

This Preliminary Offer Supplement and the information contained herein are subject to completion or amendment without notice. The Preferred Shares may not be sold nor may an offer to buy be accepted prior to the time that the Preliminary Offer Supplement is issued in final form. Under no circumstances shall this Preliminary Offer Supplement constitute an offer to sell or the solicitation of an offer to buy any Preferred Shares nor shall there be any offer, solicitation or sale of the Preferred Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.



PETRON CORPORATION

(a company incorporated under the laws of the Republic of the Philippines)

OFFER SUPPLEMENT

Offer in the Philippines of
[up to] 13,000,000 Series 4 Preferred Shares
with Oversubscription Option of up to 4,000,000 Series 4 Preferred Shares
Under its 50,000,000 Series 4 Preferred Shares Shelf Registration

consisting of

Series 4D Preferred Shares (PRF4D):(•)
Series 4E Preferred Shares (PRF4E):(•)
at an Offer Price of ₱1,000.00 per Preferred Share
to be listed and traded on the
Main Board of The Philippine Stock Exchange, Inc.

SOLE ISSUE MANAGER AND
JOINT LEAD UNDERWRITER AND JOINT BOOKRUNNER ¹



JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS²



SELLING AGENTS

(•)

Trading Participants of The Philippine Stock Exchange, Inc.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS OFFER SUPPLEMENT IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

This Offer Supplement is dated August 28, 2024.

¹ BDO Capital & Investment Corporation is a subsidiary of BDO Unibank, Inc. and China Bank Capital Corporation is a subsidiary of China Banking Corporation. BDO Unibank, Inc. and China Banking Corporation are among the lenders of the loans of the Company that may be repaid from the proceeds of this Offer. See "Use of Proceeds" on page 70 of this Offer Supplement.

² Bank of Commerce is an affiliate of the Company.

Petron Corporation

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Telephone number: (632) 8884-9200
Corporate website: www.petron.com

The Prospectus dated June 13, 2023 (“**Prospectus**”), relating to the shelf registration and offer and sale in the Philippines within the Shelf Period, as defined below, of up to 50,000,000 cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, reissuable Philippine Peso-denominated perpetual Preferred Shares with a par value of ₱1.00 per share (the “**Series 4 Preferred Shares**”) by Petron Corporation (“**Petron**”, the “**Company**”, or the “**Issuer**”), was previously approved and the shelf registration rendered effective by the Securities and Exchange Commission (“**SEC**”) MSR Order No. 33, Series of 2023. The Series 4 Preferred Shares shall be issued in tranches within a period of three (3) years from the effective date of the Registration Statement of the Series 4 Preferred Shares on June 14, 2023 to June 14, 2026 (the “**Shelf Period**”).

This Offer Supplement dated [●] (the “**Offer Supplement**”) relates to the take down of the second tranche of the Series 4 Preferred Shares and the public offer for sale, distribution, and issuance in the Philippines (the “**Offer**”) of up to 17,000,000 Series 4 Preferred Shares (the “**Offer Shares**” or the “**Preferred Shares**”) at an Offer Price of ₱1,000.00 per Preferred Share (the “**Offer Price**”) to be listed and traded on the Main Board of The Philippine Stock Exchange, Inc. (the “**PSE**”).

The Offer will consist of a base offer of up to 13,000,000 Series 4 Preferred Shares (the “**Base Offer**”) with an oversubscription option of up to 4,000,000 Series 4 Preferred Shares (the “**Oversubscription Option**”; the Offer Shares pertaining to such option, the “**Oversubscription Offer Shares**”).

In the event the Oversubscription Option is exercised in full, there will still be at least 19,000,000 shares remaining under the Shelf Registration. In case the Oversubscription Option is partly exercised or not exercised at all by the end of the Offer Period for the Offer Shares, the remaining Preferred Shares under the Shelf Registration will automatically comprise of at least 19,000,000 shares plus such principal amount of Oversubscription Option Shares that will not be taken up or exercised.

The Offer Shares will be issued on [September 23, 2024] (the “**Issue Date**”) and will be comprised of Series 4D Preferred Shares with a dividend rate of [●]% p.a. and Series 4E Preferred Shares with a dividend rate of [●] % p.a. The Issuer, in consultation with the Joint Lead Underwriters and Joint Bookrunners, has the discretion to allocate the principal amount of the Offer Shares between the two subseries based on the results of the book building process. For a detailed discussion on the Dividend Payment Dates, please refer to the section “*Description of the Offer Shares – Dividend Policy*” starting on page [47] of this Offer Supplement.

The Company has applied with the SEC for the issuance of a Permit to Sell the Offer Shares, and expects to receive such permit before commencing with the Offer. An application to list the Offer Shares has been filed with the PSE on July 18, 2024 and the Company received the Notice of Approval dated August 27, 2024 from the PSE. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Offer Supplement. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Offer Supplement. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE.

The Series 4 Preferred Shares are being offered for sale solely in the Philippines through BDO Capital & Investment Corporation (“**BDO Capital**”) as the Sole Issue Manager (the “**Sole Issue Manager**”) and together with Bank of Commerce (“**BankCom**”), China Bank Capital Corporation (“**Chinabank Capital**”), Philippine Commercial Capital, Inc. (“**PCCI Capital**”), PNB Capital and Investment Corporation (“**PNB Capital**”), and SB Capital Investment Corporation (“**SB Capital**”) as the Joint Lead Underwriters and Joint Bookrunners (collectively, the “**Joint Lead Underwriters and Joint Bookrunners**”), and the selling agents named herein.

The Offer Shares will be listed and traded on the Main Board of the PSE. The Offer Shares will be issued and listed on [September 23, 2024] or such other date as the Issuer, the Sole Issue Manager,

and the Joint Lead Underwriters and Bookrunners may agree in writing, provided, that such date shall be compliant with the conditions of the Notice of Approval or otherwise approved by the PSE (the “**Issue Date**” or the “**Listing Date**”). The Series 4 Preferred Shares will be listed on the Main Board of the PSE under the trading symbol “**PRF4D**” for the Series 4D Preferred Shares and “**PRF4E**” for the Series 4E Preferred Shares.

Following the Offer, the Company will have (a) 9,375,104,497 common shares, (b) 47,000,000 preferred shares issued and outstanding, and (c) 76,000,000 treasury preferred shares, if the Oversubscription Option is not exercised. On the other hand, if the Oversubscription Option is exercised in full, the Company will have (a) 9,375,104,497 common shares, (b) 51,000,000 preferred shares issued and outstanding, and (c) 76,000,000 treasury preferred shares.

The holders of the Series 4 Preferred Shares do not have identical rights and privileges with holders of the existing common shares of the Company and are *pari passu* with the existing preferred shares of the Company. Any and all preferred shares of the Company shall have preference over common shares in dividend distribution and in case of liquidation or dissolution. For further discussion on the rights and privileges of the Series 4 Preferred Shares, please refer to the section on “*Description of the Offer Shares*” of this Offer Supplement.

The declaration and payment of cash dividends on the Series 4 Preferred Shares on each Dividend Payment Date (as defined below) will be subject to the sole and absolute discretion of the Issuer’s Board of Directors (the “**Board**”) to the extent permitted by law, and subject to the covenants (financial or otherwise) in the agreements to which the Company is a party. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders. Some of the Company’s existing loan agreements contain covenants that restrict the declaration or payment of dividends under certain circumstances, such as the occurrence of an event of default under such loan agreements or if such payment would cause an event of default to occur, or if certain financial ratios are not met or payment would cause them not to be met. See “*Description of the Offer Shares*” of this Offer Supplement.

As and if declared by the Board, cash dividends shall be at a fixed rate of (●)% per annum for the Series 4D Preferred Shares and (●)% per annum for the Series 4E Preferred Shares, in all cases calculated in respect of each share by reference to the Offer Price thereof for each Dividend Period (as defined below) (each, the “**Initial Dividend Rate**” for the relevant subseries). Subject to the limitations described in this Offer Supplement, cash dividends on the Series 4 Preferred Shares will be payable quarterly in arrears starting [December 23, 2024] and every [March 23, June 23, September 23, and December 23] of each year (each a “**Dividend Payment Date**”) being the last day of each three (3)-month period (a “**Dividend Period**”) following the relevant Listing Date.

Unless the Offer Shares are redeemed by the Issuer on, in respect of the Series 4D Preferred Shares, the 5th anniversary of the Listing Date (the “**Series 4D Step-Up Date**”); and in respect of Series 4E Preferred Shares, the 7th anniversary of the Listing Date (the “**Series 4E Step-Up Date**”), or on the next Business Day in case the relevant Step-Up Date falls on a non-Business Day, the dividends on each subseries will be adjusted as follows:

- (a) For the Series 4D Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 7-year BVAL (or if the 7-year BVAL is not available or cannot be determined, any such successor rate as determined by the Bankers Association of the Philippines (“**BAP**”) or the *Bangko Sentral ng Pilipinas* (“**BSP**”)), as published on the website of the Philippine Dealing System Group or, if unavailable, the Philippine Dealing & Exchange Corporation (“**PDEX**”) page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4D Step-Up Date, plus 3.25% (the “**PRF4D Step-Up Dividend Rate**”);
- (b) For the Series 4E Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any such successor rate as determined by the BAP or the BSP, as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the

publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4E Step-Up Date, plus 3.25% (the “**PRF4E Step-Up Dividend Rate**”); and

Provided, that in the event the relevant Step-Up Date falls on a day that is not a Business Day

- (a) the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date; and
- (b) the higher of the applicable initial Dividend Rate and the applicable Step-Up Dividend Rate will be applied commencing on the Step-Up Date (which is the 5th anniversary date of the Series 4D Preferred Shares and the 7th anniversary of the Series 4E Preferred Shares).

(Each of the PRF4D Step-Up Dividend Rate and PRF4E Step-Up Dividend Rate being a “**Step-Up Dividend Rate**”.) See “*Summary of the Offering*”.

Dividends on the Series 4 Preferred Shares will be cumulative. If for any reason the Issuer’s Board does not declare dividends on the Series 4 Preferred Shares for a Dividend Period, the Issuer will not pay dividends on the Dividend Payment Date for the Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Series 4 Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as all dividends accrued and unpaid to the holders of the Series 4 Preferred Shares prior to such Dividend Payment Date. See “*Description of the Offer Shares*”.

As and if approved by the Board of Directors (or the Executive Committee), the Company may redeem in whole (but not in part), any subseries of the Series 4 Preferred Shares as follows:

- (a) in respect of Series 4D Preferred Shares, on the 3rd anniversary of the Listing Date (the “**Series 4D First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4D First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4D Optional Redemption Date**”); and
- (b) in respect of Series 4E Preferred Shares, on the 5th anniversary of the Listing Date (the “**Series 4E First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4E First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4E Optional Redemption Date**”)

(each Series 4D Optional Redemption Date and Series 4E Optional Redemption Date, an “**Optional Redemption Date**”). The Issuer shall notify the shareholders of the redemption through the PSE Electronic Disclosure Generation Technology (“**PSE EDGE**”) at least ten (10) Trading Days but no more than sixty (60) days’ notice prior to the intended date of redemption (the “**Notice of Redemption**”). The redemption price shall be equal to the Offer Price of the Offer Shares plus all dividends due them on the actual date of redemption as well as all accumulated dividends due and payable, or Arrears of Dividends after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption (the “**Redemption Price**”). The Redemption Notice shall be deemed irrevocable upon issuance thereof. The Redemption Notice shall include the record date for purposes of determining the entitlement of shareholders to receive the Redemption Price. Upon disclosure of the Redemption Notice, the Issuer shall likewise request for the voluntary trading suspension of the Series 4D Preferred Shares or Series 4E Preferred Shares (as appropriate) until the indicated redemption date.

For the avoidance of doubt, on the applicable Optional Redemption Date, the Issuer has the option to redeem, in whole but not in part, any or all of the subseries.

In the event an Optional Redemption Date which the Issuer has chosen as the date to redeem any or all of the subseries falls on a day that is not a Business Day, the redemption shall be made on the succeeding day that is a Business Day, without adjustment as to the Redemption Price and the amount of dividends to be paid.

The Issuer may also redeem the Series 4 Preferred Shares, in whole but not in part, at any time prior

to any Optional Redemption Date if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not more than 60 nor less than 30 days' written notice prior to the intended date of redemption. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price which shall be paid within five (5) Business Days of the exercise of the right to redeem the Series 4 Preferred Shares; provided that if the Accounting Event or Tax Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries.

Each Preferred Share has a liquidation right equal to the Offer Price of the Preferred Share plus an amount equal to any dividends declared but unpaid in respect of the previous Dividend Period and any accrued and unpaid dividends for the then current Dividend Period to (and including) the date of commencement of the Company's winding up or the date of any such other return of capital, as the case may be (the "**Liquidation Right**").

Upon listing on the PSE, the Issuer reserves the right to purchase the Series 4 Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Series 4 Preferred Shares. The Series 4 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in this Offer Supplement) and cancelled or kept as treasury shares, as applicable.

All payments in respect of the Series 4 Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Government of the Republic of the Philippines (the "**Government**"), including, but not limited to, stamp, issue, registration, documentary, value-added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that the holders of Series 4 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable, provided, however, that the Issuer shall not be liable for (a) any withholding tax applicable on dividends earned or on any amounts payable to the holders of the Series 4 Preferred Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation; (b) any income tax (whether or not subject to withholding); percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption (or receipt of the redemption price) of the Series 4 Preferred Shares or on the liquidating distributions as may be received by a holder of the Series 4 Preferred Shares; (c) any expanded value added tax which may be payable by any holder of the Series 4 Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Series 4 Preferred Shares; (d) any withholding tax, including any additional tax imposed by change in law, rules, or regulation, on any dividend payable to any holder of the Series 4 Preferred Shares or any entity which is a non-resident foreign corporation; and (e) any applicable taxes on any subsequent sale or transfer of the Series 4 Preferred Shares by any holder of the Series 4 Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

In the event payments in respect of the Series 4 Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer ("**Tax Event**"), the Issuer, having given not more than 60 nor less than 30 days' written notice, may redeem the Series 4 Preferred Shares at any time in whole but not in part, at the Offer Price plus all accrued and unpaid dividends, if any; provided that if the Tax Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries ("**Redemption by reason of Tax Event**"). See "*Summary of the Offering*" and "*Description of the Offer Shares*".

Documentary stamp tax for the issuance of the Series 4 Preferred Shares and the documentation, if any, shall be for the account of the Issuer.

In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Series 4 Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**"), or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by

use of reasonable measures available to the Issuer (“**Accounting Event**”), the Issuer having given not more than 60 nor less than 30 days’ written notice, may redeem the Series 4 Preferred Shares in whole, but not in part at the Redemption Price; provided that if the Accounting Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries (“**Redemption by reason of an Accounting Event**”). See “*Summary of the Offering*” and “*Description of the Preferred Shares*”.

The Series 4 Preferred Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and ratably without preference or priority among themselves. The Series 4 Preferred Shares will be subordinated to the US\$550 million Senior Perpetual Capital Securities of the Company issued in 2021 (the “**2021 SPCS**”, or the “**Capital Securities**”), and any Senior Capital Securities that may be issued by the Company. See “*Summary of the Offering*” and “*Description of the Offer Shares*”.

The Series 4 Preferred Shares shall be in scripless form. Title to the Series 4 Preferred Shares shall pass by endorsement and delivery to the transferee and registration in the registry of shareholders to be maintained by SMC Stock Transfer Service Corporation, the Registrar and Stock Transfer Agent. Settlement of the Series 4 Preferred Shares in respect of such transfer or change of title of the Series 4 Preferred Shares, including the settlement of documentary stamp taxes, if any, arising from subsequent transfers, shall be similar to the transfer of title and settlement procedures for listed securities in the PSE. See “*Summary of the Offering*”.

The gross proceeds of the Offer shall be ₱13,000,000,000.00 or, should the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, exercise in full the Oversubscription Option, ₱17,000,000,000.00. The net proceeds from the Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be ₱12,926,640,000.00 or, should the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, exercise in full the Oversubscription Option, ₱16,907,530,000.00, and will be used by the Company primarily to redeem the Series 3A Preferred Shares, refinance maturing obligations, and fund general corporate purposes, including the purchase of crude oil inventory.

