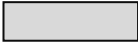




## SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17 (2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2024.
2. SEC Identification Number 31171
3. BIR Tax Identification No. 000-168-801
4. Exact name of registrant as specified in its charter PETRON CORPORATION
5. Philippines  
Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. Mandaluyong City, 40 San Miguel Avenue, 1550  
Address of principal office Postal Code
8. (632) 8-884-9200  
Registrant's telephone number, including area code
9. N/A  
(Former name, former address, and former fiscal year, if changed since last report.)
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common and Preferred Stock Outstanding and Amount of Debt Outstanding (As of March 31, 2024)
Common Stock	9,375,104,497 Shares
Preferred Stock Series 3A	13,403,000 Shares
Preferred Stock Series 3B	6,597,000 Shares
Preferred Stock Series 4A	5,000,000 Shares
Preferred Stock Series 4B	2,995,000 Shares
Preferred Stock Series 4C	6,005,000 Shares
Series C Bonds Due 2024	P13,200 Million
Series D Bonds Due 2025	P6,800 Million
Series E Bonds Due 2025	P9,000 Million
Series F Bonds Due 2027	P9,000 Million
Total Debt	P238,535 Million

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

Yes ☒ No ☐

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

Philippine Stock Exchange  
Philippine Dealing & Exchange Corp.

Common and Preferred Shares  
Series C, D, E, and F Bonds

12. Indicate by check mark whether the Registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

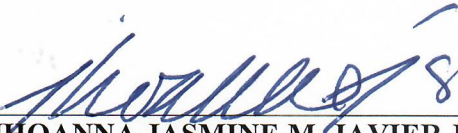
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## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **PETRON CORPORATION**

Signature and Title:

  
**JOANNA JASMINE M. JAVIER-ELACIO**  
AVP, General Counsel, Corporate Secretary  
and Compliance Officer

Date: May 13, 2024

Principal Financial/Accounting Officer/Controller

Signature and Title:

  
**MYRNA C. GERONIMO**  
Vice President - Controllers

Date: May 13, 2024

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

	<i>Note</i>	<b>Unaudited March 31 2024</b>	Audited December 31 2023
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8, 9	<b>P30,450</b>	P27,519
Financial assets at fair value	8, 9	<b>1,014</b>	1,162
Trade and other receivables - net	6, 8, 9	<b>92,065</b>	86,479
Inventories - net		<b>70,528</b>	77,318
Other current assets	6	<b>43,562</b>	40,529
<b>Total Current Assets</b>		<b>237,619</b>	233,007
<b>Noncurrent Assets</b>			
Investment in shares of stock of an associate and joint ventures		<b>1,195</b>	1,158
Property, plant and equipment - net	4, 5	<b>165,411</b>	166,046
Right-of-use assets - net		<b>5,134</b>	5,286
Investment property - net		<b>26,687</b>	27,194
Deferred tax assets - net		<b>737</b>	1,190
Goodwill - net		<b>8,010</b>	8,093
Other noncurrent assets - net	8, 9	<b>1,948</b>	1,930
<b>Total Noncurrent Assets</b>		<b>209,122</b>	210,897
		<b>P446,741</b>	P443,904
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term loans	6, 7, 8, 9	<b>P124,168</b>	P137,910
Liabilities for crude oil and petroleum products	8, 9	<b>48,059</b>	44,840
Trade and other payables	6, 8, 9	<b>29,303</b>	23,890
Lease liabilities - current portion	8, 9	<b>1,495</b>	1,566
Derivative liabilities	8, 9	<b>629</b>	749
Income tax payable		<b>457</b>	132
Current portion of long-term debt - net	8, 9	<b>26,849</b>	25,642
<b>Total Current Liabilities</b>		<b>230,960</b>	234,729

*Forward*

		Unaudited March 31 2024	Audited December 31 2023
	Note		
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion	8, 9	P87,518	P83,254
Retirement benefits liability - net		2,724	2,621
Deferred tax liabilities - net		4,403	4,432
Lease liabilities - net of current portion	8, 9	13,991	14,378
Asset retirement obligation		3,666	3,612
Other noncurrent liabilities	8, 9	1,341	1,243
<b>Total Noncurrent Liabilities</b>		<b>113,643</b>	<b>109,540</b>
<b>Total Liabilities</b>		<b>344,603</b>	<b>344,269</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock		9,485	9,485
Additional paid-in capital		40,985	40,985
Capital securities		37,529	37,529
Retained earnings		34,491	31,834
Equity reserves		(21,543)	(21,252)
Treasury stock		(7,600)	(7,600)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>		<b>93,347</b>	<b>90,981</b>
<b>Non-controlling Interests</b>		<b>8,791</b>	<b>8,654</b>
<b>Total Equity</b>		<b>102,138</b>	<b>99,635</b>
		<b>P446,741</b>	<b>P443,904</b>

See accompanying Management's Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:

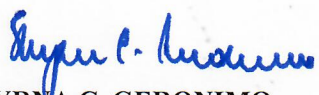

  
**MYRNA C. GERONIMO**  
Vice President – Controllers 

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF INCOME**  
**(UNAUDITED)**

(Amounts in Million Pesos, Except Per Share Data)

		For the Three Months Ended March 31	
	Note	2024	2023
SALES	4	P227,637	P188,753
COST OF GOODS SOLD		213,471	176,718
GROSS PROFIT		14,166	12,035
SELLING AND ADMINISTRATIVE EXPENSES		(4,422)	(4,011)
OTHER OPERATING INCOME		427	394
INTEREST EXPENSE AND OTHER FINANCING CHARGES	4	(5,086)	(4,329)
INTEREST INCOME	4	274	322
SHARE IN NET INCOME OF AN ASSOCIATE AND JOINT VENTURES		36	21
OTHER INCOME (EXPENSES) - Net		(283)	17
		(9,054)	(7,586)
INCOME BEFORE INCOME TAX		5,112	4,449
INCOME TAX EXPENSE	4	1,179	1,050
NET INCOME		P3,933	P3,399
Attributable to:			
Equity holders of the Parent Company		P3,712	P3,038
Non-controlling interests		221	361
		P3,933	P3,399
BASIC/DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	11	P0.38	P0.22

Certified by:

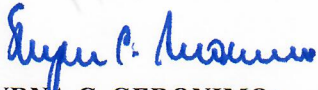

  
**MYRNA C. GERONIMO**  
Vice President - Controllers 



**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF**  
**COMPREHENSIVE INCOME**  
**(UNAUDITED)**  
(Amounts in Million Pesos)

	<b>For the Three Months Ended March 31</b>	
	<b>2024</b>	<b>2023</b>
<b>NET INCOME</b>	<b>P3,933</b>	<b>P3,399</b>
<b>ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b>		
Net loss on cash flow hedges	-	(17)
Exchange differences on translation of foreign operations	(377)	(1,332)
Share in other comprehensive income of an associate and joint ventures	2	13
Income tax benefit	-	4
	<b>(375)</b>	<b>(1,332)</b>
<b>OTHER COMPREHENSIVE LOSS - Net of tax</b>	<b>(375)</b>	<b>(1,332)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD - Net of tax</b>	<b>P3,558</b>	<b>P2,067</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>P3,421</b>	<b>P1,907</b>
Non-controlling interests	<b>137</b>	<b>160</b>
	<b>P3,558</b>	<b>P2,067</b>

Certified by:

  
**MYRNA C. GERONIMO**  
Vice President – Controllers 

**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**(UNAUDITED)**  
(Amounts in Million Pesos)

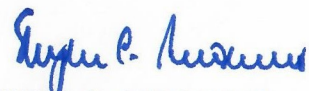
	Note	Equity Attributable to Equity Holders of the Parent Company									Non-controlling Interests	Total Equity
		Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves		Treasury Stock	Total		
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves				
As of January 1, 2024 (Audited)		P9,485	P40,985	P37,529	P3	P31,831	(P6,466)	(P14,786)	(P7,600)	P90,981	P8,654	P99,635
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(293)	-	(293)	(84)	(377)
Share in other comprehensive income of an associate and joint ventures		-	-	-	-	-	-	2	-	2	-	2
Other comprehensive loss for the period		-	-	-	-	-	-	(291)	-	(291)	(84)	(375)
Net income for the period		-	-	-	-	3,712	-	-	-	3,712	221	3,933
Total comprehensive income (loss) for the period		-	-	-	-	3,712	-	(291)	-	3,421	137	3,558
Cash dividends	12	-	-	-	-	(938)	-	-	-	(938)	-	(938)
Distributions paid	12	-	-	-	-	(117)	-	-	-	(117)	-	(117)
Transactions with owners		-	-	-	-	(1,055)	-	-	-	(1,055)	-	(1,055)
As of March 31, 2024 (Unaudited)		P9,485	P40,985	P37,529	P3	P34,488	(P6,466)	(P15,077)	(P7,600)	P93,347	P8,791	P102,138

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
				Appro- priated	Unappro- priated	Reserve for Retirement Plan	Other Reserves				
As of January 1, 2023 (Audited)	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	-	-	-	-	-	-	(13)	-	(13)	-	(13)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,131)	-	(1,131)	(201)	(1,332)
Share in other comprehensive income of an associate and joint ventures	-	-	-	-	-	-	13	-	13	-	13
Other comprehensive income for the period	-	-	-	-	-	-	(1,131)	-	(1,131)	(201)	(1,332)
Net income for the period	-	-	-	-	3,038	-	-	-	3,038	361	3,399
Total comprehensive income (loss) for the period	-	-	-	-	3,038	-	(1,131)	-	1,907	160	2,067
Cash dividends	-	-	-	-	(938)	-	-	-	(938)	-	(938)
Distributions paid	12	-	-	-	(958)	-	-	-	(958)	-	(958)
Redemption of capital securities	-	-	(1,118)	-	-	-	(24)	-	(1,142)	-	(1,142)
Share issuance cost of a subsidiary	-	-	-	-	(14)	-	-	-	(14)	-	(14)
Transactions with owners	-	-	(1,118)	-	(1,910)	-	(24)	-	(3,052)	-	(3,052)
As of March 31, 2023 (Unaudited)	P9,485	P37,500	P61,594	P7,003	P24,482	(P6,437)	(P11,605)	(P18,000)	P104,022	P8,543	P112,565

