretary and Compliance Officer of Top Frontier; Corporate Secretary of GSMI and the other subsidiaries and affiliates of SMC; and Director of various other local and offshore subsidiaries of SMC. Atty. Jacinto has served as a Director and Corporate Secretary of United Coconut Planters Bank, a Director of SMB, and San Miguel Northern Cement, Inc., a Partner of Villareal Law Offices (June 1985 - May 1993) and an Associate of SyCip Salazar Feliciano & Hernandez Law Office (1981 - 1985). Atty. Jacinto was an Associate Professor of Law at the University of the Philippines until October 2021. 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 Favis-Villafuerte, Filipino, born 1937, has served as a Director of the Company since December 1, 2011. She was a columnist with two columns in 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 involved in organic farming, 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, Diliman, Quezon City and ranked seventh place in the bar examinations held immediately after graduation.

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

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

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

John Paul L. Ang, Filipino, born 1980, was elected as a Director of the Company on March 9, 2021. He has been a director of SMC since January 21, 2021, SMC Global Power Holdings Corp. since June 1, 2021, SMFB since June 2, 2021 and Top Frontier since July 9, 2021. On January 1, 2024, he accepted the position of President of San Miguel Equity Investments, Inc. 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 and Petron affiliate SMFB 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 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 21st Century” conferred by the Supreme Court in 2006 and the “Outstanding Manilan” for 1991 by the City of Manila. Chief Justice Panganiban earned his Bachelor of Laws degree (*cum laude*) from the Far Eastern University in 1960, placed sixth in the bar exam that same year, and holds honorary doctoral degrees in law from several universities. He co-founded and headed the National Union of Students of the Philippines in 1957-1959.

He is also an independent advisor of non-listed company Metro Pacific Investments Corporation and an independent director of non-listed companies Asian Hospital, Inc., Metro Pacific Tollways Corporation and TeaM Energy Corporation.

Apart from Petron, Chief Justice Panganiban is an Independent Director of the following listed companies: MERALCO, JG Summit Holdings, Inc., PLDT, Inc., RL Commercial REIT, Inc., GMA Network, Inc., GMA Holdings, Inc., and Asian Terminals, Inc. and is a non-executive Director of Jollibee Foods Corporation.

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

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

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

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

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 B-1, B-2, and B-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 5, 2024, 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 Independent Director Ret. Chief Justice Artemio V. Panganiban and its members are Independent Directors Mr. Margarito B. Teves and Ricardo C. Marquez and Attys. Estelito P. Mendoza and Virgilio S. Jacinto.

Director Ret. Chief Justice Artemio V. Panganiban and Director Margarito B. Teves will be serving the Company as independent directors for more than nine (9) years. The Company’s Corporate Governance Committee evaluated the independence of Directors Panganiban and Teves and determined that each of them possesses all the qualifications and none of the disqualifications to act as independent directors 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 5, 2024, 2023, 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 Directors Panganiban and Teves as independent directors of the Company pursuant to Section 2.2.1.6.2 of the Petron Corporate Governance Manual. Serving as an independent director, each of them 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. Being familiar with the mission, vision and corporate values of the Company, the presence of Directors Panganiban and Teves has enhanced these values by their 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 Directors Panganiban and Teves has not been diminished or impaired by their long service as members of the Board of Directors of the Company. The Board of Directors has full confidence Directors Panganiban and Teves will continue acting as independent directors with the same zeal, diligence and vigor as when they were 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 Corporate Secretary of the Company as of the date of this report:

Name	Age	Nationality	Position	Year Appointed as Officer
Ramon S. Ang	70	Filipino	President and Chief Executive Officer	as President: 2015; as Chief Executive Officer: 2009
Lubin B. Nepomuceno	72	Filipino	General Manager	2015
Emmanuel E. Eraña	63	Filipino	Senior Vice President and Chief Finance Officer	2009
Freddie P. Yumang	66	Filipino	Senior Vice President - Chief Risk Officer	2023
Albertito S. Sarte	57	Filipino	Deputy Chief Finance Officer and Treasurer	as Treasurer: 2009; as Deputy Chief Finance Officer and Treasurer: 2021
Maria Rowena Cortez	59	Filipino	Vice President - Supply	2009
Jaime O. Lu	60	Filipino	Vice President and Executive Assistant to the President on Petron Malaysia Operations, Refinery Special Projects and Retail Engineering and Network Development	2018
Maria Rosario D. Vergel de Dios	60	Filipino	Vice President - Human Resources	2018
Myrna C. Geronimo	57	Filipino	Vice President and Controller	as Controller: 2019; as Vice President: 2020
Allister J. Go	58	Filipino	Vice President, Refinery	2020
Reynaldo V. Velasco, Jr.	58	Filipino	Vice President, Refinery Plant Operations	2020
Magnolia Cecilia D. Uy	57	Filipino	Vice President, Retail Sales	2021
Virgilio V. Centeno	54	Filipino	Vice President, Industrial Sales	2021
Mark Tristan Caparas	40	Filipino	Vice President and Chief Finance Officer, Petron Malaysia	2022
Jonathan F. Del Rosario	56	Filipino	Vice President, Operations and Corporate Technical Services Group	2023
Lemuel C. Cuezon	58	Filipino	Vice President, Marketing	2023

Jhoanna Jasmine M. Javier-Elacio	51	Filipino	Assistant Vice President - General Counsel and Corporate Secretary	2023
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Set out below are the profiles of the officers from Vice President and up (including the 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; Chairman and President of South Luzon Prime Holdings Inc. (“SLPHI”) and Parkville Estates Development Corporation (“PEDC”); President and Chief Executive Officer of NVRC; President of PFI and SEA Refinery; Vice President of Ovincor; Director of PFC, PMC, Abreco Realty Corporation (“ARC”), PPI, Mema, Weldon, PLI, PFISB, POMSB, and Petron Finance (Labuan) Limited; and Alternate Director of POGM and POGI. He was formerly the President of Petrogen. Mr. Eraña also held the following positions in the San Miguel Group: as the Vice President and Chief Information Officer (January 2008 - December 2009), Vice President and Executive Assistant to the Chief Financial Officer, Corporate Service Unit (December 2006 - January 2008), Vice President and Chief Finance Officer of SMFBIL/NFL Australia (May 2005 - November 2006), Vice President and Chief Finance Officer of SMPFC (July 2002 - May 2005), and Assistant Vice President and Finance Officer (January 2001 - June 2002), Assistant Vice President and Finance and Management Services Officer, San Miguel Food Group (2000 - 2001). He also served as a Director of MNHPI (2012 - 2017). Mr. Eraña has a Bachelor of Science degree in Accounting from the Colegio de San Juan de Letran.

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

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

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

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

Maria Rosario D. Vergel de Dios, Filipino, born 1963, has served as Vice President for Human Resources Management of the Company since November 16, 2018. Other positions she has held include Assistant Vice President for Human Resources (July 2012 - November 15, 2018), Head for Human Resources (October 2011 - June 2012), Human Resources Planning and Services Manager (October 2008 - September 2011), Payroll and Benefits Officer (January 2002 - September 2008), Payroll Officer (February 1997 to - December 2001), Assistant for Treasury/ Funds Management (May 1994 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.

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

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

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

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

Virgilio V. Centeno, Filipino, born 1969, has been serving 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), LPG and Lubes & Greases Trade Manager/National Sales (March 2016 - August 2016), Card Sales Manager/Reseller Trade/National Sales (August 2013 - February 2016), Card Sales Manager/LPG, Lubes & Greases, and Cards/National Sales (July 2012 - July 2013), National Accounts Manager/Industrial Trade (June 2009 - June 2012), Fleet Cards Sales Manager/Cards Business Group (August 2006 - June 2009), Business Development Coordinator/Direct Retail/Convenience Retail (November 2005 - July 2006), IMD Account Executive/Industrial Trade (February 2003 - October 2005), Special Projects Engineer/Technical Services (April 2002 - January 2003), Field Technical Services Engineer/Technical Services (February 1993 - March 2002) and Analyst, EDD/Geothermal (February 1992 - January 1993). Mr. Centeno has a BS Mechanical Engineering degree from the Bulacan College of Arts and Trades (*magna cum laude*).

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

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

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

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

Identify Significant Employees

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

Family Relationship

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

Involvement in Certain Legal Proceedings

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

Certain Relationships and Related Transactions

The major stockholders of the Company holding at least 5% of its common shares, with their respective stockholdings as of February 29, 2024, are as follows:

• SEA Refinery Corporation	-	50.10%
• PCD Nominee Corporation (Filipino)	-	20.08%
• 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

2024

On March 5, 2024, the fees of the directors for 2024 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 Company provides each non-executive director with reasonable *per diem* of Php75,000 and Php50,000 for each board and board committee meeting attended, respectively, in addition to monthly fees and monthly fuel allowances. 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 Independent Director Ret. Chief Justice Artemio V. Panganiban and the members are Independent Directors Mr. Margarito B. Teves and Mr. Ricardo C. Marquez, Atty. Estelito P. Mendoza and Atty. Virgilio S. Jacinto.

The aggregate compensation estimated to be paid to the executive officers and the aggregate fees and *per diem* allowances estimated to be paid to the directors of the Company for 2024 are set out in the table below.

2023

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 6, 2023, the fees of the directors for 2023 were reviewed by the Corporate Governance Committee and favorably endorsed for approval by the Board of Directors upon the finding of the Corporate Governance Committee that such fees were reasonable and commensurate to the services to the rendered. The fees were later approved by the Board of Directors on the same day. The matter was ratified by the stockholders at 2023 the Annual Stockholders' Meeting held on May 16, 2023.

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):

(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 Lubin B. Nepomuceno Emmanuel E. Eraña Freddie P. Yumang Ma. Rowena O. Cortez	2024 (est)	129.09	45.57	0.84
Ramon S. Ang Lubin B. Nepomuceno Emmanuel E. Eraña Freddie P. Yumang Susan Y. Yu	2023	123.58	40.10	1.93
Ramon S. Ang Lubin B. Nepomuceno Emmanuel E. Eraña Ma. Rowena O. Cortez Susan Y. Yu	2022	114.12	62.01	2.45
All Other Officers as a Group Unnamed	2024 (est)	105.38	34.35	4.09
	2023	87.05	23.67	4.20
	2022	72.67	36.17	3.50
All Directors as a Group	2024 (est)	16.48	0.00	0.00
	2023	16.34	0.00	0.00
	2022	15.46	0.00	0.00

The Company provides each non-executive director with reasonable *per diem* of Php75,000 and Php50,000 for each board and board committee meeting attended, respectively, in addition to monthly fees and monthly fuel allowances. In 2023, the Company paid the following fees to these directors (in thousand pesos):

	Per Diem for Board and Board Committee Meetings (MP)	Directors' Fees (MP)	Total (MP)
John Paul L. Ang	525	635	1,160
Jose P. De Jesus	525	447	972
Ronald W. Haddock	525	635	1,160
Mirzan Bin Mahathir	525	635	1,160
Estelito P. Mendoza	825	433	1,258
Artemio V. Panganiban	875	635	1,510
Margarito B. Teves	875	635	1,510
Nelly F. Villafuerte	525	635	1,160
Horacio C. Ramos	525	635	1,160
Francis H. Jardeleza	525	635	1,160
Ricardo C. Marquez	825	635	1,460
Aurora T. Calderon	775	635	1,410
Virgilio S. Jacinto	625	635	1,260
TOTAL	MP 8,475	MP 7,863	MP 16,338

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. Mr. Virocel was the signing partner of KPMG for the financial statements of the Company until 2022. Ms. Rohanie C Galicia was assigned by KPMG to lead the review of the financial statements of the Company beginning year 2022.

At its meeting held on March 5, 2024, the Board of Directors, upon the endorsement of the Audit Committee, nominated KPMG as the external auditor of the Company for fiscal year 2024 and approved KPMG's fees for the audit and finalization of the financial statements of the Company and its subsidiaries for fiscal year 2024. The stockholders are requested to approve the re-appointment of KPMG as external auditor of the Company for 2024 and ratify its fees as described above 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 Independent Director Mr. Margarito B. Teves and its members are Independent Directors Ret. Chief Justice Artemio V. Panganiban and Ricardo C. Marquez, 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 2023 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

2024

At the Annual Stockholders' Meeting scheduled on May 21, 2024, the Management will report on the 2023 performance of the Company, which closed with a consolidated net income of Php10.1 billion as disclosed to the PSE and PDEX and the SEC through a current report on SEC Form 17-C on March 5, 2024.

In its meeting held on March 5, 2024, 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 2023 financial statements;
3. Ratification of all acts of the Board of Directors and Management since the last stockholders' meeting in the year 2023, including, but not limited to, the matters set out in Annex A of this Definitive Information Statement;
4. Appointment of an external auditor for 2024 and ratification of external auditor fees;
5. Election of the Board of Directors for 2024-2025;
6. Ratification of directors' fees for 2024;
7. Ratification of the amendment of the Company's By-Laws:
 - a. Completion of the Address of the Principal Office of the Company (Article I, Section 1)
 - b. Change in the Annual Stockholders' Meeting Date (Article II, Section 2)
 - c. Change in the Manner of Delivery of Notices for Stockholders' Meetings (Article II, Section 4); and
8. Other Matters

A brief description of and the rationale for the above agenda items are set out in Appendix 2 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, or (vii) any matter which is not required to be submitted to the vote of the stockholders.

2023

Annual Stockholders' Meeting

At the Annual Stockholders' Meeting held on May 16, 2023, the Management reported on the 2022 performance of the Company, which closed with a consolidated net income of Php6.7 billion as disclosed to the PSE and PDEX and the SEC through an SEC Form 17-C on March 6, 2023.

All the actions of the Management and the Board of Directors since the last stockholders' meeting held in 2023 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.

At the Annual Stockholders' Meeting held on May 16, 2023, the matters below were approved by the stockholders, with the details of (i) the attendance of stockholders, directors, officers and other relevant persons, (ii) the matters discussed and resolution passed, (iii) the voting procedures, voting tabulation, and voting results, and (iv) the opportunity given to stockholders to ask questions and the record of answers given set out in the minutes of the meeting attached as Annex E.

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 2022 financial statements;
3. Ratification of all acts of the Board of Directors and Management since the last stockholders' meeting in the year 2022, including, but not limited to, the matters set out in Annex B of the Definitive Information Statement for the 2023 Annual Stockholders' Meeting;
4. Appointment of an external auditor for 2023 and ratification of external auditor fees;
5. Election of the Board of Directors for 2023-2024;
6. Ratification of directors' fees for 2023; and
7. Other Matters

Meetings of the Board

Among the significant actions undertaken in 2023 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 2023 stockholders' meeting such as (i) the date of meeting on May 16, 2023, (ii) the record date of March 20, 2023, (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:
 - (a) On March 6, 2023, the Board of Directors approved a cash dividend Php0.10 per share for common shareholders with a record date of March 20, 2023 and payment date of April 4, 2023.
 - (b) On August 1, 2023, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2023, with a record date of August 31, 2023 and a pay-out date of September 25, 2023; (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2023, with a record date of August 31, 2022 and a pay-out date of September 25, 2024; (iii) Php16.76975 per share to the shareholders of the Series 4A Preferred Shares for the third quarter of 2023, with a record date of September 14, 2023 and a pay-out date of October 9, 2023 (with October 7, 2023 falling on a Saturday); (iv) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the third quarter of 2023, with a record date of September 14, 2023 and a pay-out date of October 9, 2023 (with October 7, 2023 falling on a Saturday); and (v) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the third quarter of 2023, with a record date of September 14, 2023 and a pay-out date of October 9, 2023 (with October 7, 2023 falling on a Saturday).

(c) On November 7, 2023, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2023, with a record date of November 29, 2023 and a pay-out date of December 26, 2023 (with December 25, 2023 being a holiday); (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2023, with a record date of November 29, 2023 and a pay-out date of December 26, 2023 (with December 25, 2023 being a holiday); (iii) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2024, with a record date of March 1, 2024 and a pay-out date of March 25, 2024; (iv) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2024, with a record date of March 1, 2024 and a pay-out date of March 25, 2024; (v) Php16.76975 per share to the shareholders of the Series 4A Preferred Shares for the first quarter of 2024, with a record date of December 13, 2023 and a pay-out date of January 8, 2024 (with January 7, 2024 falling on a Sunday); (vi) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the first quarter of 2024, with a record date of December 13, 2023 and a pay-out date of January 8, 2024 (with January 7, 2024 falling on a Sunday); (vii) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the first quarter of 2024, with a record date of December 13, 2023 and a pay-out date of January 8, 2024 (with January 7, 2024 falling on a Sunday); (viii) Php16.76975 per share to the shareholders of the Series 4A Preferred Shares for the second quarter of 2024, with a record date of March 13, 2024 and a pay-out date of April 8, 2024 (with April 7, 2024 falling on a Sunday); (ix) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the second quarter of 2024, with a record date of March 13, 2024 and a pay-out date of April 8, 2024 (with April 7, 2024 falling on a Sunday); and (x) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the second quarter of 2024, with a record date of March 13, 2024 and a pay-out date of April 8, 2024 (with April 7, 2024 falling on a Sunday).

- Approval of the public offer and issuance of preferred shares of up to Php50 billion, with features to be determined by Management, including the conduct of a written assent solicitation from stockholders with a record date of March 20, 2023 and closing of books by March 20 to 24, 2023;
- Adoption of the Board Diversity Policy and amendment of the Code of Conduct and Ethical Business Policy; and
- Approval of the Company's By-laws to (i) complete the address of the principal office under the Company's By-laws to align with the Company's Articles of Incorporation; (ii) move the date of the annual stockholders' meeting to the first Thursday of May to facilitate compliance by the Company with SRC Rule 68 on the financial statements that need to be included in the definitive information statements for annual stockholders' meetings; and (iii) require delivery of notices for stockholders' meetings at least 21 days before such meetings through various means, including through electronic mail or such other manner as may be allowed by law or regulation, to align with the requirements of the Revised Corporation Code.

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 21, 2024, 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 2023, and the appointment of the external auditor of the Company for 2024, the ratification of auditor fees, the ratification of directors' fees, and the ratification of the amendment of the Company's By-laws.

Each preferred share is entitled to one vote in respect of the ratification of the amendment of the Company's By-laws. The vote of two-thirds of the stockholders holding common and preferred shares, where a quorum is present, will be needed for the ratification of the amendment of the Company's By-laws.

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, 2023 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, 2023, 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 22 March 2024.

PETRON CORPORATION

By:



Jhoanna Jasmine M. Javier-Elacio
Assistant Vice President - General Counsel
and 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 2023 consolidated audited financial statements of the Company, on the company website www.petron.com upon its approval by the Securities and Exchange Commission.

The Company will likewise post on the company website 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 2023 by April 15, 2024 (or such later date as may be allowed by the SEC) and its interim unaudited financial statements for the first quarter of 2024 on SEC Form 17-Q by May 15, 2024.

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

MATERIAL MATTERS APPROVED BY THE BOARD OF DIRECTORS/ BOARD EXECUTIVE COMMITTEE SINCE THE 2023 ANNUAL STOCKHOLDERS' MEETING UNTIL THE DATE OF THIS REPORT

Meeting Date	Matters Approved by the Board of Directors
May 16, 2023	<p>Matters approved at the annual stockholders' and organizational meetings held:</p> <p>A. Annual Stockholders' Meeting</p> <ol style="list-style-type: none">1. Approval of the Management Report and the Audited Financial Statements of the Company for the year-ended December 31, 2022;2. Ratification of all acts of the Board of Directors and Management since the 2022 Annual Stockholders' Meeting;3. Appointment of R.G. Manabat & Co. as external auditor of the Company for year 2023 and ratification of external auditor fees;4. Election of the following as directors of the Company for 2023-2024:<ol style="list-style-type: none">(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 <p style="text-align: center;">Independent Directors</p> <ol style="list-style-type: none">(1) Artemio V. Panganiban(2) Margarito B. Teves(3) Ricardo C. Marquez 5. Ratification of Directors' fees for 2023

B. Organizational Meeting

1. Appointment of the following as members of the board committees and lead independent director:

Executive Committee

Ramon S. Ang	- Chairman
Lubin B. Nepomuceno	- Member
Aurora T. Calderon	- Member
Virgilio S. Jacinto	- Alternate Member
John Paul L. Ang	- Alternate Member

Audit Committee

Margarito B. Teves	- Chairman (Independent Director)
Artemio V. Panganiban	- Member (Independent Director)
Ricardo C. Marquez	- Member (Independent Director)
Estelito P. Mendoza	- Member
Aurora T. Calderon	- Member
Ferdinand K. Constantino	- Advisor

Risk Oversight Committee

Ricardo C. Marquez	- Chairman (Independent Director)
Margarito B. Teves	- Member (Independent Director)
Aurora T. Calderon	- Member

Corporate Governance Committee

Artemio V. Panganiban	- Chairman (Independent Director)
Margarito B. Teves	- Member (Independent Director)
Ricardo C. Marquez	- 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 2023-2024:

Name	Position
Ramon S. Ang	President & CEO
Lubin B. Nepomuceno	General Manager

	Emmanuel E. Eraña	SVP & Chief Finance Officer
	Freddie P. Yumang	SVP and Chief Risk Officer
	Susan Y. Yu	VP, Procurement
	Maria Rowena O. Cortez	VP, Supply
	Albertito S. Sarte	Deputy Chief Finance Officer and Treasurer
	Jaime O. Lu	VP & Executive Assistant to the President on Petron Malaysia Operations, Refinery Special Projects and REND
	Maria Rosario D. Vergel de Dios	VP, Human Resources Management
	Magnolia Cecilia D. Uy	VP, Retail Sales
	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, Industrial Sales
	Mark Tristan D. Caparas	VP, Chief Finance Officer, Petron Malaysia
	Jonathan F. Del Rosario	VP, Operations and Corporate Technical Services Group
	Lemuel C. Cuezon	VP, Marketing
	Fe Irma A. Ramirez	AVP, Supply Optimization, Commercial Services & Synergy
	Jacqueline L. Ang-Chai	AVP, Procurement
	Agnes Grace P. Perez	AVP/Head, Business Planning and Development
	Leon G. Pausing II	AVP, Commercial Sales
	Ferdinando H. Enriquez	AVP, Thermal Power Plant and Refinery Solid Fuel-Fired Boiler
	Francisco Rizal G. Bumagat, Jr.	AVP, PBR Production B
	Michael D. Flores	AVP, Service Station
	Mia S. Delos Reyes	AVP, Corporate Affairs
	Brian R. Ocampo	AVP, Management Information Systems
	Alejandro R. Romulo	AVP, PBR Technical Services
	Jhoanna Jasmine M. Javier-Elacio	AVP - General Counsel & Corporate Secretary/Compliance Officer
	Andrew F. Tan	AVP, LPG Business
	Arnel Roman M. Atienza	AVP, Luzon Provincial Operations
	Gildo P. Destreza	AVP, Metro Manila & Manufacturing District
	Maria Crisselda T. Torcuator	Assistant Corporate Secretary

August 1, 2023	<p>Matters approved at the board meeting held:</p> <ol style="list-style-type: none"> 1. First Semester 2023 Financial Statements 2. Cash dividends for preferred shareholders 3. Use of all the foreign-sourced dividends of the Company for 2023 for working capital requirements 4. Adoption of the Board Diversity Policy and amendment of the Code of Conduct and Ethical Business Policy 5. Ratification and confirmation of the following matters approved by the Executive Committee: <ol style="list-style-type: none"> i. Redemption of the Company’s remaining 2018 Senior Perpetual Capital Securities ii. Applications for Certificates of Registration and Permits to Operate with the Philippine Ports Authority <p>Media release on performance also submitted.</p>
November 7, 2023	<p>Matters approved at the board meeting held:</p> <ol style="list-style-type: none"> 1. Year-to-Date September 2023 Financial Statements 2. Cash dividends for the preferred shareholders 3. Approval of material related party transactions for 2024 4. Approval of the amendments of the Company’s By-laws <p>Media release on performance also submitted</p>
February 15, 2024	<p>Matters approved at the board meeting held:</p> <ol style="list-style-type: none"> 1. 2024 Operating Budget 2. Ratification and confirmation of the approval by the Executive Committee of the bilateral term loan with China Banking Corporation
March 5, 2024	<p>Matters approved at the board meeting held:</p> <ol style="list-style-type: none"> 1. 2023 Audited Financial Statements 2. Cash dividend for the common shareholders 3. Approval of directors’ fees for 2024 <ol style="list-style-type: none"> (2) Appointment of the external auditor <ol style="list-style-type: none"> i. Endorsement of the re-appointment of R. G. Manabat & Co./KPMG as external auditor of the Company for 2024 at the annual stockholders’ meeting scheduled on May 21, 2024 and approval of its fees for the audit and finalization/word processing of the 2024 financial statements of the Company and its subsidiaries ii. Appointment of R.G. Manabat & Co./KPMG for non-audit services and limited assurance engagements 5. Use of all foreign-sourced dividends of the Company for 2024 for working capital requirements 6. Annual Stockholders’ Meeting <p style="margin-left: 40px;">Date of meeting : May 21, 2024, Tuesday, 2:00 pm Venue : To be livestreamed via a streaming site Record Date : March 19, 2024 Closing of Books : March 19-26, 2024</p>

ANNEX B

CERTIFICATIONS OF THE INDEPENDENT DIRECTORS

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

ANNEX B - 1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARTEMIO V. PANGANIBAN**, Filipino, of legal age, and a resident of _____, 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
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
Double Dragon Properties Corporation	Adviser	2014 - present
Bank of the Philippine Islands	Member, Advisory Council	2016 - present
MerryMart Consumer Corporation	Adviser	2020 - present

For my full bio-data, log on to my personal website: 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 5th day of March 2024 in MANDALUYONG CITY.


ARTEMIO V. PANGANIBAN
Independent Director

SUBSCRIBED AND SWORN to before me this MAR 05 2024 in MANDALUYONG CITY
affiant personally appeared before me and exhibited to me his Passport with No. _____
issued at _____ valid until _____.

Doc. No. 244 ;
Page No. 50 ;
Book No. II ;
Series of 2024.


RACHELLE ANNE D. GUTIERREZ
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0669-23
Until December 31, 2024
Attorney's Roll No. 69339
PTR No. 5420856 /01-03-2024 /Mandaluyong City
IBP No. 391619/01-03-2024/RSM
MCLE Compliance No. VII-0025923/01-31-2023

ANNEX B-2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARGARITO B. TEVES**, Filipino, of legal age, and a resident of _____, 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
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

- 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").
- 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.
- 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 x x x Latest update: the Supreme Court issues a favorable ruling dismissing the Sandiganbayan case. This decision is awaiting finality.


- I am neither in government service nor affiliated with a government agency or government-owned and-controlled corporation.
- 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.
- 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 5th day of March 2024 in MANDALUYONG CITY


MARGARITO B. TEVES
Independent Director

SUBSCRIBED AND SWORN to before me this MAR 05 2024 in MANDALUYONG CITY affiant exhibiting to me his Passport with No. _____ issued at _____ on _____ valid until _____.

Doc. No. 227;
Page No. 49;
Book No. 11;
Series of 2024.


DENISE S. DY-FLORES
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0674-23
Until December 31, 2024
Attorney's Roll No. 57316
PTR No. 5420855 / 01-03-2024 / Mandaluyong City
IBP Lifetime Member No. 10411 / Quezon City
MCLE Exemption No. VII-CL005102 / 02-03-2023

ANNEX B-3

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RICARDO C. MARQUEZ**, Filipino, of legal age, and a resident of _____, 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 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
Top Frontier Investment Holdings, Inc.	Independent Director	March 2022 - present
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 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 days (5) from its occurrence.

Done this 12th day of March 2024 in MANDALUYONG CITY.


RICARDO C. MARQUEZ
 Independent Director

SUBSCRIBED AND SWORN to before me this MAR 12 2024 in MANDALUYONG CITY affiant exhibiting to me his Passport with No. _____ issued at _____ on _____ valid until _____.

Doc. No. 90 ;
 Page No. 19 ;
 Book No. III ;
 Series of 2024.


MARIA CRISelda T. TORCUATOR
 Notary Public for Mandaluyong City
 40 San Miguel Avenue, 1550 Mandaluyong City
 Appointment No. 0582-23
 Until December 31, 2024
 Attorney's Roll No. 71094
 PTR No. 5420853 /01-03-2024/ Mandaluyong
 IBP No. 391617 /01-03-2024/ RSM
 MCLE Compliance No. VII-001498/06-17-2022

ANNEX C

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

Financial Performance

2023 vs 2022

The Group posted a consolidated net income of **₱ 10.13 billion** in 2023, surpassing previous year's net earnings of **₱ 6.70 billion** by 51%, fueled by Petron's continuing efforts to capture continued demand recovery, optimize assets and resources, and respond to market volatility amidst persistent geopolitical tensions and global inflationary concerns pressuring the market. The 60% increase in operating income to **₱ 30.72 billion** allowed the Company to absorb higher expenses yet still end 2023 with improved financial results compared with the previous year.

Consolidated Sales Volume grew by 13% to **126.9 million barrels (MMB)**, 14.1 MMB more than the previous year. Petron's strong volume performance was driven by the remarkable growth in its sale of Jet Fuel and LPG. As economic activities returned to pre-pandemic levels, domestic demand also bounced back. The incremental sales volume was backed by higher production at the Bataan and Port Dickson refineries in the Philippines and Malaysia, respectively Exports and PSTPL trading volume also contributed to the overall volume growth.

	Years Ended		Horizontal Analysis		Vertical Analysis	
	December 31		Favorable (Unfavorable)			
	2023	2022	Amount	%	2023	2022
	(in Millions)					
Sales	801,027	857,638	(56,611)	(7%)	100%	100%
Cost of Goods Sold	(754,429)	(823,788)	69,359	8%	94%	96%
Gross Profit	46,598	33,850	12,748	38%	6%	4%
Selling and Administrative Expenses	(17,560)	(16,175)	(1,385)	(9%)	2%	2%
Other Operating Income	1,683	1,538	145	9%	0%	0%
Interest Expense and Other Financing Charges	(19,095)	(13,094)	(6,001)	(46%)	2%	2%
Interest Income	1,284	898	386	43%	0%	0%
Share in Net Income of an Associate and Joint Ventures	89	66	23	35%	0%	0%
Other Income - net	139	1,018	(879)	(86%)	0%	0%
Income Before Income Tax	13,138	8,101	5,037	62%	2%	1%
Income Tax Expense	(3,004)	(1,404)	(1,600)	(high)	0%	0%
Net Income	10,134	6,697	3,437	51%	1%	1%
Attributable to Equity Holders of the Parent Company	9,241	5,727	3,514	61%	1%	1%
Attributable to Non-controlling Interests	893	970	(77)	(8%)	0%	0%
	10,134	6,697	3,437	51%	1%	1%
Sales Volume in Million Barrels	126,914	112,812	14,102	13%		

Despite the growth in sales volume, **Net Sales** dropped by 7% to **₱ 801.03 billion** from **₱ 857.64 billion** in the previous year traced mainly to lower average selling price per liter as market prices further corrected from the peak levels in 2022.

Cost of Goods Sold also declined by **₱ 69.36 billion** or 8% to **₱ 754.43 billion** attributable to lower average cost per liter, partly offset by the increase in sales volume. Price of benchmark Dubai crude oil decreased by 15% to **US\$82/bbl** in 2023 from the 2022 average of **US\$96/bbl**.

Gross profit was up by 38% from **₱ 33.85 billion** to **₱ 46.60 billion** largely from incremental sales volume and improved margins.

Selling and Administrative Expenses climbed 9% to **₱ 17.56 billion** as the Company spent more on maintenance and repairs of service stations and terminal facilities, LPG cylinder purchases, advertising and promotions, operation of company-owned services stations and other operating requirements to support volume growth.

Other Operating Income amounted to **₱ 1.68 billion**, higher by 9% or **₱ 145 million** versus last year's **₱ 1.54 billion** due to increase in rental income.

Interest Expense and Other Financing Charges escalated by 46% from **₱ 13.09 billion** in 2022 to **₱ 19.10 billion** primarily due to higher interest rates in 2023.

Interest Income of **₱ 1.28 billion** was 43% more than 2022's **₱ 898 million** on account of higher interest rate.

Share in Net Earnings of an Associate and Joint Ventures (JV) was 35% higher at **₱ 89 million**, representing the Company's share in net income of Petrogen Insurance Corporation (associate) and Terminal Bersama Sdn. Bhd. (JV).

Other Income - net was lower at **₱ 139 million** from last year's **₱ 1.02 billion**, chiefly attributed to lower mark-to-market valuation gain on commodity hedges.