BankCom, BDO Capital, Chinabank Capital, PCCI Capital, PNB Capital, and SB Capital acting as Joint Lead Underwriters and Joint Bookrunners, shall receive an estimated fee of 0.45% of the gross proceeds of the Offer, inclusive of any amount that may be paid to the selling agents³.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Offer Supplement. If given or made, any such information or representation must not be relied upon as having been authorized by the Company, the Joint Lead Underwriters and Joint Bookrunners or the selling agents.

The Company owns land as identified in “*Description of Property*” on page [138] of this Offer Supplement. In connection with the ownership of private land, the 1987 Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Pursuant to regulations, for as long as the percentage of Filipino ownership of the Company’s capital stock is at least 60% of (i) the total number of outstanding shares entitled to vote for directors of the Company and (ii) the total number of outstanding shares, whether or not entitled to vote for directors of the Company, the Company shall be considered as a Filipino-owned corporation qualified to own land.

The distribution of this Offer Supplement and the offer and sale of the Series 4 Preferred Shares may, in certain jurisdictions, be restricted by law. The Company, the Sole Issue Manager, and the Joint Lead Underwriters and Joint Bookrunners require persons into whose possession this Offer Supplement comes, to inform themselves of and observe all such restrictions. This Offer Supplement does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer in

³ BDO Capital will not receive any fees for its role as Sole Issue Manager.

such jurisdiction.

This document constitutes the Offer Supplement relating to the Offer described herein. Unless defined in this Offer Supplement, terms used herein shall be deemed to be defined as set forth in the Prospectus. This Offer Supplement contains the final terms of the Offer and must be read in conjunction with the Prospectus and the Share Agreements. Full information on the Issuer and the Offer is only available on the basis of the combination of this Offer Supplement, the Prospectus and the Share Agreements. All information contained in this Offer Supplement and the Prospectus are deemed qualified by, and should be read together with, the disclosures of the Company as filed with the SEC, the PSE, and/or the PDEX. All information contained in the Prospectus are deemed incorporated by reference in this Offer Supplement. In case of any inconsistency between this Offer Supplement and the Prospectus, then the more detailed portions in this Offer Supplement shall at all times prevail.

Unless otherwise stated, the information contained in the Prospectus and this Offer Supplement has been supplied by the Company. The Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in the Prospectus and this Offer Supplement are correct, and that there is no material misstatement or omission of fact which would make any statement in the Prospectus and this Offer Supplement misleading in any material respect. The Company and the Sole Issue Manager and the Joint Lead Underwriters and Joint Bookrunners have exercised reasonable due diligence required by regulations in ascertaining that all material representations contained in the Prospectus and this Offer Supplement are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

Unless otherwise indicated, all information in the Prospectus and this Offer Supplement is as of the date provided. Neither the delivery of the Prospectus and this Offer Supplement nor any sale made pursuant to the Prospectus and this Offer Supplement shall, under any circumstances, create any implication that the information contained herein is correct as of any date after the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. No representation or warranty, express or implied, is made or given by the Sole Issue Manager and the Joint Lead Underwriters and Joint Bookrunners, or the Registry and Paying Agent or their respective affiliates or legal advisers as to the accuracy, completeness or sufficiency of the information contained in this Offer Supplement, and nothing contained in this Offer Supplement is, or shall be relied upon as, a promise, representation or warranty by the Sole Issue Manager and the Joint Lead Underwriters and Joint Bookrunners, or the Registry and Paying Agent or their respective affiliates or legal advisers, except as required by their respective duties of due diligence. This Offer Supplement is neither intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Sole Issue Manager and the Joint Lead Underwriters and Joint Bookrunners, or the Registry and Paying Agent or their respective affiliates or legal advisers that any recipient of this Offer Supplement should purchase the Offer Shares.

Market data and certain industry forecasts used throughout the Prospectus and this Offer Supplement were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and the Company does not make any representation, undertaking or other assurance as to the accuracy or completeness of such information, or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in the Prospectus and this Offer Supplement in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

THE OFFER SHARES ARE BEING OFFERED ON THE BASIS OF THE PROSPECTUS AND THIS PRELIMINARY OFFER SUPPLEMENT ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED IN THE PROSPECTUS AND THIS OFFER SUPPLEMENT.

Each person contemplating an investment in the Offer Shares should make his own due diligence and

analysis of the creditworthiness of the Company and his own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares. A person contemplating an investment in the Offer Shares should seek professional advice if he or she is uncertain of or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Offer Shares involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Offer Shares, see “*Risk Factors*” in the Prospectus and this Offer Supplement.

The price of securities, such as the Offer Shares, can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Offer Shares described in this Preliminary Offer Supplement involves a certain degree of risk. A prospective purchaser of the Offer Shares should carefully consider several risk factors relating to the Company’s business and operations, risks relating to the Philippines, and risks relating to the Offer Shares, as set out in “*Risk Factors*” found on page [58] of this Preliminary Offer Supplement, in addition to the other information contained in this Preliminary Offer Supplement, in deciding whether to invest in the Offer Shares. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares. A person contemplating an investment in the Offer Shares should seek professional advice if he or she is uncertain of or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities. Investing in the Offer Shares involves a higher degree of risk compared to debt instruments.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES WAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") AND WAS RENDERED EFFECTIVE PURSUANT TO MSRD ORDER NO. 33 (SERIES OF 2023) DATED ON JUNE 14, 2023. HOWEVER, THIS TRANCHE OF THE SECURITIES MAY NOT BE SOLD NOR OFFERS TO BUY THE SAME ACCEPTED PRIOR TO THE TIME THE SEC ISSUES THE CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE. ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS OFFER SUPPLEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

PETRON CORPORATION

By:


RAMON S. ANG
President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me on AUG 28 2024 in Mandaluyong City, Philippines, affiant exhibiting to me his Passport with No. _____ expiring on _____ as competent evidence of identity.

Doc. No. 280 ;
Page No. 57 ;
Book No. III ;
Series of 2024.

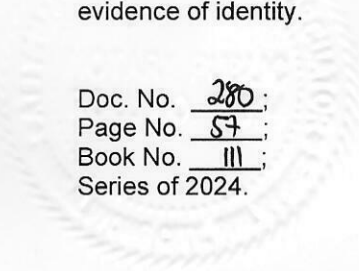



MARIA CRISSELDA T. TORCUATOR
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0582-23
Until December 31, 2024
Attorney's Roll No. 71094
PTR No. 5420853 /01-03-2024/ Mandaluyong
IBP No. 391617 /01-03-2024/ RSM
MCLE Compliance No. VII-0014988/06-17-2022

TABLE OF CONTENTS

Definition of Terms	13
Executive Summary	16
Summary of the Offering	21
Description of the Offer Shares	47
Risk Factors	58
Capitalization	81
Use of Proceeds	83
Plan of Distribution	91
The Company	100
Description of Property	138
Management	145
Ownership and Capitalization	167
Legal Proceedings	186
Selected Financial Information	188
Management's Discussion and Analysis of Results of Operations and Financial Condition	203
Interest of Named Experts and Counsel	240
Regulatory and Environment Matters	241
Taxation	266

Appendix

- A. Unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2024
- B. Audited Consolidated Financial Statements as of and for the years ended December 31, 2023, 2022 and 2021.
- C. List of Government Permits

DEFINITION OF TERMS

In this Offer Supplement, unless the context otherwise requires, the following terms shall have the meanings set out below.

Applicant.....	A person, whether natural or juridical, who seeks to subscribe for the Offer of the Series 4 Preferred Shares
BankCom.....	Bank of Commerce
bbl.....	Barrel
BDO Capital.....	BDO Capital & Investment Corporation
BIR	Philippine Bureau of Internal Revenue
Black Products	Fuel oil and asphalts
bpd	Barrels per day
BSP	<i>Bangko Sentral ng Pilipinas</i>
Business Day	A day, other than a public non-working holiday, Saturday, or Sunday on which the BSP's Philippine Payment and Settlement System (PhilPaSS) and the Philippine Clearing House Corporation (PCHC) (or, in the event of the discontinuance of their respective functions, their respective replacements) are open and available for clearing and settlement, and banks are open for business in Metro Manila, Philippines
BVAL	Bloomberg Valuation Service, the electronic financial information service provider, and when used in connection with the designated page of the Benchmark Rate, the display page so designated on BVAL (or such other page as may replace that page on that service), or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices to that Benchmark Rate
Chinabank Capital.....	China Bank Capital Corporation
CODO.....	Company-owned-dealer-operated service stations
Company, Issuer or Petron	Petron Corporation
Depository Agent.....	Philippine Depository & Trust Corp.
DODO.....	Dealer-owned-dealer-operated service stations.
Joint Lead Underwriters and Joint Bookrunners	BankCom, BDO Capital, Chinabank Capital, PCCI Capital, PNB Capital, and SB Capital
Listing Date.....	The date when the Series 4 Preferred Shares are listed in the PSE

Local Small Investors or LSI	A share subscriber who is willing to subscribe to a minimum purchase of 50 shares and whose subscription does not exceed ₱1,000,000.00
LSI Guidelines.....	The implementing guidelines for the reservation and allocation of shares for the LSIs through the PSE, prepared for the Offer and approved by the PSE
PCCI Capital.....	Philippine Commercial Capital Inc.
PDEx.....	The Philippine Dealing & Exchange Corp.
PDTC.....	Philippine Depository & Trust Corp.
PFRS.....	Philippine Financial Reporting Standards
Philippine Peso, Peso, PHP or ₱....	Philippine Pesos, the legal currency of the Philippines
Philippines.....	Republic of the Philippines
PNB Capital.....	PNB Capital and Investment Corporation
Prospectus.....	The prospectus dated June 13, 2023 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Series 4 Preferred Shares
PSE	The Philippine Stock Exchange, Inc.
PSE EASy	The PSE Electronic Allocation System
PSE EDGE	The PSE Electronic Disclosure Generation Technology (EDGE) website, at edge.pse.com.ph
Qualified Institutional Buyers	Qualified buyers, as defined in Section 10.1 (I) of the Securities Regulation Code (Republic Act No. 8799) and Rule 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC, as amended
Registrar, Paying Agent or Stock Transfer Agent.....	SMC Stock Transfer Service Corporation
Registration Statement.....	The registration statement filed with the SEC in connection with the offer and sale to the public of the Series 4 Preferred Shares
Revised Corporation Code.....	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
SB Capital.....	SB Capital Investment Corporation
SEC	Philippine Securities and Exchange Commission
Sole Issue Manager.....	BDO Capital
SRC.....	Republic Act No. 8799 otherwise known as the Securities Regulation Code of the Philippines
Trading Day.....	Any day when the PSE is open for business

U.S. dollars, USD or US\$.....	U.S. Dollars, the legal currency of the United States of America
VAT	Value-Added Tax

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the consolidated financial statements of the Company that appear elsewhere in this Offer Supplement. The meaning of terms not defined in this summary can be found elsewhere in this Offer Supplement.

Prospective investors should read this entire Offer Supplement and the Prospectus fully and carefully, including investment considerations and the Company's audited financial statements and the related notes. In case of any inconsistency between this summary and the more detailed information in the Prospectus and this Offer Supplement, then the more detailed portions, as the case may be, shall at all times prevail.

Business

Petron Corporation was incorporated under the Corporation Code of the Philippines and registered with the SEC on December 22, 1966. On September 13, 2013, the SEC approved the extension of the 50-year corporate term of the Company to 2066. As a general rule under the Revised Corporation Code, which took effect on February 23, 2019, corporations with certificates of incorporation prior to the effectivity of the Revised Corporation Code, and which continue to exist, shall have perpetual existence. By operation of law therefore, Petron shall now have perpetual existence. As of June 30, 2024, it has a market capitalization of ₱ 25,500,284,231.84.

Petron is the only integrated oil refining and marketing company in the Philippines and is a leading player in the Malaysian market.

In the Philippines, the Company operates the country's only refinery, the **Petron Bataan Refinery**, located in Bataan, which has a production capacity of 180,000 bpd, capable of supplying approximately 40% of the country's total fuel requirements. The Company had a retail market share of 36.3%⁴ of the Philippine oil market for the period ended June 30, 2023.

Petron has also been a major industry player in the Malaysian market in the last twelve years. The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. For the period ended December 31, 2023, the Company ranked third in the Malaysian retail market with more than 21% market share, based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data.

Petron refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia with a combined refining capacity of 268,000 bpd.

The Petron Bataan Refinery is a full conversion refinery capable of processing crude oil into a range of white petroleum products such as naphtha, gasoline, diesel, LPG, jet fuel, kerosene, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene.

From the Petron Bataan Refinery, the Company moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, seven in the Visayas and eight in Mindanao, as well as four airport installations in Luzon, five airport installations in Visayas and three airport installations in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. The Company also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

Through its network of around 1,800 retail service stations in the Philippines as of June 30, 2024,

⁴ Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the period ended June 30, 2023.

representing approximately 16% of the country's total service station count, the Company sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 45% of service stations are CODOs and 55% are DODOs. As of June 30, 2024, the Company's LPG distribution network includes more than 1,900 branch and franchise stores where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. Meanwhile, the Company's Lubes distribution network includes about 45 car care centers and more than 1,000 service stations selling lubes.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of June 30, 2024, the extent of the Company's programs includes more than 590,000 Petron Fleet Cards and more than 1.2 million Petron Value Cards (including Petron Super Driver Cards) in the Philippines. In Malaysia, as of June 30, 2024, the Company's programs include more than 13,000 Petron Fleet Cards, more than 1,400 Petron Super Driver Cards, and approximately 2.8 million active Petron Miles Privilege Cards ("PMILES") cardholder/member accounts.

The Company owns and operates a fuel additives blending plant (the "**Subic Plant**") in the Subic Bay Freeport Zone in the Philippines, with a capacity of 12,000 metric tons per year. The Company has a tolling agreement with Innospec, Limited ("**Innospec**"), a global fuel additives supplier. Regional customers of Innospec and the Company's own requirements are served from the output of the Subic plant.

The Company diversified into petrochemicals and in 2000 added a mixed xylene recovery unit to the Petron Bataan Refinery and a propylene recovery unit in 2008. Its benzene-toluene extraction unit became operational in May 2009. On July 1, 2014, the Company acquired and took over from Philippine Polypropylene Inc. ("**PPI**"), an indirect subsidiary of the Company, the operations of the polypropylene plant in order to enhance the overall efficiency of its petrochemical operations. The polypropylene plant is located in Mariveles, Bataan and is owned by Robinson International Holdings Limited ("**RIHL**"), an indirect subsidiary of the Company, which has the capacity to produce 160,000 metric tons of polypropylene resin annually. The polypropylene plant has an installed production capacity of 225,000 metric tons of various polypropylene resin annually.

In Malaysia, the Company owns and operates the Port Dickson Refinery located in the state of Negeri Sembilan, which has a crude oil distillation capacity of 88,000 bpd, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and LSWR. As of June 30, 2024, the Company had 10 product terminals, a palm oil methyl ester ("**PME**") plant, a network of more than 780 retail service stations, of which about 55% are CODO and 45% are DODO, and about 310 Treats convenience stores.

The Company also covers the industrial segment in Malaysia, selling diesel and gasoline to mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

The Company's products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical feedstock, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company's revenues from these export sales amounted to ₱47,011 million or 6% of total sales, as of December 31, 2023, and ₱15,767 million or 7% of total sales of March 31, 2024.

In 2021, 2022, and 2023, and in the first three months of 2024, the Company's sales were ₱438,057 million, ₱857,638 million, ₱801,027 million, and ₱227,637 million respectively, and net income was ₱6,136 million, ₱6,697 million, ₱10,134 million and ₱3,933 million, respectively.

Strengths

The Company believes that its principal competitive strengths include the following:

- Only Refinery in the Philippines;

- Market leadership in the Philippine downstream oil sector;
- Logistically advantaged supply position in the Philippines;
- Operations in markets with favorable industry dynamics;
- Expanded product offering driving non-fuel retail volumes;
- Enhanced loyalty card program in the Philippines and successful rollout of the Petron App;
- Established position in the Malaysian downstream oil sector; and
- Experienced management team and employees and strong principal shareholder in San Miguel Corporation.

See “Strengths” on page 103 of this Offer Supplement.