See accompanying Management's Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:



MYRNA C. GERONIMO  
Vice President - Controllers



**PETRON CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
(Amounts in Million Pesos)

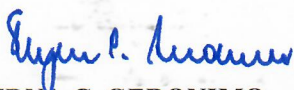

		<b>For the Three Months Ended March 31</b>	
	<i>Note</i>	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>P5,112</b>	P4,449
Adjustments for:			
Share in net income of an associate and joint ventures		<b>(36)</b>	(21)
Depreciation and amortization		<b>3,481</b>	2,990
Interest expense and other financing charges	4	<b>5,086</b>	4,329
Retirement benefits costs		<b>76</b>	79
Interest income	4	<b>(274)</b>	(322)
Unrealized foreign exchange losses (gains) - net		<b>950</b>	(904)
Other gains – net		<b>(430)</b>	(801)
Operating income before working capital changes		<b>13,965</b>	9,799
Changes in noncash assets, certain current liabilities and others		<b>4,212</b>	14,068
Cash generated from operations		<b>18,177</b>	23,867
Contributions to retirement fund		<b>-</b>	(100)
Interest paid		<b>(4,826)</b>	(4,145)
Income taxes paid		<b>(239)</b>	(170)
Interest received		<b>260</b>	332
Net cash flows provided by operating activities		<b>13,372</b>	19,784
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	5	<b>(2,017)</b>	(1,170)
Proceeds from sale of property and equipment		<b>-</b>	7
Additions to investment property		<b>(81)</b>	(121)
Net cash flows used in investing activities		<b>(2,098)</b>	(1,284)

*Forward*

		For the Three Months Ended March 31	
	Note	2024	2023
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availment of loans	7	P85,792	P51,448
Payments of:			
Loans	7	(92,552)	(71,974)
Lease liabilities		(1,092)	(921)
Cash dividends and distributions	12	(907)	(1,490)
Redemption of capital securities		-	(1,142)
Share issuance cost of a subsidiary		-	(14)
Net cash flows used in financing activities		(8,759)	(24,093)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		416	(845)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		2,931	(6,438)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			
		27,519	37,183
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
		P30,450	P30,745

See accompanying Management's Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:

  
**MYRNA C. GERONIMO**  
 Vice President - Controllers 

## **PETRON CORPORATION AND SUBSIDIARIES**

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

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

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

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

Petron is the only oil refining and the leading marketing company in the Philippines. Petron envisions an energy-secure and prosperous nation where everyone’s journey is fueled by opportunities for meaningful experiences and sustainable success.

The Parent Company is a public company under Section 17.2 of Securities Regulation Code and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The accompanying consolidated interim financial statements comprise the financial statements of Petron Corporation and Subsidiaries (collectively referred to as the “Group”) and the Group’s interests in an associate and joint ventures.

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

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

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#### **2. Summary of Material Accounting Policy Information**

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements as at December 31, 2023.

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 7, 2024.

The consolidated financial statements are presented in Philippine Peso and all financial information are rounded off to the nearest million (P000,000), except when otherwise indicated.

The principal accounting policies adopted in preparing the interim consolidated financial statements of the Group are consistent with those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

##### Adoption of Amended Standards

The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of new and amendments to standards as part of Philippine Financial Reporting Standards (PFRS).

## *Adoption of Amendments to Standards in 2024*

The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- 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 recognizes no gain or loss relating to the right-of-use asset it retains.

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). 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 require that the right must have substance and exist at the reporting date;
  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent 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 noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 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.
- 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 adoption of the amendments to standards did not have a material effect on the interim consolidated financial statements.

### *New and Amendments to Standards Not Yet Adopted*

A number of new and amended standards are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard applies to all insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

PFRS 17 aims to increase transparency and to reduce diversity in the accounting for insurance contracts. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach (the premium allocation approach) mainly for short-duration contracts.

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 International Accounting Standards Board (IASB).

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when an entity 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, an entity 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 entity because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 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 entity 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.

- 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 reporting 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 of these amendments 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.

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### **3. Use of Judgments and Estimates**

In preparing these consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as of and for the year ended December 31, 2023.

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### **4. 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 Chief Executive Officer (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. Lease of acquired real estate properties and equipment for petroleum, refining, storage and distribution facilities, gasoline service stations and other related structures.
- c. Sales on wholesale or retail and operation of service stations, retail outlets, convenience stores and the like.
- d. Export sales of various petroleum and non-fuel products to other countries such as China, Indonesia, India, Taiwan, Singapore, and Malaysia.

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 recognizes 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, depreciation 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 periods ended March 31, 2024, December 31, 2023 and March 31, 2023:

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
<b>March 31, 2024</b>					
Revenue:					
External sales	226,851	288	324	174	227,637
Inter-segment sales	81,978	107	-	(82,085)	-
Operating income	10,084	55	8	24	10,171
Net income	3,996	33	12	(108)	3,933
Assets and liabilities:					
Segment assets*	488,874	9,863	670	(53,403)	446,004
Segment liabilities*	357,747	4,377	122	(22,046)	340,200
Other segment information:					
Property, plant and equipment - net	162,021	-	79	3,311	165,411
Depreciation and amortization	3,444	21	3	13	3,481
Interest expense	5,118	67	-	(99)	5,086
Interest income	274	56	4	(60)	274
Income tax expense	1,169	10	2	(2)	1,179

\*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".

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
<b>December 31, 2023</b>					
Revenue:					
External sales	P798,032	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 and amortization	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".

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
March 31, 2023					
Revenue:					
External sales	P188,071	P289	P278	P115	P188,753
Inter-segment sales	81,262	105	-	(81,367)	-
Operating income	8,373	53	4	(12)	8,418
Net income	3,693	29	3	(326)	3,399
Assets and liabilities:					
Segment assets*	492,128	9,779	673	(64,026)	438,554
Segment liabilities*	351,636	4,435	157	(32,326)	323,902
Other segment information:					
Property, plant and equipment	167,554	-	88	1,447	169,089
Depreciation and amortization	2,993	21	3	(27)	2,990
Interest expense	4,363	70	-	(104)	4,329
Interest income	325	56	3	(62)	322
Income tax expense	1,044	10	1	(5)	1,050

\*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 P82,085, P326,420 and P81,367 for the periods ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the periods ended March 31, 2024, December 31, 2023, and March 31, 2023:

	Retail	Lube	Gasul	Industrial	Others	Total
<b>March 31, 2024</b>						
Revenue	<b>P95,362</b>	<b>P1,813</b>	<b>P9,542</b>	<b>P40,989</b>	<b>P79,145</b>	<b>P226,851</b>
Property, plant and equipment	<b>8,268</b>	<b>85</b>	<b>133</b>	<b>64</b>	<b>153,471</b>	<b>162,021</b>
Capital expenditures	<b>1,253</b>	<b>52</b>	<b>10</b>	<b>43</b>	<b>4,727</b>	<b>6,085</b>
December 31, 2023						
Revenue	367,013	6,462	33,267	146,980	244,310	798,032
Property, plant and equipment	7,880	62	138	62	154,868	163,010
Capital expenditures	1,237	34	10	40	3,645	4,966
March 31, 2023						
Revenue	86,967	1,552	9,493	36,973	53,086	188,071
Property, plant and equipment	8,242	34	145	30	159,103	167,554
Capital expenditures	1,290	6	-	5	12,635	13,936

### Geographical Segments

The following table presents segment assets of the Group as of March 31, 2024, December 31, 2023, and March 31, 2023:

	March 31, 2024	December 31, 2023	March 31, 2023
Local	<b>P337,270</b>	P338,268	P336,941
International	<b>108,734</b>	104,446	101,613
	<b>P446,004</b>	P442,714	P438,554

### 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 periods ended March 31, 2024, December 31, 2023, and March 31, 2023:

	Petroleum	Leasing*	Marketing	Elimination/ Others*	Total
<b>March 31, 2024</b>					
Local	<b>P122,872</b>	<b>P395</b>	<b>P324</b>	<b>(P348)</b>	<b>P123,243</b>
Export/international	<b>185,957</b>	<b>-</b>	<b>-</b>	<b>(81,563)</b>	<b>104,394</b>
<b>December 31, 2023</b>					
Local	411,588	1,553	1,143	(1,109)	413,175
Export/international	712,469	-	-	(324,617)	387,852
<b>March 31, 2023</b>					
Local	100,028	394	278	(328)	100,372
Export/international	169,305	-	-	(80,924)	88,381

\*Revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.

## 5. Property, Plant and Equipment

The movements and balances as of and for the periods ended March 31, 2024 and December 31, 2023 follow:

	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction In-progress	Total
<b>Cost:</b>							
January 1, 2023	P27,116	P212,844	P20,478	P7,199	P4,472	P13,630	P285,739
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	232	-	-	-	31	104	367
Currency translation adjustment	(104)	(1,278)	(494)	(136)	(97)	(38)	(2,147)
December 31, 2023 (Audited)	27,968	222,890	19,840	9,103	4,741	5,057	289,599
<b>Additions</b>	<b>28</b>	<b>68</b>	<b>344</b>	<b>422</b>	<b>26</b>	<b>1,144</b>	<b>2,032</b>
<b>Disposals/reclassifications</b>	<b>19</b>	<b>1</b>	<b>(482)</b>	<b>-</b>	<b>11</b>	<b>(16)</b>	<b>(467)</b>
<b>Currency translation adjustment</b>	<b>65</b>	<b>(257)</b>	<b>(102)</b>	<b>(25)</b>	<b>(21)</b>	<b>(7)</b>	<b>(347)</b>
<b>March 31, 2024 (Unaudited)</b>	<b>28,080</b>	<b>222,702</b>	<b>19,600</b>	<b>9,500</b>	<b>4,757</b>	<b>6,178</b>	<b>290,817</b>
<b>Accumulated Depreciation:</b>							
January 1, 2023	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	(170)	-	-	-	61	-	(109)
Currency translation adjustment	(63)	(553)	(320)	(99)	-	-	(1,035)
December 31, 2023 (Audited)	16,549	84,168	15,376	5,922	1,538	-	123,553
<b>Depreciation</b>	<b>237</b>	<b>2,212</b>	<b>194</b>	<b>90</b>	<b>30</b>	<b>-</b>	<b>2,763</b>
<b>Disposals/reclassifications</b>	<b>(295)</b>	<b>-</b>	<b>(448)</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>(755)</b>
<b>Currency translation adjustment</b>	<b>41</b>	<b>(116)</b>	<b>(60)</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>(155)</b>
<b>March 31, 2024 (Unaudited)</b>	<b>16,532</b>	<b>86,264</b>	<b>15,062</b>	<b>5,992</b>	<b>1,556</b>	<b>-</b>	<b>125,406</b>
<b>Carrying Amount:</b>							
December 31, 2023 (Audited)	P11,419	P138,722	P4,464	P3,181	P3,203	P5,057	P166,046
<b>March 31, 2024 (Unaudited)</b>	<b>P11,548</b>	<b>P136,438</b>	<b>P4,538</b>	<b>P3,508</b>	<b>P3,201</b>	<b>P6,178</b>	<b>P165,411</b>

Certain fully depreciated property, plant and equipment with aggregate costs of P31,422 and P31,610 as of March 31, 2024 and December 31, 2023, respectively, are still being used in the Group's operations.