Income tax expense of **₱ 3 billion** was more than double of previous year's **₱ 1.40 billion**, mainly traced to higher pre-tax income combined with minimal tax incentives availed by Petron Malaysia in 2023.

2022 vs 2021

2022 was marked with record high oil prices as the global oil supply was disrupted by the invasion of Ukraine by Russia in February. Amid economic sanctions imposed on Russia and OPEC's efforts to manage production, demand continued to grow from the previous year. While China enforced Zero-Tolerance policy against COVID for most of the year, many countries exerted all efforts to achieve full recovery from the pandemic. Meanwhile, prices remained elevated compared to 2021 levels despite the correction in the second half. Prices of finished petroleum products also rose bringing the regional refining cracks to all-time highs during the year. Against this backdrop, the Company ended the year with a consolidated net income of **₱ 6.7 billion**, 9% higher than last year.

Consolidated Sales volume grew by 37% to **112.81 million barrels (MMB)**, 30.57 MMB more than the previous year. Commercial sales exhibited notable recovery particularly in the industrial and aviation sectors with the continued increase in domestic travels and business activities. Likewise, the combined retail sales of Philippines and Malaysia improved by 26%. PSTPL trading volume more than doubled while sales of polypropylene substantially increased with the resumption of polypropylene plant's operation in 2022.

	Years Ended		Horizontal Analysis		Vertical Analysis	
	December 31		Favorable (Unfavorable)		Analysis	
	2022	2021	Amount	%	2022	2021
	(in Millions)					
Sales	857,638	438,057	419,581	96%	100%	100%
Cost of Goods Sold	(823,788)	(407,558)	(416,230)	(high)	96%	93%
Gross Profit	33,850	30,499	3,351	11%	4%	7%
Selling and Administrative Expenses	(16,175)	(14,557)	(1,618)	(11%)	2%	3%
Other Operating Income	1,538	1,273	265	21%	0%	0%
Interest Expense and Other Financing Charges	(13,094)	(10,008)	(3,086)	(31%)	2%	2%
Interest Income	898	564	334	59%	0%	0%
Share in Net Income of an Associate and Joint Ventures	66	11	55	high	0%	0%
Other Income (Expense) - net	1,018	(485)	1,503	high	0%	0%
Income Before Income Tax	8,101	7,297	804	11%	1%	2%
Income Tax Expense	(1,404)	(1,161)	(243)	(21%)	0%	0%
Net Income	6,697	6,136	561	9%	1%	1%
Attributable to Equity Holders of the Parent Company	5,727	5,369	358	7%	1%	1%
Attributable to Non-controlling Interests	970	767	203	26%	0%	0%
	6,697	6,136	561	9%	1%	1%
Sales Volume in Million Barrels	112,812	82,241	30,571	37%		

The following contributed to the Group's improved performance during the year:

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

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

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

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

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

Interest Expense and Other Financing Charges was up by 31% at **₱ 13.09 billion** from **₱ 10.00 billion** in 2021 due to higher borrowing levels brought about by the increase in working capital as well as higher average interest rates.

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

Share in Net Earnings of an Associate and Joint Ventures was at **₱ 66 million**, **₱ 55 million** higher than the previous year mainly due to higher share in net income of Petrogen Insurance Corporation (associate).

Other Income - net amounted to **₱ 1.02 billion** in 2022 as against **₱ 485 million** Other Expense - net in 2021 mainly from unrealized gains from mark-to-market valuation of commodity hedges.

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

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.

	Years Ended		Horizontal Analysis		Vertical Analysis	
	December 31		Favorable (Unfavorable)			
	2022	2021	Amount	%	2022	2021
	(in Millions)					
Sales	857,638	438,057	419,581	96%	100%	100%
Cost of Goods Sold	(823,788)	(407,558)	(416,230)	(high)	96%	93%
Gross Profit	33,850	30,499	3,351	11%	4%	7%
Selling and Administrative Expenses	(16,175)	(14,557)	(1,618)	(11%)	2%	3%
Other Operating Income	1,538	1,273	265	21%	0%	0%
Interest Expense and Other Financing Charges	(13,094)	(10,008)	(3,086)	(31%)	2%	2%
Interest Income	898	564	334	59%	0%	0%
Share in Net Income of an Associate and Joint Ventures	66	11	55	high	0%	0%
Other Income (Expense) - net	1,018	(485)	1,503	high	0%	0%
Income Before Income Tax	8,101	7,297	804	11%	1%	2%
Income Tax Expense	(1,404)	(1,161)	(243)	(21%)	0%	0%
Net Income	6,697	6,136	561	9%	1%	1%
Attributable to Equity Holders of the Parent Company	5,727	5,369	358	7%	1%	1%
Attributable to Non-controlling Interests	970	767	203	26%	0%	0%
	6,697	6,136	561	9%	1%	1%
Sales Volume in Million Barrels	112,812	82,241	30,571	37%		

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 4th 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 at **₱ 14.56 billion** was the same level as previous year. Savings on terminalling and storage expenses, outsourced services and increase in rent income were offset by higher maintenance and repairs related to service stations, depot and information technology as well as higher LPG cylinder purchases.

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

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

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

Share in Net Earnings of an Associate and Joint Ventures (JV) amounted to **₱ 11 million** representing share in earnings of Terminal Bersama Sdn. Bhd. (JV) and Petrogen Insurance Corporation (PIC). The latter became an associate of the Parent Company starting February 4, 2021. Prior to the said date, PIC was a wholly owned subsidiary of the Parent Company.

Other Expense - net declined by 54% to **₱ 485 million** traced mainly to lower unrealized losses on commodity hedges versus 2020.

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

Financial Position

2023 vs 2022

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis December 31	
	2023	2022	Amount	%	2023	2022
Cash and cash equivalents	27,519	37,183	(9,664)	(26%)	6%	8%
Financial assets at fair value	1,162	1,753	(591)	(34%)	0%	0%
Trade and other receivables - net	86,479	81,979	4,500	5%	19%	18%
Inventories	77,318	85,347	(8,029)	(9%)	17%	19%
Other current assets	40,529	37,027	3,504	9%	9%	8%
Total Current Assets	233,007	243,287	(10,280)	(4%)	52%	53%
Investment in shares of stock of an associate and joint ventures	1,158	1,085	73	7%	0%	0%
Property, plant and equipment - net	166,046	170,153	(4,107)	(2%)	37%	37%
Right of Use - net	5,286	5,398	(112)	(2%)	1%	1%
Investment property - net	27,194	28,437	(1,243)	(4%)	6%	6%
Deferred tax assets - net	1,190	1,812	(622)	(34%)	0%	0%
Goodwill - net	8,093	8,509	(416)	(5%)	2%	2%
Other noncurrent assets - net	1,930	1,390	540	39%	0%	0%
Total Noncurrent Assets	210,897	216,784	(5,887)	(3%)	48%	47%
Total Assets	443,904	460,071	(16,167)	(4%)	100%	100%
Short term loans	137,910	137,886	24	0%	31%	30%

Liabilities for crude oil and petroleum products	44,840	51,067	(6,227)	(12%)	10%	11%
Trade and other payables	23,890	22,896	994	4%	5%	5%
Current portion of lease liability	1,566	1,380	186	13%	0%	0%
Derivative liabilities	749	723	26	4%	0%	0%
Income tax payable	132	204	(72)	(35%)	0%	0%
Current portion of long-term debt - net	25,642	13,399	12,243	91%	6%	2%
Total Current Liabilities	234,729	227,555	7,174	3%	53%	49%

Forward

	December 31		Horizontal Analysis		Vertical Analysis	
	2023	2022	Increase (Decrease) Amount	%	2023	2022
Long-term debt - net of current portion	83,254	93,662	(10,408)	11%	19%	20%
Retirement benefits liability - net	2,261	3,261	(640)	(20%)	1%	1%
Deferred tax liabilities - net	4,432	3,601	831	23%	1%	1%
Lease liability - net of current portion	14,378	13,714	664	5%	3%	3%
Asset retirement obligation	3,612	3,527	85	2%	1%	1%
Other noncurrent liabilities	1,243	1,201	42	3%	0%	0%
Total Noncurrent Liabilities	109,540	118,966	(9,426)	(8%)	25%	26%
Total Liabilities	344,269	346,521	(2,252)	(1%)	78%	75%
Capital stock	9,485	9,485	-	0%	2%	2%
Additional paid-in capital	40,985	37,500	3,485	9%	9%	8%
Capital securities	37,529	62,712	(25,183)	(40%)	8%	14%
Retained earnings	31,834	30,357	1,477	5%	7%	7%
Equity Reserves	(21,252)	(16,887)	(4,356)	26%	(5%)	(4%)
Treasury stock	(7,600)	(18,000)	10,400	(58%)	(2%)	(4%)
Total Equity Attributable to Equity Holders of the Parent Company	90,981	105,167	(14,186)	(13%)	20%	23%
Non-controlling Interests	8,654	8,383	271	3%	2%	2%
Total Equity	99,635	113,550	(13,915)	(12%)	22%	25%
Total Liabilities and Equity	443,904	460,071	(16,167)	(4%)	100%	100%

The Consolidated assets of Petron Corporation and its Subsidiaries as of end-2023 stood at **₱ 443.90 billion**, 4% or ₱ 16.17 billion lower than end-2022 level of ₱ 460.07 billion. The decrease in total assets can be traced primarily to lower cash and cash equivalents, and inventories.

Cash and cash equivalents decreased by **₱ 9.66 billion** to **₱ 27.52 billion** from **₱ 37.18 billion** as cash was used for the settlement of loans, redemption of capital securities, and cash dividends and distribution.

Financial assets at fair value dropped to **₱ 1.16 billion** from **₱ 1.75 billion** primarily from lower mark-to-market valuation of outstanding currency hedges.

Trade and other receivables - net went up by 5% to **₱ 86.48 billion** attributable to higher government receivables of Parent company partly offset by the reduction in trade accounts receivables.

Inventories declined by **₱ 8.03 billion** to **₱ 77.32 billion** mainly from lower prices of crude and finished product prices coupled with reduced volume.

Other current assets rose by 9% to **₱ 40.53 billion** from additional creditable withholding taxes, input VAT and prepayments.

Investment in shares of stock of an associate and joint ventures increased by 7% to **₱ 1.16 billion** after the recognition of the Company's share in net income and other comprehensive income for the year.

Deferred tax assets - net went down from **₱ 1.81 billion** to **₱ 1.19 billion** owing to the temporary differences in inventory valuation and depreciation per tax accounting vis-à-vis financial reporting, application of Net Operating Loss Carry-Over (NOLCO) from prior years, partly offset by Minimum Corporate Income Tax (MCIT) for the year.

Goodwill dropped by 5% to **₱ 8.09 billion** due to currency translation losses with the depreciation of the Malaysian Ringgit versus the US dollar and Philippine peso.

Other noncurrent assets - net went up to **₱ 1.93 billion** from **₱ 1.39 billion** mainly from additional catalyst materials and the reclassification of proprietary membership shares from current assets.

Liabilities for crude oil and petroleum products stood lower at **₱ 44.84 billion** compared to end-2022 level of **₱ 51.07 billion** owing primarily to lower level of outstanding crude purchases at the end of 2023 vs 2022.

Income tax payable dropped from **₱ 204 million** to **₱ 132 million** as tax liabilities of foreign subsidiaries decreased.

Total **Lease liabilities** increased by **₱ 850 million** to **₱ 15.94 billion** primarily from new leases, partly offset by payments made during the year.

Deferred tax liabilities - net went up by 23% to **₱ 4.43 billion** from **₱ 3.60 billion** attributable to Petron Malaysia's utilization of deferred tax on reinvestment allowance.

Additional paid-in capital increased by **₱ 3.49 billion** to **₱ 40.99 billion**, while the negative balance of **Treasury stock** decreased by **₱ 10.40 billion** to **₱ 7.60 billion** as a result of the reissuance of preferred treasury shares.

Retained earnings rose by 5% to **₱ 31.83 billion** traced to the net income realized in 2023 partly offset by the cash dividends and distributions declared during the year.

The negative balance of **Equity reserves** went up from **₱ 16.89 billion** to **₱ 21.25 billion** on account of the translation losses related to the redemption of US\$500 million capital securities as well as the investment in Petron Malaysia.

2022 vs 2021

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis December 31	
	2022	2021	Amount	%	2022	2021
	Cash and cash equivalents	37,183	36,406	777	2%	8%
Financial assets at fair value	1,753	1,005	748	74%	0%	0%
Trade and other receivables - net	81,979	51,745	30,234	58%	18%	13%
Inventories	85,347	67,684	17,663	26%	19%	17%
Other current assets	37,025	31,195	5,830	19%	8%	8%
Total Current Assets	243,287	188,035	55,252	29%	53%	46%
Investment in shares of stock of an associate and joint ventures	1,085	1,012	73	7%	0%	0%
Property, plant and equipment - net	170,153	171,602	(1,449)	(1%)	37%	42%
Right of Use - net	5,398	5,648	(250)	(4%)	1%	1%
Investment property - net	28,437	29,175	(738)	(3%)	6%	7%
Deferred tax assets - net	1,812	2,172	(360)	(17%)	0%	1%
Goodwill - net	8,509	8,235	274	3%	2%	2%
Other noncurrent assets - net	1,390	1,541	(151)	(10%)	0%	0%
Total Noncurrent Assets	216,784	219,385	(2,601)	(1%)	47%	54%
Total Assets	460,071	407,420	52,651	13%	100%	100%
Short term loans	137,886	109,196	28,690	26%	30%	27%
Liabilities for crude oil and petroleum products	51,067	42,641	8,426	20%	11%	10%
Trade and other payables	22,896	14,001	8,895	64%	5%	3%
Current portion of lease liability	1,380	1,335	45	3%	0%	0%
Derivative liabilities	723	997	(274)	(27%)	0%	0%
Income tax payable	204	302	(98)	(32%)	0%	0%
Current portion of long-term debt - net	13,399	21,580	(8,181)	(38%)	3%	5%
Total Current Liabilities	227,555	190,052	37,503	20%	49%	47%

Forward

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis December 31	
	2022	2021	Amount	%	2022	2021
Long-term debt - net of current portion	93,662	81,065	12,597	16%	20%	20%
Retirement benefits liability - net	3,261	3,327	(66)	(2%)	1%	1%
Deferred tax liabilities - net	3,601	3,784	(183)	(5%)	1%	1%
Lease liability - net of current portion	13,714	14,220	(506)	(4%)	3%	3%
Asset retirement obligation	3,527	2,857	670	23%	1%	1%
Other noncurrent liabilities	1,201	1,202	(1)	(0%)	0%	0%
Total Noncurrent Liabilities	118,966	106,455	12,511	12%	26%	26%
Total Liabilities	346,521	296,507	50,014	17%	75%	73%
Capital stock	9,485	9,485	-	0%	2%	2%
Additional paid-in capital	37,500	37,500	-	0%	8%	9%
Capital securities	62,712	62,712	-	0%	14%	15%
Retained earnings	30,357	30,232	125	0%	7%	7%
Equity Reserves	(16,887)	(18,341)	1,454	(8%)	(4%)	(5%)
Treasury stock	(18,000)	(18,000)	-	0%	(4%)	(4%)
Total Equity Attributable to Equity Holders of the Parent Company	105,167	103,588	1,579	2%	23%	25%
Non-controlling Interests	8,383	7,325	1,058	14%	2%	2%
Total Equity	113,550	110,913	2,637	2%	25%	27%
Total Liabilities and Equity	460,071	407,420	52,651	13%	100%	100%

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

Financial assets at fair value went up to **₱ 1.75 billion** from **₱ 1.01 billion** primarily from higher mark-to-market valuation of outstanding commodity hedges.

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

Inventories rose by **₱ 17.66 billion** to **₱ 85.35 billion** mainly from higher crude and finished product prices.

Other current assets increased by 19% to **₱ 37.03 billion** from higher prepaid taxes and unused creditable withholding taxes.

Investment in shares of stock of an associate and joint ventures grew by 7% to **₱ 1.09 billion** following the recognition of share in net income for the year and the reclassification of investment in joint ventures previously reported under “Other noncurrent assets - net”.

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

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

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

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

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

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

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

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

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

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

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

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

2021 vs 2020

	December 31		Horizontal Analysis		Vertical Analysis	
	2021	2020	Increase (Decrease) Amount	%	December 31 2021	December 31 2020
Cash and cash equivalents	36,406	27,053	9,353	35%	9%	8%
Financial assets at fair value	1,005	603	402	67%	0%	0%
Investments in debt instruments	-	184	(184)	(100%)	0%	0%
Trade and other receivables - net	51,745	27,195	24,550	90%	13%	8%
Inventories	67,684	44,922	22,762	51%	17%	13%
Other current assets	31,195	32,337	(1,142)	(4%)	8%	9%
Total Current Assets	188,035	132,294	55,741	42%	46%	38%
Investment in debt instruments	-	197	(197)	(100%)	0%	0%
Investment in shares of stock of an Associate	1,012	-	1,012	high	0%	0%
Property, plant and equipment - net	171,602	168,831	2,771	2%	42%	48%
Right of Use - net	5,648	6,045	(397)	(7%)	1%	2%
Investment property - net	29,175	30,049	(874)	(3%)	7%	9%
Deferred tax assets - net	2,172	2,190	(18)	(1%)	1%	1%
Goodwill - net	8,235	8,031	204	3%	2%	2%
Other noncurrent assets - net	1,541	2,088	(547)	(26%)	0%	1%
Total Noncurrent Assets	219,385	217,431	1,954	1%	54%	62%
Total Assets	407,420	349,725	57,695	16%	100%	100%
Short term loans	109,196	77,704	31,492	41%	27%	22%
Liabilities for crude oil and petroleum products	42,641	22,320	20,321	91%	10%	6%
Trade and other payables	14,001	15,402	(1,401)	(9%)	3%	4%
Current portion of lease liability	1,335	1,243	92	7%	0%	0%
Derivative liabilities	997	1,124	(127)	(11%)	0%	0%
Income tax payable	302	162	140	86%	0%	0%
Current portion of long-term debt - net	21,580	31,114	(9,534)	(31%)	5%	9%
Total Current Liabilities	190,052	149,069	40,983	27%	47%	43%

Forward

	December 31		Horizontal Analysis		Vertical Analysis	
	2021	2020	Increase (Decrease)		December 31	
			Amount	%	2021	2020
Long-term debt - net of current portion	81,065	88,340	(7,275)	(8%)	20%	25%
Retirement benefits liability - net	3,327	3,705	(378)	(10%)	1%	1%
Deferred tax liabilities - net	3,784	3,084	700	23%	1%	1%
Lease liability - net of current portion	14,220	14,561	(341)	(2%)	3%	4%
Asset retirement obligation	2,857	2,867	(10)	(0%)	1%	1%
Other noncurrent liabilities	1,202	1,904	(702)	(37%)	0%	1%
Total Noncurrent Liabilities	106,455	114,461	(8,006)	(7%)	26%	33%
Total Liabilities	296,507	263,530	32,977	13%	73%	75%
Capital stock	9,485	9,485	-	0%	2%	3%
Additional paid-in capital	37,500	37,500	-	0%	9%	11%
Capital securities	62,712	36,481	26,231	72%	15%	10%
Retained earnings	30,232	29,799	433	1%	7%	9%
Equity Reserves	(18,341)	(18,371)	30	(0%)	(5%)	(5%)
Treasury stock	(18,000)	(15,122)	(2,878)	19%	(4%)	(4%)
Total Equity Attributable to Equity Holders of the Parent Company	103,588	79,772	23,816	30%	25%	23%
Non-controlling Interests	7,325	6,423	902	14%	2%	2%
Total Equity	110,913	86,195	24,718	29%	27%	25%
Total Liabilities and Equity	407,420	349,725	57,695	16%	100%	100%

The Consolidated assets of Petron Corporation and its Subsidiaries as of end-2021 amounted to **₱ 407.42 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** owing to higher prices, and further elevated by the increase in government receivables of Petron Malaysia, partly countered by the decrease in non-trade receivables of the Parent Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash Flows

2023 vs 2022

As of December 31, 2023, cash and cash equivalents stood at **₱ 27.52 billion**, lower by ₱ 9.66 billion compared to its balance at the beginning of the year. Cash generated from operations of ₱ 43.40 billion were used to cover the increase in working capital requirement (₱ 5.26 billion), pay interest and taxes (₱ 19.21 billion), and fund various capital projects (₱ 6.44 billion). Proceeds received from the reissuance of preferred shares, net long-term loans availed, and excess cash from operations were used to redeem the outstanding capital securities amounting to ₱ 27.47 billion

In Million Pesos	December 21, 2023	December 31, 2022	Change
Operating inflows (outflows)	19,204	(22,674)	41,878
Investing outflows	(6,438)	(2,382)	(4,056)
Financing inflows (outflows)	(21,753)	22,807	(44,560)

2022 vs 2021

As of December 31, 2022, cash and cash equivalents stood at **₱ 37.18 billion**. During the year, cash generated from operations of ₱ 31.95 billion was used to fund the P 13.09 billion in interest and tax payments, ₱ 5.68 billion spending for various refinery, terminal, and service station capital projects, and to partly cover the increase in working capital requirement of ₱ 38.31 billion. The ₱ 22.81 billion net cash provided by financing activities covered the balance of the higher working capital requirements.

In Million Pesos	December 21, 2022	December 31, 2021	Change
Operating outflows	(22,674)	(10,668)	(12,006)
Investing outflows	(2,382)	(9,759)	7,377
Financing inflows	22,807	28,098	(5,291)

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 ₱ 29.32 billion, pay interest and taxes amounting to ₱ 9.64 billion, and settle 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 inflows (outflows)	(10,668)	2,533	(13,201)
Investing outflows	(9,759)	(8,437)	(1,322)
Financing inflows	28,098	318	27,780

Discussion of the Company's key performance indicators:

Ratio	December 31, 2023	December 31, 2022	December 31, 2021
Current Ratio	1.0	1.1	1.0
Debt to Equity Ratio	3.5	3.1	2.7
Return on Equity (%)	9.5	6.0	6.2
Interest Rate Coverage Ratio	1.7	1.6	1.7
Assets to Equity Ratio	4.5	4.1	3.7

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 indicates 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

Philippine GDP growth fell to 5.6% in 2023, lower than 2022 growth of 7.6%, and also below the government target of 6% to 7%. However, despite the slower growth, the country has maintained its position as one of the fastest growing economies in Asia, together with Vietnam, China, and Malaysia with their GDP growth at 6.7%, 5.2%, and 3.4%, respectively. The country's economy was mainly driven by household consumption at 5.6%, as revenge spending extended longer than previously anticipated, but tempered by high inflation resulting in a slower expansion than last year's 8.3%. Growth was also supported by the jump on the spending on durable air transport equipment as a local airline conducted refueling operations, together with the resumption of construction activities driven by robust government construction efforts. Meanwhile, pulling down the economic growth was the sluggish government spending and the decline in exports amidst increasing imports. Demand for tech products globally has also been sluggish throughout the year.

The peso averaged Php55.6/US\$ in 2023, a 2.0% depreciation from Php54.5/US\$ in 2022, as aggressive US Federal interest rate hikes underpin US dollar strength, and the Philippines remaining in a wide current deficit adds to the weakness of the peso.

Inflation averaged 6.0% in 2023, higher than the 5.8% average in 2022, and above the official 2%-4% target band. Increasing food prices, specifically those of rice due to global rice inflation and El Niño, kept inflation elevated. Price pressures from higher prices of fuel and electricity, as well as a weakening peso, also pushed up inflation.

Oil Market

Oil demand in the country grew by 6.6% to 80,956 thousand barrels ("MB") in the first half of 2023 from 75,962 MB in in the first half of 2022. The return to normality of the daily economic activities and lifting of the COVID-related state of public health emergency throughout the country contributed to the growth in demand for petroleum products. Crude price benchmark, Dubai, averaged \$82.1 per barrel ("/bbl") in 2023, a decline from its 2022 average of \$96.3/bbl with the slower economic and oil demand growth. Product cracks also weakened, with gasoline cracks declining from \$18.8/bbl in the same period last year to \$16.7/bbl, diesel cracks from \$39.0/bbl to \$24.3/bbl, and kero-jet cracks from \$30.3/bbl to \$22.5/bbl.

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 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 Php292 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 2023 and 2022:

	2023 (in Pesos)	2022 (in Pesos)
Audit fees for professional services - Annual Financial Statement (tax-exempt and exclusive of out-of-pocket expenses)	7,134,200	6,744,200
Professional fees for due diligence and study on various internal projects	3,000,000	3,150,000
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.

For 2023, the Audit Committee, at its meeting held on March 6, 2023, endorsed the re-appointment of KPMG as external auditor of the Company for 2023 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 2023 and approved its fees for the approval and ratification, respectively, of the stockholders at the annual stockholders’ meeting. At the 2023 annual stockholders’ meeting held on May 16, 2023, the re-appointment of KPMG as external auditor of the Company for 2023 and KPMG’s fees were approved and ratified, respectively, by the stockholders.

A new engagement partner of KPMG, Ms. Rohanie C. Galicia, was assigned to the Company beginning with the 2022 audit of financial statements.

Set out in the next page is the report of the Audit Committee for the year 2023.

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.

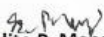
In the performance of our responsibilities, we report that in 2023:

- 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 2023;
- 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 Head 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 2023.



Margarito B. Teves
Chairperson
Independent Director



Estelito P. Mendoza
Director



Artemio V. Panganiban
Independent Director



Aurora T. Calderon
Director



Ricardo C. Marquez
Independent Director

Commitments for Capital Expenditure

In 2023, the Company spent Php3.38 billion in capital investments, of which Php2.38 billion was spent for refinery projects, including the Refinery Solid Fuel Fired Boilers (“RSFFFB”) Phase 3. In addition, expenditures incurred for projects in depots amounted to Php312 million, service-station related expenditures totaled Php223 million, and spending for other commercial, maintenance and miscellaneous projects amounted to Php461 million.

In 2022, the Company spent Php4.36 billion in capital investments, of which Php3.63 billion was spent for refinery projects, including the RSFFFB Phase 3. In addition, expenditures incurred for projects in depots amounted to Php319 million, service-station related expenditures totaled Php336 million and spending for other commercial, maintenance and miscellaneous projects amounted to Php75 million.

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. Working capital requirements are 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 over 40% 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. 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. On December 23, 2022, the SEC approved the amendment to the primary purpose of the Company under its Articles of Incorporation authorizing the Company to produce and deal in biofuels.

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, 2023 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 and other insurances covered by Petron affiliate Petrogen Insurance Corporation. 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, exporting, transporting, trading, selling and blending of petroleum products and related products, the operation and management of required facilities and the establishment, operation and/or management of retail service stations and non-fuel businesses such as convenience stores. 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 allow 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 fast food stores.
- **Mema Holdings Inc. (“Mema”)** was acquired by Petron in 2022. It is a holding company intended for the hauling and logistics requirements of Petron.
- **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 and incorporated under the laws of Malaysia. It owns 73.4% of Petron Malaysia Refining & Marketing Bhd. (“PMRMB”), a public company listed on Malaysia’s Stock Exchange (“Bursa”). POGI also wholly owns Petron Fuel International Sdn. Bhd. (“PFISB”) and Petron Oil (M) Sdn. Bhd. (“POMSB”). PMRMB, PFISB and POMSB (collectively, the “Petron Malaysia”) are companies incorporated under the laws of Malaysia and are engaged in the downstream petroleum business in Malaysia.

The Petron Malaysia’s distribution network is comprised of 12 product terminals and facilities all over Malaysia. PMRMB owns and operates the Port Dickson Refinery (“PDR”) with a rated capacity of 88,000 bpd. The PDR produces a range of products, including liquefied petroleum gas (“LPG”), naphtha, gasoline, diesel, jet fuel, and low sulfur waxy residue (“LSWR”). Further, it also operates a palm methyl ester (“PME”) plant in Lumut, Perak, with a rated capacity of 78,000 metric tons per year of PME used for biodiesel blend.

Petron Malaysia’s fuels marketing business caters to both retail and commercial segments. The retail business markets fuels and other products through its network of more than 770 service stations, both company-owned or dealer-owned, located throughout Peninsular and East Malaysia. Retail sells top-of-the line fuel from Blaze 100, the only RON 100 gasoline in Malaysia, Blaze 97 and Blaze 95, all meeting Euro 4M standards specifications, while its premium Turbo Diesel and Diesel Max are all Euro 5-compliant diesel products, with 7% and 10% PME biodiesel blend, respectively. Petron’s premier LPG brand, Petron Gasul, is also available in about 180 selected service stations in Peninsular Malaysia to add more convenience to the Malaysian household. Petron also provides one-stop shop service experience for motorists on the road through more than 300 Treats and approximately 430 P-Kedai convenient stores located within its service station network, along with other amenities and restaurants. Retail business also serves more than 10,000 fleet accounts nationwide through Petron Fleet Card, with microchip technology and available in both post-paid and pre-paid.

Petron Malaysia's commercial business serves four (4) segments: industrial and wholesale, aviation fuels, LPG and lubricants/specialties. The industrial business sells diesel and gasoline fuels to mini-stations and power plants, as well as to the manufacturing, plantation, transportation, fisheries, commercial and construction sectors, among others, while the wholesale segment primarily engages in diesel sales to company-appointed resellers catering to other industrial customers. PMRMB's aviation group sells jet fuel to key airline customers which operate at the Kuala Lumpur International Airport where the product is supplied through pipeline connected from the Port Dickson Terminal. PMRMB also markets Gasul LPG in 12-kg and 14-kg cylinders for domestic household use and 50-kg and bulk for commercial use. PFISB has its lubricants and specialties business, selling automotive lubricants both through the retail service stations and appointed distributors network.

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 2023, the Company's consolidated sales volume stood at 126.9 million barrels, 13% higher than 2022's 112.8 million barrels.

Refining

The Petron Bataan Refinery Master Plan Phase-2 Upgrade ("RMP-2") upgraded the Company's refinery located in Limay, Bataan (the "Petron Bataan Refinery") to a full conversion refining complex. RMP-2 started its full commercial operation in January 2016.

Since the closure of the Shell Refinery in May 2020, the Petron Bataan Refinery is the only oil refining facility in the country.

In December 2021, the Petron Bataan Refinery renewed its registration with The Authority of the Freeport Area of Bataan ("AFAB") as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. As a registered domestic market enterprise engaged in the oil refinery facility as its registered business activity, the Petron Bataan Refinery is granted duty-free importation of merchandise, including capital equipment, raw materials, spare parts, and accessories, subject to compliance with conditions specified under the Corporate Recovery and Tax Incentives for Enterprises Act (the "CREATE Act"). Meanwhile, pursuant to Section 295(G) of the Tax Code, as amended by the CREATE Act, the Petron Bataan Refinery's crude oil importations are exempt from duties and taxes, while applicable taxes are paid upon withdrawal of finished products sourced from the crude oil importation.

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, a sufficient fleet of tank trucks and marine vessels, and an inter-depot support system during periods of calamities.

Human Resources (“HR”)

Petron aimed at strengthening its development programs to enhance both the hard and soft skills of its talents. The company gradually transitioned back to facilitating live programs while taking advantage of online platforms to employ self-directed learning tools. By year-end, training hours per employee increased by 91% from the previous year. Petron dedicated 124,455 training hours for all employees or an average of 55 hours training per employee.

To enrich the leadership pipeline, learning opportunities for leadership development offered by San Miguel Corporation were maximized. The growth of key talents was supplemented through Petron’s coaching program composed of 45 coaches and 54 coachees which generated 1,436 coaching hours in 2023.

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 the EcoWatch program on environmental awareness and the oversight safety assessment and compliance inspections of the depots/terminals, service stations and third-party LPG filling plants, industrial accounts and contractor’s site, participation in industry-wide oil spill response exercises, emergency drills and exercises, seminars/trainings, and maintenance of management systems and ISO certifications on environment, health and safety.

All 30 terminals are certified in accordance with the ISO 9001:2015 (QMS), while 29 terminals are certified under the 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 DOTr. The ISPS certification is a requirement by the International Maritime Organization for all international vessels calling on international ports and for all ports accepting international vessels.

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 2023, a total of 13.2 million safe man hours were achieved by the Head Office, the Petron Bataan Refinery, and the terminals.

Corporate Social Responsibility (“CSR”)

Petron Foundation, Inc. (“PFI” or “Petron Foundation”) remains integral to keep Petron top-of-mind among the Filipino public and help protect the company’s reputation while contributing to the company’s business growth. The Company likewise continues to help uplift the lives of the host communities of the Company and strengthen partnerships with the Company’s key stakeholders through relevant and strategic CSR programs that focus on education, environment, entrepreneurship and livelihood, and community engagement. At the same time, PFI is at the forefront of advocating ESG and sustainability within Petron with its active participation in Petron’s ESG Council.