Areas of Strategic Focus

The Company’s principal strategies are set out below:

- Optimize Refinery Operations to Maximize Refining Margins
 - Maximize production of high margin refined petroleum products and petrochemicals;
 - Ensure reliability and efficiency of refinery operations;
- Volume Growth and Sustainable Margins
 - Maximize volume growth and further increase market share in the downstream oil markets in the Philippines and in Malaysia;
 - Improve supply chain reliability and efficiency; and
- Continue to pursue, implement and build on environmental, corporate and social responsibility initiatives.

See “Areas of Strategic Focus” on page [87] of this Offer Supplement.

Risks Relating to the Offer

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Preferred Shares. These risks include the following, which are discussed in more detail under the section “Risk Factors” starting on page [49].

Risks Relating to the Company’s Business and Operations

- Volatility of the price of crude oil and petroleum products;
- Outbreak of any other highly infectious or contagious diseases;
- Reliance primarily on a number of suppliers for a significant portion of its crude oil requirements in the Philippines and Malaysia;
- Intense competition, increasing presence of electric vehicles, and cyclicity in global and regional refining capacities;
- Disruption in operations or casualty loss at the Company’s refineries;
- Effect of Malaysian government policies and regulations relating to the marketing of fuel products;
- Compliance with and renewal of licenses, permits and other authorizations and continued compliance with safety, health, environmental and zoning laws and regulations;
- Failure to respond quickly and effectively to product substitution or government-mandated product formulations;
- Significant capital expenditures and financing are required to implement business strategies, and debt levels may adversely affect the Company’s financial condition and results of operations;
- Changes in applicable taxes, duties and tariffs;
- Fluctuations in the value of the Philippine Peso and the Malaysian Ringgit against the U.S. Dollar;
- Dependence on experienced, skilled and qualified personnel and management team;
- The Company’s controlling shareholders may have interests that may not be the same as those of

- other shareholders;
- The Company may fail to integrate acquired businesses properly;
- The number or severity of claims for which the Company is insured increases;
- Existing or future claims against the Company, its subsidiaries, associates or joint ventures, or directors or key management; and
- Changes in applicable accounting standards.

Risks Relating to the Philippines and Malaysia

- Economic instability and slow growth rates in the Philippines and Malaysia, as well as globally;
- Political instability, acts of terrorism, military conflict, or changes in laws or government policies in the Philippines or Malaysia;
- Territorial and other disputes with neighboring states;
- Natural or man-made catastrophes;
- Difficulties in enforcing judgments against the Company; and
- Foreign exchange controls.

Risks Relating to the Preferred Shares

- The Preferred Shares may not be a suitable investment for all investors;
- The Preferred Shares are perpetual securities and investors have no right to require redemption;
- The Preferred Shares are subordinated obligations;
- There may be insufficient distributions upon liquidation;
- Holders may not receive dividend payments if the Company elects to defer dividend payments;
- The ability of the Company to make payments under the Preferred Shares is limited by the terms of the Company's other indebtedness;
- The market price of the Preferred Shares may be volatile, which may result in the decline in the value of investments of the investors;
- There may be a lack of public market for the Preferred Shares;
- An active or liquid trading market for the Preferred Shares may not develop;
- Holders of the Preferred Shares may not be able to reinvest at a similar return on investment; and
- The Preferred Shares have no voting rights.

Corporate Information

Petron Corporation was incorporated under the laws of the Philippines in 1966. The Company's head office and principal place of business is located at the SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City, Philippines. The Company's telephone number at this location is (632) 8884 - 9200. The Company's primary website is www.petron.com. Information contained on the Company's website does not constitute a part of this Offer Supplement. The Company's Common and Outstanding Shares, and Series 3A, Series 3B, Series 4A, Series 4B, and Series 4C Preferred Shares are listed and traded on the PSE under the symbols "PCOR", "PRF3A" "PRF3B", "PRF4A", "PRF4B" and "PRF4C", respectively.

SUMMARY OF THE OFFERING

The following do not purport to be a complete listing of all the rights, obligations and privileges of the Offer Shares. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective shareholders are enjoined to perform their own review of the Articles of Incorporation, By-Laws and resolutions of the Board of Directors of the Company, the Company disclosures, the information contained in the Prospectus, this Offer Supplement, and any other agreements relevant to the Offer. Each prospective shareholder must rely on its own appraisal of the Issuer and the proposed financing and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to participate in the proposed financing and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective shareholder's independent evaluation and analysis.

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Offer Supplement and in the Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Offer Shares. Accordingly, any decision by a prospective investor to invest in the Offer Shares should be based on a consideration of the Prospectus and this Offer Supplement as a whole. Prospective investors are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Preferred Shares to be offered. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

Issuer	Petron Corporation
Instrument	Perpetual, cumulative, deferrable, non-voting, non-participating, non-convertible, reissuable Philippine Peso-denominated SEC-registered preferred shares (“Offer Shares”)
Offer Size	<p>₱13.0 Billion with an Oversubscription Option of up to ₱4.0 Billion.</p> <p>Up to 13,000,000 Offer Shares (subject to the Oversubscription Option as provided below), to be issued in two (2) subseries: Series 4D Preferred Shares and Series 4E Preferred Shares.</p> <p>The Offer Shares will be issued out of the unissued shares of the Company.</p> <p>The Issuer, in consultation with the Joint Lead Underwriters and Joint Bookrunners, has the discretion to allocate the principal amount of the Offer between the two subseries based on the results of the book building process.</p>
Oversubscription Option	In the event of an oversubscription, the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, reserve the right, but do not have the obligation, to increase the Offer Size by up to 4,000,000 Offer Shares, subject to the applicable requirements of the SEC.

Registration and Listing	To be registered with the SEC and listed on the Main Board of the PSE, subject to compliance with SEC regulations and PSE listing rules. Upon listing, the Series 4D Preferred Shares and Series 4E Preferred Shares shall be traded under the symbols “PRF4D” and “PRF4E”, respectively.
Use of Proceeds	The net proceeds of the Offer shall be used to redeem the Series 3A Preferred Shares, refinance maturing obligations, and fund general corporate purposes, including the purchase of crude oil inventory.
Par Value	The Offer Shares shall have a par value of ₱1.00 per share.
Offer Price	The Offer Shares shall be offered at a price of ₱1,000.00 per share.
Offer Period	The Offer Period shall commence at [9:00 a.m.] on [September 5,] 2024 and end at [12:00 noon] on [September 13,] 2024. The Issuer, the Sole Issue Manager, and the Joint Lead Underwriters and Bookrunners reserve the right to extend or terminate the Offer Period with the approvals of the SEC and the PSE, as applicable.
Listing Date	On [September 23, 2024], or such other date when the Offer Shares are listed in the Main Board of the PSE.
Dividend Rate	<p>As and if cash dividends are declared by the Board of Directors, cash dividends on the Offer Shares shall be at the fixed rate of:</p> <ul style="list-style-type: none"> • Series 4D Preferred Shares: [•]% per annum; • Series 4E Preferred Shares: [•]% per annum; <p>in all cases calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (each, the “Initial Dividend Rate” for the relevant series).</p> <p>Dividend Rate means (a) from the Listing Date up to the Step-Up Date, the Initial Dividend Rate, and (b) from the Step-Up Date until the date the Offer Shares are redeemed, the higher of the Initial Dividend Rate and the Step-Up Dividend Rate. (Please see below relevant definitions.)</p>
Dividend Payment Dates	Cash Dividends will be payable starting [December 23, 2024], and every [March 23, June 23, September 23, and December 23] of each year, each a “ Dividend Payment Date ”, being the last day of each 3-month period (a “ Dividend Period ”) following the Listing Date, as and if declared by the Board of Directors in accordance with the terms and conditions of the Offer Shares.

	<p>The dividends on the Offer Shares will be calculated on a 30/360-day basis.</p> <p>If the Dividend Payment Date is not a Business Day, dividends will be paid on the next succeeding Business Day, without adjustment as to the amount of dividends to be paid.</p>
<p>Conditions on Declaration and Payment of Cash Dividends</p>	<p>The declaration and payment of cash dividends for each Dividend Period will be subject to the sole and absolute discretion of the Board of Directors of the Issuer, to the extent permitted by applicable laws and regulations, and the covenants (financial or otherwise) in the agreements to which the Issuer is a party. The Board of Directors will not declare and pay dividends for any Dividend Period where payment of such dividends would cause the Issuer to breach any of its covenants (financial or otherwise).</p> <p>If in the opinion of the Board of Directors, the Company will not be in a position to pay in full the dividends on the Offer Shares and the dividends or distributions on any Parity Securities falling due within a six (6)-month period from any Dividend Payment Date, after paying in full an amount equal to all dividends or distributions scheduled to be paid on or before that dividend or distribution payment date on any securities with a right to dividends or distributions ranking in priority to that of the Offer Shares, the Company shall either (a) not declare the dividends on the Offer Shares and defer the payment of such dividends or distributions on any Parity Securities, or (b) pay such dividends on the Offer Shares and the dividends or distributions on any Parity Securities <i>pro rata</i> to the amount of the dividends or distributions scheduled to be paid to them within the said period. The amount scheduled to be paid will include the amount of any dividend or distribution due and payable within the said period and any arrears on past cumulative dividends or any deferred distributions.</p>
<p>Optional Redemption and Purchase</p>	<p>As and if approved by the Board of Directors (or the Executive Committee), the Company may redeem in whole (but not in part), any subseries of the Offer Shares as follows:</p> <ul style="list-style-type: none"> a. in respect of Series 4D Preferred Shares, on the 3rd Anniversary of the Issue Date, or on any Dividend Payment Date thereafter; and b. in respect of Series 4E Preferred Shares, on the 5th Anniversary of the Issue Date or on any Dividend Payment thereafter, <p>The Issuer shall notify the shareholders of the redemption through the PSE Electronic Disclosure Generation Technology (“PSE EDGE”) at least ten (10)</p>

Trading Days but no more than sixty (60) days' notice prior to the intended date of redemption (the "**Notice of Redemption**"). The redemption price shall be equal to the Offer Price of the Offer Shares plus all dividends due them on the actual date of redemption as well as all accumulated dividends due and payable, or Arrears of Dividends after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption (the "**Redemption Price**"). The Redemption Notice shall be deemed irrevocable upon issuance thereof. The Redemption Notice shall include the record date for purposes of determining the entitlement of shareholders to receive the Redemption Price. Upon disclosure of the Redemption Notice, the Issuer shall likewise request for the voluntary trading suspension of the Series 4D Preferred Shares or Series 4E Preferred Shares (as appropriate) until the indicated redemption date.

For the avoidance of doubt, on the applicable Optional Redemption Date, the Issuer has the option to redeem, in whole but not in part, any, some, or all of the subseries.

In the event an Optional Redemption Date which the Issuer has chosen as the date to redeem any, some, or all of the subseries falls on a day that is not a Business Day, the redemption shall be made on the next succeeding day that is a Business Day, without adjustment as to the Redemption Price and the amount of dividends to be paid.

The Issuer shall likewise have the option to redeem, in whole but not in part, any, some, or all of the subseries (a) in the event payments in respect of the Offer Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer; or (b) in the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Offer Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**"), or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer.

Upon listing on the PSE, the Company reserves the right to purchase the Offer Shares at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Series 4 Preferred Shares. The Offer

	<p>Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in this Offer Supplement) and cancelled or kept as treasury shares, as applicable.</p>
<p>Step-Up Dividend Rate</p>	<p>Unless the Offer Shares shall have been redeemed by the Company as follows:</p> <ul style="list-style-type: none"> a. in respect of Series 4D Preferred Shares, on the 5th anniversary of the Listing Date (the “Series 4D Step-Up Date”); and b. in respect of Series 4E Preferred Shares, on the 7th anniversary of the Listing Date (the “Series 4E Step-Up Date”). <p>(each, referred to as a “Step-Up Date”), the Initial Dividend Rate shall be adjusted as follows:</p> <ul style="list-style-type: none"> i. for Series 4D Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 7-year BVAL (or if the 7-year BVAL is not available or cannot be determined, any successor rate as determined by the Bankers Association of the Philippines (“BAP”) or the <i>Bangko Sentral ng Pilipinas</i> (“BSP”)), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4D Step-Up Date, plus 3.25%; and ii. for Series 4E Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any successor rate as determined by the BAP or the BSP), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4E Step-Up Date, plus 3.25%; <p>(The date of the listing of the Series 4D Preferred Shares and the Series 4E Preferred Shares is referred to as the “Listing Date”. The adjusted rates referred to in (i) and (ii) are each referred to as a “Step-Up Dividend Rate”.)</p>

	<p>However, if the Initial Dividend Rate is higher than the applicable Step-Up Dividend Rate, there shall be no adjustment on the Dividend Rate, and the Initial Dividend Rate shall continue to be the Dividend Rate.</p> <p>In the event the relevant Step-Up Date falls on a day that is not a Business Day,</p> <ol style="list-style-type: none"> a. the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date, and b. the higher of the applicable Initial Dividend Rate and the applicable Step-Up Dividend Rate will be applied commencing on the Step-Up Date (which is the 5th anniversary date of the Series 4D Preferred Shares and the 7th anniversary of the Series 4E Preferred Shares). <p>In the event that BVAL is replaced by a new benchmark rate as determined by the BAP or the BSP, such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the “New Benchmark Rate”). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use or apply BVAL, the Company and the Joint Lead Underwriters and Joint Bookrunners shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.</p>
No Sinking Fund	The Company is not legally required, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Offer Shares.
Taxation	<p>All payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippine Government, including, but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Offer Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Company shall not be liable for, and the foregoing payment undertaking of the Company shall not apply to:</p> <ol style="list-style-type: none"> a. any withholding tax applicable on dividends earned by or on any amounts payable to the holders of the Offer Shares, including any additional tax on such dividends imposed by

	<p>changes in law, rule, or regulation;</p> <p>b. any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption of the Offer Shares or on the liquidating distributions as may be received by a holder of Offer Shares;</p> <p>c. any expanded value added tax which may be payable by any holder of the Offer Shares on any amount to be received from the Company under the terms and conditions of the Offer Shares;</p> <p>d. any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividends payable to any holder of Offer Shares or any entity which is a non-resident foreign corporation; and</p> <p>e. any applicable taxes on any subsequent sale or transfer of the Offer Shares by any holder of the Offer Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).</p> <p>All sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities.</p> <p>Documentary stamp tax and all other costs and expenses for the issuance of the Offer Shares and the documentation, if any, shall be for the account of the Company.</p>
Redemption by reason of a Tax Event	<p>In the event payments in respect of the Offer Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' written notice, may redeem the Offer Shares at any time in whole but not in part, at the Redemption Price; provided that if the Tax Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries. See "<i>Summary of the Offering</i>" and "<i>Description of the Offer Shares</i>" of this Offer Supplement.</p>
Redemption by reason of an Accounting Event	<p>In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating</p>

	<p>that the Offer Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' written notice, may redeem the Offer Shares in whole, but not in part at the Redemption Price; provided that if the Accounting Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries. See "<i>Summary of the Offering</i>" and "<i>Description of the Offer Shares</i>" of this Offer Supplement.</p>
<p>Form, Title and Registration of the Offer Shares</p>	<p>The Offer Shares shall be in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer and lodged with PDTC as Depository Agent not later than the Listing Date through PSE Trading Participants nominated by the accepted Applicants. For this purpose, Applicants shall indicate in the proper space provided for in the Application to Purchase forms that will be issued and circulated in connection with the Offer (together with the required documents), the name of the PSE trading participants under whose name their shares will be registered.</p> <p>After the Listing Date, holders of the Offer Shares (the "Shareholders") may request their nominated PSE Trading Participants to facilitate the conversion of their scripless Offer Shares into stock certificates. Any expense that will be incurred in relation to such issuance of stock certificates shall be for the account of the requesting Shareholder.</p> <p>Legal title to the Offer Shares will be shown in an electronic register of shareholders (the "Registry of Shareholders") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a Statement of Account to all shareholders named in the Registry of Shareholders, except certificated shareholders and Depository Participants, confirming the number of Offer Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of the given date thereof. Any request by a Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the</p>

	account of the requesting Shareholder.
Selling and Transfer Restrictions	Initial placement and subsequent transfers of interests in the Offer Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
Governing Law	The Offer Shares shall be offered under and governed by the laws of the Republic of the Philippines.
Features of the Offer Shares	
Status	<p>The Offer Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least <i>pari passu</i> in all respects and ratably without preference or priority among themselves.</p> <p>The Offer Shares will be subordinated to the US\$550 million Senior Perpetual Capital Securities of the Company issued in 2021 ("Capital Securities"), and any Senior Capital Securities that may be issued by the Company.</p> <p>The obligations of the Company in respect of the Offer Shares will, in the event of the winding-up of the Company (subject to and to the extent permitted by applicable law), rank:</p> <ol style="list-style-type: none"> a. junior to all unsubordinated obligations of the Company (other than Parity Securities) and any obligation assumed by the Company under any guarantee of, or any indemnity in respect of, any obligation or commitment which rank or are expressed to rank senior to the Offer Shares; b. <i>pari passu</i> with each other and with any Parity Securities of the Company; and c. senior only to the Company's Junior Securities (as defined below). <p>"Parity Securities" means: (i) any instrument, security (including preferred shares) or obligation issued or entered into by the Company which ranks, or is expressed to rank, by its terms or by operation of law, <i>pari passu</i> with the Series 4 Preferred Shares; (ii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the Company where the Company's obligations under the relevant guarantee or indemnity rank, or are expressed to rank, <i>pari passu</i> with the Company's obligations under the Series 4 Preferred Shares; and (iii) the Outstanding Series 4 Preferred Shares of the Company issued and outstanding as of the Listing Date.</p>