### Capital Commitments

As of March 31, 2024 and December 31, 2023, the Group has outstanding commitments to acquire property, plant and equipment amounting to P6,870 and P7,535, respectively.

## 6. 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 market prices and terms. Amounts owed by/owed to related parties are collectible/to be settled in cash.

The balances and transactions with related parties as of and for the periods ended March 31, 2024 and December 31, 2023 follow:

	<i>Note</i>	<b>Year</b>	<b>Revenues from Related Parties</b>	<b>Purchases from Related Parties</b>	<b>Amounts Owed by Related Parties</b>	<b>Amounts Owed to Related Parties</b>	<b>Terms</b>	<b>Conditions</b>
Retirement Plan	<i>a</i>	<b>2024</b> 2023	<b>P 11</b> 45	<b>P -</b> -	<b>P894</b> 894	<b>P -</b> -	On demand; interest bearing	Unsecured; no impairment
	<i>a</i>	<b>2024</b> 2023	<b>-</b> -	<b>-</b> -	<b>54</b> 43	<b>46</b> -	On demand; non-interest bearing	Unsecured; no impairment
Intermediate Parent	<i>b,e,f,h,i</i>	<b>2024</b> 2023	<b>3</b> 29	<b>58</b> 221	<b>16</b> 18	<b>543</b> 461	On demand; non-interest bearing	Unsecured; no impairment
Under Common Control	<i>k</i>	<b>2024</b> 2023	<b>-</b> -	<b>64</b> 167	<b>-</b> -	<b>5,624</b> 3,322	On demand; interest bearing	Unsecured; no impairment
	<i>b,c,d, h,i,j,k</i>	<b>2024</b> 2023	<b>2,645</b> 15,949	<b>2,522</b> 5,808	<b>3,588</b> 3,801	<b>3,216</b> 2,638	On demand; non-interest bearing	Unsecured; no impairment
Associate	<i>b,h,i</i>	<b>2024</b> 2023	<b>76</b> 240	<b>70</b> 210	<b>200</b> 54	<b>246</b> 73	On demand; non-interest bearing	Unsecured no impairment
Joint Venture	<i>c,g,h</i>	<b>2024</b> 2023	<b>-</b> -	<b>14</b> 65	<b>1</b> 1	<b>-</b> -	On demand; non-interest bearing	Unsecured no impairment
Associates and Joint Ventures under Common Control	<i>l</i>	<b>2024</b> 2023	<b>-</b> -	<b>17</b> 112	<b>-</b> -	<b>1,100</b> 1,100	Short-term; interest bearing	Unsecured no impairment
	<i>b,h,i,l</i>	<b>2024</b> 2023	<b>80</b> 326	<b>-</b> -	<b>93</b> 87	<b>4</b> 1	On demand; non-interest bearing	Unsecured no impairment
		<b>2024</b>	<b>P2,815</b>	<b>P2,745</b>	<b>P4,846</b>	<b>P10,779</b>		
		2023	P16,589	P6,583	P4,898	P7,595		

- The Parent Company has interest bearing advances to Petron Corporation Employees' Retirement Plan (PCERP), included as part of "Trade and other receivables - net" account in the consolidated interim statements of financial position, for some investment opportunities.
- Sales pertain to the Parent Company's supply agreements with the Intermediate Parent, various SMC subsidiaries, and an associate. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.
- Purchases pertain to purchase of goods and services such as power, construction, information technology, shipping and terminalling from a joint venture, associate and various SMC subsidiaries.

- d. The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for its 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. Terminal Bersama Sdn Bhd, an operator of Liquefied Petroleum Gas (LPG) bottling plant, provides bottling services to Petron Fuel International Sdn Bhd (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. New Ventures Realty Corporation (NVRC) leases out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.
- k. Amounts owed to entities under common control include interest bearing advances from San Miguel Insurance Company Ltd.
- l. Amounts owed to associate of entities under common control include interest bearing short-term loans payable to Bank of Commerce.

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## 7. Loans and Borrowings

### Short-term Loans

The movements of short-term loans for the three months ended March 31, 2024 follow:

<b>Balance as of January 1, 2024</b>	<b>P137,910</b>
Loan availments	<b>P76,601</b>
Loan repayments	<b>(P90,281)</b>
Currency translation adjustment	<b>(P62)</b>
<b>Balance as of March 31, 2024</b>	<b>P124,168</b>

This account pertains to unsecured Philippine peso, US dollar and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 6 to 120 days and annual interest ranging from 4.03% to 7.79% for the period ended March 31, 2024 and 4 to 180 days and annual interest ranging 3.71% to 7.53% for the period ended December 31, 2023. These loans are intended to fund the importation of crude oil and petroleum products and working capital requirements.

### Long-term Loans

Certain loan 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 March 31, 2024 and December 31, 2023 the Group is compliant with the provisions of its debt agreements.

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## **8. Financial Risk Management Objectives and Policies**

The Group's principal financial instruments include cash and cash equivalents, debt and equity securities, bank loans and derivative instruments. The main purpose of bank loans is to finance working capital relating to importation of crude and petroleum products, as well as to partly fund capital expenditures. The Group has other financial assets and liabilities such as trade and other receivables and trade and other payables, which are generated directly from its operations.

It is the Group's policy not to enter into derivative transactions for speculative purposes. The Group uses hedging instruments to protect its margin on its products from potential price volatility of crude oil and products. It also enters into forward currency and option contracts to hedge its currency exposure on crude oil importations and long-term dollar loan respectively.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The Board of Directors (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 are likewise provided by corporate units and committees with special duties. These groups and their functions are:

- a. The Enterprise-Wide Risk 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. Petron Singapore Trading Pte. Ltd. (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 period. 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:

	<b>March 31, 2024</b>		<b>December 31, 2023</b>	
	<b>US dollar (in millions)</b>	<b>Philippine peso Equivalent</b>	<b>US dollar (in millions)</b>	<b>Philippine peso Equivalent</b>
<b>Assets</b>				
Cash and cash equivalents	435	24,454	376	20,804
Trade and other receivables	758	42,653	752	41,644
Other assets	20	1,137	23	1,285
	<b>1,213</b>	<b>68,244</b>	<b>1,151</b>	<b>63,733</b>
<b>Liabilities</b>				
Short-term loans	254	14,279	223	12,366
Liabilities for crude oil and petroleum products	812	45,650	767	42,490
Long-term debt (including current maturities)	922	51,872	940	52,030
Other liabilities	143	8,083	116	6,425
	<b>2,131</b>	<b>119,884</b>	<b>2,046</b>	<b>113,311</b>
<b>Net foreign currency -denominated monetary liabilities</b>	<b>(918)</b>	<b>(51,640)</b>	<b>(895)</b>	<b>(49,578)</b>

The Group incurred net foreign currency exchange losses amounting to P692 for the period ended March 31, 2024 and gains amounting to P783 for the period ended March 31, 2023, respectively, which were mainly countered by mark-to-market and hedging gains or losses (Note 9). The foreign currency rates from Philippine peso (PHP) to US dollar (US\$) as of reporting dates are shown in the following table:

	<b>PHP to US\$</b>
<b>March 31, 2024</b>	<b>56.240</b>
December 31, 2023	55.370
March 31, 2023	54.360

Management of foreign currency risk is also supplemented by monitoring the sensitivity of the financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings 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 March 31, 2024 and December 31, 2023:

	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
<b>March 31, 2024</b>				
Cash and cash equivalents	(P275)	(P366)	P275	P366
Trade and other receivables	(159)	(747)	159	747
Other assets	(10)	(18)	10	18
	(444)	(1,131)	444	1,131
Short-term loans	100	229	(100)	(229)
Liabilities for crude oil and petroleum products	190	954	(190)	(954)
Long-term debts (including current maturities)	922	692	(922)	(692)
Other liabilities	7	143	(7)	(143)
	1,219	2,018	(1,219)	(2,018)
	P775	P887	(P775)	(P887)
	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
<b>December 31, 2023</b>				
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)

Exposures to foreign currency rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign 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 interim 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 in consolidated interim 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 P398 and P385 for the period ended March 31, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

### *Interest Rate Risk Table*

As of March 31, 2024 and December 31, 2023, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

March 31, 2024	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
<b>Fixed Rate</b>							
Philippine peso denominated	P18,521	P23,113	P5,000	P15,125	P2,000	P -	P63,759
Interest rate	4.6% - 7.8%	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	7.5% - 7.5%		
<b>Floating Rate</b>							
US\$ denominated (expressed in Php)	7,183	16,173	12,558	14,365	-	-	50,279
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			
JP¥ denominated (expressed in Php)	1,593	-	-	-	-	-	1,593
Interest rate*	1, 3, 6 mos. TONA + margin						
	P27,297	P39,286	P17,558	P29,490	P2,000	P -	P115,631

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

December 31, 2023	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
<b>Fixed Rate</b>							
Philippine peso denominated	P19,057	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%	-	-	-
<b>Floating Rate</b>							
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		
JP¥ denominated (expressed in Php)	1,686	843	-	-	-	-	2,529
Interest rate*	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.