Education

- **Tulong Aral ng Petron (“Tulong Aral”).** In partnership with the Department of Social Welfare and Development (“DSWD”) and the Department of Education (“DepEd”), Petron 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. For school year 2022 to 2023, a total of 515 scholars completed their schooling from elementary to college. Furthermore, seven of the eight remaining college scholars from the National Capital Region graduated in 2023 with business-related courses and engineering degrees. Of the seven college graduates, two finished with academic honors: one graduated *magna cum laude*, and one as a *cum laude*.

In the third quarter of 2023, one former *Tulong Aral* graduate was hired by the Company as Utilities/RSFFB Plant Engineer in the Petron Bataan Refinery.

For school year 2023 to 2024, *Tulong Aral* has a total of 2,302 scholars from elementary to college in Petron’s partner schools where its terminals are located.

Tulong Aral ng Petron Scholars (SY 2023-2024)							
	Elementary		High School				College
	Gr. 1	Gr. 6	Gr. 7	Gr. 8	Gr. 9	Gr. 10	1 st Year
NCR	-	17	-	75	128	-	2
Luzon	40	24	103	163	153	63	-
Visayas	240	73	116	225	231	57	-
Mindanao	20	74	201	289	-	-	8
TOTAL	300	188	420	752	512	120	10

This includes the first batch of *Tulong Aral* college scholars from Mindanao that entered college, with eight coming from General Santos, Iligan, Jimenez, and Tagoloan, along with two scholars from the National Capital Region. It also includes a fresh batch of 300 Grade 1 scholars from Luzon (Poro, La Union, and Puerto Prinsesa, Palawan), Visayas (Bacolod, Negros Occidental; Mandaue and Mactan, Cebu; Roxas, Capiz, and; Tagbilaran, Bohol) and Mindanao (Davao City).

- **Bataan scholarships.** Petron’s engineering scholarships also produced a number of milestones. In 2023, the Company hired three (3) graduates of the Petron Engineering Scholarship program. This brings the number of Bataan scholars employed in the Company to 206. Of this number, 84 continue to be employed in Petron.
- **Brigada Eskwela.** Petron broadened its participation in the annual National Schools Maintenance Week beyond financial assistance for the partner schools of the Company as the country slowly moved on from the Covid pandemic restrictions. In 2023, Petron Terminals and the Petron Bataan Refinery physically volunteered to help prepare partner schools for the opening of the school year 2023 to 2024. Collectively, Petron supported Brigada Eskwela activities of 103 public schools in fenceline communities nationwide to benefit some 38,913 students and educators.

Environment

- **Carbon capture and biodiversity conservation.** Petron remained cognizant of its environmental impact, and continued in efforts to help reduce carbon footprint. Through the Company's Puno ng Buhay program, the Company formally adopted a total of 55 hectares in 2023 to reforest with mangroves:
 - 20 hectare - Hagonoy, Davao Del Sur
 - 25 hectares - Municipality of Ivisan, Roxas City
 - 10 hectares - Bgy. Salambao, Obando, Bulacan

In the first quarter of 2024, a third-party entity will be engaged to undertake carbon sequestration measurement of Petron's reforestation sites. This will be a five-year engagement to be done annually for 10 selected sites, with the pilot site in Hagonoy, Davao. The Company targets to produce its initial carbon sequestration report by the first half of 2024.

Additionally, PFI supported greening efforts by the Operations Division and the Refinery Division to plant nearly 19,100 seedlings and mangrove propagules in various activities celebrating Earth Month, Environment Month, and International Coastal Cleanup Day.

These are consistent with efforts to also comply with government regulations, contribute to operational efficiency, and maintain the sustainable practices of the Company.

- **Bataan Integrated Coastal Management Program ("BICMP").** Petron continued to support the implementation of the Bataan Integrated Coastal Management Program in 2023. In particular, the Company remained a partner of the Bataan Provincial Government in hosting the Pawikan Festival. Petron again sponsored the Environmental Forum as part of a number of events held at the Pawikan Conservation Center in the town of Morong.

Health and Human Services

- **Petron Clinics.** Petron Clinics in Rosario, Pandacan and Limay remained closed to the community due to continuing Covid precautions in 2023. The Company will review the resumption of operations for the community in 2024, beginning with the Petron Rosario Clinic, whose laboratory License to Operate was successfully renewed in December 2023. The clinic is now equipped to offer blood chemistry procedures.
- **Community Engagement.** Petron Foundation supported the request of the Limay local government to build a pedestrian bridge over the busy Roman Highway. This aims to promote road safety, especially among Limay residents.
- **Engaging employees and partners.** Petron employees continued to take to heart their responsibility to society through active participation in the Volunteers in Action program. Employee volunteers from various divisions in the Company joined in painting school chairs in San Joaquin Elementary School in Pasig City. Employees and other stakeholders have also resumed participation in various activities celebrating Earth Month, Environment Month, and International Coastal Cleanup Day.
- **Adopt-a-School Program.** Petron's education investments since 2006 have benefitted more than 17,000 children.

ESG and Sustainability

PFI continued to serve as the Secretariat to the Petron ESG Council in developing the Company's sustainability report ("SR"). For the 2022 SR, Petron transitioned its format from the SEC template to the latest Global Reporting Initiative ("GRI") international guidelines. PFI coordinated the activities of the University of Asia & the Pacific-Center for Social Responsibility, which was engaged to develop the SR, including field visits to Petron Bataan Refinery, select Petron terminals and service station for stakeholder consultations and sustainability briefings. PFI also contributed to the review and finalization of the SR drafts.

Governance

PFI successfully renewed its License to Operate from the Department of Social Welfare and Development. The License to Operate, effective from July 2023 to August 2027, reaffirms PFI's status as an Auxiliary Social Welfare and Development Agency and enables the Company to implement its CSR programs nationwide. This is effective for three (3) years from July 2023 to August 2027.

Petron Malaysia

Petron Malaysia, in its drive for sustainable operations, has equipped its Port Dickson Refinery with a diesel hydrotreater facility unit, enabling it to produce Euro-5 specifications diesel products in line with the Malaysian government's thrust to provide cleaner and more environment-friendly fuels to consumers. It also has its Marine Fuel Import Facility 2 which allows importation of larger parcel finished products, thereby optimizing freight costs and reducing carbon emission with fewer sea vessel deliveries. Petron has also started to install solar panels in its service stations to reduce electricity consumption and replace it with renewable power source. As part of Petron's firm commitment to provide better value to consumers, Petron Malaysia launched the mobile app version of its P-Miles Loyalty Program, offering better experience, more functionalities and tighter security features as compared to the conventional card-based program. The Company is also in the process of enhancing customers' point of sale experience through new indoor and outdoor payment terminals at the stations which will provide better payment features and convenience to the motorists.

(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 markets. 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 through the relaunch of Treats convenience store and the addition of various food kiosks, restaurants, and other service establishments at its stations.

(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 2021 to 2023:

	Domestic	Exports/International	Total
2021, in million pesos	223,222	214,835	438,057
2021, in percentage	51%	49%	100%
2022, in million pesos	412,743	444,895	857,638
2022, in percentage	48%	52%	100%
2023, in million pesos	413,175	387,852	801,027
2023, in percentage	52%	48%	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. Its distribution network, comprised of 35 terminals and sales offices across the country, is the most extensive one for petroleum products in 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 around 1,900 retail service stations in the Philippines as of December 31, 2023.

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 2023 new products and approvals from accredited global industry certifying bodies and original equipment manufacturers ("OEMs") are described below.

For 2023, Petron was able to secure the renewal of licenses and approvals for industry standards such as the American Petroleum Institute (API) alongside with the International Lubricant Specification Advisory Committee ("ILSAC"), Association des Constructeurs Européens d'Automobiles/Association European Automobile Manufacturers Association ("ACEA"), National Marine Manufacturers Association ("NMMA"), and OEM approvals from Porsche, Volvo, Mack, Renault, Cummins, MTU, and Scania. Petron also obtained new industry standard licenses from Japan Lubricating Oil Society (JALOS), Halal, Kosher and National Sanitation Foundation ("NSF").

These globally accepted OEM approvals and licenses are not only applicable to the Philippines but also to the Malaysian, Chinese, Brunei, Vietnamese, and Cambodian markets where the products of the Company are being served.

- License with American Petroleum Institute (“API”)

Listed below are the Petron automotive engine oil products that have their API service symbol and API certification mark renewed for 2023:

Product	API Quality Level
Blaze Racing Fully Synthetic SAE 0W-20	API SP/SN Plus Resource Conserving, ILSAC GF-6A
Blaze Racing Fully Synthetic SAE 5W-30	API SN
Blaze Racing Fully Synthetic SAE 5W-40	API SN
Blaze Racing Premium Multigrade SAE 20W-50	API SL
Petron Blaze Racing HTP SAE 0W-40	API SN
Rev-X All Terrain SAE 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 SAE 5W-40	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

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

In 2023, Petron renewed the registration for its Petron Blaze Racing and Petron Rev-X automotive lubricants with ACEA in compliance with the European Engine Lubricant Quality Management System (EELQMS).

- National Marine Manufacturers Association (“NMMA”)

Renewal was applied in 2023 for Petron Regatta as TC-W3 approved two-stroke cycle outboard engine lubricant.

- OEM Approval Renewals

The following OEM approvals were renewed in 2023:

- Blaze Racing HTP SAE 0W-40: Porsche A40
- Rev-X Turbo HTP SAE 5W-40: Volvo VDS-4, Mack EO-O Premium Plus and Renault VI RLD-3; Cummins CES 20081
- Rev-X Premium Multi-Grade SAE 15W-40: MTU Oil Category 2
- Petron Regatta 2T Outboard: NMMA TC-W3
- Rev-X Fully Synthetic SAE 5W-40: Scania LDF-3

- New Industry Standard Licenses

Petron was also able to secure new industry licenses for the following products:

Product	Approval
Sprint 4T HTP SAE 5W-40 JASO MA/MA2	JASO MA2
Petron Hydrotur FG H1-68	Halal Kosher NSF H1
Petron Hypex FG H1-150	
Petron Hypex FG H1-220	
Petron Hypex FG H1-320	
Petron Petrogrease EP FG H1-2	

(v) Competition

Petron operates in a deregulated oil industry along with over 400 industry players. With this large number of players participating in the market, competition is intense. Retail and depot network expansion, pricing, and various marketing programs are employed to gain a bigger share of the domestic market. However, Petron's wide retail and depot network and its full range of products allow it to reach the domestic market more effectively than competition.

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

In 2023, Petron purchased all of its term and spot crude requirements through its wholly-owned subsidiary, PSTPL. Majority of the crude purchases were sourced under term contracts with three (3) suppliers, with various spot suppliers completing the balance of requirements. For its 2024 crude requirements, Petron, through PSTPL, will continue to source from both term and spot suppliers.

Petron purchased most of its finished product requirements in 2023 also through PSTPL. For 2024, aviation gasoline, asphalt, LPG, gasoline, base oil, jet A-1, and diesel term contracts will be renewed through PSTPL.

For its coco-methyl ester ("CME") and ethanol supply, Petron continued to support the directive of the Department of Energy ("DOE") on the prioritization of locally produced CME and ethanol, complying with government regulation. About 49% of the total ethanol and 100% of CME requirements of the Company in 2023 were sourced from various local 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 November 7, 2023, 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 2024 between the Company and PSTPL.

For 2023, the proposed transactions for 2023 between the Company and PSTPL were approved by the Board of Directors on November 8, 2022, 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.

Described below are transactions of Petron with related parties as of 2023:

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 of goods and services, such as those related to construction, information technology, shipping and terminaling, from various SMC subsidiaries.
3. Lease agreements with San Miguel Properties, Inc. for office space covering 6,747 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 fuel products through its subsidiary PFC and of lube products through PFISB.
8. Insurance coverage from its affiliate 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 portions of lands located at Limay, Bataan.
14. Logistics and freight forwarding agreement with PLI.
15. Short-term loans from Bank of Commerce.
16. Certain advances from San Miguel Insurance Co. Lt. and Ovincor.

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

The Company's intellectual property registrations and applications as of December 31, 2023 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, Petron Super Xtra Gasoline, Xtra Advance (inside a rectangle device), Blaze Racing, Thermal Control System, Tri-Action Advantage, Petron XCS3, Triangle Device, Boomerang Device, Gasul (stylized), Gasulite, LPG Gasul Cylinder 50 kg, Gasul and Device, LPG Gasul Cylinder 11 kg, Petron Gasul 11-kg POL-VALVED Cylinder, New Gasulito (word mark), Petron Gasul Elite (wordmark), Petron Gasul Elite (Black & white), 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 Hauler, Rev-X HD, Rev-X Turbo, Ultron Rallye, Ultron Extra, Ultron Touring, Sprint 4T, Clean 'n Shine, Rider, 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, Car Care Center & Logo, Treats (word mark), Treats & device, Treats & device with blue background, Lakbay Alalay (word mark), LakbayAlalay (logo), LakbayAlalay, LakbayLigtas, LakbayAlalay Para saKalikasan, Sagip Alalay, Tulong Aral ng Petron & Device, Puno ng Buhay, Fuel Hope, Fuel Trust, Fuel Experience, Fuel Drive, Fuel Excellence, Fuel Efficiency, I fuel (logo), I Fuel Hope, I Fuel Communities, Petron Blaze Spikers, Petron Lakbay Pinoy, Ultimate Release from Engine Stress, Your friend on the Road, Super Tsuper, Road Safety & 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, Performance Run, Petron Best Day, Super Saya, 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, Kalmakina (colored), Kalmakina (word mark), Kalmakina (black and white), Hypex, 2T, Turnol, Gearfluid, Petron Autokote, GEP, Marinekote, Petron 2040, Pchem, Xtend, HTP, Petrolene, PCHEM DEF (Diesel Exhaust Fluid), Petromate, TCS and Device, TDH50 (word mark), Petron Pinoy Fuels & Device, Maxi Gas, Xtra Exceed, Xtra Ultra, Xtra Prime, Xtra Miles, Pinoy HP Gasoline, Xtra Excel, UnliPower Saver Gasoline, Petron PMB, Reyna (logo), and Reyna (word mark), Turbo Diesel (logo), Vision Petron, 3D Gasul 2.7kg, 3D Fiesta 2.7kg, 3D Gasul 2.7kg (colored), 3D Fiesta 2.7kg (colored), AUTO ADVANSTRASSE, AUTO ADVANSTRASSE logo, REV-X HD4X, REV-X HD, Sprint 4T (logo), ELITE (logo), Fe Dela Fiesta (logo), New Petron Logo, Vision Petron (logo), 2T (logo), Zerflo and Puno ng Buhay (updated mark), Petron Sagip Alalay (new logo), XCS (logo), Reyna and Reyna Gas, Ultron (logo), Petron Super Driver Card (logo-long form), Petron Super Driver Card (logo-flag form), Car Care Center (logo), Rev-X Hauler (word mark), Ultron Touring (word mark), Voltran (word mark), Spinol (word mark), Petron XD3, Blaze 100 Octane (logo), Petron Motorsports (word mark), Petrogrease (wordmark); HiComp, Hydrotur, Sprint 4T Racer, Gearkote (word mark), Airlube (word mark), Petromar (word mark), Milrol (word mark), Pchem (word mark), Petron HDX (word mark), Petrokut (word mark), Petron GEP (word mark), Petromul (word mark), Petrotherm (word mark), Rubbex (word mark), Petrocyl 680 (word mark).

Pending Trademark Applications. Petron has pending applications for registration of the following trademarks: Miles Better (word mark), 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), CCC Automotive Fluids Specialist, XTEND (logo), Petron Value Card (logo - long form), Petron Value Card (logo - flag form), Petron Chinese name (logo - long form), Petron Chinese name (logo - flag form), Gas Up & Dine, Champion Gasoline, Xtra Advance, Petron Pinoy Fuels (wordmark), and Turbo Plus (logo), Petron Value Card (word mark), Petron ATF Premium, Grease Away, Stemol, Greasolve, Lakbay Alalay Para sa Kalikasan-A Journey of Nurturing Nature, Hi-Torq TX, Petron

GST, Motorsports with the P-swoosh logo, Petron GX (word mark), Performance Run, Gasulite, Petron TF, Petron Railroad Extra, Petromul, Petromate Power Booster, Molygrease, Engine Stress Reliever, Petron Penetrating Oil, Rev-X Trekker, Ultron Race, Sprint 4T Rider, Sprint 4T Enduro, Sprint 4T Extra, Sprint 4T Racer, Gearfluid, Petron Ronnie Mascot (logo), Pshop (logo), Petron Super Driver (word mark), Best Day@Petron (logo), Performance Run (logo), Gasulette (word mark), Turnol, Petromate Oil Saver, Petron STM, Petron Marinekote, Hypex, Xtra Excel, Unli Power-saver Gasoline, Pinoy HP Gasoline, Xtra Ultra, Xtra Exceed, Maxi-Gas, Treats to Go, and 3D Petron Gasul Elite.

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.

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

Pending Industrial Design Applications. Petron has a pending application for registration of the industrial designs for its Gas Cylinder and Gas Cylinder Valve.

(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

- Extended Producer’s Responsibility Act of 2022 (“EPR Law”). Republic Act No. 11898 or the “EPR Law” lapsed into law on July 23, 2022. The law, which amends Republic Act No. 9003, otherwise known as “The Ecological Solid Waste Management Act of 2000”, requires product manufacturers and obliged companies to recover a certain portion of their plastic packaging wastes to reduce their plastic footprint. As required under the law, the Company is obliged to comply with target recovery rates starting with 20% in 2023 and gradually increasing to 80% until 2028.

- Electric Vehicle Industry Development Act (“EVIDA”); Department Circular 2021-07-0023. Republic Act No. 11697 or EVIDA lapsed into law on April 15, 2022. The law provides for a national policy framework to develop the electric vehicle (“EV”) industry in the Philippines. The DOE issued the above circular on July 2, 2021 which provides the framework for the adoption and development of EVs and electric charging stations in the Philippines, including the installation of EVCs in retail stations. The promotion of the purchase and use of electric vehicles may impact oil industry demand.
- Corporate Recovery and Tax Incentives for Enterprise Act (“CREATE Act”). Republic Act No. 11534 or the CREATE Act took effect on April 11, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives.

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

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

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. As of date, various circulars are currently being implemented and/or subject to public consultations to ensure timely and effective implementation of the law.

- 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 was 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. In terms of reportorial requirements, 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 (Department Circular 2021-06-0014) 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 with local monthly allocation for ethanol.
- 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. Republic Act No. 10623 was signed on September 6, 2013, and 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. Further to this, senior citizens and persons with disabilities (“PWDs”) are entitled to discount for LPG and kerosene as mandated by the following:
 - Joint Administrative Order 17-01. Issued on February 17, 2021, this order provides for 5% special discount for basic necessities, which includes household LPG and kerosene.
 - Joint Memorandum Circular No. 01, s. 2022. Issued on May 6, 2022, this joint circular ensures that the discounts and privileges of senior citizens and PWDs are recognized if transactions are made online.

- 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.
- Oil Deregulation Law. Approved on February 10, 1998, the law provides for a liberalized and deregulated framework for the downstream oil industry. Recent circulars that serve as additional and more updated guidelines in implementing the law include:
 - 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 with 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.
- Energy Regulatory Commission Resolution 17 (Series of 2003). The Energy Regulatory Commission issued a resolution dated September 13, 2023 that provides for revised guidelines for the application and issuance of a Certificate of Compliance for generation facilities.

(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.

In 2023, Petron R&D spent a total of Php87.42 million, an increase from the Php61.07 million spent in 2022 and the Php61.72 million expended in 2021.

(xiii) Costs and effects of compliance with environmental laws

Compliance with the various environmental laws such as 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 2023, the Company spent a total of Php50.63 million for treatment of wastes, monitoring and compliance, permits, and personnel training at the Petron Bataan Refinery while in 2022, it spent a total of Php41.45 million.

(xiv) Total number of employees and labor relations matters

As of December 31, 2023, the Company and its subsidiaries had 3,572 employees, with 2,251 employees in the Company (comprising one president, one general manager, 29 vice presidents and assistant vice presidents, 1,619 managerial, professional and technical employees, and 601 rank-and-file employees); 660 employees of the Company's Malaysian operations; 20 in PSTPL; 629 in PLI; and 12 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. The CBAs of BRUP and PELU cover the period January 1, 2022 to December 31, 2024. While PEA's CBA covers the period from January 1, 2023 to December 31, 2025.

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, LPG refilling plants and aviation installations which are located in Luzon, Visayas and Mindanao. As of December 31, 2023, 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 are aviation depots at JOCASP-NAIA, Pasay City; Mactan, Cebu; Laguindingan, Misamis Oriental; Panglao, Bohol; and Davao City; third-party aviation facilities at Kalibo, Aklan and Clark, Pampanga; airport installations at Laoag City; Puerto Princesa, Palawan; Iloilo City; Caticlan, Aklan; and Zamboanga City; 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, along with 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 Php330 million in 2023.

On October 20, 2017, the Company filed with the Regional Trial Court of Mandaluyong City a complaint against PNOC for Resolution and Reconveyance, and Damages, with Verified Ex Parte Application for 72-hour Temporary Restraining Order and Verified Applications for 20-day Temporary Restraining Order and Writ of Preliminary Injunction. In its complaint, the Company sought the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Company. These landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by the Company of the conveyed lots for its business operation. Thus, PNOC and the Company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years to expire in August 2018, with a provision for automatic renewal for another 25 years. Earlier in 2009, the Company, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint stemmed from PNOC's refusal to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned and -controlled corporation. The Company alleged that by unilaterally setting aside both the renewal clauses of the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots, and by categorically declaring its refusal to honor them, PNOC committed a fundamental breach of such lease agreements with the Company. On December 11, 2017, the trial court granted the Company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Company of possession of the subject properties until the case is decided, conditioned upon the posting by the Company of a bond in the amount of Php100 million. The Company has posted the required bond.

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

The Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Company's motion for summary judgment and ordered (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Company of all such properties, and (iii) the payment by the Company to PNOC of the amount of Php143 million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Company all lease payments the latter had paid to PNOC since 1993. Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Company filed their notices of appeal with the trial court.

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

properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements.

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

In consideration of the possible delay in the resolution of the case if the Company were to proceed with the filing of a petition for review with the Supreme Court and the decision in favor of Petron on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the trial court and the Court of Appeals, the Company decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review with the Supreme Court in December 2022, which was denied by the Supreme Court in its resolution dated July 25, 2023 on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. In December 2023, PNOC filed a motion for reconsideration and moved to refer the case to the Supreme Court *en banc*. As of the date of this report, the motion of PNOC was still pending with the Supreme Court.

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

(3) 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 I remained pending as of the date of this report.

➤ **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 Php291.9 Million (₱286.4 Million and Php5.5 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.

(4) 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, Series 3 preferred shares, and Series 4 preferred shares are traded at the PSE.

As of February 29, 2024, the total number of common stockholders of the Company was 143,952.

Common Shares

The price of the common shares of the Company as of February 29, 2024 was Php3.21 per share. The price of the common shares of the Company on December 29, 2023, the last trading day of 2023, was Php3.55 per share. And the price of the common shares of the Company on December 29, 2022, the last trading day of 2022, was Php2.40 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 February 29, 2024 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2024				
For period ended February 29, 2024	3.50	January 2 and 3	3.21	February 27-29
2023				
1 st Quarter	3.73	March 23	2.37	January 3
2 nd Quarter	4.65	May 26	3.30	April 27 and May 8
3 rd Quarter	3.82	July 17	3.47	August 30
4 th Quarter	3.55	December 29	3.24	November 13-16 and 20
2022				
1 st Quarter	3.94	March 8	3.17	January 3
2 nd Quarter	3.52	May 4	3.01	June 24
3 rd Quarter	3.11	August 17 and 30	2.55	September 30
4 th Quarter	2.58	October 5	2.27	December 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 Php1,000.00 per share. The preferred shares issue, which reached a total of Php10 billion, was composed of Series 2A Preferred Shares amounting to Php7.12 billion and the Series 2B Preferred Shares amounting to Php2.88 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 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 Php1,000.00 per share. The preferred shares issue, which reached a total of Php20 billion, was composed of the Series 3A Preferred Shares amounting to Php13.403 billion and the Series 3B Preferred Shares amounting to Php6.597 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 February 29, 2024 was Php997.50 per share. The price of the Series 3A Preferred Shares on December 29, 2023, the last trading day of 2023, was Php970.00. And the price of the Series 3A Preferred Shares on December 29, 2022, the last trading day of 2022, was Php1,015.00 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 February 29, 2024 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2024				
For period ended February 29, 2024	999.00	February 21	980.0	January 2
2023				
1 st Quarter	1,030.00	January 5 and February 3	980.00	March 24
2 nd Quarter	1,008.00	May 25	960.00	May 15
3 rd Quarter	1,050.00	July 6	951.00	September 21
4 th Quarter	997.50	October 2	965.00	October 10

2022				
1 st Quarter	1,080.00	March 14 and 29	1,040.00	January 12 and 25
2 nd Quarter	1,070.00	April 1, 4, 6, 12, 18 and 29; May 2, 10 and 17	1,045.00	June 29
3 rd Quarter	1,058.00	August 4 and 18	980.00	September 29
4 th Quarter	1,015.00	November 15; December 13 and 29	980.00	November 4

Series 3B Preferred Shares

The price of the Series 3B Preferred Shares as of February 29, 2024 was Php995.00 per share. The price of the Series 3B Preferred Shares on December 29, 2023, the last trading day of 2023, was Php979.50 per share. And the price of the Series 3B Preferred Shares on December 29, 2022, the last trading day of 2022, was Php1,030.00 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 February 29, 2024 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2024				
For period ended February 29, 2024	1,010.00	February 13 and 15	980.00	January 2-4
2023				
1 st Quarter	1048.00	January 5	1008.00	March 21
2 nd Quarter	1020.00	April 5 and 25; May 29 June 2 and 5	1001.00	April 17
3 rd Quarter	1015.00	July 5, 12, 17 and 19; August 25, 29 and 31	960.00	September 20
4 th Quarter	1000.00	October 3-4, 12 and 26; November 23; December 11	967.00	November 13
2022				
1 st Quarter	1,150.00	March 30	1,052.00	January 31
2 nd Quarter	1,117.00	April 29	1,060.00	June 24
3 rd Quarter	1,100.00	August 22	1,029.00	August 30
4 th Quarter	1,051.00	September 13, 19 and 20	1,000.00	October 18 and November 28

Series 4 Preferred Shares issued in 2023 (“Series 4 Shares”)

On July 7, 2023, Petron issued and listed on the PSE 12.5 million with oversubscription of up to 10 million cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, reissuable peso-denominated perpetual preferred shares under its 50 million Series 4 Preferred Shares shelf registration at an offer price of Php1,000.00 per share. The preferred shares issue, which reached a total of Php14 billion, was composed of the Series 4A Preferred Shares amounting to Php5 billion, the Series 4B Preferred Shares amounting to Php2.995 billion, and the Series 4C Preferred Shares amounting to Php6.005 billion.

The Series 4A Preferred Shares may be redeemed by the Company starting two years and six months from the listing date. The Series 4B Preferred Shares may be redeemed starting on the third anniversary from the listing date. The Series 4C Preferred Shares may be redeemed starting on the fifth anniversary from the listing date.

Series 4A Preferred Shares

The price of the Series 4A Preferred Shares as of February 29, 2024 was Php981.00 per share. The price of the Series 4A Preferred Shares on December 29, 2023, the last trading day of 2023, was Php1,000.00.

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2024				
For period ended February 29, 2024	1,010.00	February 2	971.00	January 19
2023				
3 rd Quarter	1,010.00	July 24 and 31; August 10; September 4	960.00	August 15
4 th Quarter	1,005.00	November 22-23	998.00	October 12

Series 4B Preferred Shares

The price of the Series 4B Preferred Shares as of February 29, 2024 was Php997.00 per share. The price of the Series 4B Preferred Shares on December 29, 2023, the last trading day of 2023, was Php1,000.00.

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2024				
For period ended February 29, 2024	1,000.00	February 6	965.00	January 12
2023				
3 rd Quarter	1,005.00	September 4-5	940.00	July 10
4 th Quarter	1,010.00	November 6	950.00	December 13

Series 4C Preferred Shares

The price of the Series 4C Preferred Shares as of February 29, 2024 was Php998.00 per share. The price of the Series 4C Preferred Shares on December 29, 2023, the last trading day of 2023, was Php973.00.