	<p>“Junior Securities” means (i) the common shares of the Company; (ii) any instrument, security or obligation issued or entered into by the Company which ranks, or is expressed to rank, junior to the Series 4 Preferred Shares; and (iii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the Company where the Company’s obligations under the relevant guarantee or indemnity rank, or are expressed to rank, junior to the Company’s obligations under the Series 4 Preferred Shares.</p> <p>The Company is at liberty from time to time without the consent of the holders of the Series 4 Preferred Shares to create and issue additional preferred shares or securities either (a) ranking at least <i>pari passu</i> in all respects with the Series 4 Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.</p>
<p>Dividend Cumulative</p>	<p>Dividends on the Offer Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare dividends on the Offer Shares for a Dividend Period, the Company will not pay dividends on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, Shareholders of the Offer Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the “Arrears of Dividends”).</p> <p>Shareholders of the Offer Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Offer Shares.</p> <p>The Company covenants that, in the event (for any reason):</p> <ul style="list-style-type: none"> a. any dividends due with respect to any Offer Shares then outstanding for any period are not declared and paid in full when due; b. where there remains Arrears of Dividends; or c. any other amounts payable in respect of the Offer Shares are not paid in full when due, <p>then the Company will not:</p> <ul style="list-style-type: none"> a. declare or pay any dividends or other distributions in respect of Parity Securities and Junior Securities (unless such declaration or payment of dividends or distributions in respect of Parity Securities shall be in accordance with

	<p>“Conditions on Declaration and Payment of Cash Dividends”), or</p> <p>b. repurchase or redeem any Parity Securities or Junior Securities (or contribute any moneys to a sinking fund for the redemption of any Parity Securities or Junior Securities),</p> <p>until any and all amounts described in (a), (b) and (c) have been paid to the Shareholders.</p>
No Voting Rights	Shareholders shall not be entitled to vote at the Company’s stockholders’ meetings, except as otherwise provided by law.
Non-Participating	Shareholders shall not be entitled to participate in any other or future dividends beyond the dividends specifically payable on the Offer Shares.
Non-Convertible	Shareholders shall have no right to convert the Offer Shares to any other preferred shares or common shares of the Company.
No Pre-emptive Rights	Shareholders shall have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued or sold by the Company.
Liquidation Rights	In the event of a return of capital in respect of the Company’s winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Company of any of its share capital, the Shareholders at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Company available for distribution to shareholders, together with the holders of any other securities of the Company ranking, as regards repayment of capital, <i>pari passu</i> with the Series 4 Preferred Shares and before any distribution of assets is made to holders of any class of the securities of the Company ranking after the Series 4 Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Series 4 Preferred Shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the winding up of the Company or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Company, the amount payable with respect to the Series 4 Preferred Shares and any other securities of the Company ranking as to any such distribution <i>pari passu</i> with the Series 4 Preferred Shares is not paid in full, the holders of the Series 4 Preferred Shares and of such other securities will share ratably in any such distribution of the assets of

	<p>the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Series 4 Preferred Shares will have no right or claim to any of the remaining assets of the Company and will not be entitled to any further participation or return of capital in a winding up.</p>
Perpetual	The Offer Shares are perpetual and have no fixed final maturity date.
Reissuable	Upon redemption, the Offer Shares shall not be retired but may be reissued under such terms and conditions and procedure as may be determined by the Board of Directors or the Executive Committee (when so delegated to it by the Board of Directors).
Other Terms of the Offer	
Minimum Subscription to the Offer Shares	Each Application shall be for a minimum of 50 Offer Shares, and thereafter, in multiples of 10 Offer Shares. No Application for multiples of any other number of Offer Shares will be considered.
Eligible Investors	<p>Any natural person of legal age, or any corporation, association, partnership, trust account, fund or entity, regardless of nationality, subject to the Company's right to reject an application or reduce the number of Offer Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws. In addition, under certain circumstances, the Issuer may reject an application or reduce the number of Offer Shares applied for subscription.</p> <p>Law may restrict subscription to the Offer Shares in certain jurisdictions. Foreign investors interested in subscribing to or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares. For more information relating to restrictions on the ownership of the Offer Shares, see "<i>Regulatory and Environmental Matters</i>".</p>
Procedure for Application	Applications to Purchase may be obtained from any of the Joint Lead Underwriters and Joint Bookrunners or Selling Agents. All Applications shall be evidenced by the Application to Purchase, duly executed in each case

by the Applicant or an authorized signatory of the Applicant and accompanied by two completed specimen signature cards, the corresponding payment for the Offer Shares covered by the Application to Purchase and all other required documents including documents required for registry with the Registrar and Depository Agent (the "**Application**"). The duly executed Application to Purchase and required documents should be submitted to the Joint Lead Underwriters and Joint Bookrunners or Selling Agents on or prior to set deadlines for submission of Applications. If the Applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:

- a. a certified true copy of the Applicant's latest articles of incorporation and by-laws, general information sheet or equivalent constitutive documents, each as amended to date, duly certified by the corporate secretary (or equivalent officer);
- b. a certified true copy of the Applicant's SEC certificate of registration, duly certified by the corporate secretary (or equivalent officer);
- c. a duly notarized corporate secretary's certificate setting forth the resolution of the Applicant's board of directors or equivalent body authorizing (i) the purchase of the Offer Shares indicated in the Application and (ii) the designated signatories authorized for the purpose, including their respective specimen signatures; and
- d. government-issued identification document(s) ("**ID**") of each of the authorized signatory/ies, certified as true copy by the Applicant's corporate secretary (or equivalent officer).

For individual Applicants, each must also submit a photocopy of any one of the following **IDs**: passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required in relevant documents or acceptable to the Issuer.

An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must also submit the documents described on page 54 of this Offer Supplement.

For Local Small Investors:

Applications to purchase the Offer Shares must be done online through the PSE EASy. The system will generate a reference number and payment instruction.

	<p>Applications for the Offer Shares must be settled within the Offer Period. An LSI applicant should nominate in the Application the Trading Participant through which its shares will be lodged. Otherwise, the Application shall not be accepted. In the event that an LSI applicant does not have an existing account with a Trading Participant, the LSI applicant, if eligible, may open such securities trading account with any of the Trading Participants prior to submission of the Application. This section should be read in conjunction with the LSI Guidelines which will be published on the PSE EDGE website.</p>
<p>Payment for the Offer Shares</p>	<p>The Offer Shares must be paid for in full upon submission of the Application. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application to Purchase and specimen signature card together with the requisite attachments. Any and all bank charges, remittance fees, and all relative charges and fees shall be for the account of the Applicant.</p> <p>Payment for the Offer Shares shall be made by manager's check/cashier's check, corporate check or personal check drawn against any <i>Bangko Sentral ng Pilipinas</i> authorized bank or any branch thereof. All checks should be made payable to "Petron Preferred Shares Offer", crossed "Payee's Account Only," and dated on or before the date as the Application. The Applications and the related payments will be received at any of the offices of the Joint Lead Underwriters and Joint Bookrunners or Selling Agents. Applicants submitting their Application to a Joint Lead Underwriter and Joint Bookrunner may also remit payment for their Offer Shares through the Real Time Gross Settlement ("RTGS") facility of the BSP to the Joint Lead Underwriter and Joint Bookrunner to whom such Application was submitted or via direct debit to their deposit account maintained with such Joint Lead Underwriter and Joint Bookrunner. Cash payments shall not be accepted.</p> <p>Should the Applicant elect to pay through RTGS, the Application should be accompanied by an instruction issued by the Applicant to effect payment through RTGS in an amount equal to the total Offer Price of the Offer Shares applied for, to be effected and fully funded not later than 12:00 noon on [•].</p> <p>Should the Applicant elect to pay by a debit memo or instruction, the Application should be accompanied by a debit memo or instruction issued by the Applicant in an amount equal to the total Offer Price applied for in favor of the Joint Lead Underwriter and Joint Bookrunner to whom the Application is submitted, to be effected no later than 12:00 noon on [•].</p> <p>For more details on the procedures for the application to the Offer, please refer to the Company's LSI Guidelines</p>

	<p>and TP Guidelines which will be published on the PSE EDGE website prior to the start of the Offer Period.</p> <p>For LSIs, payment for the Offer Shares shall be made either by manager's/cashier's check, corporate check or personal check drawn against any <i>Bangko Sentral ng Pilipinas</i> authorized bank or any branch thereof with clearing period of not more than one (1) Business Day will be accepted as a valid mode of payment. All checks should be made payable to "Petron Preferred Shares Offer", crossed "Payee's Account Only," dated on or before the date of the Application Form and must be made within the clearing cut-off of the last day of the Offer Period.</p> <p>The PSE EASy reference number should be indicated in the deposit/payment slip. For the more detailed payment instructions, please refer to the LSI Guidelines which will be published on the PSE EDGE website prior to the start of the Offer Period.</p>
Acceptance/Rejection of Applications	<p>The actual number of Offer Shares that an Applicant will be allowed to subscribe for is subject to the confirmation of the Joint Lead Underwriters and Joint Bookrunners. The Company, in consultation with the Joint Lead Underwriters and Joint Bookrunners, reserves the right to accept or reject, in whole or in part, any Application due to any grounds specified in the Underwriting Agreement to be entered into by the Company and the Joint Lead Underwriters and Joint Bookrunners. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any acceptance or receipt of payment pursuant to the Application does not constitute approval or acceptance by the Company of the Application.</p> <p>An Application, when accepted, shall constitute a binding and effective agreement between the Applicant and the Company for the subscription to the Offer Shares at the time, in the manner and subject to terms and conditions set forth in the Application to Purchase and those described in this Offer Supplement, notwithstanding any provision to the contrary as may be found in the Application, this Offer Supplement, the Prospectus, and other offer-related document. Notwithstanding the acceptance of any Application by the Company, the actual subscription by the Applicant for the Offer Shares will become effective only upon listing of the Offer Shares on the PSE and upon the obligations of the Joint Lead Underwriters and Joint Bookrunners under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement. If such conditions have not been fulfilled on or before the periods provided above, all Application</p>

	<p>payments will be returned to the Applicants without interest. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to the Withdrawal of the Offer section of this Offer Supplement, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.</p>
<p>Refunds for Rejected Applications</p>	<p>In the event that the number of Offer Shares to be allotted to an Applicant, as confirmed by a Joint Lead Underwriter and Joint Bookrunner or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund, without interest, within five (5) Business Days from the end of the Offer Period, all or the portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds, without interest, shall be made through the Joint Lead Underwriters and Joint Bookrunners, Selling Agent, or Receiving Agent (as applicable) with whom the Applicant has filed the Application within five (5) Business Days from the end of Offer Period.</p> <p>Should the refund be made via a check, an Applicant may retrieve such check refund at the office of the relevant Joint Lead Underwriter and Joint Bookrunner, Selling Agent, or Receiving Agent (as applicable) with whom the Applicant has filed the Application. Refund checks that remain unclaimed after thirty (30) days from the date such checks are made available for pick-up shall be delivered through registered mail, at the Applicant's risk, to the address specified by the Applicant in the Application.</p>
<p>Process of distributing TP allocation among the Series 4D Preferred Shares and the Series 4E Preferred Shares.</p>	<p>Mechanics of Distribution</p> <ol style="list-style-type: none"> 1. Upon preparation of the Firm Undertaking report, the designated Joint Lead Underwriter and Joint Bookrunner, with oversight from representative(s) of the other Joint Lead Underwriters and Joint Bookrunners shall input the number of Offer Shares requested by each Participating TP in a spreadsheet designed for the reservation and allocation of the Offer Shares. 2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process: <ol style="list-style-type: none"> a) If the total number of Offer Shares requested by a Participating TP, based on its Firm Undertaking, does not exceed the allocation per TP, the designated Joint Lead Underwriter and Joint Bookrunner shall fully satisfy the

	<p>request of such Participating TP. Each TP is assured of not less than the Allocation per TP. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated.</p> <p>b) If the total number of Offer Shares requested by a Participating TP exceeds the allocation per TP, Additional Shares may be sourced from the Offer Shares not taken up by the other TPs. The designated Joint Lead Underwriter and Joint Bookrunners, under the observation of a representative of the PSE Listings Department, shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders of those TPs who have Firm Orders that are less than or equal to the allocation per TP; and (ii) distributing equitably the remaining TP Allocation to other TPs with orders for Additional Shares, but only up to their respective Firm Order.</p> <p>c) In no case shall any Participating TP be awarded more than the shares indicated in its Firm Undertaking.</p> <p>d) If the aggregate number of Offer Shares requested by all Participating TPs is less than the TP Allocation, the balance shall be returned to the Joint Lead Underwriters and Joint Bookrunners.</p> <p>3. Unless otherwise determined by the Issuer, in consultation with the Joint Lead Underwriters and Joint Bookrunners, the distribution between the Series 4D Preferred Shares and Series 4E Preferred Shares in the final TP Allocation of each TP shall follow the same proportion of the Series 4D Preferred Shares and Series 4E Preferred Shares as reflected in the relevant TP's Firm Undertaking. This will be rounded to the prescribed board lot requirement as described in paragraph 10 of the TP Guidelines.</p> <p>4. All deadlines indicated in these procedures shall be strictly followed.</p>
Withdrawal of the Offer	<p>The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and PSE.</p>