### 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 interim statements of financial position or in the notes to the consolidated interim financial statements, as summarized below:

	<b>March 31, 2024</b>	December 31, 2023
Cash in banks and cash equivalents	<b>P28,540</b>	P24,373
Derivative assets	<b>1,014</b>	1,162
Trade and other receivables - net	<b>92,065</b>	86,479
Noncurrent deposits	<b>124</b>	124
	<b>P121,743</b>	P112,138

*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 Expected Credit Loss (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*

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 4.

*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 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*" refer 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.

*Collaterals.* To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables. Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P5,945 and P5,669 as of March 31, 2024 and December 31, 2023, 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 tables below present the summary of the Group's exposure to credit risk and shows the credit quality

of the financial assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

March 31, 2024					
	Financial Assets at Amortized Cost			Financial Assets at Fair Value Through Profit or Loss (FVPL)	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired		
Cash in banks and cash equivalents	P28,540	P -	P -	P -	P28,540
Trade and other receivables	-	92,065	901	-	92,966
Derivative assets not designated as cash flow hedge	-	-	-	1,014	1,014
Long-term receivables	-	-	306	-	306
Noncurrent deposits	124	-	-	-	124
	P28,664	P92,065	P1,207	P1,014	P122,950

December 31, 2023					
	Financial Assets at Amortized Cost			Financial Assets at Fair Value Through Profit or Loss (FVPL)	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired		
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	-	-	309	-	309
Noncurrent deposits	124	-	-	-	124
	P24,497	P86,479	P1,211	P1,162	P113,349

### 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 March 31, 2024 and December 31, 2023.

<b>March 31, 2024</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flow</b>	<b>1 Year or Less</b>	<b>&gt;1 Year - 2 Years</b>	<b>&gt;2 Years - 5 Years</b>	<b>Over 5 Years</b>
<b>Financial Assets</b>						
Cash and cash equivalents	<b>P30,450</b>	<b>P30,450</b>	<b>P30,450</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>
Trade and other receivables - net	<b>92,065</b>	<b>92,065</b>	<b>92,065</b>	<b>-</b>	<b>-</b>	<b>-</b>
Derivative assets (including non-current portion)	<b>1,014</b>	<b>1,014</b>	<b>1,014</b>	<b>-</b>	<b>-</b>	<b>-</b>
Proprietary membership shares	<b>395</b>	<b>395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>395</b>
Noncurrent deposits	<b>124</b>	<b>124</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>121</b>
<b>Financial Liabilities</b>						
Short-term loans	<b>124,168</b>	<b>125,751</b>	<b>125,751</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liabilities for crude oil and petroleum products	<b>48,059</b>	<b>48,059</b>	<b>48,059</b>	<b>-</b>	<b>-</b>	<b>-</b>
Trade and other payables*	<b>18,871</b>	<b>18,871</b>	<b>18,871</b>	<b>-</b>	<b>-</b>	<b>-</b>
Derivative liabilities (including noncurrent portion)	<b>629</b>	<b>629</b>	<b>629</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long-term debts (including current maturities)	<b>114,367</b>	<b>132,271</b>	<b>34,132</b>	<b>44,216</b>	<b>53,923</b>	<b>-</b>
Lease liability (including current portion)	<b>15,486</b>	<b>29,287</b>	<b>2,524</b>	<b>2,456</b>	<b>6,921</b>	<b>17,386</b>
Cash bonds	<b>439</b>	<b>439</b>	<b>-</b>	<b>423</b>	<b>16</b>	<b>-</b>
Cylinder deposits	<b>845</b>	<b>845</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>845</b>
Other noncurrent liabilities**	<b>56</b>	<b>56</b>	<b>-</b>	<b>19</b>	<b>26</b>	<b>11</b>

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

\*\*excluding cash bonds and cylinder deposits

<b>December 31, 2023</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flow</b>	<b>1 Year or Less</b>	<b>&gt;1 Year - 2 Years</b>	<b>&gt;2 Years - 5 Years</b>	<b>Over 5 Years</b>
<b>Financial Assets</b>						
Cash and cash equivalents	<b>P27,519</b>	<b>P27,519</b>	<b>P27,519</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>
Trade and other receivables - net	<b>86,479</b>	<b>86,479</b>	<b>86,479</b>	<b>-</b>	<b>-</b>	<b>-</b>
Derivative assets (including non-current portion)	<b>1,162</b>	<b>1,162</b>	<b>1,162</b>	<b>-</b>	<b>-</b>	<b>-</b>
Proprietary membership shares	<b>389</b>	<b>389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>389</b>
Noncurrent deposits	<b>124</b>	<b>124</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>120</b>
<b>Financial Liabilities</b>						
Short-term loans	<b>137,910</b>	<b>139,785</b>	<b>139,785</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liabilities for crude oil and petroleum products	<b>44,840</b>	<b>44,840</b>	<b>44,840</b>	<b>-</b>	<b>-</b>	<b>-</b>
Trade and other payables*	<b>12,008</b>	<b>12,008</b>	<b>11,904</b>	<b>-</b>	<b>104</b>	<b>-</b>
Derivative liabilities	<b>749</b>	<b>749</b>	<b>749</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long-term debts (including current maturities)	<b>108,896</b>	<b>126,412</b>	<b>32,516</b>	<b>42,316</b>	<b>51,580</b>	<b>-</b>
Lease liability (including current portion)	<b>15,944</b>	<b>25,098</b>	<b>2,256</b>	<b>2,113</b>	<b>6,048</b>	<b>14,681</b>
Cash bonds	<b>439</b>	<b>439</b>	<b>-</b>	<b>424</b>	<b>15</b>	<b>-</b>
Cylinder deposits	<b>748</b>	<b>748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>748</b>
Other noncurrent liabilities**	<b>56</b>	<b>56</b>	<b>-</b>	<b>18</b>	<b>27</b>	<b>11</b>

\*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income, advances from customers 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 mark-to-market losses; however, any loss in the mark-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 mark-to-market gains; however, any gain in the mark-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 interim statements of financial position. The Group's capital for the covered reporting period is summarized below:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Total assets	<b>P446,741</b>	P443,904
Total liabilities	<b>344,603</b>	344,269
Total equity	<b>102,138</b>	99,635
Debt to equity ratio	<b>3.4:1</b>	3.5:1
Assets to equity ratio	<b>4.4:1</b>	4.5:1

There were no changes in the Group's approach to capital management during the period.

The Group is not subject to externally-imposed capital requirements.

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## **9. Financial Assets and Financial Liabilities**

*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 interim 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 whose objective is to hold 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 consolidated interim statements of income when the financial assets are derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, certain investments in debt instruments at amortized cost, 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 assets 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 be 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 consolidated interim statements of income as incurred. Changes in fair value and realized gains or losses are recognized in consolidated interim statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in OCI. Any interest earned from investment in debt instrument accounted as at FVPL is recognized in consolidated interim statements of income. Any dividend income from investment in equity instrument classified as at FVPL is recognized in consolidated interim 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 investment.

The Group's derivative assets 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 consolidated interim statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in OCI and presented in the consolidated interim statements of changes in equity. Any interest expense incurred is recognized as part of “Interest expense and other financing charges” account in consolidated interim statements of income.

The Group’s derivative liabilities 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 consolidated interim statements of income. Gains and losses are recognized in consolidated interim 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 consolidated interim statements of income.

The Group’s liabilities arising from its trade 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 right 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, cancelled or expired. 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 consolidated interim 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 ECL 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 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;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or

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.

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets (FA):				
Cash and cash equivalents	P30,450	P30,450	P27,519	P27,519
Trade and other receivables – net	92,065	92,065	86,479	86,479
Noncurrent deposits	124	124	124	124
FA at amortized cost	122,639	122,639	114,122	114,122
Proprietary membership shares	395	395	389	389
Derivative assets not designated as cash flow hedge	1,014	1,014	1,162	1,162
FA at FVPL	1,409	1,409	1,551	1,551
Total Financial Assets	P124,048	P124,048	P115,673	P115,673
Financial liabilities (FL):				
Short-term loans	P124,168	P124,168	P137,910	P137,910
Liabilities for crude oil and petroleum products	48,059	48,059	44,840	44,840
Trade and other payables*	18,871	18,871	12,008	12,008
Long-term debts including current portion	114,367	114,367	108,896	108,896
Cash bonds	439	439	439	439
Cylinder deposits	845	845	748	748
Other noncurrent liabilities**	56	56	56	56
Other FL	306,805	306,805	304,897	304,897
Derivative liabilities not designated as cash flow hedge	629	629	749	749
Total Financial Liabilities	P307,434	P307,434	P305,646	P305,646

\*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, Trade and Other Receivables and Noncurrent Deposits.* The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

*Derivatives.* The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Mark-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 amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

*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 rate used as of March 31, 2024 and December 31, 2023 is 9.39%.

*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 primarily due to the relatively short-term maturities of these financial instruments.

#### 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 fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated interim 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.

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 Hedges*

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 OCI and accumulated in the “Hedging reserve” account in the consolidated interim statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in OCI 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 interim 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 OCI. The cost of hedging is removed from OCI and recognized in the consolidated interim statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction consolidated interim 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 consolidated interim statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect consolidated interim 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 consolidated interim statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect consolidated interim 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 interim statements of income.

#### *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 recognized directly in consolidated interim statements of income.

##### *Freestanding Derivatives*

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

*Cross Currency Swaps.* As of March 31, 2024 and December 31, 2023, the Company has an outstanding cross currency swap with notional amount of US\$10 million with maturity in May 2024 and net fair value of P42 and P34, respectively.