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2024				
For period ended February 29, 2024	1,000.00	January 16, 19, 22, 29-30; February 7, 16, 20-22, 26	973.00	January 2 and 8
2023				
3 rd Quarter	1,027.00	September 27	972.00	September 19
4 th Quarter	1,005.00	December 11	960.00	December 13

*[Rest of page intentionally left blank;
Holders of shares follow on next page]*

- Holders

The lists of the top 20 stockholders of the common shares and preferred shares of the Company as of February 29, 2024 are as follows:

Common Shares

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)	1,882,580,713	1,882,580,713	20.080637 %
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)	187,989,067	187,989,067	2.005194 %
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	ERNESTON 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	SHAHRAH RAHMANIFARD	2,000,000	2,000,000	0.021333 %
18	MANUEL AWITEN DY	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 %
		8,984,471,519	8,984,471,519	95.833295 %
TOTAL NO. OF SHARES :		9,375,104,497		
TOTAL NO. OF DISTINCT STOCKHOLDERS :		143,952		
TOTAL NO. OF ACCOUNTS :		143,952		

Series 3A Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 3-A	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	13,313,827	13,313,827	99.334679 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	67,313	67,313	0.502223 %
3	NCC RETIREMENT PLAN	7,000	7,000	0.052227 %
4	FELIX BELLEN CHAVEZ OR AIDA TANG LEE SAY CHAVEZ OR IRENE TANG LEE SAY CHAVEZ	3,500	3,500	0.026114 %
5	SMITS, INC. RETIREMENT PLAN	3,000	3,000	0.022383 %
6	MILA LEONINA DIAZ JUSTINIANO	2,000	2,000	0.014922 %
7	ANCHOR INSURANCE BROKERAGE CORP. RETIREMENT PLAN	2,000	2,000	0.014922 %
8	LUZ DELA CRUZ CANLAPAN	1,500	1,500	0.011192 %
9	CAROLINA N. DIONISIO	1,000	1,000	0.007461 %
10	PROCESS SYNERGY, INC. RETIREMENT PLAN	960	960	0.007163 %
11	ANA UY GAN OR ALBERT DAVID UY GAN, EDWIN FERDINAND UY GAN OR PHILIP BENJAMIN UY GAN	500	500	0.003731 %
12	ALMA FLORENCE A. LOGRONIO	300	300	0.002238 %
13	NSJS REALTY & DEVELOPMENT CORPORATION	50	50	0.000373 %
14	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 :		14		
TOTAL NO. OF ACCOUNTS :		14		

Series 3B Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 3-B	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	6,523,620	6,523,620	98.887676 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	45,080	45,080	0.683341 %
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	FELIX BELLEN CHAVEZ OR AIDA TANG LEE SAY CHAVEZ OR IRENE TANG LEE SAY CHAVEZ	1,000	1,000	0.015158 %
11	ANTONIO M. OSTREA	500	500	0.007579 %
12	ENRIQUE LL. YUSINGCO	500	500	0.007579 %
13	CONCHITA PEREZ JAMORA	500	500	0.007579 %
14	ENRIQUE NOEL L YUSINGCO	500	500	0.007579 %
15	ENRIQUE MIGUEL L YUSINGCO	500	500	0.007579 %
16	MA. TERESA L YUSINGCO	500	500	0.007579 %
17	ANGELO DE GUZMAN MACABUHAY OR MARITESS SIGUA MACABUHAY	400	400	0.006063 %
18	MICHELLE MARIE Y. SAN JUAN	100	100	0.001516 %
19	JOSE MANUEL R. SAN JUAN	100	100	0.001516 %
20	HENRY P. YUSINGCO IV	100	100	0.001516 %
		6,596,900	6,596,900	99.998484 %

TOTAL NO. OF SHARES : 6,597,000
TOTAL NO. OF DISTINCT STOCKHOLDERS : 25
TOTAL NO. OF ACCOUNTS : 25

Series 4A Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 4-A	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	4,966,680	4,966,680	99.333600 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	29,820	29,820	0.596400 %
3	G. D. TAN & CO., INC.	2,500	2,500	0.050000 %
4	MICHAEL ANGELO O. LOPEZ OR MA. ANA KHRISTINA L. ATIENZA OR JOSE EMANUEL O. LOPEZ	1,000	1,000	0.020000 %
		5,000,000	5,000,000	100.000000 %

TOTAL NO. OF SHARES : 5,000,000
TOTAL NO. OF DISTINCT STOCKHOLDERS : 4
TOTAL NO. OF ACCOUNTS : 4

Series 4B Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 4-B	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	2,834,490	2,834,490	94.640735 %
2	SAN MIGUEL FOODS, INC. RETIREMENT PLAN	100,000	100,000	3.338898 %
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	21,510	21,510	0.718197 %
4	THE PUREFOODS-HORMEL CO., INC. EMPLOYEES' RETIREMENT PLAN	15,000	15,000	0.500835 %
5	SMHC MULTI-EMPLOYER RETIREMENT PLAN	12,000	12,000	0.400668 %
6	SAN MIGUEL EQUITY INVESTMENTS, INC. RETIREMENT PLAN	2,500	2,500	0.083472 %
7	PROCESS SYNERGY, INC. RETIREMENT PLAN	2,000	2,000	0.066778 %
8	G. D. TAN & CO., INC.	1,500	1,500	0.050083 %
9	SMCGP MULTI-EMPLOYER RETIREMENT PLAN	1,500	1,500	0.050083 %
10	ARCHEN TECHNOLOGIES, INC. RETIREMENT PLAN	1,500	1,500	0.050083 %
11	SAN MIGUEL FOOD AND BEVERAGE INC. RETIREMENT PLAN	1,000	1,000	0.033389 %
12	AGNES LOGRONIO BANIQUED OR EDRIAN JAMES LOGRONIO BANIQUED	1,000	1,000	0.033389 %
13	EAST PACIFIC STAR BOTTLERS PHILS INC. RETIREMENT PLAN	1,000	1,000	0.033389 %
		2,995,000	2,995,000	100.000000 %

TOTAL NO. OF SHARES : 2,995,000
TOTAL NO. OF DISTINCT STOCKHOLDERS : 13
TOTAL NO. OF ACCOUNTS : 13

Series 4C Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 4-C	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	5,222,780	5,222,780	86.973855 %
2	SAN MIGUEL BREWERY INC. RETIREMENT PLAN	250,000	250,000	4.163197 %
3	SAN MIGUEL FOODS, INC. RETIREMENT PLAN	150,000	150,000	2.497918 %
4	SAN MIGUEL YAMAMURA PACKAGING CORPORATION RETIREMENT PLAN	150,000	150,000	2.497918 %
5	GINEBRA SAN MIGUEL INC. RETIREMENT PLAN	50,000	50,000	0.832639 %
6	PCD NOMINEE CORPORATION (NON-FILIPINO)	43,720	43,720	0.728060 %
7	NCC RETIREMENT PLAN	25,000	25,000	0.416320 %
8	THE PUREFOODS-HORMEL CO., INC. EMPLOYEES' RETIREMENT PLAN	20,000	20,000	0.333056 %
9	SMITS, INC. RETIREMENT PLAN	18,000	18,000	0.299750 %
10	MAGNOLIA, INC. RETIREMENT PLAN	15,000	15,000	0.249792 %
11	SMHC MULTI-EMPLOYER RETIREMENT PLAN	12,000	12,000	0.199833 %
12	SAN MIGUEL MILLS, INC. RETIREMENT PLAN	12,000	12,000	0.199833 %
13	DISTILERIA BAGO, INC. RETIREMENT PLAN	5,000	5,000	0.083264 %
14	CAN ASIA INC., RETIREMENT PLAN	4,000	4,000	0.066611 %
15	SMC SHIPPING AND LIGHTERAGE CORP. RETIREMENT PLAN	4,000	4,000	0.066611 %
16	SAN MIGUEL PROPERTIES, INC. RETIREMENT PLAN	4,000	4,000	0.066611 %
17	SAN MIGUEL EQUITY INVESTMENTS, INC. RETIREMENT PLAN	2,500	2,500	0.041632 %
18	ANCHOR INSURANCE BROKERAGE CORP. RETIREMENT PLAN	2,500	2,500	0.041632 %
19	SMC YAMAMURA FUSO MOLDS CORPORATION RETIREMENT PLAN	2,000	2,000	0.033306 %
20	PROCESS SYNERGY, INC. RETIREMENT PLAN	2,000	2,000	0.033306 %
		5,994,500	5,994,500	99.825146 %

TOTAL NO. OF SHARES : 6,005,000
TOTAL NO. OF DISTINCT STOCKHOLDERS : 27
TOTAL NO. OF ACCOUNTS : 27

- 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.

Share Issuances

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 Php1,000.00 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 Php1,000.00 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.

On July 7, 2023, the Company issued 5,000,000 Series 4A Preferred Shares, 2,995,000 Series 4B Preferred Shares and 6,005,000 Series 4C Preferred Shares. The dividend on the Series 4A Preferred Shares is at the fixed rate of 6.7079% per annum, 6.7972% per annum on the Series 4B Preferred Shares, and 7.0861% per annum on the Series 4C Preferred Shares, each as calculated based on the offer price of Php1,000.00 per share on a 30/360 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 4 Shares since their listing in July 2023.

Dividend Declarations and Payments

2024

On March 5, 2024, the Board of Directors approved cash dividends of Php0.10 per share to the common shareholders, with a record date of March 19, 2024 and a pay-out date of April 4, 2024.

2023

On March 6, 2023, the Board of Directors approved cash dividends of Php0.10 per share to the common shareholders, with a record date of March 20, 2023 and a pay-out date of April 4, 2023.

On May 10, 2023, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2023, with a record date of May 31, 2023 and a pay-out date of June 26, 2023 (with June 25, 2023 falling on a Sunday); and (ii)

Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2023, with a record date of May 31, 2023 and a pay-out date of June 26, 2023 (with June 25, 2023 falling on a Sunday).

On August 1, 2023, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2023, with a record date of August 31, 2023 and a pay-out date of September 25, 2023; (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2023, with a record date of August 31, 2023 and a pay-out date of September 25, 2023; (iii) Php16.76975 per share to the shareholders of the Series 4A Preferred Shares for the third quarter of 2023, with a record date of September 14, 2023 and a pay-out date of October 9, 2023 (with October 7, 2023 falling on a Saturday); (iv) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the third quarter of 2023, with a record date of September 14, 2023 and a pay-out date of October 9, 2023 (with October 7, 2023 falling on a Saturday); and (v) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the third quarter of 2023, with a record date of September 14, 2023 and a pay-out date of October 9, 2023 (with October 7, 2023 falling on a Saturday).

On November 7, 2023, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2023, with a record date of November 29, 2023 and a pay-out date of December 26, 2023 (with December 25, 2023 being a holiday); (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2023, with a record date of November 29, 2023 and a pay-out date of December 26, 2023 (with December 25, 2023 being a holiday); (iii) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2024, with a record date of March 1, 2024 and a pay-out date of March 25, 2024; (iv) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2024, with a record date of March 1, 2024 and a pay-out date of March 25, 2024; (v) Php16.76975 per share to the shareholders of the Series 4A Preferred Shares for the first quarter of 2024, with a record date of December 13, 2023 and a pay-out date of January 8, 2024 (with January 7, 2024 falling on a Sunday); (vi) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the first quarter of 2024, with a record date of December 13, 2023 and a pay-out date of January 8, 2024 (with January 7, 2024 falling on a Sunday); (vii) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the first quarter of 2024, with a record date of December 13, 2023 and a pay-out date of January 8, 2024 (with January 7, 2024 falling on a Sunday); (viii) Php16.76975 per share to the shareholders of the Series 4A Preferred Shares for the second quarter of 2024, with a record date of March 13, 2024 and a pay-out date of April 8, 2024 (with April 7, 2024 falling on a Sunday); (ix) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the second quarter of 2024, with a record date of March 13, 2024 and a pay-out date of April 8, 2024 (with April 7, 2024 falling on a Sunday); and (x) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the second quarter of 2024, with a record date of March 13, 2024 and a pay-out date of April 8, 2024 (with April 7, 2024 falling on a Sunday).

2022

On August 1, 2022, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2022, with a record date of August 31, 2022 and a pay-out date of September 26, 2022 (with September 25, 2022 falling on a Sunday); and (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2022, with a record date of August 31, 2022 and a pay-out date of September 26, 2022 (with September 25, 2022 falling on a Sunday).

On November 8, 2022, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2022, with a record date of November 29, 2022 and a pay-out date of December 26, 2022 (with December 25, 2022 falling on a Sunday); (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2022, with a record date of November 29, 2022 and a pay-out date of December 26, 2022 (with December 25, 2022 falling on a Sunday); (iii) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2023, with a record date of March 2, 2023 and a pay-out date of March 27, 2023 (with March 25, 2023 falling on a Saturday); and (iv) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2023, with a record date of March 27, 2023 (with March 25, 2023 falling on a Saturday).

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 Php10 billion divided into 9,375,104,497 common shares and 624,895,503 preferred shares, with a par value of Php1 each. The outstanding shares of the Company are composed of 9,375,104,497 common shares, 13,403,000 Series 3A Preferred Shares, 6,597,000 Series 3B Preferred Shares, 5,000,000 Series 4A Preferred Shares, 2,995,000 Series 4B Preferred Shares, and 6,005,000 Series 4C Preferred Shares. The Company has 76,000,000 treasury shares.

The Series 2 Preferred Shares, with an aggregate Issue value of Php10 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 Php20 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 Series 4 Preferred Shares, with an aggregate issue value of Php14 billion, were offered during the period June 15-27, 2023 pursuant to the order of registration and the permit to sell issued by the SEC on June 14, 2023. The Series 4 Preferred Shares were issued and listed on the PSE on July 7, 2024.

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 Php9.00 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 either offered in the Philippines or were redeemed in the past three (3) years (from 2020). These securities were offered 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 and their offer and sale therefore 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.
- e. Pursuant to a tender offer for purchase made by the Company in January 2023, a portion of the above securities with an aggregate principal amount of US\$22,470,000 was purchased by the Company thereby leaving securities with a total principal amount of US\$477,530,000.
- f. On July 19, 2023, the Company redeemed the remaining 2018 Capital Securities with an aggregate amount of US\$477,530,000. The 2018 were also cancelled and delisted from the Singapore Exchange Securities Trading Limited.

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.

(5) 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; Adoptions and Revisions in 2023

In 2023, in furtherance of good governance, the Company adopted and revised various policies of the Company and its subsidiaries (the “Petron Group”), as described below.

Revised Whistle-blowing and Non-Retaliation Policy

The Revised Whistle-blowing and Non-Retaliation Policy of the Petron Group expanded the coverage of the original policy. In addition to concerns on accounting, internal controls, auditing or financial reporting matters such as malpractice, impropriety, theft or fraud, gross mismanagement or waste of funds, the policy now also covers illegal or non-compliant conduct and misconduct such as violations of any law or regulation, violations of the Revised Code of Business Conduct and Ethical Business Policy and other policies of the Company, and improper or unethical behavior likely to cause financial loss or prejudice to company reputation or constituting abuse of authority, harassment or duress. A Whistleblowing Relations Officer and a Whistleblowing Committee have been designated for the conduct of investigations.

The Company also reiterated under this policy its commitment against retaliation, which action will be subject to appropriate sanctions that include dismissal or termination of contractual relations with the Company.

Policy on Anti-Corruption and Anti-Money Laundering and Sanctions Compliance

Under this policy, the Petron Group reiterated its compliance with all applicable laws on anti-corruption and -bribery, anti-money laundering and combating terror financing (“AML-CTF”), and trade and economic sanctions. This policy also sets forth the Petron Group’s policy of zero-tolerance for bribery, corruption, money-laundering, terror financing, and sanctions violations.

Anti-Sexual Harassment Policy

The Petron Group values the dignity of every individual, strives to enhance the development of their human resources, guarantees full respect for human rights and uphold the dignity of their employees, applicants for employment, consultants and service providers. Towards this end, all forms of sexual harassment against any personnel in the workplace are prohibited. The Petron Group is committed to upholding the rights and dignity of all its personnel through the creation of a work environment characterized by professionalism, fairness, openness, trust and respect. In addition, the Petron Group has adopted procedures for the handling and investigation of sexual harassment cases. Not only does this policy document the Petron Group’s zero-tolerance policy for any form of sexual harassment in the workplace, it also expressly states the position of the Petron Group against victimization for making a reasonable complaint.

Policy on Conflict of Interest

This policy highlights and reiterates the principle in the Company’s Revised Code of Conduct and Ethical Business Policy that officers and employees of the Petron Group have a duty to act in the best interest of the Petron Group. The Petron Group shall be protected by identifying and resolving any possible conflict of interest between the Petron Group and officers and employees that will negatively affect current and future business, legal obligations, and good governance. The officers and employees of the Petron Group agree and acknowledge that they are not influenced by personal, family, financial or other considerations which might affect their judgment as to what is best for the Petron Group and that there is a conflict of interest if they compromise their exclusive commitment to the Petron Group. In the event that the personal business interests of an officer or employee may conflict with the interests of the Petron Group, the proper disclosure by the relevant officer or employee and a review by higher Management are required to resolve the conflict.

Diversity, Equity, and Inclusion Policy

This policy documents the dedication of the Petron Group to foster a welcoming and positive working environment. Recognizing that the workplace is an extension of an employee’s social and cultural identity, the Petron Group aligns this with its core values and cultivates an open and safe space for its most valuable asset, its human capital. With this policy, the Petron Group expressly and consciously advocates an inclusive organization which is representative of all the sectors of society and which promotes an equal and inclusive workplace, respects diversity, and accepts differences in order to attract and retain skilled employees, enhance productivity, and foster loyalty and unity within the Petron Group.

Policy on Child and Forced Labor

This policy reiterates the Petron Group's commitment to value the dignity of every human person, including children, and guarantees the respect of individual rights. Children shall be afforded special protection from all forms of exploitation and other conditions prejudicial to their development, including child labor. Moreover, the Company expressly commits that it shall not engage, tolerate, or support forced or involuntary labor.

Board Diversity Policy

This policy provides a framework for inclusion to promote diversity in the Board of Directors of Petron by promoting the inclusion of a wide range of perspectives and ideas that can inspire creativity and drive innovation and improve decision-making and corporate governance. In determining the structure and composition of the Board of Directors, diversity will be considered from varied aspects, including, but not limited to, gender, age, ethnicity, religion, culture, sexual orientation, skills, backgrounds, competencies, knowledge, experience, length of service of directors, and applicable regulatory rules and regulations. The Board of Directors is also tasked to strive to maintain a balanced mix of executive, non-executive, and independent directors, having due regard to the requirements of the Company and the Board of Directors.

Revised Code of Conduct and Ethical Business Policy

The Company's Code of Conduct and Ethical Business Policy was likewise updated to specifically include in its anti-bribery coverage all commercial or private transactions of the Company. A conflict of interest in relation to the employment by another person also now extends to any organization engaged in a business that is directly in competition with any of the businesses of the Petron Group.

Policy on Dealings in Securities

On May 6, 2013, the Company adopted this policy, under which 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; Summary of 2023 Assessment

Board 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.

2023 Board Assessment

All the 15 directors accomplished the annual self-assessment for 2023. 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 4.76 based on a series of nine (9) questions; (2) Board-Management Relationship - The ratings averaged 4.68 based on a series of four (4) questions; (3) Effectiveness of Board Processes and Meetings-- The ratings averaged 4.73 based on a series of nine (9) questions; and (4) Individual Performance of Directors-- The ratings averaged 4.78 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. Ricardo C. Marquez) and a Compliance Officer (Atty. Jhoanna Jasmine M. Javier-Elacio).
- 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 directors properly discharge their duties and responsibilities as directors and attended a corporate governance seminar.
- Each director accomplished a self-assessment form for 2023.
- 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 to 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.

(6) Director Meeting and Corporate Governance Seminar Attendance

Board and Annual Stockholders’ Meetings Attendance

The list of the directors of the Company and the directors’ attendance at meetings held in 2023 are set out below.

Corporate Governance Seminar Attendance

All the directors of the Company (together with all its executive officers in 2023 and the Internal Auditor) completed a corporate governance seminar for year 2023 conducted in accordance with SEC Memorandum Circular No. 20, Series of 2013.

ATTENDANCE FOR 2023 MEETINGS AND CORPORATE GOVERNANCE SEMINAR 2023

Director’s Name	February 15 Special Board Meeting	March 6 Regular Board Meeting	May 10 Regular Board Meeting	May 16 Annual Stockholders’ Meeting	May 16 Organizational Board Meeting	August 1 Regular Board Meeting	November 7 Regular Board Meeting	Attendance at Corporate Governance Seminar in 2023
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	✓	✓	✓	✓	✓	✓	✓	✓
13. Artemio V. Panganiban	✓	✓	✓	✓	✓	✓	✓	✓
14. Margarito B. Teves	✓	✓	✓	✓	✓	✓	✓	✓
15. Ricardo C. Marquez	✓	✓	✓	✓	✓	✓	✓	✓

Legend: ✓ - Present

Board Committee Meeting Attendance

The list of members of the board committees and the members' attendance at meetings held in 2023 are set out below.

Executive Committee

Members	January 4	March 27	June 1	December 19
Ramon S. Ang (Chairperson)	✓	✓	✓	✓
Lubin B. Nepomuceno (Member)	✓	✓	✓	✓
Aurora T. Calderon (Member)	✓	✓	✓	✓
Virgilio S. Jacinto (Alternate Member)	-	-	-	-
John Paul L. Ang (Alternate Member)	-	-	-	-

Audit Committee

Members	March 6	May 10	August 1	November 7
Margarito B. Teves (Independent Director; Chairperson)	✓	✓	✓	✓
Artemio V. Panganiban (Independent Director)	✓	✓	✓	✓
Ricardo C. Marquez (Independent Director)	✓	✓	✓	✓
Estelito P. Mendoza	✓	✓	✓	✓
Aurora T. Calderon	✓	✓	✓	✓
Ferdinand K. Constantino - Advisor	✓	✓	✓	✓

Corporate Governance Committee

Members	March 6	August 1
Artemio V. Panganiban (Chairperson, Independent Director)	✓	✓
Margarito B. Teves (Independent Director)	✓	✓
Ricardo C. Marquez (Independent Director)	✓	✓
Estelito P. Mendoza	✓	✓
Virgilio S. Jacinto	✓	✓

Related Party Transaction Committee

Members	November 7
Artemio V. Panganiban (Independent Director; Chairperson)	✓
Margarito B. Teves (Independent Director)	✓
Aurora T. Calderon	✓

ANNEX D

2023 Audited Financial Statements (Petron & Subsidiaries) and Statement of Management's Responsibility for Financial Statements



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



The following document has been received:

Receiving: ARIEL FETALVO

Receipt Date and Time: March 22, 2024 01:58:30 PM

Company Information

SEC Registration No.: 0000031171

Company Name: Petron Corporation

Industry Classification: E40200

Company Type: Stock Corporation

Document Information

Document ID: OST10322202482152336

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2023

Submission Type: Consolidated

Remarks: None

Acceptance of this document is subject to review of forms and contents



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, 2023 and 2022**, 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.



RAMON S. ANG

President, Chief Executive Officer and Acting Chairman



EMMANUEL E. ERAÑA

Senior Vice President and Chief Finance Officer

Signed this 5th day of March 2024

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in the City of Mandaluyong, Metro Manila, this MAR 05 2024, 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		
Emmanuel E. Eraña		

Doc. No. 80 ;
Page No. 17 ;
Book No. III ;
Series of 2024

MARIA CRISSE/DA T. TORCUATOR
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0582-23
Until December 31, 2024
Attorney's Roll No. 71094
PTR No. 5420853 /01-03-2024/ Mandaluyong
IBP No. 391617 /01-03-2024/ RSM
MCLE Compliance No. VII-0014988/06-17-2022

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023, 2022 and 2021

With Independent Auditors' Report



R.G. Manabat & Co.
The KPMG Center, 6/F
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Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email 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, 2023 and 2022, 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, 2023, and notes, comprising material 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, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023, 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 September 20, 2026

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 (P801,027 million)

Refer to Note 3, *Summary of Material Accounting Policies* and Note 37, *Segment Information* to the consolidated financial statements.

The risk

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

Our response

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

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



Valuation of Inventories (P77,318 million)

Refer to Note 3, *Summary of Material Accounting Policies*, Note 4, *Use of Judgments, Estimates and Assumptions* and Note 8, *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 (P8,093 million)

Refer to Note 3, *Summary of Material Accounting Policies*, Note 4, *Use of Judgments, Estimates and Assumptions* and Note 12, *Business Combination, Investment in Shares of Stock of Subsidiaries, Goodwill and Non-Controlling Interests* to the consolidated financial statements.

The risk

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



Our response

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, 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, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and determine whether the other information needs to be revised.

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

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



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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Rohanie C. Galicia.

R.G. MANABAT & CO.

ROHANIE C. GALICIA

Partner

CPA License No. 0118706

Tax Identification No. 249-773-914

BIR Accreditation No. 08-001987-044-2021

Issued September 2, 2021; valid until September 1, 2024

PTR No. MKT 10075180

Issued January 2, 2024 at Makati City

March 22, 2024

Makati City, Metro Manila

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

		December 31	
	Note	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	5, 34, 35	P27,519	P37,183
Financial assets at fair value	6, 14, 34, 35	1,162	1,753
Trade and other receivables - net	4, 7, 28, 34, 35	86,479	81,979
Inventories	4, 8	77,318	85,347
Other current assets	14, 28	40,529	37,025
Total Current Assets		233,007	243,287
Noncurrent Assets			
Investment in shares of stock of an associate and joint ventures	2, 13	1,158	1,085
Property, plant and equipment - net	4, 9, 11, 37	166,046	170,153
Right-of-use assets - net	4, 10	5,286	5,398
Investment property - net	4, 9, 11	27,194	28,437
Deferred tax assets - net	4, 27	1,190	1,812
Goodwill - net	4, 12	8,093	8,509
Other noncurrent assets - net	4, 6, 14, 34, 35	1,930	1,390
Total Noncurrent Assets		210,897	216,784
		P443,904	P460,071
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	15, 33, 34, 37	P137,910	P137,886
Liabilities for crude oil and petroleum products	16, 28, 31, 34, 35	44,840	51,067
Trade and other payables	17, 28, 30, 33, 34, 35, 39	23,890	22,896
Lease liabilities - current portion	4, 31, 33, 34	1,566	1,380
Derivative liabilities	34, 35	749	723
Income tax payable		132	204
Current portion of long-term debt - net	18, 33, 34, 35	25,642	13,399
Total Current Liabilities		234,729	227,555
Noncurrent Liabilities			
Long-term debt - net of current portion	18, 33, 34, 35	83,254	93,662
Retirement benefits liability - net	30	2,621	3,261
Deferred tax liabilities - net	27	4,432	3,601
Lease liabilities - net of current portion	4, 31, 33, 34	14,378	13,714
Asset retirement obligation	4, 19	3,612	3,527
Other noncurrent liabilities	20, 34, 35	1,243	1,201
Total Noncurrent Liabilities		109,540	118,966
Total Liabilities		344,269	346,521

Forward

		December 31	
	Note	2023	2022
Equity Attributable to Equity Holders of the Parent Company			
	21		
Capital stock		P9,485	P9,485
Additional paid-in capital		40,985	37,500
Capital securities		37,529	62,712
Retained earnings		31,834	30,357
Equity reserves		(21,252)	(16,887)
Treasury stock		(7,600)	(18,000)
Total Equity Attributable to Equity Holders of the Parent Company		90,981	105,167
Non-controlling Interests	12	8,654	8,383
Total Equity		99,635	113,550
		P443,904	P460,071

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Million Pesos, Except Per Share Data)

	<i>Note</i>	2023	2022	2021
SALES	28, 31, 37	P801,027	P857,638	P438,057
COST OF GOODS SOLD	22	754,429	823,788	407,558
GROSS PROFIT		46,598	33,850	30,499
SELLING AND ADMINISTRATIVE EXPENSES	23	(17,560)	(16,175)	(14,557)
OTHER OPERATING INCOME	4, 29	1,683	1,538	1,273
INTEREST EXPENSE AND OTHER FINANCING CHARGES	26, 37	(19,095)	(13,094)	(10,008)
INTEREST INCOME	26, 37	1,284	898	564
SHARE IN NET INCOME OF AN ASSOCIATE AND JOINT VENTURES	13	89	66	11
OTHER INCOME (EXPENSE) - Net	26	139	1,018	(485)
		(33,460)	(25,749)	(23,202)
INCOME BEFORE INCOME TAX		13,138	8,101	7,297
INCOME TAX EXPENSE	27, 36, 37	3,004	1,404	1,161
NET INCOME		P10,134	P6,697	P6,136
Attributable to:				
Equity holders of the Parent Company	32	P9,241	P5,727	P5,369
Non-controlling interests	12	893	970	767
		P10,134	P6,697	P6,136
BASIC/DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	32	P0.27	P0.01	P0.05

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Million Pesos)

	<i>Note</i>	2023	2022	2021
NET INCOME		P10,134	P6,697	P6,136
OTHER COMPREHENSIVE LOSS				
<i>Item that will not be reclassified to profit or loss</i>				
Equity reserve for retirement plan	30	(38)	(626)	(597)
Income tax benefit (expense)	27	9	156	(213)
		(29)	(470)	(810)
<i>Items that may be reclassified to profit or loss</i>				
Income (loss) on cash flow hedges	35	(68)	73	202
Exchange differences on translation of foreign operations		(2,414)	2,137	880
Share in other comprehensive income of an associate and joint ventures		4	-	-
Income tax benefit (expense)	27	18	(19)	(65)
		(2,460)	2,191	1,017
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		(2,489)	1,721	207
TOTAL COMPREHENSIVE INCOME FOR THE YEAR - Net of tax		P7,645	P8,418	P6,343
Attributable to:				
Equity holders of the Parent Company		P7,162	P7,181	P5,399
Non-controlling interests	12	483	1,237	944
		P7,645	P8,418	P6,343

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(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					
As of December 31, 2022		P9,485	P37,500	P62,712	P7,003	P23,354	(P6,437)	(P10,450)	(P18,000)	P105,167	P8,383	P113,550	
Net loss on cash flow hedges - net of tax	35	-	-	-	-	-	-	(50)	-	(50)	-	(50)	
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(2,004)	-	(2,004)	(410)	(2,414)	
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(29)	-	-	(29)	-	(29)	
Share in other comprehensive income of an associate and joint ventures		-	-	-	-	-	-	4	-	4	-	4	
Other comprehensive loss		-	-	-	-	-	(29)	(2,050)	-	(2,079)	(410)	(2,489)	
Net income for the year		-	-	-	-	9,241	-	-	-	9,241	893	10,134	
Total comprehensive income (loss) for the year		-	-	-	-	9,241	(29)	(2,050)	-	7,162	483	7,645	
Cash dividends	21	-	-	-	-	(3,053)	-	-	-	(3,053)	(212)	(3,265)	
Distributions paid	21	-	-	-	-	(4,569)	-	-	-	(4,569)	-	(4,569)	
Reissuance of preferred shares	21	-	3,485	-	-	-	-	-	10,400	13,885	-	13,885	
Redemption of capital securities	21	-	-	(25,183)	-	-	-	(2,286)	-	(27,469)	-	(27,469)	
Share issuance cost of a subsidiary		-	-	-	-	(142)	-	-	-	(142)	-	(142)	
Reversal of retained earnings appropriation	21	-	-	-	(7,000)	7,000	-	-	-	-	-	-	
Transactions with owners		-	3,485	(25,183)	(7,000)	(764)	-	(2,286)	10,400	(21,348)	(212)	(21,560)	
As of December 31, 2023		P9,485	P40,985	P37,529	P3	P31,831	(P6,466)	(P14,786)	(P7,600)	P90,981	P8,654	P99,635	

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, 2021		P9,485	P37,500	P62,712	P7,003	P23,229	(P5,962)	(P12,379)	(P18,000)	P103,588	P7,325	P110,913	
Net income on cash flow hedges - net of tax	35	-	-	-	-	-	-	54	-	54	-	54	
Exchange differences on translation of foreign operations		-	-	-	-	-	-	1,875	-	1,875	262	2,137	
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(475)	-	-	(475)	5	(470)	
Other comprehensive income (loss)		-	-	-	-	-	(475)	1,929	-	1,454	267	1,721	
Net income for the year		-	-	-	-	5,727	-	-	-	5,727	970	6,697	
Total comprehensive income (loss) for the year		-	-	-	-	5,727	(475)	1,929	-	7,181	1,237	8,418	
Cash dividends	21	-	-	-	-	(1,044)	-	-	-	(1,044)	(179)	(1,223)	
Distributions paid	21	-	-	-	-	(4,545)	-	-	-	(4,545)	-	(4,545)	
Share issuance cost of a subsidiary		-	-	-	-	(13)	-	-	-	(13)	-	(13)	
Transactions with owners		-	-	-	-	(5,602)	-	-	-	(5,602)	(179)	(5,781)	
As of December 31, 2022		P9,485	P37,500	P62,712	P7,003	P23,354	(P6,437)	(P10,450)	(P18,000)	P105,167	P8,383	P113,550	

Forward

	Equity Attributable to Equity Holders of the Parent Company											
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves			Total	Non-controlling Interests	Total Equity
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves	Treasury Stock			
As of December 31, 2020		P9,485	P37,500	P36,481	P15,000	P14,799	(P5,148)	(P13,223)	(P15,122)	P79,772	P6,423	P86,195
Net income on cash flow hedges - net of tax	35	-	-	-	-	-	-	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	21	-	-	-	-	(1,899)	-	-	-	(1,899)	(42)	(1,941)
Distributions paid	21	-	-	-	-	(3,037)	-	-	-	(3,037)	-	(3,037)
Issuance of capital securities	21	-	-	26,231	-	-	-	-	-	26,231	-	26,231
Redemption of preferred shares	21	-	-	-	-	-	-	-	(2,878)	(2,878)	-	(2,878)
Appropriation of retained earnings	21	-	-	-	3	(3)	-	-	-	-	-	-
Reversal of retained earnings appropriation	21	-	-	-	(8,000)	8,000	-	-	-	-	-	-
Transactions with owners		-	-	26,231	(7,997)	3,061	-	-	(2,878)	18,417	(42)	18,375
As of December 31, 2021		P9,485	P37,500	P62,712	P7,003	P23,229	(P5,962)	(P12,379)	(P18,000)	P103,588	P7,325	P110,913

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Million Pesos)

	<i>Note</i>	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P13,138	P8,101	P7,297
Adjustments for:				
Interest expense and other financing charges	26, 37	19,095	13,094	10,008
Depreciation and amortization	25, 37	13,030	11,876	9,848
Retirement benefits costs	30	257	367	289
Interest income	26	(1,284)	(898)	(564)
Unrealized foreign exchange losses (gains) - net		(327)	670	2,811
Share in net income of an associate and joint ventures	13	(89)	(66)	(11)
Other losses - net		(424)	(1,198)	(1,225)
Operating income before working capital changes		43,396	31,946	28,453
Changes in noncash assets, certain current liabilities and others	33	(5,257)	(38,295)	(29,322)
Changes in noncash assets and liabilities of new subsidiary	12	-	(3,165)	-
Cash generated from (used in) operations		38,139	(9,514)	(869)
Contribution to retirement fund	30	(1,015)	(900)	(810)
Interest paid		(18,264)	(12,086)	(9,274)
Income taxes paid		(948)	(1,001)	(365)
Interest received		1,292	840	650
Net cash flows provided by (used in) operating activities		19,204	(22,661)	(10,668)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	9	(6,235)	(5,397)	(9,195)
Proceeds from sale of property and equipment		49	9	131
Acquisition of investment property	11	(244)	(286)	(695)
Proceeds from sale of investment property		1	12	-
Increase in other noncurrent assets		(9)	(22)	-
Net cash from consolidation of a new subsidiary	12	-	3,302	-
Net cash flows used in investing activities		(6,438)	(2,382)	(9,759)

Forward

	Note	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans, bonds and advances	28, 33	P289,660	P373,935	P227,057
Payments of:				
Loans and bonds	33	(287,868)	(342,654)	(215,431)
Lease liabilities	29, 33	(2,463)	(2,347)	(2,226)
Cash dividends and distributions	21, 33	(7,356)	(6,127)	(4,655)
Issuance (redemption) of capital securities	21	(27,469)	-	26,231
Reissuance (redemption) of preferred shares	21	13,885	-	(2,878)
Share issuance cost of a subsidiary		(142)	(13)	-
Net cash flows provided by (used in) financing activities		(21,753)	22,794	28,098
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(677)	3,026	1,682
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(9,664)	777	9,353
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		37,183	36,406	27,053
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	5	P27,519	P37,183	P36,406

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

Petron Corporation (the “Parent Company” or “Petron”) was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. On September 13, 2013, the SEC approved the extension of the Parent Company’s corporate term to December 22, 2066. Under its Articles of Incorporation (AOI), the Parent Company 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 envisions an energy-secure and prosperous nation where everyone’s journey is fueled by opportunities for meaningful experiences and sustainable success.