	<p>The Joint Lead Underwriters and Joint Bookrunners may also cancel or terminate their underwriting commitments at any time prior to the commencement of the Offer Period, by giving written notice to the Company, the SEC and the PSE, if prior to the commencement of the Offer Period, any of the events set out in the Underwriting Agreement occurs.</p> <p>The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to the Listing Date, if any of the following events occurs, in which case the Underwriting Agreement shall be deemed terminated:</p> <p>a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration, or the SEC Permit to Sell Securities (“Approvals”) and by the Prospectus and this Offer Supplement, or would have a material adverse effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it, in the reasonable determination of the Joint Lead Underwriters and Joint Bookrunners, impracticable to proceed with the Offer in the manner contemplated by the Approvals and the Prospectus and this Offer Supplement, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer’s or Joint Lead Underwriters and Joint Bookrunners’ inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the Joint Lead Underwriters and Joint Bookrunners, or any other entity/person to take up any Offer Shares remaining after the Offer Period;</p> <p>b. An order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution listing or issuance of the Offer Shares is issued by any court or governmental agency or authority having jurisdiction on the matter which to issue such order is not lifted, including the SEC and the PSE;</p> <p>c. Cancellation, revocation or termination of the Approvals;</p>
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	<p>d. Trading in the PSE is closed or suspended for at least three (3) consecutive Trading Days other than due to weekends or declared holidays, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;</p> <p>e. There is a change or impending change in any Philippine law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Issuer to engage in the business it is presently engaged in; (b) the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, or (ii) renders illegal the performance by any of the Joint Lead Underwriters and Joint Bookrunners of their respective obligations hereunder;</p> <p>f. Any significant, adverse, and unforeseeable change or development in the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which would have a material adverse effect on the offering to the public of the Offer Shares;</p> <p>g. The Issuer decides to or is compelled by any competent court or government authority to stop or is about to stop its operations, which is not remedied within five (5) Business Days from such decision of the Issuer or competent court or government authority (as the case may be);</p> <p>h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; and such receiver, trustee or similar officer shall be appointed; or the Issuer shall initiate or institute (by petition, application or otherwise), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation, corporate rehabilitation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted against the Issuer; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset of the Issuer or material part of the Issuer's assets; or any event</p>
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	<p>occurs which under the laws of the Philippines or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;</p> <p>i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;</p> <p>j. The commencement or threatened commencement by any entity, person or regulatory body of any public action, court proceeding, litigation, arbitration or other similar proceeding against any of the Joint Lead Underwriters and Joint Bookrunners which renders the performance of their respective underwriting commitments impossible or impracticable;</p> <p>k. Any event occurs which makes it impossible for the Joint Lead Underwriters and Joint Bookrunners to perform their underwriting obligations due to conditions beyond their control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the Joint Lead Underwriters and Joint Bookrunners, or directing the Joint Lead Underwriters and Joint Bookrunners to cease, from performing their underwriting obligations;</p> <p>l. Any representation, warranty or statement of the Issuer in the Underwriting Agreement, in any certificate, or any information given in the Prospectus and this Offer Supplement is untrue or misleading in any material respect or omitted to state a material fact necessary to make the statements therein in light of the circumstances in which they were made, provided that such: (a) was not known and could not have been known to the Joint Lead Underwriters and Joint Bookrunners on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability;</p> <p>m. Unavailability of PDTC's lodgement facilities and the PSE's listing facilities used for the Offer and/or listing prior to or on the target Listing Date and such unavailability effectively prevents the ability of the Issuer and the Joint Lead Underwriters and Joint Bookrunners to fully comply with the listing requirements of PSE, if the impact of such unavailability remains unresolved after discussions between the Issuer and the Joint Lead Underwriters and Joint Bookrunners in good faith; and</p> <p>n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Issuer's long-term financial condition, assets,</p>
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	<p>liabilities, results of operations, business, properties, or profitability.</p> <p>Pursuant to the Underwriting Agreement, the Joint Lead Underwriters may cancel or terminate their underwriting commitment thereunder by giving written notice to Petron, the SEC and the PSE if the Offer Period has already commenced and, prior to the Listing Date of the Offer Shares, if there is a supervening force majeure or fortuitous event, such as those enumerated above.</p> <p>After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended, or terminated solely by reason of the Issuer's or Joint Lead Underwriters and Joint Bookrunners' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/person to take up any Offer Shares remaining after the Offer Period.</p> <p>Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section and the "<i>Plan of Distribution – Withdrawal of the Offer</i>" of this Offer Supplement, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.</p> <p>Notwithstanding the foregoing, the Company and the Joint Lead Underwriters and Joint Bookrunners recognize and acknowledge that the PSE is a self-regulatory organization with a mandate to maintain a fair and orderly market. In this regard, the PSE may impose appropriate and reasonable sanctions and penalties on the relevant party for the cancellation of the Offer on or after the commencement of the Offer Period and prior to the Issue Date if, subsequently, the PSE determines that the cancellation or suspension of the Offer was not warranted based on the facts gathered and properly evaluated by PSE and after due and proper proceedings initiated by the PSE not later than five (5) Business Days after such cancellation or suspension.</p>
Local Small Investors	<p>On April 16, 2024, the PSE issued Memorandum Circular CN No. 2024-0024 ("C.N. 2024-0024") which provides the amendments to Article III, Part F, Section 13 and Article V, Part F of the Consolidated Listing and Disclosure Rules, effective immediately. Under C.N. 2024-0024, the allocation of offer shares to Local Small Investors shall be mandatory. As such, the Company will</p>

	<p>allocate up to 10% or [1,300,000] Offer Shares to Local Small Investors.</p> <p>“Local Small Investor” or “LSI” shall mean a share subscriber who is willing to subscribe to a minimum purchase of 50 shares and whose subscription does not exceed ₱1,000,000.00.</p>																
Expected Timetable	<p>The timetable of the Offer is expected to be as follows:</p> <table border="1"> <tr> <td>PSE Board Approval and issuance of Notice of Approval</td> <td>August 27, 2024</td> </tr> <tr> <td>Dividend Rate Setting</td> <td>[August 29, 2024]</td> </tr> <tr> <td>Dividend Rate Announcement</td> <td>[August 30, 2024]</td> </tr> <tr> <td>Issuance of Permit to Sell and Order of Registration</td> <td>[September 2/3, 2024]</td> </tr> <tr> <td>Public Offer Period</td> <td>[September 5 to 13, 2024]</td> </tr> <tr> <td>PSE Trading Participants' Submission of Firm Undertaking</td> <td>[September 11, 2024]</td> </tr> <tr> <td>Release of Allocation Notices to PSE Trading Participants</td> <td>[September 12, 2024]</td> </tr> <tr> <td>Listing Date and commencement of trading on the PSE</td> <td>[September 23, 2024]</td> </tr> </table> <p>Any change in the dates included above may be subject to approval of the SEC and PSE, as applicable, and other conditions.</p>	PSE Board Approval and issuance of Notice of Approval	August 27, 2024	Dividend Rate Setting	[August 29, 2024]	Dividend Rate Announcement	[August 30, 2024]	Issuance of Permit to Sell and Order of Registration	[September 2/3, 2024]	Public Offer Period	[September 5 to 13, 2024]	PSE Trading Participants' Submission of Firm Undertaking	[September 11, 2024]	Release of Allocation Notices to PSE Trading Participants	[September 12, 2024]	Listing Date and commencement of trading on the PSE	[September 23, 2024]
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Listing Date and commencement of trading on the PSE	[September 23, 2024]																
Sole Issue Manager	BDO Capital & Investment Corporation																
Joint Lead Underwriters and Joint Bookrunners	<p>Bank of Commerce, BDO Capital & Investment Corporation, China Bank Capital Corporation, Philippine Commercial Capital, Inc., PNB Capital and Investment Corporation, and SB Capital Investment Corporation.</p> <p>For more information on the Sole Issue Manager, and the Joint Lead Underwriters and Joint Bookrunners and their underwriting commitments, please see “<i>Plan of Distribution</i>”.</p>																
Selling Agents	Trading Participants of The Philippine Stock Exchange, Inc. and [●]																
Depository Agent	Philippine Depository & Trust Corp.																
Registrar/Stock Transfer Agent	SMC Stock Transfer Service Corporation																
Receiving Agent	SMC Stock Transfer Service Corporation																

Counsel to the Issuer	Picazo Buyco Tan Fider & Santos
Counsel to the Sole Issue Manager and the Joint Lead Underwriters and Joint Bookrunners	SyCip Salazar Hernandez & Gatmaitan

DESCRIPTION OF THE OFFER SHARES

Set forth below is information relating to the Offer Shares. This description is only a summary and is qualified by reference to Philippine law and Petron's Articles of Incorporation and By-laws, copies of which are available at the SEC.

Petron's Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and the by-laws of the corporation.

The Company is subject to foreign ownership restrictions on account of its ownership of land. Consequently, foreign ownership in the Company is limited to a maximum of 40% of both the total issued and outstanding capital stock entitled to vote for directors of the Company and the total number of issued and outstanding capital stock, whether or not entitled to vote for directors of the Company.

As of June 30, 2024, the Company had an authorized capital stock consisting of:

- a. 9,375,104,497 common shares with a par value of ₱1.00 per share, which are all issued and outstanding, and
- b. 624,895,503 preferred shares with a par value of ₱1.00 per share, of which 34,000,000 preferred shares are issued and outstanding.

The Offer Shares will be issued out of the unissued shares of the Company. The Issuer, in consultation with the Joint Lead Underwriters and Joint Bookrunners, has the discretion to allocate the principal amount of the Offer Shares between the two subseries based on the results of the book building process.

The Offer Shares

General Features

The Offer Shares shall have the following features, rights and privileges:

- The Offer Price of the Offer Shares shall be ₱1,000.00 per Preferred Share;
- The Initial Dividend Rate of the Offer Shares shall be at a fixed rate of [●]% per annum for Series 4D Preferred Shares, and [●]% per annum for Series 4E Preferred Shares in all cases calculated in respect of each share by reference to the Offer Price thereof in respect of each Dividend Period;
- Perpetual and have no fixed maturity date;
- Cumulative in payment of current dividends as well as any unpaid back dividends;
- Non-convertible into common shares;
- Preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation of the Company and in the payment of the dividend at the rate specified above;
- Subordinated to the Senior Capital Securities;
- Non-participating in any other or further dividends beyond the dividends specifically payable on the Offer Shares;
- Non-voting except in those cases specifically provided by law;
- No pre-emptive rights to any subsequent issue or re-issue of the Company's shares (including, without limitation, treasury shares);
- Redeemable at the option of the Company under such terms and conditions as specified in this Offer Supplement; and
- Reissuable.

Shareholders do not have identical rights and privileges with holders of the existing common shares and existing preferred shares of the Company.

Listing of Financial Obligations Based on Ranking and Preference

1. Senior Debt / Senior Perpetual Capital Securities / Redeemable Perpetual Securities
2. Preferred Shares
3. Common Shares

Features Specific or Particular to the Offer Shares

Following are certain features specific or particular to the Offer Shares:

In General: No Voting Rights

The Offer Shares shall have no voting rights except as specifically provided by the Revised Corporation Code. Thus, Shareholders shall not be eligible, for example, to vote for or elect the Company's Directors or to vote for or against the issuance of a stock dividend. Shareholders, however, may vote on matters which the Revised Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. These acts, which require the approval of shareholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company are as follows:

- Amendment of the Company's Articles of Incorporation (the "**Articles**") (including any increase or decrease of capital stock);
- Amendment of the Company's By-laws (the "**By-laws**");
- Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets;
- Incurring, creating or increasing bonded indebtedness;
- Increase or decrease of capital stock;
- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized; and
- Dissolution of the Company.

In General: Perpetual

The Offer Shares are perpetual and have no fixed maturity date.

Reissuable

Upon redemption, the Offer Shares shall not be retired but may be reissued under such terms and conditions and procedure as may be determined by the Board of Directors or the Executive Committee (when so delegated to it by the Board of Directors).

Dividend Policy in Respect of the Offer Shares

As and if dividends are declared by the Board, dividends on the Shares shall be at a fixed rate of [●]% per annum for Series 4D Preferred Shares, and [●]% per annum for Series 4E Preferred Shares, in all cases calculated in respect of each share by reference to the Offer Price thereof in respect of each Dividend Period.

Cash dividends on the Offer Shares will be payable quarterly in arrears starting on [December 23, 2024] and every [March 23, June 23, September 23, December 23] of each year (each a "**Dividend Payment Date**"), each being the last day of each three (3)-month period (a "**Dividend Period**") following the relevant

Listing Date. The dividends on the Preferred Shares will be calculated on a 30/360-day basis and will be paid quarterly in arrears on Dividend Payment Date, as and if declared by the Board. If the Dividend Payment Date is not a Business Day, dividends will be paid on the next succeeding Business Day, without adjustment as to the amount of dividends to be paid.

The declaration and payment of cash dividends for each Dividend Period will be subject to the sole and absolute discretion of the Board of Directors of the Issuer, to the extent permitted by applicable laws and regulations, and the covenants (financial or otherwise) in the agreements to which the Issuer is a party. The Board of Directors will not declare and pay dividends for any Dividend Period where payment of such dividends would cause the Issuer to breach any of its covenants (financial or otherwise).

If in the opinion of the Board of Directors, the Company will not be in a position to pay in full the dividends on the Offer Shares and the dividends or distributions on any Parity Securities falling due within a six (6)-month period from any Dividend Payment Date, after paying in full an amount equal to all dividends or distributions scheduled to be paid on or before that dividend or distribution payment date on any securities with a right to dividends or distributions ranking in priority to that of the Offer Shares, the Company shall either (a) not declare the dividends on the Offer Shares and defer the payment of such dividends or distributions on any Parity Securities, or (b) pay such dividends on the Offer Shares and the dividends or distributions on any Parity Securities *pro rata* to the amount of the dividends or distributions scheduled to be paid to them within the said period. The amount scheduled to be paid will include the amount of any dividend or distribution due and payable within the said period and any arrears on past cumulative dividends or any deferred distributions.

Dividends on the Offer Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare dividends on the Offer Shares for a Dividend Period, the Company will not pay dividends on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Offer Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the “**Arrears of Dividends**”).

Shareholders shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Offer Shares.

The Company covenants that, in the event (for any reason):

- a. any dividends due with respect to any Offer Shares then outstanding for any period are not declared and paid in full when due;
- b. where there remains Arrears of Dividends; or
- c. any other amounts payable in respect of the Offer Shares are not paid in full when due,

then the Company will not:

- a. declare or pay any dividends or other distributions in respect of Parity Securities and Junior Securities (unless such declaration or payment of dividends or distributions in respect of Parity Securities shall be in accordance with “**Conditions on Declaration and Payment of Cash Dividends**”), or
- b. repurchase or redeem any Parity Securities or Junior Securities (or contribute any moneys to a sinking fund for the redemption of any Parity Securities or Junior Securities),

until any and all amounts described in (a), (b) and (c) have been paid to the holders of the Offer Shares.

Optional Redemption of the Offer Shares

As and if approved by the Board of Directors (or the Executive Committee), the Company may redeem in whole (but not in part), any subseries of the Offer Shares as follows:

- a. in respect of Series 4D Preferred Shares, three (3) years after Listing Date (the “**Series 4D First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4D First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4D Optional Redemption Date**”); and
- b. in respect of Series 4E Preferred Shares, five (5) years after Listing Date (the “**Series 4E First Optional Redemption Date**”) or on any Dividend Payment Date thereafter (each of the Series 4E First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 4E Optional Redemption Date**”);

(each Series 4D Optional Redemption Date, and Series 4E Optional Redemption Date, an “**Optional Redemption Date**”),

The Issuer shall notify the shareholders of the redemption through the PSE Electronic Disclosure Generation Technology (“**PSE EDGE**”) at least ten (10) Trading Days but no more than sixty (60) days’ notice prior to the intended date of redemption (the “**Notice of Redemption**”). The redemption price shall be equal to the Offer Price of the Offer Shares plus all dividends due them on the actual date of redemption as well as all accumulated dividends due and payable, or Arrears of Dividends after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption (the “**Redemption Price**”). The Redemption Notice shall be deemed irrevocable upon issuance thereof. The Redemption Notice shall include the record date for purposes of determining the entitlement of shareholders to receive the Redemption Price. Upon disclosure of the Redemption Notice, the Issuer shall likewise request for the voluntary trading suspension of the Series 4D Preferred Shares or Series 4E Preferred Shares (as appropriate) until the indicated redemption date.

For the avoidance of doubt, on the applicable Optional Redemption Date, the Issuer has the option to redeem, in whole but not in part, any, some, or all of the subseries.

In the event an Optional Redemption Date which the Issuer has chosen as the date to redeem any, some, or all of the subseries falls on a day that is not a Business Day, the redemption shall be made on the next succeeding day that is a Business Day, without adjustment as to the Redemption Price and the amount of dividends to be paid.

The Issuer shall likewise have the option to redeem, in whole but not in part, any, some, or all of the subseries (a) in the event payments in respect of the Offer Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer; or (b) in the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Offer Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer.

Upon listing on the PSE, the Company reserves the right to purchase the Offer Shares at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Series 4 Preferred Shares. The Offer Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in this Offer Supplement) and cancelled or kept as treasury shares, as applicable.

Step-Up Dividend Rate

Unless the Offer Shares shall have been redeemed by the Company as follows:

- a. in respect of Series 4D Preferred Shares, on the 5th anniversary of the Listing Date (the “**Series 4D Step-Up Date**”); and
- b. in respect of Series 4E Preferred Shares, on the 7th anniversary of the Listing Date (the “**Series 4E Step-Up Date**”);

(each, referred to as a “**Step-Up Date**”), the Initial Dividend Rate shall be adjusted as follows:

- i. for Series 4D Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 7-year BVAL (or if the 7-year BVAL is not available or cannot be determined, any successor rate as determined by the BAP or the BSP), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4D Step-Up Date, plus 3.25%; and
- ii. for Series 4E Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any successor rate as determined by the BAP or the BSP), as published on the website of the Philippine Dealing System Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the Series 4E Step-Up Date, plus 3.25%;

(The date of the listing of the Series 4D Preferred Shares, and the Series 4E Preferred Shares is referred to as the “**Listing Date**”. The adjusted rates referred to in (i) and (ii) are each referred to as a “**Step-Up Dividend Rate**”).