*Interest Rate Collar.* As of March 31, 2024 and December 31, 2023, the Company has an outstanding interest rate collar with notional amount of US\$15 million with maturity in May 2024 and net fair value of P5 and P12, respectively.

*Currency Forwards.* As of March 31, 2024 and December 31, 2023, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$658 and US\$913 million, respectively, and with various maturities. As of March 31, 2024 and December 31, 2023, the net fair value of these currency forwards amounted to P141 and (P371), respectively.

*Commodity Swaps.* The Group has outstanding swap agreements covering its oil requirements, with various maturities. 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 33.6 million barrels and 51.1 million barrels as of March 31, 2024 and December 31, 2023 respectively. The estimated net receipts for these transactions amounted to P196 and P738 as of March 31, 2024 and December 31, 2023, respectively.

*Commodity Options.* As of March 31, 2024 and December 31, 2023, the Group has no outstanding 3-way options entered as hedge of forecasted purchases of crude oil.

#### *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 purchases contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023, the net fair value of these embedded currency forwards is minimal.

For the periods ended March 31, 2024 and December 31, 2023, the Group recognized mark-to-market gains (losses) from freestanding and embedded derivatives amounting to P363 and (P133) respectively.

#### Fair Value Measurements

The Group measures a number of 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 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 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 interim 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 interim 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 disclosure, the Group has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

The table below analyzes financial instruments carried at fair value, by valuation method, as of March 31, 2024 and December 31, 2023.

	<b>Level 2</b>	
	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Financial Assets:		
FVPL	<b>P395</b>	P389
Derivative assets	<b>1,014</b>	1,162
Financial Liabilities:		
Derivative liabilities	<b>(629)</b>	(749)

The Group has no financial instruments valued based on Level 1 and Level 3 as of March 31, 2024 and December 31, 2023. During the period, there were no transfers between, into and out of Level 1 and Level 2 fair value measurements.

## 10. Significant Transactions During the Period

### a. Loan Drawdown

On March 6, 2024, the Parent Company drew P7,000 from a P7,000 term loan facility signed and executed on January 16, 2024. The facility is amortized over 5 years with 2 years grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 6, 2026. The facility is subject to interest payable in semi-annual amortizations with fixed interest rate of 7.4941% per annum for the first 2 years and will thereafter be repriced to a new fixed rate until maturity on March 6, 2029. The proceeds will be used to repay outstanding indebtedness.

## 11. Basic and Diluted Earnings -per Share

Basic and diluted earnings per share amounts for the three months ended March 31, 2024 and 2023 are computed as follows:

	<b>2024</b>	<b>2023</b>
Net income attributable to equity holders of the Parent Company	<b>P3,712</b>	P3,038
Distributions to the holders of capital securities for the period	<b>(117)</b>	(958)
Net income attributable to common shareholders of the Parent Company (a)	<b>P3,595</b>	P2,080
Weighted average number of common shares outstanding (in millions) (b)	<b>P9,375</b>	P9,375
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	<b>P0.38</b>	0.22

As of March 31, 2024 and 2023, the Parent Company has no potential dilutive debt or equity instruments.

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## 12. Cash Dividends and Distributions

### Dividends

The BOD of the Parent Company approved the declaration of cash dividends for common, Series 3, and Series 4 preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
<b>2024</b>				
<b>Common</b>	<b>P0.10</b>	<b>March 5, 2023</b>	<b>March 19, 2024</b>	<b>April 4, 2024</b>
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

### Distributions

#### SPCS

Payments of distributions pertaining to SPCS were made on the following dates: October 19, 2023 (P1,238), July 19, 2023 (P797), April 19, 2023 (P1,224), and January 19, 2023 (P841).

#### RPS

Payments of distributions pertaining to RPS were made on the following dates: March 22, 2024 (P66), February 12, 2024 (P51), December 22, 2023 (P65), November 10, 2023 (P51), September 22, 2023 (P67), August 10, 2023 (P51), June 22, 2023 (P65), May 26, 2023 (P3), May 10, 2023 (P51), March 22, 2023 (P64), February 27, 2023 (P3), and February 10, 2023 (P49).

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## 13. Commitments and Contingencies

### Supply and Lease 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) Abu Dhabi National Oil Company (ADNOC), Iraq's State Organization for Marketing of Oil (SOMO) and Shell International Eastern Trading Co (SIETCO). The contract with Saudi Aramco is from January 1, 2024 to December 31, 2024 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 contracts from ADNOC and SOMO are from January 1, 2024 to December 31, 2024, respectively. The contract with SIETCO is for three (3) years from November 6, 2023.



Petron Malaysia Refining & Marketing Bhd (PMRMB) acquires crude oil and condensate for its 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 March 31, 2024, about 40% 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 March 31, 2024 and December 31, 2023.

#### Lease Agreements with Philippine National Oil Company (PNOC).

On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P191, starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to an annual escalation clause of 3% for the four years following the re-appraisal. Also, as at March 31, 2024 and December 31, 2023, Petron leases other parcels of land from PNOC for its bulk plants and service stations.

#### Oil Spill Incident in Guimaras

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

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at March 31, 2024. In the course of plaintiffs’ presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City (CA). On January 9, 2020, the CA issued a Resolution granting plaintiffs’ motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs’ petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far. As of March 31, 2024 and December 31, 2023, the Parent Company 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.

#### 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.

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## 14. Events After the Reporting Period

### a. Dividends and Distributions

- i. On April 18, 2024, the Parent Company paid distributions amounting to US\$16.36 million (P1,246) to the holders of US\$550 million SPCS.
- ii. On May 7, 2024, the BOD of the Parent Company approved the declaration of cash dividends for preferred shareholders with the following details:

Type	Per Share	Date of Record	Date of Payment
Series 3A	P17.17825	June 3, 2024	June 25, 2024
Series 3B	17.84575	June 3, 2024	June 25, 2024
Series 4A	16.76975	June 13, 2024	July 8, 2024
Series 4B	16.99300	June 13, 2024	July 8, 2024
Series 4C	17.71525	June 13, 2024	July 8, 2024

### b. Redemption of P13,200 Series C Bonds

- i. On April 19, 2024, the Parent Company redeemed its P13,200 Series C Bonds issued in 2019.

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## 15. Other Matters

### a. Lease Agreements with PNOC

On October 20, 2017, Petron filed with the RTC of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Parent company.

The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and the Parent company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, the Parent company, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

On December 11, 2017, the trial court granted Parent company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Parent company from possession of the subject properties until the case is decided.

The court-mandated mediation was terminated on February 5, 2018 without any agreement between

the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. The Parent company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13 2019, the trial court granted the Parent company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent company's of all such properties, and (iii) the payment by the Parent company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent company all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and 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 March 31, 2024, 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. There were no seasonal aspects that had a material effect on the financial position or financial performance of the Group.
- c. There were no material off-statements of financial position items, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the notional values of outstanding derivative transactions entered by the Group as of and for the period ended March 31, 2024.

- d. Known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

#### Gross Domestic Product (GDP)

The PH economy expanded 5.7% in the first quarter of 2024, lower compared to the 6.4% growth recorded in the same period in 2023. The country's economic growth in 1Q 2024 is anchored by household spending and exports, however, slower growth ahead is feared due to accelerating inflation and high interest rates.

Economic growth ( <i>in percentage</i> )	1Q 2023	1Q 2024
GDP	6.4	5.7
<i>By Expenditure</i>		
Household Consumption	6.4	4.6
Government Consumption	6.2	1.7
Capital Formation	12.8	1.3
Exports	1.1	7.5
Imports	4.2	2.3
<i>By Industry</i>		
Agriculture	2.2	0.4
Industry	4.1	5.1
Services	8.3	6.9

Expansion in household consumption slowed down at 4.6% from 6.4% last year due to still elevated prices of major food items, coupled with the heat wave being experienced in the country. Capital formation also slowed down with 1.3% growth as interest rates remain high. This can also be attributed with the slowdown in construction activities as the country experienced prolonged period of extreme heat. Government spending was also subdued at 1.7% in 1Q 2024 as fiscal consolidation efforts constrained spending. Meanwhile, exports of goods and services rose 7.5% mainly driven by electronic products. Imports on the other hand decelerated at 2.3% mainly from lower import of transport equipment.

On the supply side, all of the major economic sectors posted positive growth continued to be led by the Services sector, although growing at a slower pace vs the same period in 2023. Meanwhile, the Industry sector grew at a faster pace at 5.1%. Agricultural sector managed to post an expansion of 0.4% despite the effects of the El Niño phenomenon.

#### 91-Day Treasury-Bill (T-bill) Rate

91-day T-Bill rates averaged 5.5% in 1Q 2024, higher compared to 4.4% of the same period last year as the Bangko Sentral ng Pilipinas has implemented series of interest rate hikes to manage inflation.

#### Peso-Dollar Exchange Rate

The peso averaged P56.0/\$ in 1Q 2024, a 2.0% depreciation from P54.8/\$ in the same period last year. The peso depreciated as the dollar sustains strength with the interest rates remaining high. Rate cuts were delayed as inflation in the United States has been sticky. The Philippines' widening current account deficit also contributed to the weaker peso.

#### Inflation

The rate of increase in prices of commodities and services eased to 3.3% in 1Q 2024, from 8.3% in the same period last year, mainly driven by continued stabilization of food prices. While increasing at a slower pace, prices of rice, meat, oil, and electricity continued to rise.

## Industry Oil Demand

Oil demand in the Philippines grew by 6.6% to 80,956 MB in 1H 2023 from 75,962 MB in 1H 2022. The normalization 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.

## Oil Market

Year-on-year prices of Dubai grew by 1.2% to \$81.3/bbl in 1Q 2024 vs. \$80.3/bbl in the same period last year as heightened geopolitical tensions coincided with a tighter supply-demand balance. Meanwhile, 1Q 2024 product cracks weakened with gasoline cracks declining from \$18.6/bbl in 1Q 2023 to \$17.9/bbl in 1Q 2024, diesel cracks from \$28.6/bbl to \$23.1/bbl, and kero-jet cracks from \$26.5/bbl to \$21.1/bbl.