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

With around 1,800 service stations and hundreds of industrial accounts, Petron remains the leader in the Philippine fuel market. Petron retails gasoline and diesel to motorists and public transport operators. Petron also sells its LPG brands “Gasul” and “Fiesta” to households and other industrial consumers through an extensive dealership network. In line with efforts to increase its presence in the regional market, Petron exports various products to Asia-Pacific countries.

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

Today, Petron is one of the leading oil companies in Malaysia with an integrated business which includes an 88,000 barrel-per-day refinery, 10 product terminals and facilities, and a network of more than 750 service stations.

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, 2023, the Parent Company's public float stood at 26.71%.

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.

2. Basis of Preparation

Statement of Compliance

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

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 5, 2024.

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
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
	2023	2022	
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	100.00	100.00	Bermuda
Petron Freeport Corporation (PFC)	100.00	100.00	Philippines
Petron Singapore Trading Pte., Ltd. (PSTPL)	100.00	100.00	Singapore
Petron Marketing Corporation (PMC)	100.00	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	85.55	85.55	Philippines
Petron Global Limited (PGL)	100.00	100.00	British Virgin Islands
Petron Finance (Labuan) Limited (PFL)	100.00	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd. (POGM) and Subsidiaries	100.00	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	100.00	100.00	Hong Kong
Mema Holdings, Inc. (Mema) and Subsidiaries	100.00	100.00	Philippines

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

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

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

NVRC's primary purpose is to acquire real estate and derive income from its sale or lease. As of December 31, 2023 and 2022, NVRC owns 100% of Las Lucas Construction and Development Corporation (LLCDC), Parkville Estates and Development Corporation (PEDC), South Luzon Prime Holdings, Inc. (SLPHI), Abreco Realty Corporation (ARC) and 60% of Mariveles Landco Corporation (MLC).

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

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

As of December 31, 2023 and 2022, 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, 2023 and 2022, PAHL owns 100% of Robinsons International Holdings Limited (RIHL) which owns 100% of Philippine Polypropylene, Inc. (PPI) and 40% of MLC.

Mema is a holding company acquired by the Parent Company on June 30, 2022. As of December 31, 2023 and 2022, Mema owns 100% of Weldon Offshore Strategic Limited Incorporated which owns 100% of Petrofuel Logistics, Inc. (PLI). PLI provides logistics and freight forwarding services for the hauling, carriage, transportation, forwarding, and/or storage, and into-plane operation requirements mainly of the Group.

Non-controlling interests represent the interests not held by the Parent Company in NVRC and PMRMB in 2023 and 2022.

3. Summary of Material Accounting Policies

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

Adoption of Amended Standards

The FSRSC approved the adoption of a number of amended standards as part of PFRS.

The Group has adopted the following PFRS effective January 1, 2023 and accordingly, changed its accounting policies in the following area:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.
- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

The Group reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3 Material Accounting Policies in certain instances in line with the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12, *Income Taxes*). The amendments include a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity will be affected by the minimum tax, particularly before the legislation comes into force.

The adoption of the amended standards did not have a material effect on the consolidated financial statements.

New and Amended Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2023 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

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

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
 - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
 - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale-and-leaseback transactions entered into on or after the date of initial application of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting date;

- clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
- provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.

- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

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

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

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

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

- Lack of Exchangeability (Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when a company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, a company needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the company uses a presentation currency other than its functional currency.

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

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.

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, noncurrent receivables and deposits, and restricted cash are included 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.

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 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.

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.

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 no outstanding derivatives accounted for as cash flow hedge as at December 31, 2023 (Note 35).

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.

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.

Investments in Shares of Stock of Associates and Joint Ventures

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

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 "Investment in shares of stock of an associate and joint ventures" account in the consolidated statements of financial position, are accounted for under the equity method of accounting. The investment in associate and interest in joint ventures are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net income (loss) of the joint ventures, less any impairment in value. The consolidated statements of income reflect the Group's share in the results of operations of associate and joint ventures are presented as part of "Share in net income of associate and joint ventures" account. As of December 31, 2023 and 2022, the Group has capital commitments amounting to P1.4 and P1.5 for TBSB, respectively. The Group has no contingent liabilities in relation to its interest in these associate and joint ventures.

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. 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. UPM closely reflects the expected pattern of consumption of the future economic benefits embodied in 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 - 37
Service stations and other equipment	3 - 30
Computers, office and motor equipment	2 - 20
Land and leasehold improvements	5 - 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 periodic ally, 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

Group as a Lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group identified the use of loaned equipment related to the sale of goods to be accounted for under PFRS 16. The Group provides equipment such as pumps, tanks, signage and other ancillary equipment necessary for the operation of the business. These are loaned to the customers for the duration of the contract for the sole purpose of storing, handling and selling products and shall, at all times, remain the property of Petron. The Group allocates portion of the revenue to the use of loaned equipment and presented as part of "Sales" in the consolidated statements of income based on adjusted market assessment approach. Lease revenue from the use of loaned equipment is contingent to, and recognized at the same time as, the sale of goods.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. Cost also includes any related asset retirement obligation (ARO), if any. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation, which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Buildings and improvements	7 - 50
Land and leasehold improvements	10 -12 or the term of the lease, whichever is shorter

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statements of income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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	3 - 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, 2023 and 2022, the Group has existing and pending trademark registration for its products for a term of 10 years and renewable every 10 years. It 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. It also has registered industrial designs for its certain lubricant and oil bottles and containers, and 2.7kg LPG cylinders, with pending applications for registration of the industrial designs for its Gas Cylinder and Gas Cylinder Valve.

The amount of intangible assets is included as part of “Other noncurrent assets - net” in the consolidated statements of financial position.

Expenses incurred for research and development of internal projects and internally developed patents and copyrights are expensed as incurred and are part of “Selling and administrative expenses” account in the consolidated statements of income.

Impairment of Nonfinancial Assets

The carrying amounts of property, plant and equipment, right-of-use assets, investment property, intangible assets with finite useful lives, investment in shares of stock of an associate and interest in joint ventures are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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 Parent Company. Also, the Parent Company has the sole and absolute discretion to defer payment of any or all of the distribution (Note 21).

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.

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.

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.

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 37 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.

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 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.

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, right-of-use assets 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 2023, 2022 and 2021, majority of the entities within the Group opted to continue claiming itemized standard deductions except for certain subsidiaries of NVRC such as LLCDC, MLC, SLPHI, ARC and PEDC, as they opted to apply OSD (Note 27).

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment for ECL on Trade and Other Receivables. The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

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 P17, P3 and P28 in 2023, 2022 and 2021, respectively (Notes 7 and 23). Receivables written-off amounted to P7 in 2023, P97 in 2022 and P6 in 2021 (Note 7).

The carrying amount of trade and other receivables amounted to P86,479 and P81,979 as of December 31, 2023 and 2022, respectively (Note 7).

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 2023 and 2022. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2023	2022
Cash in banks and cash equivalents	5	P24,373	P35,819
Noncurrent deposits	14	124	127
		P24,497	P35,946

Net Realizable Values of Inventories. In determining the NRV of inventories, management takes into account the most reliable evidence available at the time the estimates are made. Future realization of the carrying amount of inventories of P77,318 and P85,347 as of the end of 2023 and 2022, respectively (Note 8), 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 P363 in 2023, P356 in 2022 and P37 in 2021 (Note 8).

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 2023, 2022 and 2021, the Group provided an additional loss on inventory obsolescence amounting to P43, P73, and nil, respectively (Note 8).

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 35.

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.

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.

Property, plant and equipment, net of accumulated depreciation, amounted to P166,046 and P170,153 as of December 31, 2023 and 2022, respectively. Accumulated depreciation of property, plant and equipment, amounted to P123,553 and P115,586 as of December 31, 2023 and 2022, respectively (Note 9).

Right-of-use assets, net of accumulated depreciation, amounted to P5,286 and P5,398 as of December 31, 2023 and 2022, respectively. Accumulated depreciation of right-of-use asset amounted to P2,628 and P2,295 as of December 31, 2023 and 2022, respectively (Note 10).

Investment property, net of accumulated depreciation, amounted to P27,194 and P28,437 as of December 31, 2023 and 2022, respectively. Accumulated depreciation of investment property amounted to P21,184 and P19,965 as of December 31, 2023 and 2022, respectively (Note 11).

Intangible assets with finite useful lives, net of accumulated amortization, amounted to P101 and P110 as of December 31, 2023 and 2022, respectively (Note 14). Accumulated amortization of intangible assets with finite useful lives amounted to P780 and P759 as of December 31, 2023 and 2022, 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 P55,065 and P53,760 as of December 31, 2023 and 2022, respectively (Note 11).

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% and 1% in 2023 and 2022, respectively, and discount rates of 8.4% in 2023 and 2022 (Note 12).

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 2023, 2022 and 2021 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, 2023 and 2022.

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carry forward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P1,190 and P1,812 as of December 31, 2023 and 2022, respectively (Note 27).

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 30 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 P454, P519 and P434 in 2023, 2022 and 2021, respectively. Remeasurement losses of the net defined retirement obligation recognized in OCI amounted to P38, P626 and P597 in 2023, 2022 and 2021, respectively. The retirement benefits liability amounted to P2,684 and P3,327 as of December 31, 2023 and 2022, respectively (Note 17 and 30).

Asset Retirement Obligation (ARO). The Group has ARO arising from the refinery, leased service stations, terminals and blending plant. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of ARO based on the dismantling costs as estimated by the operating unit responsible for the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.29% to 7.37% depending on the life of the capitalized costs. The Group also conducts periodic review of the estimates of dismantling costs to consider actual expenses incurred during the actual retirement of assets and uses this as input in determining future liability. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P3,658 and P3,559 as of December 31, 2023 and 2022, respectively (Note 17 and 19).

5. Cash and Cash Equivalents

This account consists of:

	Note	2023	2022
Cash on hand		P3,146	P1,364
Cash in banks		7,899	8,854
Short-term placements		16,474	26,965
	<i>34, 35</i>	P27,519	P37,183

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 1.00% to 6.94% in 2023, 0.05% to 6.32% in 2022 and 0.01% to 2.75% in 2021 (Note 26).

6. Financial Assets at Fair Value

This account consists of:

	<i>Note</i>	2023	2022
Proprietary membership shares		P389	P352
Derivative assets not designated as cash flow hedge		1,162	1,257
Derivative assets designated as cash flow hedge		-	181
	<i>34, 35</i>	1,551	1,790
Less: noncurrent portion	<i>14</i>	389	37
		P1,162	P1,753

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 35).

The noncurrent portion pertains to proprietary membership shares and derivative assets designated as cash flow hedge which are not expected to be realized in the next 12 months, is included in "Other noncurrent assets - net" account in the consolidated statements of financial position (Note 14).

Changes in fair value of assets at FVPL including proprietary membership shares and derivative assets not designated as cash flow hedge recognized in the consolidated statements of income in 2023, 2022 and 2021 amounted to P37, P54 and P23, respectively (Note 26) while changes in fair value of derivative assets designated as cash flow hedge were recognized in OCI.

7. Trade and Other Receivables

This account consists of:

	<i>Note</i>	2023	2022
Trade	<i>34</i>	P55,659	P53,087
Related parties - trade	<i>28, 34</i>	3,646	6,112
Allowance for impairment loss on trade receivables		(702)	(737)
		58,603	58,462
Government		24,351	19,190
Related parties - non-trade	<i>28</i>	995	1,007
Others		2,730	3,509
Allowance for impairment loss on non-trade receivables		(200)	(189)
		27,876	23,517
	<i>34, 35</i>	P86,479	P81,979

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 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 2023 and 2022 is shown below:

	Note	2023	2022
Balance at beginning of year		P1,251	P1,343
Additions	23	17	3
Write off	4	(7)	(97)
Reversal		(31)	(11)
Currency translation adjustment		(19)	13
Balance at end of year		1,211	1,251
Less noncurrent portion for long-term receivables	34	309	325
		P902	P926

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.

The following table provides information about the exposure to credit risk and ECL of trade and other receivables as of December 31, 2023 and 2022:

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2023			
Retail	1.07%	P7,866	P84
Lubes	0.07%	1,499	1
Gasul	3.67%	1,442	53
Industrial	1.10%	23,106	254
Others	0.95%	53,468	510
		P87,381	P902

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2022			
Retail	1.38%	P6,091	P84
Lubes	0.11%	885	1
Gasul	4.12%	1,286	53
Industrial	0.93%	30,165	281
Others	1.14%	44,478	507
		P82,905	P926

8. Inventories

This account consists of:

	2023	2022
Crude oil and others	P30,862	P38,512
Petroleum	36,997	37,260
Materials and supplies	5,061	5,128
Lubes, greases and aftermarket specialties	4,398	4,447
	P77,318	P85,347

The cost of these inventories amounted to P78,363 and P86,346 as of December 31, 2023 and 2022, respectively.

If the Group had used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other products would have increased by P1,522 and P1,487 as of December 31, 2023 and 2022, respectively.

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P731,648, P803,977 and P393,781 in 2023, 2022 and 2021, respectively (Note 22).

Research and development costs on these products constituted the expenses incurred for internal projects in 2023, 2022 and 2021 (Note 23).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2023 and 2022 are as follows:

	Note	2023	2022
Balance at beginning of year		P999	P607
Additions/reductions:			
Inventory obsolescence	4	43	73
Inventory write-down	4	363	356
Reversals		(356)	(37)
Translation adjustment		(4)	-
Balance at end of year		P1,045	P999

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 22).

9. Property, Plant and Equipment

The movements and balances of property, plant and equipment as of and for the years ended December 31 follow:

	<i>Note</i>	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
Cost								
January 1, 2022		P24,563	P206,821	P20,087	P6,330	P4,324	P15,901	P278,026
Additions		127	2,150	265	498	-	2,893	5,933
Acquisition of subsidiary	12	-	-	-	261	5	-	266
Disposals/reclassifications		1,724	3,049	(206)	29	48	(5,200)	(556)
Reclassification to/from investment property	11	222	-	-	-	32	-	254
Currency translation adjustment		480	824	332	81	63	36	1,816
December 31, 2022		27,116	212,844	20,478	7,199	4,472	13,630	285,739
Additions		295	1,179	513	2,027	167	2,471	6,652
Disposals/reclassifications		429	10,145	(657)	13	168	(11,110)	(1,012)
Reclassification to/from investment property	11	232	-	-	-	31	104	367
Currency translation adjustment		(104)	(1,278)	(494)	(136)	(97)	(38)	(2,147)
December 31, 2023		27,968	222,890	19,840	9,103	4,741	5,057	289,599
Accumulated Depreciation								
January 1, 2022		14,794	70,171	14,752	5,434	1,273	-	106,424
Depreciation		966	6,543	1,108	238	93	-	8,948
Acquisition of subsidiary	12	-	-	-	45	2	-	47
Disposals/reclassifications		(46)	-	(518)	(50)	4	-	(610)
Reclassification to/from investment property	11	(106)	-	-	-	-	-	(106)
Currency translation adjustment		263	349	208	63	-	-	883
December 31, 2022		15,871	77,063	15,550	5,730	1,372	-	115,586
Depreciation		996	7,628	950	306	105	-	9,985
Disposals/reclassifications		(85)	30	(804)	(15)	-	-	(874)
Reclassification to/from investment property	11	(170)	-	-	-	61	-	(109)
Currency translation adjustment		(63)	(553)	(320)	(99)	-	-	(1,035)
December 31, 2023		16,549	84,168	15,376	5,922	1,538	-	123,553
Carrying Amount								
December 31, 2022		P11,245	P135,781	P4,928	P1,469	P3,100	P13,630	P170,153
December 31, 2023		P11,419	P138,722	P4,464	P3,181	P3,203	P5,057	P166,046

In 2023 and 2022, 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 11).

No impairment loss was required to be recognized in 2023, 2022 and 2021 based on management's assessment of impairment indicators.

Certain fully depreciated property, plant and equipment with aggregate costs of P31,610 and P29,924 as of December 31, 2023 and 2022, respectively, are still being used in the Group's operations.

The Group capitalized interest amounting to P417, P536 and P337 in 2023, 2022, and 2021, respectively (Notes 15, 18, 26 and 29). The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.83% to 9.52% in 2023 and from 2.27% to 8.22% in 2022.

Capital Commitments

As of December 31, 2023 and 2022, the Group has outstanding commitments to acquire property, plant and equipment amounting to P7,535 and P6,061, respectively.

10. Right-of-Use Assets

The movements and balances of right-of-use assets as of and for the years ended December 31 follow:

	Note	Land	Buildings and Improvements and Related Facilities	Service Stations and Other Equipment	Total
Cost					
January 1, 2022		P6,241	P1,111	P24	P7,376
Additions		61	6	-	67
Acquisition of subsidiary	12	-	15	-	15
Remeasurements		104	53	46	203
Currency translation adjustment		28	3	1	32
December 31, 2022		6,434	1,188	71	7,693
Additions		720	40	-	760
Remeasurements		(491)	(2)	-	(493)
Currency translation adjustment		(40)	(4)	(2)	(46)
December 31, 2023		6,623	1,222	69	7,914
Accumulated Depreciation					
January 1, 2022		1,478	241	9	1,728
Remeasurements		(109)	11	2	(96)
Depreciation		420	223	4	647
Acquisition of subsidiary	12	-	3	-	3
Currency translation adjustment		9	4	-	13
December 31, 2022		1,798	482	15	2,295
Remeasurements		(292)	-	-	(292)
Depreciation		407	228	4	639
Currency translation adjustment		(13)	(1)	-	(14)
December 31, 2023		1,900	709	19	2,628
Carrying Amount					
December 31, 2022		P4,636	P706	P56	P5,398
December 31, 2023		P4,723	P513	P50	P5,286

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 P1,124 and P1,065 in 2023 and 2022, respectively (Notes 26 and 29).

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 P491, P30 and P4, respectively, in 2023, and P385, P10 and P4, respectively, in 2022 (Note 29).

The Group had total cash outflows for leases of P3,348, P3,082 and P2,764 in 2023, 2022 and 2021, respectively (Note 29).

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

11. 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
Cost						
January 1, 2022		P9,253	P6,257	P19,159	P12,358	P47,027
Additions		3	-	284	638	925
Disposals/reclassifications		(12)	(2,382)	(186)	2,529	(51)
Reclassifications from/to property, plant and equipment	9	(32)	-	(222)	-	(254)
Currency translation adjustment		114	289	352	-	755
December 31, 2022		9,326	4,164	19,387	15,525	48,402
Additions		-	-	244	1,473	1,717
Disposals/reclassifications		(17)	-	(14)	(172)	(203)
Reclassifications from/to property, plant and equipment	9	-	(31)	(336)	-	(367)
Currency translation adjustment		(173)	-	(533)	(465)	(1,171)
December 31, 2023		9,136	4,133	18,748	16,361	48,378
Accumulated Depreciation						
January 1, 2022		-	4,788	10,504	2,560	17,852
Depreciation		-	28	694	1,264	1,986
Disposals/reclassifications		-	(4,051)	(1)	3,799	(253)
Reclassifications from/to property, plant and equipment	9	-	-	106	-	106
Currency translation adjustment		-	109	166	(1)	274
December 31, 2022		-	874	11,469	7,622	19,965
Depreciation		-	30	663	1,249	1,942
Disposals/reclassifications		-	-	208	(487)	(279)
Reclassifications from/to property, plant and equipment	9	-	(61)	170	-	109
Currency translation adjustment		-	-	(533)	(20)	(553)
December 31, 2023		-	843	11,977	8,364	21,184
Carrying Amount						
December 31, 2022		P9,326	P3,290	P7,918	P7,903	P28,437
December 31, 2023		P9,136	P3,290	P6,771	P7,997	P27,194

In 2023 and 2022, certain investment property were reclassified from/to property, plant and equipment due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 9).

No impairment loss was required to be recognized in 2023, 2022 and 2021 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 2023, 2022 and 2021.

The fair value of investment property amounting to P55,065 and P53,760 as of December 31, 2023 and 2022, 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 P24,902 and P24,390 as of December 31, 2023 and 2022, 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 P19,091 and P19,880 as of December 31, 2023 and 2022, 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, 2023 and 2022 represents the remaining fair value amounting to P11,072 and P9,490, 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.

12. Business Combination, Investment in Shares of Stock of Subsidiaries, Goodwill and Non-Controlling Interests

Business Combination and Investment in Shares of Stock of Subsidiaries

The following are the major developments relating to the Parent Company's investment in shares of stock of subsidiaries:

Mema

On February 16, 2022, the Parent Company paid P104 for the acquisition of 10,000,000 common shares with par value of P1.00 per share representing 100% of the authorized capital stock of Mema. The Mema group includes the subsidiary engaged in hauling and logistics services (Note 2). On June 30, 2022, control over the investee has been transferred to the Group after the resolution of the substantive pending issues agreed by both the seller and the Parent Company. On December 29, 2022, P300 adjustment in purchase price was agreed by the Parent Company and the seller which was settled in February 2023.

The fair value of net assets acquired amounted to P426 on June 30, 2022. The Group recognized P22 gain on acquisition, presented under "Other income (expenses) - net" in the consolidated statement of income in 2022, which pertains to the excess of fair value of assets acquired and liabilities assumed over the consideration paid/accrued.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	June 30, 2022
Assets	
Cash and cash equivalents	P3,406
Accounts and other receivables	2,034
Prepaid expenses and other current assets	69
Property, plant and equipment - net	219
Other noncurrent assets	15
Liabilities	
Accounts and other payables	(5,303)
Other liabilities	(14)
Total Identifiable Net Assets	P426

The fair value of trade and other receivables amounted to P2,034. None of the receivables has been impaired and the full amount is expected to be collected. As of December 31, 2023, P2,034 was already collected.

Accounts and other payables amounting to P5,198 was settled as of December 31, 2023 from the existing cash and the collected receivables.

The fair value of the acquired property, plant and equipment was measured using depreciated replacement cost by considering the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Mema has contributed to Group's net income of P26 from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Group's revenue and net income in 2022 would have been P857,638 and P6,693, respectively. Mema has no contribution to consolidated sales since the entity provides hauling and logistics services to the Parent Company.

On October 27, 2022, the Parent Company and Mema executed a Subscription Agreement to subscribe to an additional 1,375,000,000 common shares of Mema for a subscription price of P1,375 or P1.00 per common share, of which P899 was paid in 2022 as deposit for future stock subscription pending SEC's approval of Mema's increase in authorized capital stock which was obtained in March 2023. The remaining P476 was paid in 2023.

On July 19, 2023, the Parent Company and Mema executed another Subscription Agreement to subscribe to an additional 2,770,000,000 common shares of Mema for a subscription price of P2,770 or P1.00 per common share, of which P1,305 was paid in 2023 and P278 was paid in January 2024.

Goodwill

The movements and balances of goodwill as of and for the years ended December 31 are as follows:

	2023	2022
Cost		
Balance at beginning of year	P8,509	P8,235
Translation adjustments	(416)	274
Net carrying amount at end of year	P8,093	P8,509

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, 2023 and 2022, is allocated at the POGI Group cash generating unit (CGU) instead of each individual acquiree company's CGU as it is expected that the POGI Group CGU will benefit from the synergies created from the acquiree companies in combination.

The Group tested the goodwill for impairment. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results, and justifiable assumptions for future business performance but excluding net cash inflows from expansion projects like new stations. Management believes that this five to ten-year forecast period was justified due to the long-term nature of the business. In 2023, the cash flows are based on long range plan anchored on budget approved by the Management for the first five (5) years. In 2022, cashflows beyond ten years were estimated by extrapolating the projections using varying growth rates up to the group of CGU's maximum capacity, as the Management believes that its current network of service stations will mature and grow with the economy for at least thirty years from 2022.
- A discount rate of 8.4% both in 2023 and 2022 was applied based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM).
- In 2023, the Group used terminal growth rate of 3% because it is in the process of increasing its network of service stations and upgrading its facilities and hence foresees growth in cash flows generated perpetually. In 2022, cash flows beyond ten years were estimated by extrapolating the projections using a growth rate of 1% up to the CGU's maximum capacity as Management believes that the current network of service stations will mature and grow with the economy for the next thirty years.

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 2023 and 1%, 2% and 3% in 2022 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 2023, 2022 and 2021 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, 2023		December 31, 2022	
	NVRC	PMRMB	NVRC	PMRMB
Non-controlling Interests Percentage	14.45%	26.60%	14.45%	26.60%
Carrying amount of non-controlling interest	P481	P8,173	P476	P7,907
Current assets	P667	P30,567	P567	P32,736
Noncurrent assets	9,357	25,636	9,392	27,420
Current liabilities	(1,146)	(23,440)	(1,104)	(29,269)
Noncurrent liabilities	(3,586)	(3,695)	(3,695)	(2,899)
Net assets	P5,292	P29,068	P5,160	P27,988
Net income attributable to non-controlling interests	P8	P885	P9	P961
Other comprehensive income (loss) attributable to non-controlling interests	P -	(P410)	P -	P267
Sales/Revenues	P395	P209,861	P397	P227,026
Net income	P133	P3,344	P137	P6,165
Other comprehensive income	-	1	-	24
Total comprehensive income	P133	P3,345	P137	P6,189
Cash flows provided by (used in) operating activities	P195	2,631	P249	(P25)
Cash flows provided by (used in) investing activities	3	(952)	9	(863)
Cash flows provided by (used in) financing activities	(119)	(2,688)	(317)	219
Effects of exchange rate changes on cash and cash equivalents	-	(8)	-	(3)
Net increase (decrease) in cash and cash equivalents	P79	(P1,017)	(P59)	(P672)

13. Investment in Shares of Stock of an Associate and Joint Ventures

This account consists of:

	2023	2022
Investment in an associate	P1,153	P1,075
Investment in joint ventures	5	10
	P1,158	P1,085

Investment in Shares of Stock of an Associate

As of December 31, 2023 and 2022, the Parent Company owns 25.06% of Petrogen accounted for as an investment in an associate following the decrease of its ownership interest in Petrogen from 100% to 25.06% resulting in its deconsolidation from the Group effective February 4, 2021.

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.

Following are the condensed financial information of Petrogen as of and for the years ended December 31, 2023 and 2022:

	2023	2022
Percentage of ownership	25.06%	25.06%
Current assets	P5,482	P5,708
Noncurrent assets	1,921	2,085
Current liabilities	(2,806)	(3,508)
Net assets	P4,597	P4,285
Revenue	P475	P460
Net income	P337	P247
Other comprehensive loss	(P24)	-
Share in net assets	P1,153	P1,075
Carrying amount of investment in shares of stock of an associate	P1,153	P1,075

The Group recognized P84, P63 and P8 in 2023, 2022 and 2021, respectively, as share in net income of Petrogen accounted for using equity method.

Investment in Joint Ventures

Investment in joint ventures pertains to 33.33% and 50.00% equity interest in PDSI and TBSB, respectively. PDSI is a Philippine company engaged in the business of receiving, storing and handling the out-loading of petroleum products of the three major oil companies to serve the fuel requirement of their respective customers. TBSB is a Malaysian company operating as a liquified petroleum gas bottling plant.

On June 22, 2022, the Bureau of Internal Revenue (BIR) has approved the cancellation of PDSI's registration.

The Group recognized P5, P3 and P3 in 2023, 2022 and 2021, respectively, as share in net income of joint ventures accounted for using equity method.

The investment in joint ventures amounting to P10 was reclassified from "Other noncurrent assets - net" to "Investments in shares of stock of an associate and joint ventures" to conform with the current year's presentation. Share in the net income of joint ventures amounting to P3 both in 2022 and 2021 was also reclassified from "Other income (expenses) – net" account to "Share in net income of an associate and joint ventures" in profit or loss to conform with the current year's presentation.

14. Other Assets

This account consists of:

	<i>Note</i>	2023	2022
Current			
Prepaid taxes		P36,360	P33,566
Input VAT		2,310	1,900
Prepaid expenses	28	1,384	1,168
Special-purpose fund		170	169
Tax recoverable		-	24
Others - net		305	198
		P40,529	P37,025
Noncurrent			
Catalyst - net		P629	P422
Proprietary membership shares	6	389	-
Prepaid rent		165	164
Noncurrent deposits	34, 35	124	127
Intangibles - net	4	101	110
Input VAT		43	94
Derivative assets designated as cash flow hedge	6, 34, 35	-	37
Others - net		479	436
		P1,930	P1,390

Prepaid taxes include unused creditable withholding taxes and excise taxes paid by the Group for products sold to tax exempt entities for subsequent filing with the government as refund claims.

The "Others - net" under "Noncurrent" account includes marketing assistance to dealers and other prepayments amounting to P287, P256 and P262 as of December 31, 2023, 2022 and 2022, respectively, net of amortization amounting to P108, P47 and P57 in 2023, 2022 and 2021, respectively.

The amortization of prepaid rent amounted to P70 in 2023, nil in 2022 and nil in 2021.

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 P130, P58 and P67 in 2023, 2022 and 2021, respectively (Notes 23 and 25).

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 P334, P237 and P176 in 2023, 2022 and 2021, respectively (Notes 22 and 25).

15. 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 4 to 180 days and annual interest ranging from 3.71% to 7.53% in 2023, 1.28% to 6.88% in 2022 and 1.18% to 2.95% in 2021 (Note 26). 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 P7,835 in 2023, P4,316 in 2022 and P2,089 in 2021 (Note 26). Interest expense amounting to P176 was capitalized as part of property, plant and equipment in 2023 while P169 in 2022 and P115 in 2021 (Note 9).

16. 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 31.

Liabilities for crude oil and petroleum products are payable to the following:

	<i>Note</i>	2023	2022
Third parties		P44,832	P51,057
Related parties	28	8	10
	<i>34, 35</i>	P44,840	P51,067

17. Trade and Other Payables

This account consists of:

	<i>Note</i>	2023	2022
Specific taxes and other taxes payable		P7,852	P8,205
Trade		6,693	6,075
Due to related parties	28	5,099	5,008
Accrued interest		1,375	1,245
Dividends payable	33	948	470
Deferred liability on consumer loyalty program		747	813
Accrued rent		499	350
Accrued payroll		211	204
Retirement benefits liability	30	63	66
Asset retirement obligation - current	19	46	32
Retention payable		24	24
Insurance liabilities		3	3
Others	<i>12, 39</i>	330	401
	<i>34, 35</i>	P23,890	P22,896

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 39), accruals of selling and administrative expenses, advances and other payables which are normally settled within a year.

The Group recognized revenue that was included in the deferred liability on consumer loyalty program amounting to P1,468 and P1,452 in 2023 and 2022, respectively (Note 37).

18. Long-term Debt

This account consists of long-term debt of the Parent Company:

	<i>Note</i>	2023	2022
Unsecured Peso-Denominated (net of debt issue costs)			
Fixed rate retail bonds of 7.8183% due in 2024 and 8.0551% due in 2025	(c)	P19,948	P19,906
Fixed retail bond of 3.4408% due until 2025 and 4.3368% due until 2027	(g)	17,869	17,823
Term loan of 7.1663% due until 2027	(h)	4,975	4,967
Term loan of 7.4206% due until 2027	(i)	4,355	4,969
Term loan of 7.5496% due until 2027	(j)	4,355	4,968
Term loan of 6.4920% due in 2025	(k)	2,365	2,359
Term loan of 4.5900% due until 2025	(f)	1,872	3,116
Term loan of 5.5276% due until 2024	(b)	1,606	3,744
Term loan of 6.8672% due in 2025	(l)	622	621
Fixed rate retail bonds of 4.5219% due in 2023	(a)	-	6,990
Unsecured Foreign Currency-Denominated (net of debt issue costs)			
Floating rate dollar loan - US\$669 million due until 2027	(m)	36,245	26,794
Floating rate dollar loan - US\$225 million due in 2028	(n)	12,172	-
Floating rate yen loan - JP¥15 billion due until 2025	(e)	2,512	4,528
Floating rate dollar loan - US\$800 million due until 2024	(d)	-	6,276
	33, 34, 35	108,896	107,061
Less current portion		25,642	13,399
		P83,254	P93,662

- a. 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 and P7,000 Series B bonds on October 27, 2021 and October 27, 2023, respectively.