However, if the Initial Dividend Rate is higher than the applicable Step-Up Dividend Rate, there shall be no adjustment on the Dividend Rate, and the Initial Dividend Rate shall continue to be the Dividend Rate.

In the event the relevant Step-Up Date falls on a day that is not a Business Day,

- a. the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date, and
- b. the higher of the applicable Initial Dividend Rate and the applicable Step-Up Dividend Rate will be applied commencing on the Step-Up Date (which is the 5th anniversary date of the Series 4D Preferred Shares and the 7th anniversary date of the Series 4E Preferred Shares).

In the event that BVAL is replaced by a new benchmark rate as determined by the BAP or the BSP, such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the “**New Benchmark Rate**”). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use or apply BVAL, the Company and the Joint Lead Underwriters and Joint Bookrunners shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.

Payments on the Offer Shares

All payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Offer Shares will receive the full amount of the

relevant payment which otherwise would have been due and payable; provided, however, that the Company shall not be liable for: (a) any withholding tax applicable on dividends earned by or on any amounts payable to the holders of the Offer Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation; (b) any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption of the Offer Shares or on the liquidating distributions as may be received by a holder of Offer Shares; (c) any expanded value added tax which may be payable by any holder of the Offer Shares on any amount to be received from the Company under the Offer Shares; (d) any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividend payable to any holder of the Share or any entity which is a non-resident foreign corporation; and (e) any applicable taxes on any subsequent sale or transfer of the Offer Shares by any holder of the Offer Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

All sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities. See “*Plan of Distribution—Application to Purchase*” of this Offer Supplement for the list of documents required to be submitted as proof of tax-exempt status.

Documentary stamp tax and all other costs and expenses for the issuance of the Offer Shares and the documentation, if any, shall be for the account of the Company.

Early Redemption by reason of a Tax Event

In the event dividend payments become subject to additional or higher withholding or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Company, the Company may redeem the Offer Shares at any time in whole, but not in part, having given not more than 60 nor less than 30 days’ written notice prior to the intended date of redemption, at the Offer Price plus all accrued and Arrears of Dividends, if any. The Redemption Price shall be paid within five Business Days of the exercise of the right to redeem the Offer Share; provided that if the Tax Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries.

Early Redemption by reason of an Accounting Event

In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Company stating that the Offer Shares may no longer be recorded as equity in the audited consolidated financial statements of the Company prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Company for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Company, the Company having given not more than 60 nor less than 30 days’ written notice, may redeem the Offer Shares in whole, but not in part at the Redemption Price; provided that if the Accounting Event is specific to a subseries, then the foregoing optional redemption may be exercised only with respect to such subseries.

Liquidation Rights in Respect of the Offer Shares

The Offer Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least *pari passu* in all respects and ratably without preference or priority among themselves and with all other Series 4 Preferred Shares issued by the Company and any other Parity Securities issued by the Company. The Offer Shares will be subordinated to the Capital Securities issued in 2021.

In the event of a return of capital in respect of the Company’s winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Company of any of its share capital, the obligations of the Company in respect of the Offer Shares will, subject to and to the extent permitted by applicable law, rank: (a) junior to all unsubordinated obligations of the Company (other than Parity Securities) and any obligation assumed by the Company under any guarantee of, or any indemnity in

respect of, any obligation or commitment which rank or are expressed to rank senior to the Offer Shares; (b) *pari passu* with each other and with any Parity Securities of the Company; and (c) senior only to the Company's Junior Securities.

The Company is at liberty from time to time without the consent of the Shareholders to create and issue additional preferred shares or securities either (a) ranking at least *pari passu* in all respects with the Series 4 Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.

Shareholders at the time outstanding will be entitled to receive, in Pesos out of the Company's assets available for distribution to shareholders, together with the holders of any other of the Company's shares ranking, as regards repayment of capital, *pari passu* with the Offer Shares and before any distribution of assets is made to holders of any class of the Company's shares ranking after the Offer Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Offer Shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the Company's winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in the Company's winding up, the amount payable with respect to the Offer Shares and any other of the Company's shares ranking as to any such distribution *pari passu* with the Offer Shares is not paid in full, the holders of the Offer Shares and of such other shares will share ratably in any such distribution of the Company's assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Offer Shares will have no right or claim to any of the Company's remaining assets and will not be entitled to any further participation or return of capital in a winding up.

No Pre-emptive Rights

There are no pre-emptive rights extended to holders of Offer Shares over all share issuances of the Company including, without limitation, treasury shares.

Transfer of Shares and Share Register

The Offer Shares shall be in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer and lodged with Philippine Depository & Trust Corporation ("**PDTC**") as Depository Agent not later than the Listing Date through PSE Trading Participants nominated by the Applicants.

Legal title to the Offer Shares will be shown in an electronic register of shareholders (the "**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting Shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a Statement of Account to all Shareholders named in the Registry of Shareholders confirming the number of Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of a given date thereof. Any request by Shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.

Initial placement of the Offer Shares and subsequent transfers of interests in the Offer Shares shall be subject to normal Philippine selling restrictions for listed securities as may prevail from time to time.

After Listing Date, Shareholders may request the Registrar, through their nominated PSE Trading Participant, to (a) open a scripless registry account and have their holdings of the Offer Shares registered under their name ("**name-on-registry account**"), or (b) issue stock certificates evidencing their investment in the Offer Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting Shareholder.

Philippine law does not require transfers of the Offer Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax or, to the extent applicable, donor's tax and documentary stamp tax, which taxes may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "*Taxation*". All transfers of shares on the PSE must be effected through a licensed stock broker in the Philippines.

Not convertible into Common Shares or Other Preferred Shares

The Offer Shares shall not be convertible to any common shares or other preferred shares of the Company.

Other Rights and Incidents Relating to the Offer Shares

Following are other rights and incidents relating to the Offer Shares, which may also apply to other classes of Petron's stock.

Directors

Unless otherwise provided by law or the Articles, the Company's corporate powers are exercised, its business is conducted, and its property is controlled by the Board. Petron has 15 directors who are elected by holders of shares entitled to voting rights under the Articles during each annual meeting of the shareholders for a term of one year who shall serve as such until their successors shall have been duly elected and shall have qualified. As mentioned, holders of Offer Shares are not entitled to vote for and elect the Company's Directors.

Petron's By-laws currently disqualify or deem ineligible for nomination or election to the Board any person who is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed so engaged:

- a. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board determines by resolution to be competitive or antagonistic to that of the Company or any of its affiliates and subsidiaries;
- b. If he is an officer, manager, controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company or any of its affiliates and subsidiaries, if the Board determines by resolution that the laws against combinations in restraint of trade shall be violated by such person's membership in the Board; and
- c. If the Board, in the exercise of its judgment in good faith, determines by resolution that such person is the nominee of any person set forth in (a) or (b).

The Company conforms to the requirement under the Revised Corporation Code to have independent directors constituting at least 20% of the board. As of the date of this Offer Supplement, the Company has three independent directors, namely, Margarito B. Teves, Artemio V. Panganiban, and Ricardo C. Marquez.

The presence of a majority of the directors shall constitute a quorum for the transaction of business at any meeting. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is achieved. Notice of any adjourned meeting need not be given.

Any vacancy other than that caused by the removal by the shareholders, expiration of the term or increase in the number of directors on the Board, may be filled by the affirmative vote of at least a majority of the remaining directors, if still constituting a quorum. Any director elected in this manner shall serve only for the unexpired term of the director replaced.

Shareholders' Meetings

At the annual meeting or at any special meeting of the Company's shareholders, the latter may be asked to approve actions requiring shareholder approval under Philippine law.

Quorum

The Revised Corporation Code provides that, except in instances where the approval of shareholders representing two-thirds (2/3) of the outstanding capital stock is required to approve a corporate act (usually involving the significant corporate acts where even non-voting shares may vote, as identified above) or where the by-laws provide otherwise, a quorum for a meeting of shareholders will exist if shareholders representing a majority of the capital stock are present in person, by proxy, via remote communication, or in absentia.

Voting

At each shareholders' meeting, each holder of common shares shall be entitled to vote in person, or by proxy, via remote communication, or in absentia, all shares held by him, upon any matter duly raised in such meeting. Upon the other hand, holders of preferred shares may vote on matters which the Revised Corporation Code considers significant corporate acts that may be implemented only with the approval or assent of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. See *"Description of the Preferred Share –In General: No Voting Rights"*.

The Company's By-laws provide that proxies shall be in writing and signed and in accordance with the existing laws, rules and regulations of the SEC. Duly accomplished proxies must be submitted to the office of the Corporate Secretary not later than ten (10) business days prior to the date of the stockholders' meeting. Pursuant to the Revised Corporation Code, no proxies shall be valid for a period longer than five (5) years.

Fixing Record Dates

The Board has the authority to fix in advance the record date for shareholders entitled: (a) to notice of, to vote at, or to have their votes voted at, any shareholders' meeting; (b) to receive payment of dividends or other distributions or allotment of any rights; or (c) for any lawful action or for making any other proper determination of shareholders' rights. Under the By-laws, the Board may, by resolution, direct the stock transfer books of the Corporation be closed for a period not exceeding 60 days preceding the date of any meeting of stockholders. The record date shall in no case be more than 60 days nor less than 35 days preceding such meeting of shareholders. In the case of dividend payments, the record date shall not be less than ten (10) business days after dividend declaration date in compliance with applicable regulations of the PSE.

Appraisal Rights

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

In addition, the Revised Corporation Code grants a shareholder a right of appraisal in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- An amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or extension or shortening the term of corporate existence;
- The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all of the assets of the corporation;

- The investment of corporate funds in another corporation or business for any purpose other than the primary purpose for which the corporation was organized; and
- A merger or consolidation.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default of an agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. The SEC will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. The dissenting shareholder will be paid if the corporate action in question is implemented and the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Derivative Rights

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

Accounting and Auditing Requirements/Rights of Inspection

Philippine stock corporations are required to file copies of their annual financial statements with the SEC and the Philippine Bureau of Internal Revenue (“**BIR**”). Corporations whose shares are listed on the PSE are also required to file quarterly and annual reports with the SEC and the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine at reasonable hours on a business day the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year. This report is required to include audited financial statements.

RISK FACTORS

Investment in the Preferred Shares involves a certain degree of risk. Prior to making any investment decision, prospective investors should carefully consider all of the information in the Prospectus and this Offer Supplement, including the risks and uncertainties described below. The business, financial condition or results of operations of the Issuer could be materially adversely affected by any of these risks.

General Risk Warning

An investment in the Preferred Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of the Preferred Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, and results of operations of the Company and cause the market price of the Preferred Shares to decline. All or part of an investment in the Preferred Shares could be lost. Investors deal in a range of investments, each of which may carry a different level of risk.

The means by which the Company intends to address the risk factors discussed herein are principally presented under "*The Company — Strengths*" beginning on page [107], "*The Company — Areas of Strategic Focus*" beginning on page [112], "*Management*" beginning on page [145], "*Corporate Governance*" on page [165], and "*Management's Discussion and Analysis of Financial Position and Results of Operations*" beginning on page [209] and of this Offer Supplement.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to the Company's business, results of operations, financial condition, and prospects.

Prudence Required

This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the Preferred Shares and the Issuer thereof from the SEC and PSE.

Professional Advice

An investor should seek professional advice if he or she is uncertain of or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.

Risk Factors

This Offer Supplement contains forward-looking statements that involve risks and uncertainties. Petron adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company's actual results may differ significantly from the results discussed in the forward-looking statements. See section "*Forward-Looking Statements*" of the Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Petron, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below.

Additional considerations and uncertainties not presently known to the Issuer or which the Issuer currently deems immaterial may also have an adverse effect on an investment in the Preferred Shares.

Investors should carefully consider all the information contained in this Offer Supplement including the risk factors described below, before deciding to invest in the Preferred Shares. The Company's business, financial condition and results of operations of the Company could be materially and adversely affected by any of these risk factors.

Risks Relating to the Company's Business and Operations

Volatility of the price of crude oil and petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition.

Petron's financial results are primarily affected by the relationship, or margin, between the prices for its refined petroleum products and the prices for crude oil that is the main raw material for these refined petroleum products. Crude oil accounted for approximately 37%, 39%, 43% and 46% of Petron's total cost of goods sold in 2021, 2022, 2023, and in the first three months of 2024, respectively.

Many factors influence the price of crude oil, including changes in global supply and demand for crude oil, international economic conditions, global conflicts or acts of terrorism, weather conditions, domestic and foreign governmental regulation, price wars among oil producers, and other factors over which Petron has no control.

Russia-Ukraine War and Geopolitical Tensions in the Middle East

The ongoing Russia-Ukraine war and other conflicts arising in the Middle East heavily impact global oil market, threatening oil supply from these major oil producers of the world. Sanctions and export controls against Russia have constrained oil exports contributing to tighter global supply and higher prices. Instability in the Middle East with the Israel-Palestine conflict and Houthi attacks in the Red Sea also raises the risk of supply chain disruptions in critical oil-producing regions.

These conflicts heightened the volatility in the oil market, causing sharp fluctuations in oil prices and adding inflationary pressures and economic uncertainties worldwide.

Any escalation of the conflict between Russia and Ukraine, in the Middle East, or any other global developments that will threaten supply and demand situation for oil will continue to impact global markets and prices of oil and affect Petron's financial performance.

Historically, Petron holds approximately two (2) months and approximately one (1) month of crude oil and finished petroleum products inventory in the Philippines and Malaysia, respectively. Accordingly, since Petron accounts for its inventory using the first-in-first-out method, a sharp drop in crude oil prices could adversely affect Petron, as it may require Petron to sell its refined petroleum products produced with higher-priced crude oil at lower prices. Petron may not be able to pass crude oil price fluctuations along to its consumers in a timely manner, or at all, due to regulatory restrictions or social and competitive concerns. The Philippine government has historically intervened to restrict increases in the prices of petroleum products in the Philippines from time to time. Petron, fully cognizant of its social responsibilities, heeds the government's calls for such price restraints. Price interventions from the government have historically arisen only in rare instances, such as in the aftermath of severe natural disasters, and last only for a limited period. The national government has likewise been supportive and understanding of Petron's financial well-being, knowing the importance of Petron being able to carry out its mandate to ensure stable and efficient energy supply for the country. Any inability to pass on fluctuations in the price of crude oil may have a material adverse effect on Petron's business, results of operations and financial condition. Moreover, even if Petron were able to pass on increases in the price of crude oil to its customers, demand for its products may decrease as a result of such price increases.

Furthermore, a sharp rise in crude oil prices would increase Petron's requirements for short-term financing for working capital and may result in higher financing costs for Petron. Any difficulties in securing short-term

financing for working capital, or unfavorable pricing terms, may have a material adverse effect on Petron's financial condition and results of operations.

To minimize Petron's risk of potential losses due to volatility of international crude and product prices, Petron enters into commodity hedging for crude and petroleum products. A hedging policy developed by Petron's Commodity Risk Management Department is in place. Hedges are intended to protect crude inventories from risks of downward price movements and margin contractions. Decisions are guided by the conditions set and approved by management.

Outbreak of any other highly infectious or contagious disease

Infectious disease outbreaks, such as the COVID-19 pandemic in 2020, have created significant public health concerns as well as economic disruption, uncertainty, and volatility, all of which have impacted and may continue to impact the Company's businesses. While the Company has numerous initiatives in place to mitigate the adverse impact of a pandemic, the duration and extent of the impact are beyond the control of the Company.

Due to numerous uncertainties and factors beyond the Company's control, it may be difficult to predict the impact of global disease to the Company, its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of any pandemic, including whether there are subsequent waves or other additional periods of increases or spikes in the number of cases in future periods in areas in which the Company operates;
- the extent and timeliness of the national and local government's response;
- restrictions on business operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or other measures;
- the health of, and effect of any pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively sustain its operations;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts – financial, operational or otherwise – on the Company's supply chain, including suppliers and third-party contractors;
- volatility in the credit and financial markets;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties or the Company's actions in response thereto; and
- the pace of recovery.