## *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 amends RA 9003, otherwise known as the Ecological Solid Waste Management Act of 2000, which requires product manufacturers and obliged companies to adopt proper management of plastic packaging wastes, from manufacturing to end-life cycle.

*Electric Vehicle Industry Development Act (EVIDA).* 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 industry in the Philippines. The promotion of the purchase and use of electric vehicles may impact oil industry demand.

- Department Circular 2021-07-0023. The DOE issued this circular on July 2, 2021, providing for a framework for the adoption and development and E-vehicles ("EVs") and electric charging stations ("EVCS") in the Philippines, including installation of EVCs in retail stations.

*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 (MCIT) was lowered to 1% from July 1, 2021 to June 30, 2023. Subsequently, commencing on July 1, 2023, the MCIT has reverted to its former rate of 2%. Under the CREATE Act, persons who 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 buyback of LPG cylinders among industry participants and the establishment of accredited swapping centers. As of March 31, 2024, 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, electricity, 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 the illicit trading of fuel products. While the cost for the fuel marker would be shouldered by the government in the initial year of implementation, this cost was eventually passed on to oil companies beginning in 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 to local monthly allocation for ethanol.

*Renewable Energy Act of 2008 (the “Renewable Energy Act”).* The Renewable Energy Act aims to promote the 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 holidays 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 the 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 stationery and mobile equipment. It also included the required specifications for gasoline, diesel, and IFO to allow the 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.

*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 in 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.* RA 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 PWDs are entitled to a discount for LPG and kerosene as mandated by the following:

- Joint Administrative Order (JAO) 17-01. Issued on February 17, 2020, this Order provides for a 5% special discount for basic necessities, which includes household LPG and kerosene. The discount for 11 kg. can only be availed once every 5 months, while the discount for kerosene can be availed for not more than 2 liters per month.
  - An updated JAO was issued on 21 March 2024 (JAO 24-02) to include purchasing limits on other basic necessities but retains the said discount for LPG and kerosene.
- Joint Memorandum Circular (“JMC”) 24-02. Issued on 21 March 2024, 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 tariffs while crude and product imports from outside the ASEAN were levied a 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 (RA 8479).* 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 for 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 2021-09-0029.* 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 17s2003.* The ERC issued a resolution dated September 13, 2023, that provides for revised guidelines for the application and issuance of a Certificate of Compliance (COC) for generation facilities.



**PETRON CORPORATION AND SUBSIDIARIES****RECEIVABLES****As of March 31, 2024****(Amounts in Million Pesos)**

Breakdown:

Accounts Receivable – Trade	<b>P62,214</b>
Accounts Receivable – Non-Trade	<b>29,851</b>
<b>Total Accounts Receivable - Net</b>	<b>P92,065</b>

**AGING OF TRADE ACCOUNTS RECEIVABLES**

Receivables	1 – 30 days	P57,730
	31 – 60 days	1,348
	61 – 90 days	1,527
	Over 90 days	2,310
<b>Total</b>		<b>62,915</b>
Allowance for doubtful accounts		(701)
<b>Accounts Receivable – Trade</b>		<b>P62,214</b>

## Management's Discussion and Analysis of Financial Position and Financial Performance

### Financial Performance

#### 1Q 2024 vs 1Q 2023

Petron earned a consolidated net income of **₱3.93 billion**, an increase of 16% from 1Q 2023's ₱ 3.40 billion owing to improved margins from incremental sales volumes which compensated for higher selling and administrative expenses as well as financing costs.

	Periods Ended		Horizontal Analysis		Vertical Analysis	
	March 31		Favorable (Unfavorable)			
	2024	2023	Amount	%	2024	2023
	(in Millions)					
Sales	227,637	188,753	38,884	21%	100%	100%
Cost of Goods Sold	(213,471)	(176,718)	(36,753)	(21%)	94%	94%
Gross Profit	14,166	12,035	2,131	18%	6%	6%
Selling and Administrative Expenses	(4,422)	(4,011)	(411)	(10%)	2%	2%
Other Operating Income	427	394	33	8%	0%	0%
Interest Expense and Other Financing Charges	(5,086)	(4,329)	(757)	(17%)	2%	2%
Interest Income	274	322	(48)	(15%)	0%	0%
Share in Net Income of an Associate and Joint Ventures	36	21	15	71%	0%	0%
Other Income (Expense) - net	(283)	17	(300)	(high)	0%	0%
Income Before Income Tax	5,112	4,449	663	15%	2%	2%
Income Tax Expense	(1,179)	(1,050)	(129)	(12%)	1%	1%
Net Income	3,933	3,399	534	16%	2%	2%
Attributable to Equity Holders of the Parent Company	3,712	3,038	674	22%	2%	2%
Attributable to Non-controlling Interests	221	361	(140)	(39%)	0%	0%
	3,933	3,399	534	16%	2%	2%
Sales Volume in Million Barrels	35,285	28,590	6,695	23%		

The better first quarter result versus the same period last year was driven by the following:

**Consolidated Sales Volume** rose by 23% from 28.59 million barrels (MMB) to **35.29 MMB** with both Philippines and Malaysia registering growth across all segments. Combined Retail volume was up by 11% due to continued market recovery. Commercial sales, likewise, grew by 11% traced to larger share in the demand for LPG and Jet fuel. Exports almost doubled on the back of higher refinery production. It's Singaporean subsidiary, PSTPL, also contributed to the overall volume growth as its trading volume jumped by 45% compared to the same period last year.

Consequently, **Net Sales** went up to **₱ 227.64 billion** from ₱ 188.75 billion, or by 21%, mainly driven by the volume growth. Compared to the same period in 2023, the average MOPS (Mean of Platts Singapore) prices of petroleum products were lower by about 2%. The reduction in regional prices was partly offset by the 2% depreciation of Peso against the US dollar from an average of ₱ 54.84 to ₱ 55.97.

Similarly, **Cost of Goods Sold** also climbed by 21% to **₱ 213.47 billion** consistent with the increase in volume sold. Resulting **Gross Profit** of **₱ 14.17 billion** was an 18% improvement from last year's ₱ 12.04 billion.

**Selling and Administrative Expenses** inched up to **₱ 4.42 billion** from ₱ 4.01 billion in 1Q 2023 to support programs and activities which are volume related such as LPG cylinder conversion and purchase, advertising, rental of additional fuel storage, increased number of service stations directly managed by the Company, and maintenance and improvement of equipment and facilities at the service stations.

**Other Operating Income** of **₱ 427 million** was 8% or ₱ 33 million more than the previous year's first quarter on account of higher rental income of Petron Malaysia.

**Interest Expense and Other Financing Charges** remained elevated at **₱ 5.09 billion** or an increase of 17% owing to higher interest rates.

**Interest Income** decreased by ₱ 48 million or 15% to settle at **₱ 274 million** due to lower average placement level.

**Share in Net Income of an Associate and Joint Ventures** aggregated to **₱ 36 million**, a significant improvement from last year's ₱ 21 million traced to higher income of Petrogen Insurance Corporation.

**Other Expense – net, amounting to ₱ 283 million** was a turnaround from 1Q 2023's ₱ 17 million Other Income - net due to the unrealized loss from the mark-to-market valuation of commodity hedges versus gain last year, partly offset by the favorable results on forex management this year.

**Income tax expense** amounted to **₱ 1.18 billion**, 12% more than last year due to higher financial income during the quarter.

## 1Q 2023 vs 1Q 2022

For the first quarter (1Q) of 2023, the Group's consolidated net income aggregated to **₱3.40 billion**, 6% lower than the ₱ 3.60 billion posted in the same quarter last year. The improvement in gross profit was fully offset by the increase in financing expenses.

	Periods Ended		Horizontal Analysis		Vertical Analysis	
	March 31		Favorable (Unfavorable)			
	2023	2022	Amount	%	2023	2022
	(in Millions)					
Sales	188,753	172,331	16,422	10%	100%	100%
Cost of Goods Sold	(176,718)	(160,612)	(16,106)	(10%)	94%	93%
Gross Profit	12,035	11,719	316	3%	6%	7%
Selling and Administrative Expenses	(4,011)	(3,639)	(372)	(10%)	2%	2%
Other Operating Income	394	351	43	12%	0%	0%
Interest Expense and Other Financing Charges	(4,329)	(2,468)	(1,861)	(75%)	2%	1%
Interest Income	322	146	176	high	0%	0%
Share in Net Income of an Associate and Joint Ventures	21	6	15	high	0%	0%
Other Income (Expense) - net	17	(1,304)	1,321	high	0%	1%
Income Before Income Tax	4,449	4,811	(362)	(8%)	2%	3%
Income Tax Expense	(1,050)	(1,213)	163	13%	1%	1%
Net Income	3,399	3,598	(199)	(6%)	2%	2%
Attributable to Equity Holders of the Parent Company	3,038	3,248	(210)	(6%)	2%	2%
Attributable to Non-controlling Interests	361	350	11	3%	0%	0%
	3,399	3,598	(199)	(6%)	2%	2%
Sales Volume in Million Barrels	28,590	25,674	2,916	11%		

Highlights of the first quarter performance were as follows:

**Consolidated Sales Volume** was up by 11% to **28.59 million barrels (MMB)** versus 25.67 MMB in the same period last year. Except for exports, all Sales Trade posted improvements from the growing fuel demand. Commercial sales grew owing to the rebound in the aviation sector as more countries lifted their COVID-19 quarantine protocols. Retail sales also continued its recovery resulting from the increased mobility in both Philippines and Malaysia.

**Net Sales** rose by 10% to **₱ 188.75 billion** primarily from the growth in sales volume. Meanwhile, the effect of lower benchmark Dubai average from USD95.56/bbl in 1Q 2022 to USD80.32/bbl this year was partially offset by the depreciation of the peso against US dollar from ₱ 51.54/USD to ₱ 54.84/USD.

Similarly, **Cost of Goods Sold** increased by 10% to **₱ 176.72 billion** from higher sales volume. While commodity prices softened this year, the strong regional refining cracks were sustained improving **gross profit** by ₱ 316 million to **₱ 12.04 billion** from ₱ 11.72 billion last year.