- b. 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, 2023, the P13,393 portion of the facility has already been paid.
- c. On October 19, 2018, the Parent Company offered P20,000 fixed retail bonds (the "Offer Bonds") divided into Series C (P13,200) bearing interest at 7.8183% per annum and Series D (P6,800) bearing interest at 8.0551% per annum. The Series C Offer Bonds will mature on April 19, 2024 (5.5-year term) while the Series D Offer Bonds is due on October 19, 2025 (7-year term). Interests on these Offer Bonds are payable quarterly, commencing on January 19, 2019, and thereafter, on April 19, July 19, October 19 and January 19 of each year. The net proceeds from the issuance of the Offer Bonds were used primarily to settle short-term loans availed by the Parent Company to fund crude oil purchases and redeem a portion of the Parent Company's remaining Undated Subordinated Capital Securities (USCS) (Note 21), and the balance for general corporate purposes. The Offer Bonds were listed with the Philippine Dealing & Exchange Corp. on October 19, 2018.
- d. 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. The Parent Company has fully settled the facility as of December 31, 2023.
- e. 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. The Parent Company has paid the principal amortizations amounting to JP¥4.29 billion each in 2023 and 2022.
- f. 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. The Parent Company has paid the principal amortizations amounting to P1,250 each in 2023 and 2022.

- g. On October 12, 2021, the Parent Company issued P18,000 retail bonds divided into Series E due in 2025 (P9,000) and Series F due in 2027 (P9,000) with interest rates of 3.4408% p.a. and 4.3368% p.a., respectively. The Bonds are listed on the Philippine Dealing & Exchange Corp. The proceeds were used for the redemption of the Company's Series A Bonds, the partial financing of a power plant project and payment of existing indebtedness.
- h. On May 19, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on May 17, 2022. The facility is subject to a fixed interest rate of 7.1663% per annum and amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 semi-annual payments beginning May 19, 2024. The proceed were used for partial financing of a power plant project.
- i. On June 15, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 10, 2022. The facility is subject to a fixed interest rate of 7.4206% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payment beginning September 15, 2023. The proceeds were used to partially pay the US\$1,000 million term loan facility. As of December 31, 2023, the P625 portion of the facility has already been paid.
- j. On June 16, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 7, 2022. The facility is subject to a fixed interest rate of 7.5496% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 16, 2023. The proceeds were used to pay balances of the US\$1,000 million and various loan facilities. As of December 31, 2023, the P625 portion of the facility has already been paid.
- k. On September 8, 2022, the Parent Company drew and availed a P2,375 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.4920% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.
- l. On September 30, 2022, the Parent Company drew and availed a P625 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.8672% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.
- m. On November 8, 2022, the Parent Company signed and executed a US\$550 million term loan facility. Initial drawdown of US\$117 million was made on November 15, 2022, the proceeds of which were used to partially pay the US\$800 million loan term loan facility. On November 29, 2022, the Company drew an additional US\$150 million from the facility to fully prepay its US\$150 million term loan facility. Additional US\$228 million was drawn on December 15, 2022 to further partially prepay the US\$800 million loan term loan facility. The US\$550 million term loan facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning November 8, 2024. The facility is subject to a floating interest rate based on Secured Overnight Financing Rate (SOFR) plus a spread, repriced every 1, 3 or 6 months.

On January 20, 2023, the Parent Company drew US\$30 million to partially prepay its JP¥15 billion term loan facility. Additional US\$25 million was drawn on February 3, 2023, to partially prepay the US\$800 million long-term loan facility.

On February 17, 2023, Parent Company has upsized its US\$550 million term loan facility to US\$669 million and drew US\$88 million from the additional US\$119 loan facility on May 15, 2023 to fully pre-terminate the US\$800 million long-term loan facility. On August 14, 2023, the remaining US\$31 million was drawn. Proceeds were used to redeem the Parent Company's P7,000 Series B Bonds on October 27, 2023.

- n. On July 13, 2023, the Parent Company made a full drawdown of US\$225 million term loan which was used to partially fund the redemption of US\$500 million SPCS. The facility was signed on March 28, 2023, which subsequently increased from US\$150 million to US\$225 million on June 8, 2023. 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 on March 28, 2025. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months.

The above-mentioned debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. In November 2020, the Group secured consent to amend the testing of its net leverage ratio from semi-annual to incurrence-based, while the ratio of consolidated gross debt to consolidated net worth remained to be tested quarterly.

As of December 31, 2023 and 2022, the Group has complied with the financial covenants of its debt agreements.

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P8,331, P6,165 and P5,220 in 2023, 2022 and 2021, respectively (Note 26). Interest amounting to P187 was capitalized in 2023, P269 in 2022 and P130 in 2021 (Note 9).

Movements in debt issue costs follow:

	Note	2023	2022
Balance at beginning of year		P1,335	P982
Additions		616	956
Amortization for the year	26	(585)	(603)
Balance at end of year		P1,366	P1,335

Repayment Schedule

As of December 31, 2023 and 2022, the annual maturities of long-term debt are as follows (Note 34):

2023

<u>Year</u>	<u>Gross Amount</u>	<u>Debt Issue Costs</u>	<u>Net</u>
2024	P26,035	P393	P25,642
2025	37,411	557	36,854
2026	18,923	237	18,686
2027	26,113	175	25,938
2028 and beyond	1,780	4	1,776
	P110,262	P1,366	P108,896

2022

<u>Year</u>	<u>Gross Amount</u>	<u>Debt Issue Costs</u>	<u>Net</u>
2023	P13,472	P73	P13,399
2024	31,177	638	30,539
2025	31,225	348	30,877
2026	10,885	132	10,753
2027 and beyond	21,637	144	21,493
	P108,396	P1,335	P107,061

19. Asset Retirement Obligation

Movements in the ARO are as follows:

	<i>Note</i>	2023	2022
Balance at beginning of year		P3,559	P2,877
Additions		6	67
Accretion for the year	26	226	216
Effect of change in estimates	4	(264)	141
Effect of change in discount rate		144	252
Settlement		-	(3)
Translation adjustment		(13)	9
Balance at end of year including current portion		P3,658	P3,559

20. Other Noncurrent Liabilities

This account consists of:

	<i>Note</i>	2023	2022
Cylinder deposits		P748	P736
Cash bonds		439	420
Others		56	45
	34, 35	P1,243	P1,201

Cash bonds represent deposits from customers as a form of collateral.

21. 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, 2023 and 2022, the Parent Company had 97,977 and 98,382 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 reissuance of treasury stocks in excess of cost 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.

On July 7, 2023, the Parent Company issued and listed on the PSE 5,000,000 Series 4A, 2,995,000 Series 4B, and 6,005,000 Series 4C preferred shares (inclusive of the oversubscription of 1,500,000 shares) under the 50,000,000 Series 4 Shelf Registered Preferred Shares at an issue price of P1,000.00 or for a total amount of P14,000. The Series 4 Shelf Registered Preferred Shares, which were approved for issue by the SEC on June 14, 2023, are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Peso-denominated perpetual preferred shares. Proceeds from reissuance of treasury stocks in excess of cost less related transaction costs amounting to P3,485 was recognized as additional paid-in capital. The net proceeds were used to partly fund the full redemption on July 19, 2023 of the remaining US\$477.53 million SPCS issued in 2018.

The Parent Company has the redemption option starting on the second and half, third and fifth year or on any dividend payment date thereafter for Series 4A, Series 4B and Series 4C preferred shares, respectively. Dividend rates are 6.7079%, 6.7972%, 7.0861% per annum for Series 4A, Series 4B and Series 4C preferred shares, respectively.

As of December 31, 2023 and 2022, the Parent Company had 34,000,000 and 20,000,000 (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, 2023 and 2022 are as follows:

	2023	2022
Series 3A Preferred Shares	14	10
Series 3B Preferred Shares	25	25
Series 4A Preferred Shares	3	-
Series 4B Preferred Shares	13	-
Series 4B Preferred Shares	27	-
	82	35

b. Retained Earnings

Declaration of Cash Dividends

On various dates in 2023, 2022 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
2021				
Series 2B	P17.14575	March 9, 2021	April 7, 2021	May 3, 2021
Series 3A	17.17825	March 9, 2021	June 2, 2021	June 25, 2021
Series 3B	17.84575	March 9, 2021	June 2, 2021	June 25, 2021
Series 2B	17.14575	May 3, 2021	July 8, 2021	August 3, 2021
Series 3A	17.17825	May 3, 2021	September 2, 2021	September 27, 2021
Series 3B	17.84575	May 3, 2021	September 2, 2021	September 27, 2021
Series 2B	17.14575	August 3, 2021	October 7, 2021	November 3, 2021
Series 3A	17.17825	August 3, 2021	November 29, 2021	December 27, 2021
Series 3B	17.84575	August 3, 2021	November 29, 2021	December 27, 2021
Series 3A	17.17825	November 9, 2021	March 3, 2022	March 25, 2022
Series 3B	17.84575	November 9, 2021	March 3, 2022	March 25, 2022
Series 3A	17.17825	November 9, 2021	June 3, 2022	June 27, 2022
Series 3B	17.84575	November 9, 2021	June 3, 2022	June 27, 2022
2022				
Series 3A	P17.17825	August 1, 2022	August 31, 2022	September 26, 2022
Series 3B	17.84575	August 1, 2022	August 31, 2022	September 26, 2022
Series 3A	17.17825	November 8, 2022	November 29, 2022	December 26, 2022
Series 3B	17.84575	November 8, 2022	November 29, 2022	December 26, 2022
Series 3A	17.17825	November 8, 2022	March 2, 2023	March 27, 2023
Series 3B	17.84575	November 8, 2022	March 2, 2023	March 27, 2023
2023				
Common	P0.10000	March 6, 2023	March 20, 2023	April 4, 2023
Series 3A	17.17825	May 10, 2023	May 31, 2023	June 26, 2023
Series 3B	17.84575	May 10, 2023	May 31, 2023	June 26, 2023
Series 3A	17.17825	August 1, 2023	August 31, 2023	September 25, 2023
Series 3B	17.84575	August 1, 2023	August 31, 2023	September 25, 2023
Series 4A	16.76975	August 1, 2023	September 14, 2023	October 9, 2023
Series 4B	16.99300	August 1, 2023	September 14, 2023	October 9, 2023
Series 4C	17.71525	August 1, 2023	September 14, 2023	October 9, 2023
Series 3A	17.17825	November 7, 2023	November 29, 2023	December 26, 2023
Series 3B	17.84575	November 7, 2023	November 29, 2023	December 26, 2023
Series 3A	17.17825	November 7, 2023	March 1, 2024	March 25, 2024
Series 3B	17.84575	November 7, 2023	March 1, 2024	March 25, 2024
Series 4A	16.76975	November 7, 2023	December 13, 2023	January 8, 2024
Series 4B	16.99300	November 7, 2023	December 13, 2023	January 8, 2024
Series 4C	17.71525	November 7, 2023	December 13, 2023	January 8, 2024
Series 4A	16.76975	November 7, 2023	March 13, 2024	April 8, 2024
Series 4B	16.99300	November 7, 2023	March 13, 2024	April 8, 2024
Series 4C	17.71525	November 7, 2023	March 13, 2024	April 8, 2024

Total cash dividends declared by the Parent Company amounted to P3,053 in 2023, P1,044 in 2022, P1,899 in 2021.

Appropriation for Capital Projects

On May 5, 2016, the Parent Company's BOD approved 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 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.

On May 10, 2023, the BOD of the Parent Company approved the reversal of P7,000 of the remaining appropriated retained earnings for the Parent Company since the Power Plant project no longer needs the subject appropriation to fund its completion.

On October 7, 2021, the BOD of PEDC approved the appropriation of its retained earnings amounting to P3 for acquisition of three lots located in Bulacan. As of December 31, 2023, the purchase transaction of these lots is ongoing and expected to be completed by the second half of 2024.

The appropriated retained earnings attributable to the equity holders of the Parent Company amounted to P3 and P7,003 as of December 31, 2023 and 2022, respectively.

- c. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries, joint ventures and an associate amounting to P48,051, P43,604 and P33,573 as of December 31, 2023, 2022 and 2021, 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 income (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 capital securities and others with details as follows:

	2023	2022	2021
Balance at beginning of year	(P10,450)	(P12,379)	(P13,223)
Net income (loss) on cash flow hedges, net of tax	(50)	54	137
Cumulative translation adjustment	(2,004)	1,875	707
Share in other comprehensive income of an associate and joint venture	4	-	-
Redemption of capital securities	(2,286)	-	-
Balance at end of year	(P14,786)	(P10,450)	(P12,379)

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.

On January 19, 2023, the Parent Company redeemed US\$22.47 million (P1,118) from US\$500 million SPCS issued in 2018 at a purchase price of US\$927 per US\$1,000 in principal amount.

On July 19, 2023, the remaining outstanding SPCS with an aggregate amount of US\$477.53 million (P23,763) was fully redeemed at a purchase price of US\$1,000 per US\$1,000 in principal amount. Following such redemption, distributions ceased to accrue and the redeemed securities were cancelled and delisted from the Singapore Exchange Securities Trading Limited.

Payments of distributions pertaining to US\$500 million SPCS were made on the following dates: July 19, 2023 (P797), January 19, 2023 (P841), July 18, 2022 (P864), January 18, 2022 (P787), July 16, 2021 (P770), and January 15, 2021 (P737).

On April 19, 2021, the Parent Company issued US\$550 million 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 19, 2023 (P1,238), April 19, 2023 (P1,224), October 18, 2022 (P1,286), April 18, 2022 (P1,140), October 18, 2021 amounting to (P1,108).

These SPCS were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, the sale of SPCS was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the SRC was required to be filed with the SEC.

f. RPS

On November 27, 2019, the Parent Company issued US\$6 million RPS to be used for capital expenditures requirements.

Holders of the RPS are conferred a right to receive distributions on a quarterly basis, every February 27, May 27, August 27 and November 27. The Parent Company has a right to defer the distribution under certain conditions.

On May 26, 2023, the Parent Company fully redeemed its US\$6 million (P302) RPS.

Distributions to holders of the RPS were made on May 26, 2023 (P3), February 27, 2023 (P3), November 25, 2022 (P3), August 30, 2022 (P3), May 27, 2022 (P3), March 1, 2022 (P3), November 27, 2021 (P3), August 27, 2021 (P3), May 27, 2021 (P3), and February 27, 2021 (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, 2023 (P65), September 22, 2023 (P67), June 22, 2023 (P65), March 22, 2023 (P64), December 22, 2022 (P65), September 22, 2022 (P69), June 22, 2022 (P64), March 22, 2022 (P62), December 22, 2021 (P59), September 22, 2021 (P59), June 22, 2021 (P57), and March 22, 2021 (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, 2023 (P51), August 10, 2023 (P51), May 10, 2023 (P51), February 10, 2023 (P49), November 10, 2022 (P53), August 10, 2022 (P50), May 10, 2022 (P47), February 10, 2022 (P46), November 10, 2021 (P45), August 10, 2021 (P46), May 10, 2021 (P43), and February 10, 2021 (P44).

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.

22. Cost of Goods Sold

This account consists of:

	<i>Note</i>	2023	2022	2021
Inventories	8	P731,648	P803,977	P393,781
Depreciation and amortization	25	8,420	7,079	5,099
Materials and supplies		6,209	5,397	3,431
Purchased services and utilities		2,589	2,683	1,387
Personnel expenses	24	1,839	1,564	1,413
Others	29, 31	3,724	3,088	2,447
		P754,429	P823,788	P407,558

Distribution or transshipment costs included as part of inventories amounted to P17,113, P13,329 and P6,035 in 2023, 2022 and 2021, respectively.

Others include manufacturing and overhead costs such as maintenance and repairs, taxes and licenses, insurance and rent.

23. Selling and Administrative Expenses

This account consists of:

	<i>Note</i>	2023	2022	2021
Depreciation and amortization	25	P4,610	P4,797	P4,749
Purchased services and utilities		4,309	3,857	3,524
Personnel expenses	24	3,892	3,858	3,219
Maintenance and repairs		1,960	1,624	1,429
Materials and office supplies		1,045	811	673
Taxes and licenses		608	350	309
Advertising		530	464	318
Rent	29	497	381	214
Impairment losses on trade and other receivables	4, 7	17	3	28
Others	8	92	30	94
		P17,560	P16,175	P14,557

Selling and administrative expenses include research and development costs amounting to P87, P61 and P62 in 2023, 2022 and 2021, respectively (Note 8).

24. Personnel Expenses

This account consists of:

	<i>Note</i>	2023	2022	2021
Salaries, wages and other employee costs	28	P5,386	P4,972	P4,264
Retirement benefits costs - defined benefit plan	28, 30	257	367	289
Retirement benefits costs - defined contribution plan	28	88	83	79
		P5,731	P5,422	P4,632

The above amounts are distributed as follows:

	<i>Note</i>	2023	2022	2021
Costs of goods sold	22	P1,839	P1,564	P1,413
Selling and administrative expenses	23	3,892	3,858	3,219
		P5,731	P5,422	P4,632

25. Depreciation and Amortization

This account consists of:

	Note	2023	2022	2021
Cost of goods sold:				
Property, plant and equipment	9	P7,957	P6,702	P4,794
Right-of-use assets	10	129	140	129
Other assets	14	334	237	176
	22	8,420	7,079	5,099
Selling and administrative expenses:				
Property, plant and equipment	9	2,028	2,246	2,259
Right-of-use assets	10	510	507	490
Investment property	11	1,942	1,986	1,933
Intangible assets and others	14	130	58	67
	23	4,610	4,797	4,749
	37	P13,030	P11,876	P9,848

26. Interest Expense and Other Financing Charges, Interest Income and Other Expenses

This account consists of:

	Note	2023	2022	2021
Interest expense and other financing charges:				
Long-term debt	18	P7,574	P5,320	P4,490
Short-term loans	15	7,659	4,147	1,974
Bank charges		1,470	1,453	1,240
Accretion on lease liability	29	1,124	1,065	1,070
Amortization of debt issue costs	18	570	576	600
Defined benefit obligation	30	303	225	201
Accretion on ARO	19	226	216	252
Advances from a related party	28	167	35	-
Others		2	57	181
	37	P19,095	P13,094	P10,008
Interest income:				
Short-term placements	5	P990	P720	P400
Trade receivables	7	134	37	19
Plan assets	30	106	73	56
Advances to related parties	28	45	58	79
Cash in banks	5	9	10	10
	37	P1,284	P898	P564

Forward

	Note	2023	2022	2021
Other income (expenses) - net:				
Changes in fair value of financial assets at FVPL	6	P37	P54	P23
Hedging gains (losses) - net		(104)	(739)	104
Marked-to-market gains (losses) - net	35	(133)	4,673	315
Foreign currency losses - net	34	(509)	(3,678)	(1,242)
Others - net		848	708	315
		P139	P1,018	(P485)

Bank charges amounting to P28 was capitalized as part of property, plant and equipment in 2023 while P46 in 2022 and P28 in 2021 (Note 9).

Also included in "Others - net" were the following: (i) rental income amounting to P63 each in 2023, 2022 and 2021 (Note 29); (ii) gain on sale of fixed asset amounting to P33 in 2023; and (iii) gain on acquisition of Mema amounting to P22 in 2022 (Note 12).

27. Income Taxes

Deferred tax assets and liabilities are from the following:

2023

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P1,910	(P172)	P9	P -	P1,747
Rental	1,384	106	-	-	1,490
NOLCO	6,725	(435)	-	-	6,290
Various allowances, accruals and others	733	(3,441)	-	13	(2,695)
Inventory differential	651	(398)	-	-	253
MCIT	508	513	-	-	1,021
ARO	519	103	-	-	622
Unutilized tax losses	453	173	-	-	626
Fair market value adjustments on business combination	(27)	27	-	-	-
Unrealized foreign exchange gains - net	22	(223)	18	-	(183)
Capitalized taxes and duties on inventories deducted in advance	(848)	(110)	-	-	(958)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,524)	165	-	-	(3,359)
Excess of double-declining over straight-line method of depreciation and amortization	(10,295)	2,199	-	-	(8,096)
	(P1,789)	(P1,493)	P27	P13	(P3,242)

2022

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P1,883	(P135)	P156	P6	P1,910
Rental	1,262	283	-	-	1,545
NOLCO	7,793	(1,068)	-	-	6,725
Various allowances, accruals and others	509	224	-	(161)	572
Inventory differential	(172)	823	-	-	651
MCIT	689	(181)	-	-	508
ARO	444	75	-	-	519
Unutilized tax losses	402	51	-	-	453
Fair market value adjustments on business combination	(27)	-	-	-	(27)
Unrealized foreign exchange gains - net	(240)	280	(18)	-	22
Capitalized taxes and duties on inventories deducted in advance	(764)	(84)	-	-	(848)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,605)	81	-	-	(3,524)
Excess of double-declining over straight-line method of depreciation and amortization	(9,786)	(509)	-	-	(10,295)
	(P1,612)	(P160)	P138	(P155)	(P1,789)

2021

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P2,195	(P118)	(P213)	P19	P1,883
Rental	1,589	(253)	(74)	-	1,262
NOLCO	8,847	(1,054)	-	-	7,793
Various allowances, accruals and others	868	(350)	-	(9)	509
Inventory differential	73	(245)	-	-	(172)
MCIT	491	198	-	-	689
ARO	298	146	-	-	444
Unutilized tax losses	358	44	-	-	402
Fair market value adjustments on business combination	(28)	1	-	-	(27)
Unrealized foreign exchange gains - net	(984)	808	(64)	-	(240)
Capitalized taxes and duties on inventories deducted in advance	(1,234)	470	-	-	(764)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(4,307)	702	-	-	(3,605)
Excess of double-declining over straight-line method of depreciation and amortization	(9,060)	(726)	-	-	(9,786)
	(P894)	(P377)	(P351)	P10	(P1,612)

The above amounts are reported in the consolidated statements of financial position as follows:

	2023	2022
Deferred tax assets - net	P1,190	P1,812
Deferred tax liabilities - net	(4,432)	(3,601)
	(P3,242)	(P1,789)

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:

	2023	2022	2021
Current	P1,511	P1,244	P784
Deferred	1,493	160	377
	P3,004	P1,404	P1,161

As of December 31, 2023, the NOLCO and MCIT of the Parent Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2020	December 31, 2025	P23,466	P -
2021	December 31, 2026	1,678	-
2021	December 31, 2024	-	198
2022	December 31, 2025	-	310
2023	December 31, 2026	-	513
		P25,144	P1,021

As of December 31, 2022, the NOLCO and MCIT of the Parent Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2020	December 31, 2025	P25,209	P -
2021	December 31, 2026	1,678	-
2021	December 31, 2024	-	198
2022	December 31, 2025	-	310
		P26,887	P508

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:

	2023	2022	2021
Statutory income tax rate	25.00%	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Adjustment to income tax rate due to CREATE	-	-	(1.96%)
Interest income subjected to lower final tax	(0.16%)	(0.11%)	(0.07%)
Nontaxable income	(4.49%)	(7.17%)	(4.67%)
Nondeductible expense	4.35%	(8.39%)	(4.46%)
Nondeductible interest expense	0.10%	0.09%	0.04%
Excess of optional standard deduction over deductible expenses	-	-	(0.17%)
Write-off of NOLCO/MCIT	-	7.52%	-
Others, mainly income subject to different tax rates	(1.94%)	0.39%	2.20%
Effective income tax rate	22.86%	17.33%	15.91%

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.

Effective July 1, 2023, MCIT rate was reverted from 1% to 2% of gross income as prescribed by BIR Revenue Memorandum Circular (RMC) No. 69-2023 issued on June 20, 2023.

28. 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	Terms	Conditions
Retirement Plan	7, 30, a	2023	P45	P -	P894	P -	On demand; interest bearing	Unsecured; no impairment
		2022	58	-	894	-		
		2021	79	-	1,138	-		
	a	2023	-	-	43	-	On demand; non-interest bearing	Unsecured; no impairment
		2022	-	-	-	-		
		2021	-	-	-	-		
Intermediate Parent	b, e, f, h, i	2023	29	221	18	461	On demand; non-interest bearing	Unsecured; no impairment
		2022	20	207	16	453		
		2021	18	167	17	333		
Under Common Control	14, b, c, d, h, i, j, k l, m	2023	15,949	5,808	3,801	2,638	On demand; non-interest bearing	Unsecured; no impairment
		2022	16,473	4,625	6,278	2,178		
		2021	7,705	4,095	2,584	2,307		
	m	2023	-	167	-	3,322	On demand; interest bearing	Unsecured; no impairment
		2022	-	35	-	3,345		
		2021	-	-	-	-		
Associate	b, h, k	2023	240	210	54	73	On demand; non-interest bearing	Unsecured; no impairment
		2022	200	100	90	56		
		2021	-	159	283	101		
Joint Ventures	c, g, h	2023	-	65	1	-	On demand; non-interest bearing	Unsecured; no impairment
		2022	-	-	2	-		
		2021	-	-	2	-		
Associates and Joint Ventures under Common Control	b, h, n	2023	326	-	87	1	On demand; non-interest bearing	Unsecured; no impairment
		2022	365	-	71	19		
		2021	206	-	45	3		
	n	2023	-	112	-	1,100	Short-term; interest bearing	Unsecured; no impairment
		2022	-	101	-	2,865		
		2021	-	64	-	2,000		
		2023	P16,589	P6,583	P4,898	P7,595		
		2022	P17,116	P5,068	P7,351	P8,916		
		2021	P8,008	P4,485	P4,069	P4,744		

- As of December 31, 2023 and 2022, 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 7 and 30).
- Sales relate to the Parent Company's supply agreements with the Intermediate Parent, various SMC subsidiaries, and an associate. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.

- c. Purchases relate to purchase of goods and services such as power, construction, information technology, shipping and terminalling from a joint venture and various SMC subsidiaries.
- d. The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for office space covering 6,747 square meters and certain parcels of land where service stations are located.
- e. The Parent Company has existing lease agreements with SMC covering certain parcels of land where service stations are located.
- f. The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.
- g. TBSB provides bottling services to PFISB and another venturer.
- h. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.
- i. Amounts owed to related parties consist of trade and non-trade payables.
- j. In 2015, NVRC leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.
- k. On February 4, 2021, Petrogen became an associate of the Parent Company as a result of loss of control following the decrease in ownership interest from 100% to 25.06% in Petrogen (Note 13).
- l. On February 22, 2021, the Asset Purchase Agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. for the acquisition of the Treats convenience store business by the Group was executed, for an aggregate purchase price of P68.
- m. Amounts owed to entities under common control include interest-bearing advances from San Miguel Insurance Company Ltd.
- n. Amounts owed to associate of entities under common control include interest-bearing short-term loans payable to Bank of Commerce.
- o. The compensation and benefits of key management personnel of the Group, by benefit type, included in the "Personnel expenses" account as follows (Note 24):

	2023	2022	2021
Salaries and other short-term employee benefits	P906	P906	P749
Retirement benefits costs - defined benefit plan	116	139	104
Retirement benefits costs - defined contribution plan	37	35	31
	P1,059	P1,080	P884

29. 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 9, 11 and 31). 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:

	Note	2023	2022	2021
Interest on lease liabilities	10	P1,124	P1,065	P1,070
Income from sub-leasing		(1,608)	(1,275)	(796)
Expenses relating to the variable portion of lease payments		4	4	4
Expenses relating to short-term leases		491	385	216
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		30	10	8
		P41	P189	P502

Rent expense amounting to P28 is included in "Cost of goods sold – others" account in 2023, P18 in 2022 and P14 in 2021 (Note 22). Interest expense amounting to P26 was capitalized as part of property, plant and equipment in 2023, P52 in 2022 while P64 in 2021 (Note 9).

Amounts recognized in consolidated statements of cashflows:

	Note	2023	2022	2021
Interest paid under operating activities	33	P360	P336	P310
Cash outflows for short term, low value leases and variable portion of lease payments		525	399	228
Principal lease payments under financing activities	33	2,463	2,347	2,226
	10	P3,348	P3,082	P2,764

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.

	2023	2022
Less than one year	P1,238	P1,099
One to two years	585	657
Two to three years	329	361
Three to four years	289	280
Four to five years	287	270
More than five years	2,316	2,456
	P5,044	P5,123

Rent income recognized in profit or loss amounted to:

	Note	2023	2022	2021
Other operating income		P1,683	P1,538	P1,273
Others - net	26	63	63	63
		P1,746	P1,601	P1,336

30. 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, 2023. Valuations are obtained on a periodic basis.

The Parent Company's Retirement Plan is registered with the 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)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Balance at beginning of year	(P4,500)	(P4,486)	(P4,864)	P1,173	P1,027	P1,056	(P3,327)	(P3,459)	(P3,808)
Recognized in Profit or Loss									
Current service cost	(257)	(263)	(289)	-	-	-	(257)	(263)	(289)
Past service cost - plan amendment*	-	(104)	-	-	-	-	-	(104)	-
Interest expense	(303)	(225)	(201)	-	-	-	(303)	(225)	(201)
Interest income	-	-	-	106	73	56	106	73	56
	(560)	(592)	(490)	106	73	56	(454)	(519)	(434)
Recognized in Other Comprehensive Income									
Remeasurements:									
Actuarial gains (losses) arising from:									
Experience adjustments	(233)	(127)	(77)	-	-	-	(233)	(127)	(77)
Changes in financial assumptions	(162)	267	235	-	-	-	(162)	267	235
Changes in demographic assumptions	22	2	29	-	-	-	22	2	29
Return on plan asset excluding interest	-	-	-	335	(768)	(784)	335	(768)	(784)
	(373)	142	187	335	(768)	(784)	(38)	(626)	(597)
Others									
Benefits paid	565	476	711	(498)	(359)	(611)	67	117	100
Contributions	-	-	-	1,015	1,200	1,310	1,015	1,200	1,310
Translation adjustment	53	(40)	(30)	-	-	-	53	(40)	(30)
	618	436	681	517	841	699	1,135	1,277	1,380
Balance at end of year	(P4,815)	(P4,500)	(P4,486)	P2,131	P1,173	P1,027	(P2,684)	(P3,327)	(P3,459)

*In 2022, the Parent Company added disability benefit for employees hired before January 1, 2022 resulting in the recognition of past service cost.

The above net defined benefit retirement liability was recognized in the consolidated statements of financial position as follows:

	Note	2023	2022
Trade and other payables	17	P63	P66
Retirement benefits liability (noncurrent portion)		2,621	3,261
		P2,684	P3,327

Retirement benefits costs (income) recognized in the consolidated statements of income by the Parent Company amounted to P181, P294 and P212 in 2023, 2022 and 2021, respectively, including past service cost on plan amendment amounting to P104 in 2022.

Retirement benefits costs recognized in the consolidated statements of income by the subsidiaries amounted to P76, P73 and P77 in 2023, 2022 and 2021, respectively.

The carrying amounts of the Parent Company's retirement fund approximate fair values as of December 31, 2023 and 2022.

Plan assets consist of the following:

	2023	2022
Shares of stock:		
Quoted	67%	63%
Unquoted	13%	15%
Government securities	14%	13%
Cash and cash equivalents	4%	5%
Others	2%	4%
	100%	100%

Investment in Shares of Stock. As of December 31, 2023 and 2022, the Group's plan assets include 459,156,097 common shares of Petron with fair market value per share of P3.55 and P2.40 as of December 31, 2023 and 2022, respectively, and 14,250,900 common shares of SMC with fair market value per share of P102.10 and P92.95 as of December 31, 2023 and 2022, respectively.

The Parent Company's plan recognized a gain (loss) on the investment in marketable securities of Petron and SMC amounting to P658, (P666) and (P565) in 2023, 2022 and 2021, 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 P66 in 2023, P15 in 2022 and P20 in 2021.

Government Securities represents debt instruments issued by sovereign government mainly held by two trustee banks of the plan.

Others include receivables, unit investment trust funds, and debt instruments which earn interest.

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 P523 to its defined benefit retirement plan in 2024.

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:

	2023	2022	2021
Discount rate	5.00% to 6.58%	5.00% to 7.41%	5.00% to 5.20%
Future salary increases	5.00% to 8.00%	5.00% to 6.50%	4.00% to 5.75%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit obligation is from 5.50 to 14.90 years as of December 31, 2023 and 5.20 to 15.40 years as of December 31, 2022.

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:

2023	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P91)	P130
Salary increase rate	354	(315)

2022	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P268)	P275
Salary increase rate	315	(281)

The Parent Company has advances to PCERP amounting to P937 and P894 as of December 31, 2023 and 2022, respectively, included as part of "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 7 and 28). The advances are subject to interest of 5% in 2023 and 2022 (Note 28).

In 2022, portion of the Parent Company's interest-bearing advances to PCERP were converted into contribution to the retirement plan (Note 28).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2023 and 2022 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, 2023, 2022 and 2021.

31. 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 the Company's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), Kuwait Petroleum Corporation (KPC) and Abu Dhabi National Oil Company (ADNOC). The contract with Saudi Aramco is from January 1, 2023 to December 31, 2023 with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice. The contract with KPC is from July 1, 2023 to December 31, 2024 while the contract from ADNOC is January 1, 2023 to December 31, 2023.