The above factors and uncertainties, or others of which the Company is not currently aware, may result in adverse impact to the Company's businesses, results of operations, cash flows, and financial condition due to, but not limited to increased price volatility and currency exchange rates, fluctuating demand from destabilization of markets, and decline in business activity and government regulations that may restrict or limit mobility or business operations.

To mitigate the adverse impact of oil price volatility and other market developments in the Company's operations caused by the outbreak of any highly infectious or contagious disease, the Company implements various initiatives to strengthen financial position and profitability such as optimizing refinery operations, prudent expense management, re-prioritizing capital expenditures to critical and necessary, sustained implementation of dealer sales support programs and enhancing hedging programs to manage oil price volatility and currency exchange risk. The Company continuously monitors and assesses market for any developments that could impact its operations in order to proactively prepare and respond promptly to any changes.

The extent to which any future outbreak of any other contagious disease will impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of the pandemic, in the Philippines, Malaysia and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. To the extent that a pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Offer Supplement.

The Company relies primarily on a small number of suppliers for a significant portion of its crude oil requirements in each of the Philippines and Malaysia.

Petron acquires crude oil for the Petron Bataan Refinery primarily through its arrangements with its wholly-owned subsidiary Petron Singapore Trading Pte. Ltd. (“**PSTPL**”), which in turn obtains crude oil from different sources, through a combination of term or spot purchase contracts. PSTPL has a term contract with Saudi Aramco for the year 2024 to purchase various Saudi Arabian crude. The pricing and payment mechanisms under this contract are consistent with Saudi Aramco’s standard practice for its Far East customers. Pricing is determined through a formula that is linked to international industry benchmarks. The contract is automatically renewed annually unless either Petron or Saudi Aramco decides to terminate the contract upon at least 60 days’ written notice prior to its expiration date. As of the date of this Offer Supplement, neither Petron nor Saudi Aramco has terminated the contract.

The supply of crude oil by Saudi Aramco and several other suppliers on a spot basis is subject to a variety of factors beyond Petron’s control, including geopolitical developments in and the stability of the oil-producing countries, government regulations with respect to the oil and energy industry in those regions, weather conditions and overall global economic conditions.

Petron acquires crude oil and condensate for the Port Dickson Refinery from various sources, through a combination of term purchase contracts and spot market purchases. Petron has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. (“**EMEPMI**”) until March 2026, supplemented by other short-term supply contracts and spot crude purchases. The Port Dickson Refinery is able to source suitable crude oil blend to meet monthly optimal crude run. As of June 30, 2024, about 41% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Productions are supplemented by imports and local purchases of finished products to meet domestic sales demand for LPG, gasoline and diesel through term and spot arrangements.

A disruption in the operations of Saudi Aramco, EMEPMI, and/or other suppliers or a decision by any of them to amend or terminate their respective contracts with Petron, could impact Petron’s crude oil supply. If Petron’s supply of crude oil were disrupted, Petron would be required to meet any consequent supply shortfall through other suppliers or spot market purchases. Depending on market conditions at the time and timing of the disruption, such purchases from other suppliers or the spot market could be at higher prices than Petron’s purchases from Saudi Aramco, EMEPMI, or other suppliers which would adversely affect Petron’s financial condition and results of operations.

The Petron Bataan Refinery is capable of processing various types of crude oil. Petron’s crude oil optimization strategy includes the utilization of various types of crude oil ranging from light and sweet crude to heavier, more sour alternative crude, to provide additional value to Petron.

The completion of the second phase of Petron’s Refinery Master Plan project at the Petron Bataan Refinery (“**RMP-2**”) has given the Petron Bataan Refinery greater flexibility to use heavier, more sour alternative crude.

The Port Dickson Refinery is designed to process sweet crude oil. Petron’s crude oil optimization strategy for the Port Dickson Refinery includes diversification in processing different types of local as well as regional

sweet crude oil. A new diesel hydrotreater process unit was completed in the second quarter of 2021 and allows the Port Dickson Refinery to process other higher sulfur Malaysian and regional crude oils.

If Petron is unable to obtain an adequate supply of crude oil or is only able to obtain such supply at unfavorable prices, its margins and results of operations could be materially and adversely affected.

Petron maintains sufficient inventory that provides ample lead time to source for supply and meet the needs of its clients, based on projected demand.

The Company's business, financial condition and results of operations may be adversely affected by intense competition, increasing presence of electric vehicles (EVs), and cyclicity in global and regional refining capacities.

Petron faces intense competition from many multinational and local competitors in the sale of petroleum and other related products in the markets in which it operates. Because of the commodity nature of oil products, competition in the Philippine and international markets for refined petroleum products is largely driven by price as adjusted to account for differences in product specifications and transportation and distribution costs. Participants in the retail fuel and LPG sectors in the Philippines continue to rely on aggressive pricing and discounting to expand their market share. On the other hand, Petron's Malaysian operations are mostly subject to government price controls and quotas. As a result, competition in these market sectors is based primarily on product quality, operational cost efficiency, supply chain reliability and customer value creation.

Petron's competitiveness hinges on its ability to manage costs, improve the productivity of its service station network, increase and maintain efficiency at its refineries and terminal operations, effectively hedge against fluctuations in crude oil prices, maximize utilization of its assets and operations and comply with and obtain additional quotas from the Malaysian government. If Petron is unable to compete effectively, its financial condition and results of operations, as well as its business prospects, could be materially and adversely affected.

In addition, the Philippine oil industry is affected by ongoing smuggling and illegal trading of petroleum products. These illegal activities have resulted in decreases in sales volume and sales price for legitimate oil market participants in the Philippines. Petron's ability to compete effectively will depend to a degree on the proper enforcement of Philippine regulations by the Philippine government, which is beyond its control.

The growing popularity and rising pressure to increase the presence of EVs all over the world also pose a risk to the fuels marketing business. Several countries, including the Philippines and Malaysia, have already implemented policies and programs to encourage and incentivize the use of EVs, and transition away from the use of fossil fuels and traditional vehicles. This could result in reduced demand for gasoline and diesel, which will adversely impact Petron's revenues. While it may take a longer time for EVs to proliferate in the Philippines and Malaysia due to infrastructure limitations, Petron continues to monitor market developments, pursue and evaluate investments in EV charging stations, and strengthen Petron's non-fuel businesses, to mitigate potential impact of increasing fleet share of EVs in the industry.

Furthermore, the global and regional refining industry has historically experienced periods of tight supply, resulting in increased prices and margins, as well as periods of substantial capacity additions, resulting in oversupply and reduced prices and margins. Any downturn in prices or margins resulting from existing or future excess industry capacity could have a material adverse impact on Petron's business, financial condition and results of operations.

Petron strengthens and expands its retail and distribution network to improve its presence in both growing and high potential markets. In addition, Petron continues to invest in building brand equity to ensure consistent market recognition.

Any significant disruption in operations or casualty loss at the Company's refineries could adversely affect its business and results of operations and result in potential liabilities.

Petron's operation of its refineries and implementation of its expansion plans could be adversely affected by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, fires, explosions, release of toxic fumes, engineering and environmental problems, natural disasters and other unforeseen circumstances and problems. These types of disruptions could result in product run-outs, facility shutdowns, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and/or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations and financial condition of Petron.

Petron has insurance policies that cover property damage, marine cargo, third-party liability, personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption to mitigate the potential impact of these risks. However, these policies do not cover all potential losses, and insurance may not be available for all risks or on commercially reasonable terms.

In 2019, the Petron Bataan Refinery suffered damages from an earthquake that hit the Province of Bataan. The facility suffered damage which entailed additional costs to the Company. Petron was able to claim and receive compensation from its Industrial All Risk (IAR) Insurance which minimized the impact of the additional costs to the Company's financial position.

There can be no assurance that operational disruptions will not occur in the future or that insurance will adequately cover the entire scope or extent of the losses or other financial impact on Petron.

The fuel business in Malaysia is regulated by the Malaysian government, and the Company is affected by Malaysian government policies and regulations relating to the marketing of fuel products.

As in many countries, the fuel business in Malaysia is regulated by the government. The Malaysian government regulates the retail pricing structure through the automatic pricing mechanism ("APM"), pursuant to which it mandates (i) the retail prices of certain refined petroleum products, and (ii) the product cost build-up. The Malaysian government may subsidize fuel prices so that increases in international crude oil and finished products prices are not fully borne by Malaysian consumers. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore ("MOPS"). If government mandated prices are lower than the fuel products' total built-up cost per the APM, Petron receives subsidies from the Malaysian government. Conversely, if government mandated prices are higher than the fuel products' total built-up cost per the APM, Petron pays duties to the Malaysian government.

Effective June 10, 2024, the Malaysian government implemented a targeted subsidy on Diesel fuel across Peninsular Malaysia. Under this new system, pump prices for diesel increased to RM3.35 per liter from the previous RM2.20 per liter. Subsidies are provided for selected groups/traders using Diesel-powered commercial vehicles, and eligible groups can apply for a RM200 monthly cash subsidy. This adjustment aims to reduce the financial burden on the government and ensures that subsidies are more effectively targeted towards those in need. While higher diesel prices may initially reduce demand, this decline is expected to be temporary as the market adjusts to the new pricing scheme. Petron remains committed to implement various programs to capture volumes and improve customer loyalty.

In addition, the sale of retail and partial commercial diesel in Malaysia is subject to a quota system that applies to oil companies and eligible users and customers to ensure that subsidized diesel is not sold illegally to customers who are not entitled to the subsidies. Diesel sales that exceed the volumes permitted under Petron's or its customers' quotas are not eligible for government subsidies. There can be no assurance that the Malaysian government will increase quotas corresponding to fuel demand growth, grant applications or not decrease Petron's quotas or those of any of its customers in the future.

Petron keeps itself updated on government policies and regulations pertaining to the oil industry in Malaysia in order to identify potential regulatory risks and proactively respond to these risks.

Compliance with and renewal of licenses, permits and other authorizations and continued compliance with safety, health, environmental and zoning laws and regulations may adversely affect the Company's results of operations and financial condition.

Petron is required to maintain licenses, permits, and other authorizations for the operations of its businesses. These licenses, permits, and other authorizations contain various requirements that must be complied with to keep the same valid. If Petron fails to meet the terms and conditions of any of the licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

Petron currently leases foreshore areas in Rosario, Cavite; Alangan, Limay, Bataan; Maunlad, Puerto Princesa; La Paz, Iloilo; Culasi, Roxas City; Barrio Pampanga Sasa, Davao City; and Bacong, Negros Oriental, whose applications are all pending with the DENR. Petron continues to enjoy possession and use of the foreshore areas and has been paying the occupancy fees to the DENR. However, there is no assurance that the applications for the foreshore lease agreements would be approved by the DENR and the Company will be able to use the premises. To mitigate this risk, Petron is working with the DENR to process the applications of the foreshore lease and, in the interim, and is annually paying occupancy fees.

There can be no assurance that Petron will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If Petron is unable to obtain or renew them or is only able to do so on unfavorable terms, this could have an adverse effect on Petron's business, financial condition, and results of operations.

While Petron believes that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in Petron having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities, or being subject to fines and penalties.

Petron has incurred, and expects to continue to incur, operating costs to comply with applicable safety, health, environmental and zoning laws and regulations. Programs were implemented to comply with government-mandated health and safety regulatory guidelines, such as: (a) Project TRACIE (Tracking and Recognizing All COVID-19 Infection in the workplace Environment), which was launched as part of compliance with DOLE and DTI Interim Guidelines on Workplace Prevention and Control of COVID-19; (b) compliance by the Petron Bataan Refinery, terminal operations, and Petron's headquarters with Republic Act No. 11058 Occupational Safety and Health ("OSH") Compliance Binder; and (c) compliance with mandatory eight (8)-hour OSH seminars, among others. In addition, Petron has made, and expects to continue to make, capital expenditures on an ongoing basis to comply with safety, health, environmental and zoning laws and regulations. The submission of technical position paper and the lobbying efforts of CTSG-Environment through Technical Working Groups of Industry Association have contributed to the issuance of Department Administrative Order No. 2021-19 relaxing the effluent standards for parameters of concern: Ammonia, Sulfate, Phosphate, Boron, Dissolved Copper and Fecal Coliform. Wastewater discharge from Petron Bataan Refinery is compliant with Clean Water Act effluent standards without the need to upgrade its wastewater treatment facility. There can be no assurance that Petron will be in compliance with applicable laws and regulations or will not become involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings relating to safety, health, environmental and zoning matters, the costs of which could be material.

In addition, safety, health, environmental and zoning laws and regulations in the Philippines and Malaysia have become increasingly stringent. There can be no assurance that the adoption of new safety, health,

environmental and zoning laws and regulations, new interpretations of existing laws, increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in Petron being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities. For example, the implementation of Euro IV standards in the Philippines in 2016 and of various Euro 4M and Euro 5 standards phased from 2015 through 2027 in Malaysia require Petron to make capital expenditures to meet these standards. Petron has complied with the Euro IV standards in the Philippines and has completed the construction of a new diesel hydrotreater process unit in the Port Dickson Refinery to comply with Euro 5 diesel regulations, as mandated by the Malaysian government beginning April 1, 2021. If Petron fails to complete its planned refinery upgrades or enhancements on time, it may have to import additional products in the spot market to blend with its own production to ensure compliance with the relevant standards, which could have a material adverse effect on Petron's financial condition and results of operations.

In addition, if the measures implemented by Petron to comply with applicable laws, regulations and standards are not deemed sufficient by governmental authorities, compliance costs may significantly exceed current estimates, and expose Petron to potential liabilities, including administrative penalties. If Petron fails to meet safety, health and environmental requirements, it may be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against Petron and damage to its reputation, as well as orders that could limit or affect its operations. There is no assurance that Petron will not become involved in future litigation or other proceedings relating to safety, health and environmental matters. Litigation or other proceedings are inherently unpredictable and may be time-consuming and disruptive to Petron's business and operations, regardless of the merits of the claims. There is no assurance that Petron will not be held responsible in any such future litigation or other proceedings, the costs of which could be material. Environmental compliance and remediation costs at sites on which Petron's facilities are located or other locations and related litigation and other proceedings could materially and adversely affect Petron's financial condition and results of operations.

Petron maintains a strong compliance culture and monitors government policies and regulations to enable Petron to identify potential regulatory risks and proactively respond to such risks.

Failure to respond quickly and effectively to product substitution or government-mandated product formulations may adversely affect the Company's business and prospects.

Any potential increase in oil prices and environmental concerns could make it more attractive for Petron's customers to switch to alternative fuels such as compressed natural gas and electric vehicles for transport and liquefied natural gas for power. Additionally, increasing biofuels content in gasoline and diesel effectively displaces refinery-produced products.

For instance, the Philippine government has recently announced its mandate to increase coco methyl ester ("**CME**") content of biodiesel from 2% to 3%, beginning October 1, 2024, and may further increase to 4% by 2025 and 5% by 2026. In addition, the government also targets to increase ethanol content in gasoline from the current 10% to 20% by 2040.

In Malaysia, palm oil methyl ester ("**PME**") content in diesel was increased from 10% to 20% in Langkawi, Labuan and Sarawak in 2020. Planned increase from 10% to 20% in Sabah and Peninsular Malaysia was temporarily put on hold from previous timeline of 2021 due to the pandemic.

If Petron does not respond quickly and effectively to product substitutions or government mandated product formulations in the future, its business and prospects may be adversely affected.

To ensure adherence to government product substitution requirements, Petron monitors developments in government policies and coordinates with regulators.

The Company's business strategies require significant capital expenditures and financing, and are subject to a number of risks and uncertainties, and its financial condition and results of operations may be adversely affected by its debt levels.

Petron's business is capital intensive. Specifically, the processing and refining of crude oil and the purchase, construction and maintenance of machinery and equipment require substantial capital expenditures. Petron's ability to maintain and increase its sales, net income and cash flows could be impacted by the timely and successful completion and execution of its planned capital expenditure projects. Specifically, Petron intends to (i) reap the full benefits of its completed investments such as the new powerplant in the Petron Bataan Refinery, Diesel Hydrotreater and Marine Import Facility in the Port Dickson Refinery, (ii) continue investment in the Petron Bataan Refinery facilities to (a) ensure reliability and efficiency of critical refinery processes, and (b) maximize production of higher-value products; (iii) continue to build service stations in high-growth or high-volume sites and expand its retail network for its LPG, lubes, and non-fuel segment; (iv) expand and upgrade its logistics capacity and tank truck fleet, and (v) expand Malaysia operations with new service stations and facilities improvements in the Port Dickson Refinery and construction of new terminals to increase market reach in compliance with applicable regulations.