**Selling and Administrative Expenses** was **10%** higher at **₱ 4.01 billion** as against ₱ 3.64 billion in the 1Q last year due to the increase in maintenance and repairs at the service stations, terminals, and IT-related assets and LPG cylinder purchases.

**Other Operating Income** increased to **₱ 394 million** from ₱ 351 million attributed to higher rental income.

**Interest Expense and Other Financing Charges** escalated by 75% to **₱ 4.33 billion** traced to the continuous hike in interest rates and increased average borrowing levels.

**Interest Income** more than doubled to **₱ 322 million** owing to increase in interest rates.

**Share in Net Income of an Associate and Joint Ventures** totaled **₱ 21 million**, represented mainly by share in net earnings of Petrogen Insurance Corporation.

**Other Income - net** of **₱ 17 million** reflected a turnaround from 1Q last year's **₱ 1.30 billion** Other Expense - net mainly due to the marked-to-market valuation gain on outstanding commodity hedges vis-à-vis loss recognized last year.

**Income tax expense** amounted to **₱ 1.05 billion**, lower by 13% than last year due to decrease in financial income during the period.

## **Financial Position**

### **March 2024 vs December 2023**

	Mar 31 2024	Dec 31 2023	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	Mar 31 2024	Dec 31 2023
Cash and cash equivalents	<b>30,450</b>	27,519	2,931	11%	<b>7%</b>	6%
Financial assets at fair value	<b>1,014</b>	1,162	(148)	(13%)	<b>0%</b>	0%
Trade and other receivables – net	<b>92,065</b>	86,479	5,586	6%	<b>21%</b>	19%
Inventories	<b>70,528</b>	77,318	(6,790)	(9%)	<b>16%</b>	17%
Other current assets	<b>43,562</b>	40,529	3,033	7%	<b>10%</b>	9%
<b>Total Current Assets</b>	<b>237,619</b>	233,007	4,612	2%	<b>53%</b>	52%
Investment in shares of stock of an associate and joint ventures	<b>1,195</b>	1,158	37	3%	<b>0%</b>	0%
Property, plant and equipment – net	<b>165,411</b>	166,046	(635)	(0%)	<b>37%</b>	37%
Right of Use	<b>5,134</b>	5,286	(152)	(3%)	<b>1%</b>	1%
Investment property – net	<b>26,687</b>	27,194	(507)	(2%)	<b>6%</b>	6%
Deferred tax assets – net	<b>737</b>	1,190	(453)	(38%)	<b>0%</b>	0%
Goodwill	<b>8,010</b>	8,093	(83)	(1%)	<b>2%</b>	2%
Other noncurrent assets – net	<b>1,948</b>	1,930	18	1%	<b>0%</b>	0%
<b>Total Noncurrent Assets</b>	<b>209,122</b>	210,897	(1,775)	(1%)	<b>47%</b>	48%
<b>Total Assets</b>	<b>446,741</b>	443,904	2,837	1%	<b>100%</b>	100%
Short term loans	<b>124,168</b>	137,910	(13,742)	(10%)	<b>28%</b>	31%
Liabilities for crude oil and petroleum products	<b>48,059</b>	44,840	3,219	7%	<b>11%</b>	10%
Trade and other payables	<b>29,303</b>	23,890	5,413	23%	<b>7%</b>	5%
Current portion of lease liability	<b>1,495</b>	1,566	(71)	(5%)	<b>0%</b>	0%
Derivative liabilities	<b>629</b>	749	(120)	(16%)	<b>0%</b>	0%
Income tax payable	<b>457</b>	132	325	246%	<b>0%</b>	0%
Current portion of long-term debt – net	<b>26,849</b>	25,642	1,207	5%	<b>6%</b>	6%
<b>Total Current Liabilities</b>	<b>230,960</b>	234,729	(3,769)	(2%)	<b>52%</b>	53%

*Forward*

	Horizontal Analysis				Vertical Analysis	
	Mar 31	Dec 31	Increase (Decrease)		Mar 31	Dec 31
	2024	2023	Amount	%	2024	2023
Long-term debt – net of current portion	87,518	83,254	4,264	5%	20%	19%
Retirement benefits liability	2,724	2,621	103	4%	1%	1%
Deferred tax liabilities – net	4,403	4,432	(29)	(1%)	1%	1%
Lease liability – net of current portion	13,991	14,378	(387)	(3%)	3%	3%
Asset retirement obligation	3,666	3,612	54	1%	1%	1%
Other noncurrent liabilities	1,341	1,243	98	8%	0%	0%
<b>Total Noncurrent Liabilities</b>	<b>113,643</b>	<b>109,540</b>	<b>4,103</b>	<b>4%</b>	<b>25%</b>	<b>25%</b>
<b>Total Liabilities</b>	<b>344,603</b>	<b>344,269</b>	<b>334</b>	<b>0%</b>	<b>77%</b>	<b>78%</b>
Capital stock	9,485	9,485	-	-	2%	2%
Additional paid-in capital	40,985	40,985	-	-	9%	9%
Capital securities	37,529	37,529	-	-	8%	8%
Retained earnings	34,491	31,834	2,657	8%	8%	7%
Equity Reserves	(21,543)	(21,252)	(291)	1%	(5%)	(5%)
Treasury stock	(7,600)	(7,600)	-	-	(2%)	(2%)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>93,347</b>	<b>90,981</b>	<b>2,366</b>	<b>3%</b>	<b>21%</b>	<b>20%</b>
<b>Non-controlling Interests</b>	<b>8,791</b>	<b>8,654</b>	<b>137</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
<b>Total Equity</b>	<b>102,138</b>	<b>99,635</b>	<b>2,503</b>	<b>3%</b>	<b>23%</b>	<b>22%</b>
<b>Total Liabilities and Equity</b>	<b>446,741</b>	<b>443,904</b>	<b>2,837</b>	<b>1%</b>	<b>100%</b>	<b>100%</b>

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end-March 2024 stood at **₱ 446.74 billion**, 1% or ₱ 2.84 billion higher than end-2023 level of ₱ 443.90 billion. The increase in total assets can be traced primarily to current assets.

**Cash and cash equivalents** increased by 11% to **₱ 30.45 billion** from ₱ 27.52 billion mainly from cash generated from operations, which were used for settlement of loans, payment of leases, dividends and distribution as well as capital project spendings.

**Financial assets at fair value** slipped to **₱ 1.01 billion** from ₱ 1.16 billion primarily from lower mark-to-market valuation of outstanding commodity hedges.

**Trade and other receivables – net** went up by 6% to **₱ 92.07 billion** attributable to higher trade accounts and government receivables.

**Inventories** declined by ₱ 6.79 billion to **₱ 70.53 billion** mainly from reduced crude stock.

**Other current assets** rose by 7% to **₱ 43.56 billion** from additional creditable withholding taxes, input VAT and excise claims from sales to tax exempt entities.

**Deferred tax assets – net** went down from ₱ 1.19 billion to **₱ 737 million** owing to the temporary differences in depreciation method per tax vis-à-vis financial reporting and tax on retirement benefits, partly offset by Minimum Corporate Income Tax (MCIT) for the period.

**Short-term loans** declined by 10% from ₱ 137.91 billion to **₱ 124.17 billion** due to net settlement of short-term loans during the period.

**Liabilities for crude oil and petroleum products** stood higher at **₱ 48.06 billion** compared to end-2023 level of ₱ 44.84 billion owing primarily to the higher finished products importations during the period.

**Trade and other payables** jumped by 23% to **₱29.30 billion** due to higher outstanding liabilities to vendors and suppliers, accrued taxes, and dividends payable.

**Derivative liabilities** decreased to **₱ 629 million** with the decline in expected settlement on outstanding currency hedging transactions partly offset by higher outstanding commodity hedges.

**Income tax payable** escalated more than two-fold to **₱ 457 million** as tax liabilities of foreign subsidiaries increased.

**Long-term debt including current portion** went up by 5% to **₱ 114.37 billion** from ₱ 108.90 billion mainly from additional long-term loans availed, net of maturities paid during the period.

**Other noncurrent liabilities** stood at **₱ 1.34 billion**, 8% higher than end-2023 level brought about by the increase in LPG cylinder deposits.

**Retained earnings** rose by 8% to **₱ 34.49 billion** traced to the net income realized during the period partly offset by the payment of cash dividends and distributions.

### March 2023 vs December 2022

	Horizontal Analysis				Vertical Analysis	
	Mar 31	Dec 31	Increase (Decrease)		Mar 31	Dec 31
	2023	2022	Amount	%	2023	2022
Cash and cash equivalents	30,745	37,183	(6,438)	(17%)	7%	8%
Financial assets at fair value	1,655	1,753	(98)	(6%)	0%	0%
Trade and other receivables – net	69,807	81,979	(12,172)	(15%)	16%	18%
Inventories	87,578	85,347	2,231	3%	20%	19%
Other current assets	35,978	37,025	(1,047)	(3%)	8%	8%
<b>Total Current Assets</b>	<b>225,763</b>	243,287	(17,524)	(7%)	<b>51%</b>	53%
Investment in shares of stock of an associate and joint ventures	1,119	1,085	34	3%	0%	0%
Property, plant and equipment – net	169,089	170,153	(1,064)	(1%)	38%	37%
Right of Use	5,226	5,398	(172)	(3%)	1%	1%
Investment property – net	27,508	28,437	(929)	(3%)	6%	6%
Deferred tax assets – net	1,470	1,812	(342)	(19%)	0%	0%
Goodwill	8,298	8,509	(211)	(2%)	2%	2%
Other noncurrent assets – net	1,551	1,390	161	12%	0%	0%
<b>Total Noncurrent Assets</b>	<b>214,261</b>	216,784	(2,523)	(1%)	<b>49%</b>	47%
<b>Total Assets</b>	<b>440,024</b>	460,071	(20,047)	(4%)	<b>100%</b>	100%
Short term loans	118,502	137,886	(19,384)	(14%)	27%	30%
Liabilities for crude oil and petroleum Products	51,187	51,067	120	0%	12%	11%
Trade and other payables	25,335	22,896	2,439	11%	6%	5%
Current portion of lease liability	1,399	1,380	19	1%	0%	0%
Derivative liabilities	508	723	(215)	(30%)	0%	0%
Income tax payable	632	204	428	210%	0%	0%
Current portion of long-term debt – net	13,081	13,399	(318)	(2%)	3%	3%
<b>Total Current Liabilities</b>	<b>210,644</b>	227,555	(16,911)	(7%)	<b>48%</b>	49%