PMRMB acquires crude oil and condensate for the Port Dickson Refinery from various sources through a combination of term purchase contracts and spot market purchases. PMRMB has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobile Exploration and Production Malaysia Inc. ("EMEPMI") for a period of 2 years until March 2024 supplemented by other short-term supply contracts and spot crude purchases. As of December 31, 2023, about 47% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. PMRMB also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

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, 2023 and 2022 (Note 16).

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 P76, P110 and P96 in 2023, 2022 and 2021, 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 available re-appraisal made, the annual rental shall be P191, starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Also, as at December 31, 2023 and 2022, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 39).

32. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share amounts are computed as follows:

	2023	2022	2021
Net income attributable to equity holders of the Parent Company	P9,241	P5,727	P5,369
Dividends on preferred shares for the year	(2,115)	(1,044)	(1,899)
Distributions to the holders of capital securities	(4,569)	(4,545)	(3,037)
Net income attributable to common shareholders of the Parent Company (a)	P2,557	P138	P433
Weighted average number of common shares outstanding (in millions) (b)	9,375	9,375	9,375
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	P0.27	P0.01	P0.05

As of December 31, 2023, 2022 and 2021, the Parent Company has no potential dilutive debt or equity instruments.

33. 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):

	2023	2022	2021
Decrease (increase) in assets:			
Trade and other receivables	(P5,075)	(P25,890)	(P24,308)
Inventories	7,984	(16,265)	(22,104)
Other assets	(2,516)	(4,915)	1,923
Increase (decrease) in liabilities:			
Liabilities for crude oil and petroleum products	(5,696)	(458)	17,929
Trade and other payables and others	55	9,146	(2,742)
	(5,248)	(38,382)	(29,302)
Additional allowance for (net reversal of) impairment of receivables, inventory decline and/or obsolescence, and others	(9)	74	(20)
	(P5,257)	(P38,308)	(P29,322)

- b. Changes in liabilities arising from financing activities:

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2023	P470	P15,094	P3,362	P137,886	P107,061	P263,873
Changes from financing cash flows:						
Payment of principal	-	(2,463)	-	-	-	(2,463)
Proceeds from availment of loans/advances	-	-	-	268,329	21,331	289,660
Payments of loans	-	-	-	(268,078)	(19,790)	(287,868)
Dividends and distributions declared	7,834	-	-	-	-	7,834
Dividends and distributions paid	(7,356)	-	-	-	-	(7,356)
Total changes from financing cash flows	478	(2,463)	-	251	1,541	(193)
New leases	-	2,234	-	-	-	2,234
Interest expense	-	1,510	-	-	-	1,510
Interest paid	-	(360)	-	-	-	(360)
Effects of changes in foreign exchange rates	-	(71)	-	(227)	(291)	(589)
Other charges	-	-	-	-	585	585
Balance as of December 31, 2023	P948	P15,944	P3,362	P137,910	P108,896	P267,060

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2022	P829	P15,555	P -	P109,196	P102,645	P228,225
Changes from financing cash flows:						
Payment of principal	-	(2,347)	-	-	-	(2,347)
Proceeds from availment of loans/advances	-	-	3,362	325,620	44,953	373,935
Payments of loans	-	-	-	(298,315)	(44,339)	(342,654)
Dividends and distributions declared	5,768	-	-	-	-	5,768
Dividends and distributions paid	(6,127)	-	-	-	-	(6,127)
Total changes from financing cash flows	(359)	(2,347)	3,362	27,305	614	28,575
New leases	-	642	-	-	-	642
Interest expense	-	1,453	-	-	-	1,453
Interest paid	-	(336)	-	-	-	(336)
Effects of changes in foreign exchange rates	-	127	-	1,385	3,200	4,712
Other charges	-	-	-	-	602	602
Balance as of December 31, 2022	P470	P15,094	P3,362	P137,886	P107,061	P263,873

34. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents, 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:

	2023		2022	
	US Dollar (in millions)	Phil. Peso Equivalent	US Dollar (in millions)	Phil. Peso Equivalent
Assets				
Cash and cash equivalents	376	20,804	566	31,576
Trade and other receivables	752	41,644	676	37,701
Other assets	23	1,285	25	1,383
	1,151	63,733	1,267	70,660
Liabilities				
Short-term loans	223	12,366	279	15,531
Liabilities for crude oil and petroleum products	767	42,490	844	47,122
Long-term debts (including current maturities)	940	52,030	691	38,521
Other liabilities	116	6,425	311	17,344
	2,046	113,311	2,125	118,518
Net foreign currency-denominated monetary liabilities	(895)	(49,578)	(858)	(47,858)

The Group incurred net foreign currency losses amounting to P509, P3,678 and P1,242 in 2023, 2022 and 2021, respectively (Note 26), which were mainly countered by marked-to-market and realized hedging gains (losses) (Note 26). The foreign currency rates from Philippine peso (PhP) to US dollar (US\$) as of December 31 are shown in the following table:

	PHP to US\$
December 31, 2023	55.370
December 31, 2022	55.755
December 31, 2021	50.999

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, 2023 and 2022:

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
2023				
Cash and cash equivalents	(P263)	(P310)	P263	P310
Trade and other receivables	(193)	(774)	193	774
Other assets	(10)	(21)	10	21
	(466)	(1,105)	466	1,105
Short-term loans	-	223	-	(223)
Liabilities for crude oil and petroleum products	289	984	(289)	(984)
Long-term debts (including current maturities)	940	705	(940)	(705)
Other liabilities	10	143	(10)	(143)
	1,239	2,055	(1,239)	(2,055)
	P773	P950	(P773)	(P950)

	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
2022				
Cash and cash equivalents	(P422)	(P461)	P422	P461
Trade and other receivables	(146)	(706)	146	706
Other assets	(17)	(21)	17	21
	(585)	(1,188)	585	1,188
Short-term loans	-	279	-	(279)
Liabilities for crude oil and petroleum products	449	1,196	(449)	(1,196)
Long-term debts (including current maturities)	691	518	(691)	(518)
Other liabilities	51	309	(51)	(309)
	1,191	2,302	(1,191)	(2,302)
	P606	P1,114	(P606)	(P1,114)

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 P520 and P385 in 2023 and 2022, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table. As of December 31, 2023 and 2022, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

2023	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P19,057	P22,425	P3,000	P13,750	P -	P -	P58,232
Interest rate	4.6% - 7.8%	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	-	-	-
Floating Rate							
US\$ denominated (expressed in Php)	5,292	14,143	15,923	12,363	1,780	-	49,501
Interest rate*	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	-	-
JPY denominated (expressed in Php)	1,686	843	-	-	-	-	2,529
Interest rate*	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	-	-	-	-
	P26,035	P37,411	P18,923	P26,113	P1,780	P -	P110,262

*The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.

2022	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P11,642	P19,057	P22,425	P3,000	P13,752	P -	P69,876
Interest rate	4.5% - 7.5%	4.6% - 7.8%	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	-	-
Floating Rate							
US\$ denominated (expressed in Php)	-	10,290	7,885	7,885	7,885	-	33,945
Interest rate*	-	1, 3, 6 mos. Libor/SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	-	-
JPY denominated (expressed in Php)	1,830	1,830	915	-	-	-	4,575
Interest rate*	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	-	-	-	-
	P13,472	P31,177	P31,225	P10,885	P21,637	P -	P108,396

*The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.

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:

	Note	2023	2022
Cash in banks and cash equivalents	5	P24,373	P35,819
Derivative assets	6	1,162	1,438
Trade and other receivables - net	7	86,479	81,979
Noncurrent deposits	14	124	127
		P112,138	P119,363

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.

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 37.

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, 2023 and 2022:

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
December 31, 2023				
Retail	P2,568	P2,635	P2,663	P7,866
Lubes	405	288	806	1,499
Gasul	947	339	156	1,442
Industrial	17,483	32	5,591	23,106
Others	11,783	7,524	6,085	25,392
	P33,186	P10,818	P15,301	P59,305

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
December 31, 2022				
Retail	P1,701	P3,338	P1,052	P6,091
Lubes	630	196	59	885
Gasul	794	328	164	1,286
Industrial	21,581	2,891	5,693	30,165
Others	13,670	6,457	645	20,772
	P38,376	P13,210	P7,613	P59,199

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables (Note 7). Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P5, 669 and P5,416 as of December 31, 2023 and 2022, 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.

	2023				
	Financial Assets at Amortized Cost				Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	
Cash in banks and cash equivalents	P24,373	P -	P -	P -	P24,373
Trade and other receivables	-	86,479	902	-	87,381
Derivative assets not designated as cash flow hedge	-	-	-	1,162	1,162
Long-term receivables - net	-	-	309	-	309
Noncurrent deposits	124	-	-	-	124
	P24,497	P86,479	P1,211	P1,162	P113,349

2022						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash in banks and cash equivalents	P35,819	P -	P -	P -	P -	P35,819
Trade and other receivables	-	81,979	926	-	-	82,905
Derivative assets not designated as cash flow hedge	-	-	-	1,257	-	1,257
Derivative assets designated as cash flow hedge	-	-	-	-	181	181
Long-term receivables - net	-	-	325	-	-	325
Noncurrent deposits	127	-	-	-	-	127
	P35,946	P81,979	P1,251	P1,257	P181	P120,614

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, 2023 and 2022.

2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P27,519	P27,519	P27,519	P -	P -	P -
Trade and other receivables	86,479	86,479	86,479	-	-	-
Derivative assets (including non-current portion)	1,162	1,162	1,162	-	-	-
Proprietary membership shares	389	389	-	-	-	389
Noncurrent deposits	124	124	-	4	-	120
Financial Liabilities						
Short-term loans	137,910	139,785	139,785	-	-	-
Liabilities for crude oil and petroleum products	44,840	44,840	44,840	-	-	-
Trade and other payables*	12,008	12,008	11,904	-	104	-
Derivative liabilities	749	749	749	-	-	-
Long-term debts (including current maturities)	108,896	126,412	32,516	42,316	51,580	-
Lease liability (including current portion)	15,944	25,098	2,256	2,113	6,048	14,681
Cash bonds	439	439	-	424	15	-
Cylinder deposits	748	748	-	-	-	748
Other noncurrent liabilities**	56	56	-	18	27	11

*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income, advances from customers and others

**excluding cash bonds and cylinder deposits

2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P37,183	P37,183	P37,183	P -	P -	P -
Trade and other receivables	81,979	81,979	81,979	-	-	-
Derivative assets (including non-current portion)	1,438	1,438	1,401	37	-	-
Proprietary membership shares	352	352	352	-	-	-
Noncurrent deposits	127	127	-	-	-	127
Financial Liabilities						
Short-term loans	137,886	139,058	139,058	-	-	-
Liabilities for crude oil and petroleum products	51,067	51,067	51,067	-	-	-
Trade and other payables*	11,806	11,806	11,806	-	-	-
Derivative liabilities	723	723	723	-	-	-
Long-term debts (including current maturities)	107,061	125,710	20,123	35,913	69,674	-
Lease liability (including current portion)	15,094	24,534	2,138	2,015	5,486	14,895
Cash bonds	420	420	-	403	17	-
Cylinder deposits	736	736	-	-	-	736
Other noncurrent liabilities**	45	46	-	6	24	16

*excluding specific taxes and other taxes payable, retirement benefits liability, advances from customers, deferred income and others

**excluding cash bonds and cylinder deposits

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 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:

	2023	2022
Total assets	P443,904	P460,071
Total liabilities	344,269	346,521
Total equity	99,635	113,550
Debt to equity ratio	3.5:1	3.1:1
Assets to equity ratio	4.5:1	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.

35. 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:

	<i>Note</i>	2023		2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	5	P27,519	P27,519	P37,183	P37,183
Trade and other receivables	7	86,479	86,479	81,979	81,979
Noncurrent deposits	14	124	124	127	127
FA at amortized cost		114,122	114,122	119,289	119,289
Derivative assets designated as cash flow hedge					
FA at FVOCI	6	-	-	181	181
Proprietary membership shares					
Derivative assets not designated as cash flow hedge	6	389	389	352	352
FA at FVPL	6, 14	1,162	1,162	1,257	1,257
Total financial assets		P115,673	P115,673	P121,079	P121,079

	Note	2023		2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities (FL):					
Short-term loans	15	P137,910	P137,910	P137,886	P137,886
Liabilities for crude oil and petroleum products	16	44,840	44,840	51,067	51,067
Trade and other payables*	17	12,008	12,008	11,806	11,806
Long-term debt including current portion	18	108,896	108,896	107,061	107,061
Cash bonds	20	439	439	420	420
Cylinder deposits	20	748	748	736	736
Other noncurrent liabilities**	20	56	56	45	45
Other FL		304,897	304,897	309,021	309,021
Derivative liabilities not designated as cash flow hedge		749	749	723	723
Total financial liabilities		P305,646	P305,646	P309,744	P309,744

*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income, advances from customers 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 and Trade and Other Receivables. 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.

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 2023 and 2022 are 9.39% and 7.54%, 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 34).

December 31, 2022	Maturity		Total
	1 Year or Less	> 1 Year - 2 Years	
Foreign Currency and Interest Rate Risk			
Cross Currency Swap			
Notional amount	US\$20	US\$10	US\$30
Average strike rate	P47.00 to P56.50	P47.00 to P56.50	-
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	-
Interest Rate Risk			
Interest Rate Collar			
Notional amount	US\$30	US\$15	US\$45
Interest rate	0.44% to 1.99%	0.44% to 1.99%	-

The table below summarizes the amounts pertaining to the designated hedged item.

December 31, 2022	Change in Fair Value Used for Measuring Hedge Ineffectiveness		Cost of Hedging Reserve
	Ineffectiveness	Hedging Reserve	
Foreign Currency and Interest Rate Risks			
US dollar-denominated loan	(118)	20	(17)
Interest Rate Risks			
US dollar-denominated loan	(63)	47	-

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, 2023 and 2022.

December 31, 2023	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						
Foreign Currency and Interest Rate Risks									
Cross currency swap	US\$ -	P -	P -	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	P -	P31	P -	(P9)	Interest expense and other financing charges, Other income (expenses) - net
Interest Rate Risk									
Interest rate collar	-	-	-	Derivative liabilities, Other noncurrent assets	-	21	-	(21)	Interest expense and other financing charges
<hr/>									
December 31, 2022	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve to Profit or Loss	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign Currency Risk									
Call spread swaps	US\$ -	P -	P -	Financial assets at FVPL, Derivative liabilities	P -	(P20)	P -	P13	Other income (expenses) - net
Foreign Currency and Interest Rate Risks									
Cross currency swap	30	118	-	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	118	(161)	(171)	51	Interest expense and other financing charges, Other income (expenses) - net
Interest Rate Risk									
Interest rate collar	45	63	-	Derivative liabilities, Other noncurrent assets	63	17	-	(17)	Interest expense and other financing charges

No hedging ineffectiveness was recognized in the 2023 and 2022 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, 2023		December 31, 2022	
	Hedging Reserve	Cost of Hedging Reserve	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	P67	(P17)	(P75)	P71
Changes in fair value:				
Foreign currency risk	-	-	-	(20)
Foreign currency risk and interest rate risk	(28)	31	294	(161)
Interest rate risk	(62)	21	67	17
Amount reclassified to profit or loss:				
Foreign currency risk	-	-	-	13
Foreign currency risk and interest rate risk	-	(9)	(171)	51
Interest rate risk	-	(21)	-	(17)
Income tax effect	23	(5)	(48)	29
Balance at end of year	P -	P -	P67	(P17)

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Cross Currency Swaps. As of December 31, 2023, the Group has an outstanding cross currency swap with notional amount of \$10 million and net fair value of P34 in 2023 and nil in 2022.

Interest Rate Collar. As of December 31, 2023, the Group has an outstanding interest rate collar with notional amount of \$15 million and net fair value of P12 in 2023 and nil in 2022.

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

Currency Forwards. As of December 31, 2023 and 2022, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$913 million and US\$894 million, respectively, and with various maturities in 2024. As of December 31, 2023 and 2022, the net fair value of these currency forwards amounted to (P371) and P28, respectively.

Commodity Swaps. The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2025 and 2024. 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 51.1 million barrels and 31.4 million barrels for 2023 and 2022, respectively. The estimated net receipts for these transactions amounted to P738 and P506 as of December 31, 2023 and 2022, respectively.

Commodity Options. As of December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, the net fair value of these embedded currency forwards is minimal.

For the years ended December 31, 2023, 2022 and 2021, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P133), P4,673 and P315, respectively (Note 26).

Fair Value Changes on Derivatives not Designated as Cash Flow Hedge

The net movements in the fair value of derivative transactions in 2023 and 2022 are as follows:

	Note	2023	2022
Fair value at beginning of year		P534	(P219)
Net changes in fair value during the year	26	(133)	4,673
Fair value of settled instruments		12	(3,920)
Fair value at end of year		P413	P534

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, 2023 and 2022. 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.

	2023	2022
	Level 2	Level 2
Financial Assets		
FVPL	P389	P352
Derivative assets	1,162	1,438
Financial Liabilities		
Derivative liabilities	(749)	(723)

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2023 and 2022. During the year, there were no transfers between and into and out of Level 1 and Level 2 fair value measurements.

36. Registration with the Authority of the Freeport Area of Bataan (AFAB)

In December 2021, the Petron Bataan Refinery (PBR) renewed its registration with the AFAB as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. As a registered domestic market enterprise engaged in the oil refinery facility as its registered business activity, PBR, under Sec. 311 of Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, is granted duty-free importation of merchandise, including capital equipment, raw materials, spare parts, and accessories, subject to compliance with conditions specified under the CREATE Act. Meanwhile, pursuant to Section 295(G) of the Tax Code, as amended by the CREATE Act, PBR's crude oil importations are exempt from duties and taxes, while applicable taxes are paid upon withdrawal of finished products sourced from the crude oil importation.

37. 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, Japan, Indonesia, and India.

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, 2023, 2022 and 2021.

	Petroleum	Insurance***	Leasing**	Marketing	Elimination/ Others**	Total
2023						
Revenue:						
External sales	P798,032	P -	P1,158	P1,143	P694	P801,027
Inter-segment sales	326,025	-	395	-	(326,420)	-
Operating income	30,494	-	227	11	(11)	30,721
Net income	11,928	-	133	20	(1,947)	10,134
Assets and liabilities:						
Segment assets*	493,662	-	10,025	673	(61,646)	442,714
Segment liabilities*	365,248	-	4,573	138	(30,122)	339,837
Other segment information:						
Property, plant and equipment	163,010	-	-	83	2,953	166,046
Depreciation	12,977	-	85	13	(45)	13,030
Interest expense	19,228	-	282	2	(417)	19,095
Interest income	1,290	-	231	15	(252)	1,284
Income tax expense	2,967	-	42	8	(13)	3,004

*excluding deferred tax assets and liabilities

**revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".

***Ovincor was reclassified to "Others" from "Insurance" following the deconsolidation of Petrogen

	Petroleum	Insurance***	Leasing**	Marketing	Elimination/ Others**	Total
2022						
Revenue:						
External sales	P854,712	P -	P1,173	P1,221	P532	P857,638
Inter-segment sales	378,045	-	397	-	(378,442)	-
Operating income	18,898	-	242	42	31	19,213
Net income	8,513	-	137	42	(1,995)	6,697
Assets and liabilities:						
Segment assets*	517,953	-	9,959	644	(70,297)	458,259
Segment liabilities*	376,728	-	4,646	131	(38,585)	342,920
Other segment information:						
Property, plant and equipment	168,999	-	-	90	1,064	170,153
Depreciation	11,941	-	85	14	(164)	11,876
Interest expense	13,240	-	292	2	(440)	13,094
Interest income	965	-	229	5	(301)	898
Income tax expense	1,364	-	41	8	(9)	1,404

*excluding deferred tax assets and liabilities

**revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".

***Ovincor was reclassified to "Others" from "Insurance" following the deconsolidation of Petrogen

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2021						
Revenue:						
External sales	P435,582	P -	P1,153	P906	P416	P438,057
Inter-segment sales	175,205	125	395	-	(175,725)	-
Operating income	16,860	112	240	48	(45)	17,215
Net income	7,749	116	159	48	(1,936)	6,136
Assets and liabilities:						
Segment assets*	457,506	2,891	10,032	612	(65,793)	405,248
Segment liabilities*	318,567	977	4,863	142	(31,826)	292,723
Other segment information:						
Property, plant and equipment	171,029	-	-	93	480	171,602
Depreciation	9,930	-	85	16	(183)	9,848
Interest expense	10,149	-	300	2	(443)	10,008
Interest income	653	4	230	2	(325)	564
Income tax expense	1,141	3	8	7	2	1,161

*excluding deferred tax assets and liabilities

**revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".

Inter-segment sales transactions amounted to P326,420, P378,442 and P175,725 for the years ended December 31, 2023, 2022 and 2021, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the years ended December 31, 2023, 2022 and 2021:

	Retail	Lube	Gasul	Industrial	Others*	Total
2023						
Revenue	P367,013	P6,462	P33,267	P146,980	P244,310	P798,032
Property, plant and equipment	7,880	62	138	62	154,868	163,010
Capital expenditures	1,237	34	10	40	3,645	4,966
2022						
Revenue	395,183	6,403	33,126	156,307	263,693	854,712
Property, plant and equipment	7,920	27	149	23	160,880	168,999
Capital expenditures	1,170	4	-	1	12,360	13,535
2021						
Revenue	206,337	5,318	24,947	71,354	127,626	435,582
Property, plant and equipment	7,943	32	217	9	162,828	171,029
Capital expenditures	1,363	4	22	1	14,433	15,823

*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, 2023 and 2022.

	2023	2022
Local	P338,268	P349,713
International	104,446	108,546
	P442,714	P458,259

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, 2023, 2022 and 2021.

	Petroleum	Insurance	Leasing*	Marketing	Elimination/ Others*	Total
2023						
Local	P411,588	P -	P1,553	P1,143	(P1,109)	P413,175
Export/international	712,469	-	-	-	(324,617)	387,852
2022						
Local	412,845	-	1,570	1,221	(2,893)	412,743
Export/international	819,912	-	-	-	(375,017)	444,895
2021						
Local	221,676	4	1,548	906	(912)	223,222
Export/international	390,111	121	-	-	(175,397)	214,835

*revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".

38. Events After the Reporting Date

- On February 12, 2024, the Parent Company paid distributions amounting to US\$906 thousand (P51) to the holders of the US\$100 million RPS.
- On March 5, 2024, the BOD of the Parent Company approved the declaration of P0.10/share cash dividends to common stockholders to be paid on April 4, 2024.

39. Other Matters

a. Lease Agreements with PNOC

On October 20, 2017, Petron filed with the Regional Trial Court (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 in 2018 and the judicial dispute resolution proceedings before the court in 2019 were likewise terminated, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. The Parent Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Parent Company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent Company of all such properties, and (iii) the payment by the Parent Company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent Company all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Parent Company filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Parent Company and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Parent 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 Parent Company's lease thereby depriving Parent 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 Parent 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 Parent Company filed its motion for reconsideration insofar as the decision dismissed the Parent Company's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Parent Company and PNOC. In consideration of the possible delay in the final resolution of the case if the Parent Company were to proceed with the filing of a petition for review with the Supreme Court on the issue of rental payments it seeks to recover and the decision in favor of the Parent Company on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the Court of Appeals, the Parent Company has decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review on certiorari with the Supreme Court in December 2022. On November 30, 2023, the Parent Company received a copy of the Supreme Court's resolution dated July 25, 2023, denying PNOC's petition for review on certiorari, on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. On December 6, 2023, the Parent Company received a copy of PNOC's motion for reconsideration of the Supreme Court's resolution, coupled with motion to refer the case to the Supreme Court en banc citing, among others, the involvement of prime vital government assets. As of December 31, 2023, the Parent Company had yet to receive from the Supreme Court any notice on its action on PNOC's motions for reconsideration and referral of the case to the Supreme Court en banc.

b. Oil Spill Incident in Guimaras

On August 11, 2006, MT Solar I, a third party vessel contracted by the Parent Company to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found the Parent company not criminally liable, but the SBMI found the Parent company to have overloaded the vessel. Parent Company has appealed the findings of the SBMI to the Department of Transportation (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 the Parent Company, 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, 2023. 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. On January 9, 2020, the CA issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far. As of December 31, 2023 and 2022, the Group has not set up any provision related to this case because while the case is still pending, the Parent Company believes the resolution will be in its favor.

c. 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.

d. The Group has unused letters of credit totaling approximately P35,445 and P44,127 as of December 31, 2023 and 2022, respectively.

PETRON CORPORATION AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

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 ^(a)
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	NA ^(b)
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

^(a)Balance of Financial Assets at Fair Value Through Profit or Loss is less than 5% of total current assets.

^(b)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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 22, 2024.

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 September 20, 2026
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.

Rohanie C. Galicia

ROHANIE C. GALICIA

Partner

CPA License No. 0118706

Tax Identification No. 249-773-914

BIR Accreditation No. 08-001987-044-2021

Issued September 2, 2021; valid until September 1, 2024

PTR No. MKT 10075180

Issued January 2, 2024 at Makati City

March 22, 2024

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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 22, 2024. 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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

R.G. MANABAT & CO.

ROHANIE C. GALICIA
Partner
CPA License No. 0118706
Tax Identification No. 249-773-914
BIR Accreditation No. 08-001987-044-2021
Issued September 2, 2021; valid until September 1, 2024
PTR No. MKT 10075180
Issued January 2, 2024 at Makati City

March 22, 2024
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
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)

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(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	6,385	33,814	(34,450)	-	5,749	4,229	1,520	5,749
Overseas Ventures Insurance Corporation Ltd.	559	-	(4)	-	555	555	-	555
Petrogen Insurance Corporation	-	-	-	-	-	-	-	-
Petron Freeport Corporation	29	382	(312)	-	99	99	-	99
Petron Singapore Trading Pte., Ltd.	28,311	316,184	(326,286)	-	18,209	18,209	-	18,209
Petron Marketing Corporation	20	-	-	-	20	20	-	20
New Ventures Realty Corporation and Subsidiaries	249	48	(44)	-	253	78	175	253
Mema Holdings Inc.	31	2,120	(516)	-	1,635	1,007	628	1,635
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	-	-	-	-	-	-	-
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	-	-	-	-	-	-	-	-
Petrochemical Asia (Hk) Limited and Subsidiaries	84	-	(9)	-	75	75	-	75
TOTAL	35,668	352,548	(361,621)	-	26,595	24,272	2,323	26,595

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(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	26,585	328,010	(335,096)	-	19,499	18,696	803	19,499
Overseas Ventures Insurance Corporation Ltd.	-	-	-	-	-	-	-	-
Petron Freeport Corporation	79	1	16	-	96	96	-	96
Petron Singapore Trading Pte., Ltd.	1,468	24,419	(23,087)	-	2,800	2,800	-	2,800
Petron Marketing Corporation	-	-	-	-	-	-	-	-
New Ventures Realty Corporation and Subsidiaries	1,875	33	(71)	-	1,837	317	1,520	1,837
Mema Holdings Inc.	915	4	(899)	-	20	20	-	20
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	2	-	-	2	2	-	2
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	4,746	79	(2,484)	-	2,341	2,341	-	2,341
Petrochemical Asia (Hk) Limited and Subsidiaries	-	-	-	-	-	-	-	-
TOTAL	35,668	352,548	(361,621)	-	26,595	24,272	2,323	26,595

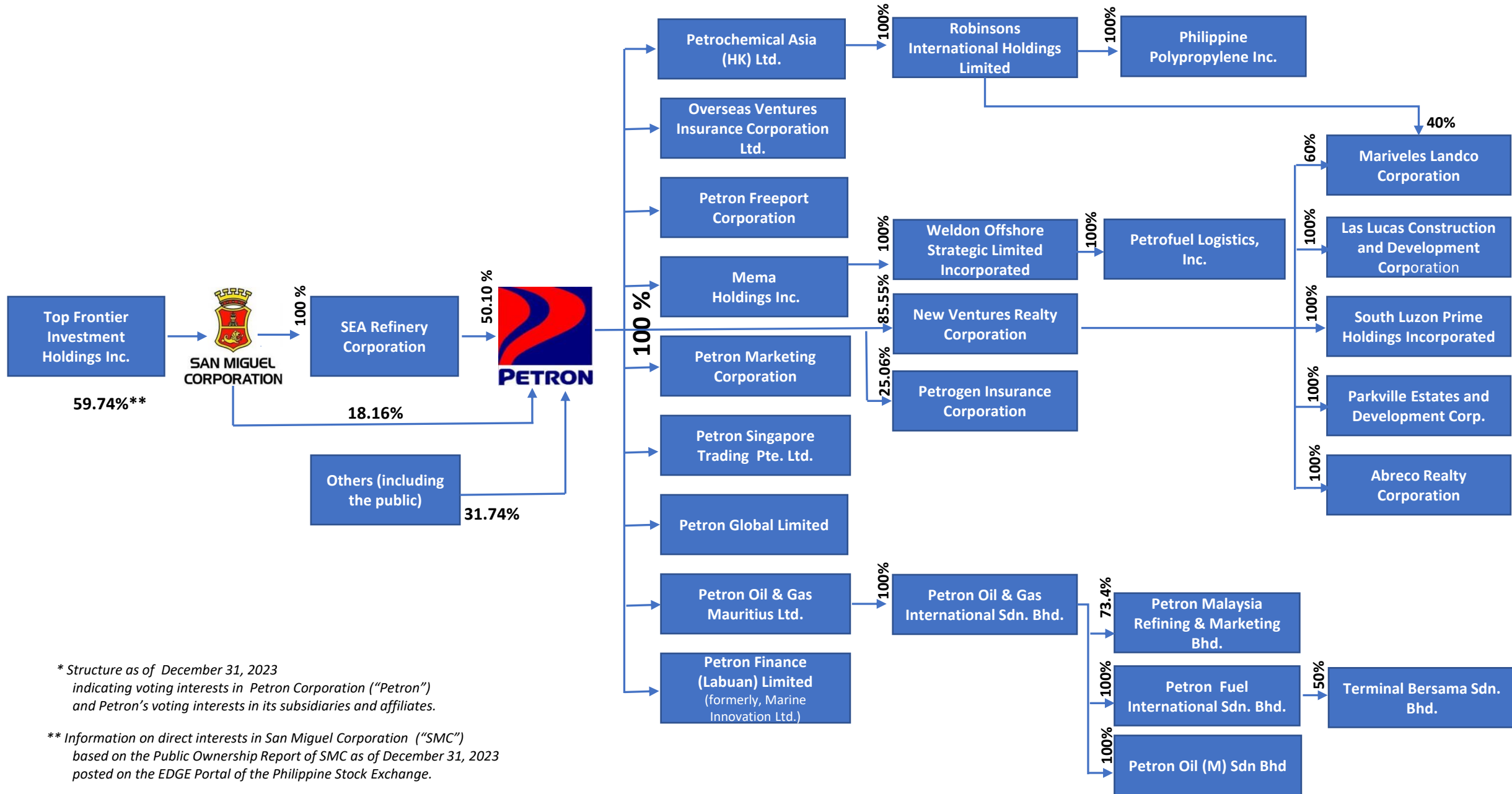
PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Amount Shown as Current	Current and Long-term	INTEREST RATES	Number of Periodic Installments	Final Maturity
<i>Unsecured term notes and bonds:</i>							
<i><u>Peso denominated:</u></i>							
Fixed	BDO Unibank, Inc.	1,607	1,606	1,606	5.5276%	Amortized quarterly for 7 years	July 2024
Fixed	Bank of the Philippine Islands	1,875	1,247	1,872	4.5900%	12-month grace period; amortized in 16 quarterly payments	April 2025
Fixed	China Banking Corporation	5,000	492	4,975	7.1663%	2-year grace period; amortized in 7 semi-annual payments	May 2027
Fixed	Banco De Oro	4,375	1,241	4,355	7.4206%	Amortized quarterly for 5 years	June 2027
Fixed	Landbank of the Philippines	4,375	1,241	4,355	7.5496%	15-month grace period; amortized in 16 quarterly payments	June 2027
Fixed	China Banking Corporation	2,375	-	2,365	6.4920%	Bullet	September 2025
Fixed	China Banking Corporation	625	-	622	6.8672%	Bullet	September 2025
Fixed	Philippine Depository and Trust Corporation	9,000	-	8,945	3.4408%	Bullet	October 2025
Fixed	Philippine Depository and Trust Corporation	9,000	-	8,924	4.3368%	Bullet	October 2027
Fixed	Philippine Depository and Trust Corporation	13,200	13,174	13,174	7.8183%	Bullet	April 2024
Fixed	Philippine Depository and Trust Corporation	6,800	-	6,774	8.0551%	Bullet	October 2025
		<u>58,232</u>	<u>19,001</u>	<u>57,967</u>			
<i><u>Foreign currency - denominated:</u></i>							
Floating	Standard Chartered Bank (Hongkong) Limited	37,043	4,971	36,245	SOFR	2-year grace period; amortized in 7 semi-annual payments	November 2027
Floating	MUFG Bank, Ltd., Hong Kong	12,458	-	12,172	SOFR	2-year grace period; amortized in 7 semi-annual payments	March 2028
Floating	Sumitomo Mitsui Banking Corp.	2,529	1,670	2,512	TONA	2-year grace period; amortized in 7 semi-annual payments	March 2025
		<u>52,030</u>	<u>6,641</u>	<u>50,929</u>			
Total Long-term Debt		P <u>110,262</u> P	P <u>25,642</u> P	<u>108,896</u>			
		-	-	-			

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2023

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	2,266,982	2,513,925,294
Preferred stock	624,895,503					
Series 3A Preferred		13,403,000	Not applicable	-	1,200	13,401,800
Series 3B Preferred		6,597,000	Not applicable	-	20,300	6,576,700
Series 4A Preferred		5,000,000	Not applicable	-	1,000	4,999,000
Series 4B Preferred		2,995,000	Not applicable	-	3,500	2,991,500
Series 4C Preferred		6,005,000	Not applicable	-	7,500	5,997,500

PETRON GROUP STRUCTURE



* Structure as of December 31, 2023 indicating voting interests in Petron Corporation ("Petron") and Petron's voting interests in its subsidiaries and affiliates.

** Information on direct interests in San Miguel Corporation ("SMC") based on the Public Ownership Report of SMC as of December 31, 2023 posted on the EDGE Portal of the Philippine Stock Exchange.

**PETRON CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS**

Financial Ratios	Formula	December 31, December 31,	
		2023	2022
Liquidity			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.99	1.07
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	0.49	0.53
Solvency			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^b}{\text{Total Equity}}$	2.48	2.16
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	4.46	4.05
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	1.69	1.62
Profitability			
f) Return on Equity	$\frac{\text{Net Income}^a}{\text{Average Total Equity}}$	9.51%	5.97%
g) Return on Assets	$\frac{\text{Net Income}^a}{\text{Average Total Assets}}$	2.24%	1.54%
Operating Efficiency			
h) Volume Growth	$\left(\frac{\text{Current Period Volume}}{\text{Prior Period Volume}} - 1 \right)$	12.50%	37.17%
i) Sales Growth	$\left(\frac{\text{Current Period Sales}}{\text{Prior Period Sales}} - 1 \right)$	-6.60%	95.78%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	3.84%	2.24%

^a trailing 12 months net income

^b excludes lease liabilities

PETRON CORPORATION
Proceeds from Issuance of Series 4 Preferred Shares
December 31, 2023

- i. The net proceeds of the Company's offering of Series 4A, 4B and 4C preferred shares (the "Offering") were fully disbursed as follows:

Date of Disbursement	Use of Proceeds	Amount in Million
19 July 2023	Partial funding of the full redemption of the Company's remaining senior perpetual capital securities issued in 2018	P13,883.43
TOTAL DISBURSEMENT IN THIS REPORT		13,883.43
TOTAL DISBURSEMENTS TO DATE		13,883.43
BALANCE OF PROCEEDS		P0.00

- ii. The net proceeds of the Offering are computed as follows:

Gross Proceeds	P14,000.00
Expenses related to the Offering	116.57
Net Proceeds	P13,883.43

¹ Expenses related to the Offering include: (i) underwriting, selling, registry, stock transfer and receiving agency, legal, and other professional fees and other miscellaneous expenses, (ii) taxes paid to the Bureau of Internal Revenue, and (iii) filing fees paid to the Securities and Exchange Commission and The Philippine Stock Exchange.

PETRON CORPORATION
Proceeds from Issuance of Series E and Series F Fixed Rate Bonds
December 31, 2023

i. Gross and Net Proceeds as disclosed in the final prospectus

In P Millions	
Gross Proceeds	P18,000.00
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
Total Expenses	P216.79
Net Proceeds	P17,783.21

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	
Actual Gross Proceeds	P18,000.00
Less: Underwriting Fees, Filing and Processing Fees, Documentary Stamp Tax, Legal and Professional Fees and Other Expenses	227.95
Actual Net Proceeds	P17,772.05

iii. Each Expenditure Item where the Proceeds was Used

In P Millions	
Actual Net Proceeds	P17,772.05
Less: Redemption of the Series A Bonds	13,000.00
Payment for power plant project	3,013.98
Payment of long term loan amortization to:	
Bank of the Philippine Islands	697.49
BDO Unibank, Inc.	535.71
UnionBank	250.00
Total Payments	P17,497.18
Balance	₱274.87

iv. Balance of the Proceeds as of the End of the Reporting Period

As of December 31, 2023, balance of proceeds amounted to P274.87 million.



R.G. Manabat & Co.
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Philippines 1209
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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email 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, 2023 and 2022, and have issued our report thereon dated March 22, 2024.

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 September 20, 2026
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.

Rohanie C. Galicia

ROHANIE C. GALICIA

Partner

CPA License No. 0118706

Tax Identification No. 249-773-914

BIR Accreditation No. 08-001987-044-2021

Issued September 2, 2021; valid until September 1, 2024

PTR No. MKT 10075180

Issued January 2, 2024 at Makati City

March 22, 2024

Makati City, Metro Manila

**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2023
(Amounts in Thousand Pesos)**

PETRON CORPORATION

SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City

Unappropriated Retained Earnings, beginning of the period		P2,727,717
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation	7,000,000	7,000,000
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(3,052,753)	
Distributions paid	(4,569,485)	(7,622,238)
Unappropriated Retained Earnings, as adjusted		2,105,479
Add/Less: Net Income for the current year		6,383,836
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gain, except those attributable cash and cash equivalents	(553,148)	
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss(FVTPL)	(527,022)	
Sub-total		(1,080,170)
Less: Category C.2: Unrealized income recognized in the profit or loss in prior reporting period but realized in the current reporting period (net of tax)		
Realized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	689,539	
Sub-total		689,539
Adjusted Net Income		5,993,205
Add/ Less: Category F: Other items that should be excluded from the determination of the amount available for dividends distribution		
Net movement of deferred tax asset and deferred tax liabilities related to same transaction		
Set up of right of use asset and lease liability	(53,197)	
Set up of asset and asset retirement obligation	(97,576)	
Net movement of deferred tax assets	442,419	
Sub-total		291,646
TOTAL RETAINED EARNINGS, END OF THE REPORTING PERIOD AVAILABLE FOR DIVIDEND DECLARATION		P8,390,330

ANNEX E

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING HELD ON MAY 16, 2023

**MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS OF PETRON CORPORATION
(May 16, 2023)**

Time and Place

The Annual Stockholders' Meeting of **PETRON CORPORATION** (the "Company" or "Petron") was held on May 16, 2023 via livestreaming at <https://www.petron.com/2023asm>. The meeting commenced at about 2:00 p.m.

Quorum Report

The Corporate Secretary of the Company, Atty. Jhoanna Jasmine M. Javier-Elacio, reported that the notice of the meeting was duly distributed to the stockholders as of the March 20, 2023 record date in compliance with the by-laws of the Company and the requirements of the Securities and Exchange Commission. She further announced that a quorum was present. Based on the stock transfer agent's certification on the attendance of the meeting – covering attendance in person, by attendance advice emailed to the Company and by proxy – there was about 73.69% of the total outstanding shares represented.

Atty. Elacio noted that the Chairman of the meeting held proxies for about 73.79% of the outstanding voting common shares of the Company and was voting in accordance with the instructions in the proxies.

Attached as Annex A is the attendance report for the meeting.

Present in the Executive Dining Room at the SMC Head Office Complex at 40 San Miguel Avenue, Mandaluyong City were the following directors and officers:

Directors

- (1) Ms. Aurora T. Calderon
- (2) Mr. Lubin B. Nepomuceno (also the Company's General Manager)

Officers

- (1) Mr. Emmanuel E. Eraña, Senior Vice President and Chief Finance Officer
- (2) Mr. Freddie P. Yumang, Senior Vice President - Chief Risk Officer
- (3) Ms. Maria Rowena O. Cortez, Vice President ("VP") - Supply
- (4) Ms. Susan Y. Yu, VP - Procurement
- (5) Mr. Albertito S. Sarte, Deputy Chief Finance Officer and Treasurer
- (6) Mr. Jaime O. Lu, VP and Executive Assistant to the President on Petron Malaysia Operations, Refinery Special Projects and REND
- (7) Ms. Maria Rosario D. Vergel de Dios, VP - Human Resources Management
- (8) Ms. Magnolia Cecilia D. Uy, VP - Retail Sales
- (9) Ms. Myrna C. Geronimo, VP and Controller
- (10) Mr. Allister J. Go, VP - Refinery Division
- (11) Mr. Virgilio V. Centeno, VP - Industrial Sales
- (12) Mr. Jonathan F. Del Rosario, VP - Operations & CTSG
- (13) Ms. Agnes Grace P. Perez, Assistant Vice President ("AVP") - Business Planning and Development
- (14) Ms. Mia S. Delos Reyes, AVP - Corporate Affairs
- (15) Mr. Brian R. Ocampo, AVP - Management Information Systems
- (16) Atty. Jhoanna Jasmine M. Javier-Elacio, AVP - General Counsel & Corporate Secretary/ Compliance Officer
- (17) Ma. Crisselda T. Torcuator, Assistant Corporate Secretary

Atty. Elacio proceeded to acknowledge the attendance of all the directors, including the following directors who joined the meeting via Zoom:

- (1) Ramon S. Ang
- (2) Jose P. De Jesus
- (3) Ron W. Haddock
- (4) Mirzan Mahathir

- (5) Aurora T. Calderon
- (6) Francis H. Jardeleza
- (7) Virgilio S. Jacinto
- (8) Nelly Favis-Villafuerte
- (9) Horacio C. Ramos
- (10) John Paul L. Ang
- (11) Artemio V. Panganiban (Independent Director)
- (12) Margarito B. Teves (Independent Director)
- (13) Ricardo C. Marquez (Independent Director)

Also in attendance via livestream were the following key officer and representative of R.G. Manabat & Co./KPMG, the Company's external auditor for 2022:

- (1) Mr. Mark Tristan D. Caparas, VP and Chief Finance Officer - Petron Malaysia
- (2) Ms. Rohanie C. Galicia, Signing Partner, R.G. Manabat & Co./KPMG.

Atty. Elacio proceeded to explain that, after the Management's Report, questions and comments emailed in advance to the Company's dedicated email address for the meeting at 2023asmpetron@petron.com would be given priority.

Call to Order

There being a quorum, the Chairman of the meeting, Mr. Lubin B. Nepomuceno, called the annual meeting of the stockholders to order and presided over the same. Atty. Elacio recorded the minutes of the proceedings.

Reading of the Agenda and Explanation of Voting Procedure

For ease of reference of the stockholders, the rest of the agenda of the meeting was presented on the screen as follows:

- (1) Review and Approval of the Minutes of the Previous Annual Stockholders' Meeting
- (2) Management Report and Submission to the Stockholders of the 2022 Financial Statements
- (3) Ratification of All Acts of the Board of Directors and Management Since the 2022 Annual Stockholders' Meeting
- (4) Appointment of an External Auditor and Ratification of External Auditor Fees
- (5) Election of the Board of Directors for the Ensuing Term
- (6) Ratification of Directors' Fees
- (7) Other Matters
- (8) Adjournment

Atty. Elacio reminded the stockholders that the rationale and brief explanation of each agenda item were provided in the Notice and Agenda of the Definitive Information Statement for the meeting that has been earlier made available by the Company in the Company website and via Edge of the Philippine Stock Exchange ("PSE Edge").

She explained the voting procedure where each common share is entitled to one vote and that voting shall be made in accordance with the procedure set forth in the Definitive Information Statement.

A summary of the voting procedure was flashed on the screen as follows:

Voting Procedure:

- Simple majority vote for the following:
 - (1) the approval of the minutes of the 2022 Annual Stockholders' Meeting;
 - (2) the ratification of all acts of the Board of Directors and Management since the 2022 Annual Stockholders' Meeting;
 - (3) the appointment of the external auditor of the Company for 2023 and the ratification of external auditor's fees; and
 - (4) the ratification of directors' fees.

- The fifteen nominees who get the highest votes to be deemed elected as directors; cumulative voting is allowed where a stockholder may:
 - (1) distribute his/her votes per share to all the nominees, or
 - (2) cumulate all his/her shares and give one candidate all his/her votes, or
 - (3) he/she may distribute his/her votes among his chosen nominees.

Review and Approval of Minutes of Previous Meeting

The Chairman announced that the first item in the agenda was the approval of the minutes of the May 17, 2022 Annual Stockholders' Meeting, a copy of which had been posted in the company website on May 20, 2022, the third (3rd) business days after the meeting. On motion duly made and seconded, and there being no objection, the minutes of the Annual Stockholders' Meeting held on May 17, 2022 were approved.

Based on the vote canvassing results provided by the SMC Stock Transfer Corporation, the stock transfer agent of the Company, (the “Voting Canvassing Results”) this agenda item had the following voting results:

For	6,917,775,001 - 73.789%
Against	0 - 0.000%
Abstain	0 - 0.000%

Annual Report and Other Reports of Management

The Senior Vice President and Chief Finance Officer of the Company, Mr. Emmanuel E. Eraña, delivered the management report covering operations for 2022 and the first quarter of 2023, with highlights as follows:

1. Petron reported a stable growth in 2022, with an increase in volume by 37% with 112.81 million barrels sold compared to the previous year’s 82.24 million barrels due to improving demand. Petron’s operating income closed at P19.21 billion, 12% more than 2021’s P17.21 billion, which was in part due to more favorable refining cracks and optimized refinery operation. Despite global economic challenges in the second half of 2022, Petron maintained its recovery with a consolidated net income of P6.7 billion, a 9% increase from 2021’s P6.1 billion.

2. Petron showed continuous improvement in 2023. The Company reported that it was expecting a more vibrant industry as the country emerges from the pandemic, with full recovery in terms of volume and revenue being projected. For the first quarter, Petron’s consolidated revenues reached P172.33 billion, a significant jump from last year’s P83.3 billion. Its consolidated net income reached P3.4 billion for the first three months of 2023, slightly lower than last year’s P3.6 billion due to external pressures such as lower crude prices, inflation, and recession concerns.

3. In 2022, Petron focused on stabilizing the business, strengthening volume recovery, and meeting the requirements of its customers and the country. This was manifested in the Company's LPG, industrial, and retail segments, as well as its non-fuel business. Petron also highlighted that 2022 was a breakthrough year for its LPG business in the Philippines as it regained the number one position in the market.

4. Another testament to Petron's year of growth is the overall rise in demand and more favorable refining margins in the region, which led to the optimized operations at the Petron Bataan Refinery and increased average crude run by nearly 50%. Furthermore, Petron restarted operations at the polypropylene plant in Mariveles, Bataan to capture market requirements for polypropylene products in the Philippines and abroad. To complement the overall volume increase, Petron's storage and distribution framework proved reliable and efficient as it delivered a 98% nationwide delivery fulfillment performance for its customer accounts.

5. To maintain its market leadership in 2022, Petron continued to invest in the growth enhancement of its retail network. Petron built more service stations, appointed and activated new dealers, entered into new supply agreements, and firmed up its presence in both traditional and non-traditional outlets.

6. The Company also concentrated on carving out a stronger position in Malaysia as one of its leading oil companies. As Petron Malaysia celebrated its 10th anniversary, it was able to establish itself as a reliable brand with a 600-strong workforce and 750 service stations throughout the country. It also made major investments in the Port Dickson Refinery, retail network expansion, customer service programs, and sustainability initiatives to ensure that it is ahead of the competition in the years to come.

7. To strengthen its position as the country's dedicated partner for sustainability and progress, Petron has invested heavily on Environment, Social, and Governance programs across its operations to reduce its environmental impact while increasing operational efficiency. These include: (a) the installation of solar panels at selected service stations; (b) the improvement of plastic waste reduction and water conservation programs; (c) the building of a more efficient source of steam and power for the Petron Bataan Refinery; and (d) the planned construction of the Company's own coco methyl ester or CME plant to provide better margins for diesel products.

8. Petron continued its support for Corporate Social Responsibility programs such as the *Tulong Aral ng Petron* and the *Puno ng Buhay* initiative. Petron also formed new partnerships with national agencies and local governments to provide more livelihood opportunities and promote biodiversity conservation in its communities.

Mr. Eraña ended his report by thanking all stakeholders for their continued support.

Open Forum

The Chairman opened the floor for questions from stockholders. As explained at the beginning of the meeting by Atty. Elacio, the Corporate Secretary, questions and comments emailed in advance were prioritized.

The questions and comments raised and matters discussed are set out below.

(1) Ms. K. Domingo of Imus, Cavite noted that Petron registered higher sales and net income in 2022. She asked if Petron could be said to have fully recovered from the effects of the pandemic.

Mr. Nepomuceno explained that Petron could be said to have overcome the worst effects of the pandemic. To support his statement, he cited the increase in sales volume, especially in retail and aviation, given the easing of travel restrictions.

(2) Ms. A. Martinez of Quezon City asked about clean energy programs of Petron.

Mr. Nepomuceno mentioned the following projects of the Company on clean energy:

- a. installation of solar panels in selected service stations and initiation of programs related to electric vehicle charging;
- b. construction of a new power plant to efficiently produce steam and power to run the Refinery; and
- c. planned construction of a coco-methyl ester plant in Bataan.

(3) Ms. H. Sy of Parañaque City was thankful for the lowered prices of gasoline and diesel compared to the previous year. She asked if the lowering of prices would continue.

Mr. Nepomuceno explained that the prices of petroleum products are dependent on external factors such as the movement of prices in international market, geopolitical concerns, and other factors that are beyond the control of Petron. He expressed, however, that the Company was hopeful that the prices would be more stable.

(4) Ms. L. Barcarse of Bataan asked when the stockholders' meeting would be conducted face-to-face.

Mr. Nepomuceno explained that the Company prioritized safety given the increasing numbers of COVID-19 cases and decided that the stockholders' meeting still be virtual. He expressed his wish that, by next year, face-to-face meetings would be safer.

(5) Ms. E. Gomez of Mangatarem, Pangasinan had a lease offer on her property. The Company announced that her proposal would be referred to the relevant division of the Company.

Without any further questions or comments sent, the open forum was closed and, on motion duly made and seconded, the management report and the audited financial statements of the Company for 2022, together with other written reports distributed to the stockholders or made available on the Company website, were accepted and filed as part of the minutes of the meeting.

The following resolution was accordingly passed by the stockholders:

Resolution No. 1, Series of 2023

RESOLVED, That the 2022 Annual Report of Management, the Management Report, including the 2022 financial statements, as well as the other reports of Management distributed and mailed to the stockholders of Petron Corporation or made available on the company website, be, and hereby are, ACCEPTED and FILED as part of the minutes of the present meeting.

Based on the Vote Canvassing Results, this agenda item had the following voting results:

For	6,914,987,001 - 73.759%
Against	0 - 0.000%
Abstain	2,788,000 - 0.030%

Ratification of all Acts of the Board of Directors and Management

The Chairman then noted that the next item in the agenda was the ratification of all acts of the Board of Directors, the Executive Committee, and the Management since the last Annual Stockholders' Meeting held in 2022.

Atty. Elacio explained that the material items approved by the Board of Directors and/or the Executive Committee since the 2022 Annual Stockholders' Meeting included those in the list attached as Annex B to the Definitive Information Statement earlier made available by the Company in the Company website and via PSE Edge.

Upon motion made and seconded, the following resolution was accordingly passed:

Resolution No. 2, Series of 2023

RESOLVED, That all acts, resolutions and proceedings of the Board of Directors and corporate officers of Petron Corporation (the "Company") since the Annual Meeting of the Stockholders of the Company on May 17, 2022, as set forth in the minutes of the meetings of the Board of Directors and the Executive Committee be APPROVED, CONFIRMED and RATIFIED.

Based on the Vote Canvassing Results, this agenda item had the following voting results:

For	6,914,987,001 - 73.759%
Against	0 - 0.000%
Abstain	2,788,000 - 0.030%

**Appointment of External Auditor
and Ratification of External Auditor Fees**

The Chairman then announced that the next item in the agenda was the appointment of the accounting firm R.G. Manabat & Co., CPAs/KPMG as external auditor of the Company for 2023 and the ratification of the external auditor fees for the review and preparation of the 2023 audited financial statements of the Company and its subsidiaries.

Upon confirmation by Mr. Margarito B. Teves, an Independent Director and the Chairperson of the Board Audit Committee, and on motion made and duly seconded, the stockholders approved the following resolution:

Resolution No. 3, Series of 2023

RESOLVED, That the appointment of the accounting firm R.G. Manabat & Co., CPAs/KPMG as the external auditor of Petron Corporation (the "Company") for 2022 be, and hereby is, **APPROVED**.

RESOLVED, FURTHER That the fees of R.G. Manabat & Co., CPAs/KPMG for the review and preparation of the 2022 Audited Financial Statements of the Company and its subsidiaries in the amount of P6,744,200 as approved by the Board of Directors on March 8, 2022 be, and hereby are, **RATIFIED**.

Based on the Vote Canvassing Results, this agenda item had the following voting results:

For	6,917,775,001 - 73.789%
Against	0 - 0.000%
Abstain	0 - 0.000%

Election of Directors

The Chairman announced that the next item on the agenda is the election of directors.

The Corporate Secretary proceeded to announce the nomination of the following as directors of the Company:

- (1) Mr. Ramon S. Ang
- (2) Mr. Lubin B. Nepomuceno
- (3) Atty. Estelito P. Mendoza
- (4) Mr. Jose P. de Jesus
- (5) Mr. Ron W. Haddock
- (6) Ms. Aurora T. Calderon
- (7) Ret. Justice Francis H. Jardeleza
- (8) Mr. Mirzan Mahathir
- (9) Atty. Virgilio S. Jacinto
- (10) Atty. Nelly Favis-Villafuerte
- (11) Mr. Horacio C. Ramos
- (12) Mr. John Paul L. Ang
- (13) Ret. Chief Justice Artemio V. Panganiban (Independent)
- (14) Mr. Margarito B. Teves (Independent)
- (15) Mr. Ricardo C. Marquez (Independent)

Atty. Elacio explained that, in accordance with the Manual on Corporate Governance of the Company and upon endorsement of the Corporate Governance Committee of the Company, the Board of Directors found that the independence of the independent directors has not been diminished or impaired by their years of service and it had full confidence that the independent directors would

continue acting as independent directors with the same zeal, diligence and vigor as when first elected. Therefore, the Board of Directors had approved and endorsed for the vote of the stockholders of the Company the election of the 15 nominees, including all the nominees for independent directors, pursuant to the Corporate Governance Manual of the Company.

As explained in the Definitive Information Statement and by the Corporate Secretary at the start of the meeting, cumulative voting was allowed in the election of directors.

Upon confirmation by Mr. Teves, a member of the Board Corporate Governance Committee, the following motions were made and duly seconded: (i) motion to dispense with balloting; (ii) motion to declare all nominees be considered unanimously elected as directors of the Company for the ensuing year, including all the independent directors, until their successors are elected and qualified; and (iii) motion for the votes of the stockholders present and represented by proxies be distributed and recorded accordingly. These motions were all approved.

Pursuant to such motions, votes were cast for all shares duly represented at the meeting in favor of the 15 nominees, except as otherwise expressly instructed in a written proxy given the Chairman.

With the required votes being obtained by the nominees, the Chairman declared the following persons as duly elected directors of the Company, with the voting results based on the Vote Canvassing Results:

Election of the Board of Directors - Annual Stockholders Meeting 2023

No.	Nominee	IN FAVOR	AGAINST	ABSTAIN	TOTAL
1	RAMON S. ANG	6,917,468,101	94,200	212,700	6,917,775,001
2	LUBIN B. NEPOMUCENO	6,859,685,001	0	58,090,000	6,917,775,001
3	ESTELITO P. MENDOZA	6,858,913,901	94,200	58,766,900	6,917,775,001
4	JOSE P. DE JESUS	6,859,676,001	0	58,099,000	6,917,775,001
5	RON W. HADDOCK	6,859,676,001	0	58,099,000	6,917,775,001
6	AURORA T. CALDERON	6,859,581,801	94,200	58,099,000	6,917,775,001
7	FRANCIS H. JARDELEZA	6,859,676,001	0	58,099,000	6,917,775,001
8	MIRZAN MAHATHIR	6,859,676,001	0	58,099,000	6,917,775,001
9	VIRGILIO S. JACINTO	6,859,017,101	0	58,757,900	6,917,775,001
10	NELLY FERVIS-VILLAFUERTE	6,859,685,001	0	58,090,000	6,917,775,001
11	HORACIO C. RAMOS	6,859,676,001	0	58,099,000	6,917,775,001
12	JOHN PAUL L. ANG	6,859,581,801	94,200	58,099,000	6,917,775,001
13	ARTEMIO V. PANGANIBAN	6,859,794,501	94,200	57,886,300	6,917,775,001
14	MARGARITO B. TEVES	6,917,722,001	0	53,000	6,917,775,001
15	RICARDO C. MARQUEZ	6,917,722,001	0	53,000	6,917,775,001
TOTAL		103,067,551,215	471,000	698,602,800	103,766,625,015

Pursuant to the foregoing, the following resolution was approved:

Resolution No. 4, Series of 2023

RESOLVED, That the following persons are hereby declared as the duly elected directors of the Corporation, to serve for a term of one year or until their successors shall have been duly elected and qualified in accordance with the by-laws of the Company:

Mr. Ramon S. Ang
Mr. Lubin B. Nepomuceno
Atty. Estelito P. Mendoza
Mr. Jose P. de Jesus
Mr. Ron W. Haddock
Mr. Mirzan Mahathir
Ms. Aurora T. Calderon
Ret. Justice Francis H. Jardeleza
Atty. Virgilio S. Jacinto
Atty. Nelly Favis-Villafuerte

Mr. Horacio C. Ramos
Mr. John Paul L. Ang
Ret. Chief Justice Artemio V. Panganiban (Independent)
Mr. Margarito B. Teves (Independent)
Mr. Ricardo C. Marquez (Independent)

Ratification of Directors' Fees

The Chairman then announced that the next item in the agenda was the ratification of the directors' fees for 2023.

Atty. Elacio advised that, after evaluation, and based on the recommendation of Management and in accordance with the Corporate Governance Manual of the Company, on March 6, 2023, the Corporate Governance Committee recommended the payment of the directors' fees for 2023 in the amount of P17.25 million and the Board of Directors approved the same.

Upon confirmation by Ret. Chief Justice Artemio V. Panganiban, an Independent Director and the Chairperson of the Board Corporate Governance Committee, and on motion made and duly seconded, the stockholders approved the following resolution:

Resolution No. 5, Series of 2023

RESOLVED, That the fees of the directors for 2023 in the amount of P17.25 million (inclusive of per diems for scheduled board and committee meetings) as approved by the Board of Directors on March 6, 2023 be, and hereby are, RATIFIED.

Based on the Vote Canvassing Results, this agenda item had the following voting results:

For	6,917,775,001	- 73.789%
Against	0	- 0.000%
Abstain	0	- 0.000%

Adjournment

There being no further matters raised, and on motion made and seconded, the Chairman adjourned the meeting at about 2:25 p.m. and thanked the stockholders for their attendance and support.

Respectfully submitted:

JHOANNA JASMINE M. JAVIER-ELACIO
Corporate Secretary

Approved by:

LUBIN B. NEPOMUCENO
Chairman of the Meeting

Annex A

PETRON CORPORATION

Annual Stockholders' Meeting Attendance Report (Final)
Date of Meeting : May 16, 2023

Shares as of record date : March 20, 2023

	No. Of Common Shares	No. Of Preferred Shares	TOTAL SHARES	% to O/S Common	% to Outstanding Capital
Voting by Proxy (with submitted proxy form)					
Principal stockholders					
San Miguel Corporation	1,702,870,560	0	1,702,870,560	18.16%	18.13%
Sea Refinery Corporation	4,696,885,564	0	4,696,885,564	50.10%	49.99%
Petron Corporation Employees Ret. Plan	459,156,097	0	459,156,097	4.90%	4.89%
Sub-total Principal Stockholders	6,858,912,221	0	6,858,912,221	73.16%	73.01%
Banks					
Standard Chartered Bank	7,581,400	0	7,581,400	0.08%	0.08%
HSBC	2,426,700	0	2,426,700	0.03%	0.03%
Citibank, N.A.	48,853,000	0	48,853,000	0.52%	0.52%
Sub-total Banks	58,861,100	0	58,861,100	0.63%	0.63%
Other stockholders					
Jessie F. Ramirez	1,680	0	1,680	0.00%	0.00%
Total Shares voting by proxy	6,917,775,001	0	6,917,775,001	73.79%	73.63%
Voting by Ballot (with submitted ballot form)	0	0	0	0.00%	0.00%
TOTAL SHARES VOTING IN PERSON or BY PROXY	6,917,775,001	0	6,917,775,001	73.79%	73.63%
Attending					
Luz R. Garcia And Anna Isabel R. Garcia (lodged COL Financial)	0	50	50	0.00%	0.00%
Eduardo Victor Jamias Valdez	939	0	939	0.00%	0.00%
Julius J. Sanvictores	2,000	0	2,000	0.00%	0.00%
Pablo Felix B. Bernardez	3,000	0	3,000	0.00%	0.00%
Sysmart Corp.	4,000,000	0	4,000,000	0.04%	0.04%
Karen R. Doming (lodged COL Financial)	1,000	0	1,000	0.00%	0.00%
Ma. Arlene G. Martinez	14,700	0	14,700	0.00%	0.00%
Maria Arlene Geronimo Martinez	18	0	18	0.00%	0.00%
Lilibeth E. Bacarse	6,220	0	6,220	0.00%	0.00%
Helomi Sy (lodged COL Financial)	0	150	150	0.00%	0.00%
Rowena Ebreo (Landbank Securities)	1,000	0	1,000	0.00%	0.00%
Enrique Ll. Yusingco	300,200	0	300,200	0.00%	0.00%
Enrique Ll. Yusingco	0	500	500	0.00%	0.00%
Enrique Ll. Yusingco (lodged Papa Securities)	844,200	0	844,200	0.01%	0.01%
Enrique Ll. Yusingco (lodged Papa Securities)	0	2,000	2,000	0.00%	0.00%
Enrique Miguel L. Yusingco	0	500	500	0.00%	0.00%
Enrique Noel L. Yusingco	0	500	500	0.00%	0.00%
Ma. Teresa L. Yusingco	0	500	500	0.00%	0.00%
Lubin Nepomuceno	5,000	0	5,000	0.00%	0.00%
Estelito P. Mendoza	1,000	0	1,000	0.00%	0.00%
Jose P. De Jesus	500	0	500	0.00%	0.00%
Ron W. Haddock	1	0	1	0.00%	0.00%
Aurora T. Calderon	1,000	0	1,000	0.00%	0.00%
Francis H. Jardeleza	1,000	0	1,000	0.00%	0.00%
Mirzan Mahathir	1,000	0	1,000	0.00%	0.00%
Virgilio S. Jacinto	1,000	0	1,000	0.00%	0.00%
Nelly Favis-Villafuerte	1,000	0	1,000	0.00%	0.00%
Horacio C. Ramos	500	0	500	0.00%	0.00%
John Paul L. Ang	1,000	0	1,000	0.00%	0.00%
Artemio V. Panganiban	1,000	0	1,000	0.00%	0.00%
Margarito B. Teves	500	0	500	0.00%	0.00%
Ricardo C. Marquez	1,000	0	1,000	0.00%	0.00%
Ramon S. Ang	1,000	0	1,000	0.00%	0.00%
Total shares attending	5,189,778	4,200	5,193,978	0.06%	0.06%
TOTAL SHARES IN ATTENDANCE IN PERSON OR BY PROXY	6,922,964,779	4,200	6,922,968,979	73.84%	73.69%
Not attending					
Q-Tech Alliance Holdings, Inc.	2,648,500	0	2,648,500	0.03%	0.03%
Others (including PDT/PCD Nominee)	2,449,491,218	19,995,800	2,469,487,018	26.13%	26.28%
TOTAL SHARES Not in attendance	2,452,139,718	19,995,800	2,472,135,518	26.16%	26.31%
TOTAL OUTSTANDING SHARES	9,375,104,497	20,000,000	9,395,104,497	100.00%	100.00%