*Forward*



	<b>Mar 31</b>		<b>Horizontal Analysis</b>		<b>Vertical Analysis</b>	
		Dec 31	Increase (Decrease)		Mar 31	Dec 31
	<b>2023</b>	2022	Amount	%	<b>2023</b>	2022
Long-term debt - net of current Portion	<b>92,000</b>	93,662	(1,662)	(2%)	<b>21%</b>	20%
Retirement benefits liability	<b>3,228</b>	3,261	(33)	(1%)	<b>1%</b>	1%
Deferred tax liabilities - net	<b>3,557</b>	3,601	(44)	(1%)	<b>1%</b>	1%
Lease liability - net of current Portion	<b>13,246</b>	13,714	(468)	(3%)	<b>3%</b>	3%
Asset retirement obligation	<b>3,585</b>	3,527	58	2%	<b>1%</b>	1%
Other noncurrent liabilities	<b>1,199</b>	1,201	(2)	(0%)	<b>0%</b>	0%
<b>Total Noncurrent Liabilities</b>	<b>116,815</b>	118,966	(2,151)	(2%)	<b>27%</b>	26%
<b>Total Liabilities</b>	<b>327,459</b>	346,521	(19,062)	(6%)	<b>74%</b>	75%
Capital stock	<b>9,485</b>	9,485	-	-	<b>2%</b>	2%
Additional paid-in capital	<b>37,500</b>	37,500	-	-	<b>9%</b>	8%
Capital securities	<b>61,594</b>	62,712	(1,118)	(2%)	<b>14%</b>	14%
Retained earnings	<b>31,485</b>	30,357	1,128	4%	<b>7%</b>	7%
Equity Reserves	<b>(18,042)</b>	(16,887)	(1,155)	7%	<b>(4%)</b>	(4%)
Treasury stock	<b>(18,000)</b>	(18,000)	-	-	<b>(4%)</b>	(4%)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>104,022</b>	105,167	(1,145)	(1%)	<b>24%</b>	23%
<b>Non-controlling Interests</b>	<b>8,543</b>	8,383	160	2%	<b>2%</b>	2%
<b>Total Equity</b>	<b>112,565</b>	113,550	(985)	(1%)	<b>26%</b>	25%
<b>Total Liabilities and Equity</b>	<b>440,024</b>	460,071	(20,047)	(4%)	<b>100%</b>	100%

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end March 2023 totaled **₱ 440.02 billion**, 4% or ₱ 20.05 billion lower than end-2022 balance of ₱ 460.07 billion. The decrease in total assets is primarily attributed to lower current assets.

**Cash and cash equivalents** decreased by 17% to **₱ 30.75 billion** from ₱ 37.18 billion as funds were partially used for payment of loans.

**Financial assets at fair value** went down to **₱ 1.66 billion** from ₱ 1.75 billion due to lower gains on outstanding commodity and currency hedging transactions.

**Trade and other receivables - net** declined by 15% to **₱ 69.81 billion** attributable to the decrease in trade receivables and government receivables of foreign subsidiaries.

**Deferred tax assets – net** went down from ₱ 1.81 billion to **₱ 1.47 billion** owing to the deferred tax on unrealized forex gain and net decrease in temporary differences of the inventory valuation and depreciation per tax accounting in contrast with financial reporting, offset by additional Net Operating Loss Carry-Over (NOLCO) and Minimum Corporate Income Tax (MCIT).

**Other noncurrent assets – net** went up to **₱ 1.55 billion** from ₱ 1.39 billion mainly from the additional catalyst, net of amortization.

**Short-term loans** declined by 14% from ₱ 137.89 billion to **₱ 118.50 billion** due to net settlement of short-term loans during the period.

**Trade and other payables** jumped by 11% to **₱25.34 billion** due to higher outstanding liabilities to vendors and accrued taxes.

**Derivative liabilities** decreased to **₱ 508 million** with the decline in expected settlement on outstanding commodity hedging transactions partly offset by higher outstanding currency hedges.

**Income tax payable** escalated more than two-fold to **₱ 632 million** as tax liabilities of foreign subsidiaries increased.

The negative balance of **Equity reserves** increased from ₱16.89 billion to **₱ 18.04 billion** on account of the translation loss on investment in foreign subsidiaries following the appreciation of the Peso against the US dollar.

## **Cash Flows**

### **1Q 2024 vs 1Q 2023**

As of end-March 2024, cash and cash equivalents stood at **₱ 30.45 billion**, slightly up by ₱2.93 billion from the balance at the beginning of the year. Cash generated from operations of ₱18.18 billion was used to settle loans (₱ 9.0 billion), leases (₱ 1.09 billion), and dividends and distributions (₱ 907 million), while ₱ 4.81 billion was used to pay off interest and taxes. Remaining cash was used to fund various capital projects amounting to ₱ 2.10 billion.

In Million Pesos	Mar 31, 2024	Mar 31, 2023	Change
Operating inflows (outflows)	13,372	19,784	(6,412)
Investing outflows	(2,098)	(1,284)	(814)
Financing (outflows) inflows	(8,759)	(24,093)	15,334

### **1Q 2023 vs 1Q 2022**

As of end-March 2023, cash and cash equivalents stood at **₱ 30.75 billion**, declining by ₱6.44 billion from the balance at the beginning of the year.. Cash generated from operations of ₱23.87 billion was used to settle loans (₱ 20.5 billion), pay dividends and distributions (₱ 1.49 billion), and redeem portion of the outstanding capital securities (₱ 1.14 billion). Available cash was also used to pay ₱3.98 billion interest and taxes as well as fund various refinery and terminal capital projects amounting to ₱ 1.28 billion.

In Million Pesos	Mar 31, 2023	Mar 31, 2022	Change
Operating inflows (outflows)	19,784	(2,310)	22,094
Investing outflows	(1,284)	(957)	(327)
Financing (outflows) inflows	(24,093)	646	(24,739)

## **Discussion of the company's key performance indicators:**

Ratio	31-Mar-24	31-Dec-23
Current Ratio	<b>1.0</b>	1.0
Total Interest-bearing Debt to Equity Ratio	<b>2.3</b>	2.5
Return on Equity (%)	<b>10.6</b>	9.5
Interest Rate Coverage Ratio	<b>2.0</b>	1.7
Assets to Equity Ratio	<b>4.4</b>	4.5

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

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

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

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

**Return on Equity** – Trailing 12 months 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.

## **PART II – OTHER INFORMATION**

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

NONE.

**PETRON CORPORATION AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**

Financial Ratios	Formula	March 31, 2024	December 31, 2023
<b>Liquidity</b>			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>1.03</b>	0.99
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	<b>0.53</b>	0.49
<b>Solvency</b>			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^b}{\text{Total Equity}}$	<b>2.34</b>	2.48
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	<b>4.37</b>	4.46
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	<b>2.01</b>	1.69
<b>Profitability</b>			
f) Return on Average Equity	$\frac{\text{Net Income}^a}{\text{Average Total Equity}}$	<b>10.57%</b>	9.51%
g) Return on Average Assets	$\frac{\text{Net Income}^a}{\text{Average Total Assets}}$	<b>3.53%</b>	2.24%
<b>Operating Efficiency</b>			
h) Volume Growth	$\left( \frac{\text{Current Period Volume}}{\text{Prior Period Volume}} \right) - 1$	<b>23.42%</b>	12.50%
i) Sales Growth	$\left( \frac{\text{Current Period Sales}}{\text{Prior Period Sales}} \right) - 1$	<b>20.60%</b>	-6.60%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	<b>4.47%</b>	3.84%

<sup>a</sup> trailing 12 months net income

<sup>b</sup> excludes lease liabilities and advances from a related party

**PETRON CORPORATION**  
**Proceeds from Issuance of Series E and Series F Fixed Rate Bonds**  
**March 31, 2024**

**i. Gross and Net Proceeds as disclosed in the final prospectus**

In P Millions	
<b>Gross Proceeds</b>	<b>P18,000.00</b>
Less: Underwriting fees for the Preferred Shares being sold by the Company	63.00
Taxes to be paid by the Company	135.00
Philippine SEC filing and legal research fee	5.11
Listing application fee	0.20
Listing maintenance fee	0.45
Rating fee	4.05
Trustee fees	0.13
Registry and paying	0.50
Estimated legal and other professional fees	7.80
Estimated other expenses	0.55
<b>Total Expenses</b>	<b>P216.79</b>
<b>Net Proceeds</b>	<b>P17,783.21</b>

The net proceeds of the Offer shall be used for (i) the redemption of the Company's Series A Bonds, (ii) the partial financing of the Power Plant Project, and (iii) payment of existing indebtedness

**ii. Actual Gross and Net Proceeds**

In P Millions	
<b>Actual Gross Proceeds</b>	<b>P18,000.00</b>
Less: Underwriting Fees, Filing and Processing Fees, Documentary Stamp	
Tax, Legal and Professional Fees and Other Expenses	227.95
<b>Actual Net Proceeds</b>	<b>P17,772.05</b>

**iii. Each Expenditure Item where the Proceeds was Used**

In P Millions	
<b>Actual Net Proceeds</b>	<b>P17,772.05</b>
Less: Redemption of the Series A Bonds	13,000.00
Payment for power plant project	3,021.62
Payment of long term loan amortization to:	
Bank of the Philippine Islands	697.49
BDO Unibank, Inc.	535.71
UnionBank	250.00
<b>Total Payments</b>	<b>P17,504.82</b>
<b>Balance</b>	<b>P267.23</b>

**iv. Balance of the Proceeds as of the End of the Reporting Period**

As of March 31, 2024, balance of proceeds amounted to P267.23 million.