If Petron fails to complete its planned capital expenditure projects on time or within budget or at all, or to operate its facilities at their designed capacity, it may be unable to achieve the targeted growth in sales and profits, and its business, results of operations and financial condition could be adversely affected. Furthermore, there can be no assurance that the Petron Bataan Refinery will run at the expected capacity or achieve the expected production profile, or that there will be sufficient demand and logistical support for Petron's production. Any of the foregoing factors could adversely affect Petron's business, financial condition and results of operations.

In addition, Petron has incurred a substantial amount of indebtedness to finance its capital expenditure projects. Petron's ability to complete its planned capital expenditure projects and meet its debt servicing obligations will depend in part on its ability to generate sufficient cash flows from its operations and obtain adequate additional financing. There can be no assurance that Petron will be able to generate sufficient cash flows from its operations or obtain adequate financing for its planned capital expenditure projects or to meet its debt servicing obligations, on acceptable terms or at all. Failure by Petron to finance and successfully implement its planned capital expenditure projects could adversely affect its business, financial condition and results of operations.

Petron judiciously monitors its capital expenditure projects and ensures costs are within budget and progress is on track. Petron likewise practices prudent financial management.

Changes in applicable taxes, duties and tariffs could increase the Company's operating costs and adversely affect its business, results of operations and financial condition.

Petron's operations are subject to various taxes, duties and tariffs.

The tax and duty structure of the oil industry in the Philippines has undergone some key changes in recent years. For example, duties for the import of crude oil and petroleum products into the Philippines were increased on January 1, 2005 from 3% to 5%, and these duties were subsequently reduced to 0% with effect from July 4, 2010 (except for certain types of aviation gas). Furthermore, the Philippine government imposed an additional 12% VAT on the sale or importation of petroleum products in 2006.

On January 1, 2018, Republic Act No. 10963, also known as the TRAIN Law, took effect. The TRAIN Law is the first package under the CTRP of the Philippine government. The TRAIN Law 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 ₱2.65- ₱2-₱1 per liter ("li") per year for premium unleaded gasoline, ₱2.50-₱2-₱1.50/li per year for diesel and fuel oil, ₱1.00- ₱1.00-₱1.00/kg per year for LPG, and ₱0.33-₱0-₱0/li per year for jet fuel. The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene and electric,

and gasoline with public transportation as alternative means of transportation. The TRAIN Law also mandates the implementation of a fuel marking program for diesel, gasoline and kerosene to help curb illicit trading of fuel products. The cost for the fuel marker was subsidized by the government in the initial year of implementation and eventually passed on to oil companies effective September 2020.

The second package of the tax reform program, also known as the CREATE Act, was passed by both the House of Representatives and Senate of the Philippines on February 3, 2021, and signed into law by the President of the Philippines on March 26, 2021 as Republic Act No. 11534. The CREATE Act took effect on April 11, 2021, fifteen (15) days after its publication in a newspaper of general circulation last March 27, 2021. In approving the CREATE Act, the President of the Philippines vetoed certain provisions including, among others, provisions relating to entitlement of domestic market enterprises with an investment capital of ₱500 million and domestic market enterprises engaged in activities that are classified as “critical” to a special corporate income tax. The CREATE Act lowers the corporate income tax and provides for rationalization of fiscal incentives that may be granted by investment promotion agencies (such as the Authority of the Freeport Area of Bataan) to qualified registered business enterprises. Under the CREATE Act, the corporate income tax rate for domestic corporations and resident foreign corporations shall be reduced to 25% effective July 1, 2020 and effective on January 1, 2021 for non-resident foreign corporations; domestic corporations, resident foreign corporations no longer have an option to be taxed at 15% on gross income; and the rate of the MCIT is lowered to 1% from July 1, 2020 to June 30, 2023.

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 shall 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, shall 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 BOC and the BIR to ensure that crude oil shall not be lifted from the refinery without payment of appropriate duties and taxes.

On November 14, 2022, the House of Representatives approved HB 4339 representing the fourth package of the CTRP. HB 4339 has been transmitted to the Senate of the Philippines for its concurrence and remains pending with the Senate of the Philippines as of the date of this Offer Supplement. Based on the version of HB 4339 approved by the House of Representatives, the proposed law includes the following tax reforms, among others: imposes a final tax of 20% on interest income earned from currency bank deposits, deposit substitutes, trust funds or similar arrangements; harmonizes the tax rates on interest, royalties, dividends and capital gains to a standard 15%; a single gross receipt tax rate of five (5) percent will likewise be imposed on banks, quasi-banks and other non-bank financial intermediaries; shares of stock of a domestic corporation listed and traded in any foreign stock exchange will be subjected to the lower stock transactions tax instead of the 15% capital gains tax to allow Petron to expand its sources of capital.

On June 1, 2018, the Malaysian government withdrew the Goods and Services Tax (“**GST**”). The GST was replaced with a Sales and Services Tax (“**SST**”) on September 1, 2018.

Under the GST tax mechanism, businesses charged and collected GST on all taxable goods and services supplied to consumers and subsequently claimed the amount of GST paid on the business inputs by offsetting against the output tax.

Under the SST tax regime, however, selected operating expenses are subject to SST with no claiming mechanism. This could therefore increase operation cost. Petron has thus applied for some exemption (importation of machinery and selected raw materials) under the Sales Tax Exemption Order to reduce such cost.

There can be no assurance that any future tax changes in the Philippines or Malaysia would not have a material and adverse effect on Petron's business, financial condition and results of operations. Petron maintains a strong compliance culture and monitors government policies and regulations to enable Petron to identify potential regulatory risks and proactively respond to such risks.

The Company may be adversely impacted by the fluctuations in the value of the Philippine Peso and the Malaysian Ringgit against the U.S. dollar.

The substantial majority of the Company's revenues are denominated in either Philippine Pesos or Malaysian Ringgit, while the substantial majority of its expenses, including crude oil purchases and foreign currency denominated debt service costs, are denominated in U.S. dollars. In the year ended December 31, 2021, 2022, 2023, and in the first three months of 2024, approximately 48%, 40%, 42% and 40%, respectively, of the Company's revenues were denominated in Philippine Pesos, approximately 31%, 33% 31% and 28% respectively, of its revenues were denominated in Malaysian Ringgit, while approximately 71%, 81%, 74% and 75%, respectively, of its cost of goods sold were denominated in U.S. dollars. In addition, as of March 31, 2024, 23% of the Company's outstanding debt was denominated in U.S. dollars. The Company's financial reporting currency is the Peso, and therefore depreciation of the Peso relative to the U.S. dollar would result in increases in the Company's foreign currency denominated expenses as reflected in its Peso financial statements, and could also result in foreign exchange losses resulting from the revaluation of foreign currency denominated assets and liabilities, including increases in the Peso amounts of the Company's U.S. dollar-denominated debt obligations, thereby adversely affecting the Company's results of operations and financial condition. In addition, there can be no assurance that the Company could increase its Peso- or Ringgit-denominated product prices to offset increases in its crude oil or other costs resulting from any depreciation of the Peso or the Ringgit, as applicable. From January 1, 2021 to June 30, 2024, the value of the Peso against the U.S. dollar fluctuated from a low of ₱47.61 to a high of ₱59.00. In the same period, the value of the Malaysian Ringgit against the U.S. dollar fluctuated from a low of RM3.993 per U.S. dollar to a high of RM4.801 per U.S. dollar. While the Company uses a combination of natural hedges, which involve holding U.S. dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure, its exchange rate exposures are not fully protected. There can be no assurance that the value of the Peso or the Malaysian Ringgit will not decline or continue to fluctuate significantly against the U.S. dollar, and any significant future depreciation of the Peso or the Malaysian Ringgit could have a material adverse effect on the Company's margins, results of operations and financial condition.

The Company undertakes hedging of foreign exchange risk to manage its exposure to foreign currency denominated liabilities and the risk posed by foreign exchange fluctuations in the cost of its imported petroleum products.

The Company depends on experienced, skilled and qualified personnel and management team, and its business and growth prospects may be disrupted if it is unable to retain their services.

The Company depends on experienced, skilled and qualified personnel for the management and operation of its business. Loss or shortage of such experienced, skilled or qualified personnel may lead to operating challenges and may incur additional costs in hiring and training new personnel given the high investment in technical trainings and long learning curve needed to train such personnel. Increasing competition in sourcing talents also poses an added challenge as companies vie to attract and employ people with the desired competencies. Inability to identify and train replacement employees (including the transfer of significant internal historical knowledge and expertise to new employees), the limited qualified talent in the labor market, and rising cost of contract labor may adversely affect the Company's ability to manage and operate its business. The loss of a significant number of qualified personnel, if not well-managed, may disrupt and affect the entire Company's operations, outputs, and financials.

In addition, the Company significantly relies on, and will likely continue to rely on, the continued individual expertise and collective contributions of its management team. The Company recognizes that these key personnel may separate from the Company at any point (e.g., by retirement or resignation, among others); thus, a sound management succession plan is in place. However, the inability to retain and engage

members of its management team or failure of the succession plan to materialize could have a material adverse effect on the overall operation of its business.

To mitigate this risk, the Company ensures that its compensation and benefit packages for its management, officers, staff and rank-and-file are comprehensive, relevant, and at par with industry standards. Promotions and pay raises are given to select employees as a recognition of their outstanding work performance. In addition, performance appraisals are conducted regularly to ensure the alignment of employees' outputs towards the Company's corporate objectives and targets.

The Company's controlling shareholders may have interests that may not be the same as those of other shareholders.

San Miguel Corporation ("**SMC**"), directly and indirectly, holds an effective 68.26% of the Company's outstanding common equity as of June 30, 2024. See "*Ownership and Corporate Structure*" of this Offer Supplement. SMC is not obligated to provide the Company with financial support. The interests of SMC may differ from those of the other shareholders. SMC may direct the Company in a manner that is contrary to the interests of the shareholders. There can be no assurance that conflicts of interest between SMC and the other shareholders will be resolved in favor of the Company's shareholders. If the interests of SMC conflict with the interests of the Company, the Company could be disadvantaged by the actions that SMC chooses to pursue.

The Company has adopted and consistently implemented appropriate corporate governance procedures and policies consistent with Philippine law and industry best practices to reduce or eliminate conflict of interest.

In addition, while the Company expects to benefit from its ongoing relationship with SMC and its subsidiaries and affiliates through their global reach and relationships, there can be no assurance that SMC will allow the Company to have access to such benefits.

The Company may fail to integrate acquired businesses properly, which could adversely affect the Company's results of operations and financial condition.

From time to time, the Company considers selective opportunities to expand both domestically and outside the Philippines through strategic acquisitions consistent with its focuses on increased production of diesel, gasoline, jet fuel, kerosene and LPG ("**White Products**"), expansion of its sales network and logistics capability, and the creation of operational synergies. However, there can be no assurance that the Company will be able to integrate its acquisitions fully in line with its strategy. Any failure to do so could have a material adverse effect on the business, results of operations and financial condition of the Company. To mitigate such risk, the Company conducts a thorough due diligence to identify any challenges and risks before any acquisition, and also develops a detailed integration plan with a dedicated team working on the project and its successful transition and integration. After any acquisition, the Company also continues to closely monitor and review the financial and operational performance of the acquired business and ensure smooth transition and integration.

If the number or severity of claims increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than its recorded liabilities, the Company's financial condition and results of operations may be materially and adversely affected.

The Company's refining of crude oil and marketing and distribution of refined petroleum products in the Philippines and Malaysia are subject to inherent risks, such as equipment defects, malfunctions, failures or misuse, which could cause environmental pollution, leaks or spills, personal injury or loss of life, as well as damage to and destruction of the environment, which could result in liabilities that exceed the Company's insurance coverage and have a material adverse effect on its financial condition and results of operations. The Company could also be adversely affected by business interruptions caused by war, terrorist activities, mechanical failure, human error, political action, labor strikes, fire and other circumstances or events.

The Company uses a combination of reinsurance and purchased insurance to cover its properties and certain potential liabilities. The Company's insurance coverage includes property, marine cargo and third-party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption. One of the main insurance policies of the Company, the Industrial All Risk (the "IAR") policy, covers the Petron Bataan Refinery for material damages and machinery breakdown. All insurance policies relating to the Company's Philippine operations are written by Petrogen Insurance Corporation ("Petrogen"), formerly a wholly-owned subsidiary. In January 2021, SMC made a ₱3.0 billion equity investment in Petrogen, enabling Petrogen to expand its insurance business. For its Malaysian operations, the Company purchases insurance from Malaysian insurance companies, consistent with Malaysian law. The Company estimates the liabilities associated with the risks retained by it, in part, by considering historical claims, experience and other actuarial assumptions which, by their nature, are subject to a degree of uncertainty and variability. Among the causes of this uncertainty and variability are unpredictable external factors affecting future inflation rates, discount rates, litigation trends, legal interpretations and actual claim settlement patterns.

The Company regularly reviews and updates its insurance policies to ensure it is reasonably protected from foreseeable events and risks.

Existing or future claims against the Company, its subsidiaries, associates or joint ventures, or directors or key management may have an unfavorable impact on the Company.

From time to time, the Company, its subsidiaries, associates or joint ventures, or directors or key management may be subject to litigation, investigations, claims and other legal proceedings. For a description of certain legal proceedings, see "Business—Legal Proceedings" of this Offer Supplement. Legal proceedings could cause the Company to incur unforeseen expenses, occupy a significant amount of management's time and attention, and negatively affect the Company's business operations and financial position. Further, legal proceedings could continue for a prolonged period of time and be time-consuming with unpredictable outcomes and it is difficult for the Company to predict the possible losses, damages or expenses arising from such legal proceedings. An unfavorable outcome in these or other legal proceedings could have a material adverse effect on the Company's business, financial position, results of operations and cash flows. With respect to the ongoing legal cases, while the final outcomes of these legal proceedings are not certain, the Company believes it has strong legal grounds in each of these legal proceedings. In certain cases, the Company has made provisions in its financial statements for possible liabilities arising from adverse results of these legal proceedings.

Changes in applicable accounting standards may impact the Company's businesses, financial condition and results of operations.

The PFRS Council issues, from time to time, new standards and amendments to existing standards and interpretations. There can be no assurance that the Company's financial condition, results of operations or cash flows will not appear to be materially worse under the new standards. Furthermore, any failure to successfully adopt the new standards may adversely affect the Company's results of operations or financial condition.

The Company evaluates and studies the impact (if any) of these new standards upon pronouncements of governing bodies. Disclosures of these standards are included in the annual and quarterly notes to financial statements of the Company. Annual trainings and guided simulations are conducted for the concerned personnel prior to the adoption of such standards to ensure proper compliance. Necessary updating and changes in accounting policies and procedures are also undertaken as part of preparation and implementation.

Risks Relating to the Philippines and Malaysia

The Company's business and sales may be negatively affected by slow growth rates and economic instability in the Philippines and Malaysia, as well as globally.

The Company derives substantially all of its revenues and operating profits from sales of its products in the Philippines and Malaysia. In 2021, 2022, and 2023 and the first three months of 2024, the Company derived approximately 66%, 64%, 66% and 68%, respectively, of its sales from its Philippine operations and approximately 34%, 36%, 34% and 32%, respectively, of its sales from its Malaysian operations. The Company's product demand and results of operations have generally been influenced to a significant degree by the general state of the Philippine and Malaysian economies and the overall levels of business activity in the Philippines and Malaysia, and the Company expects that this will continue to be the case in the future. The Philippines and Malaysia have both experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso or the Malaysian Ringgit, as applicable, and the imposition of exchange controls. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine or Malaysian consumers' purchasing power, which could materially and adversely affect the Company's financial condition and results of operations.

In the past, the Philippine and Malaysian economies and the securities of Philippine companies have been influenced, to varying degrees, by economic and market conditions in other countries, particularly other countries in Southeast Asia, as well as investors' responses to those conditions. The uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines and/or Malaysia to deteriorate. Any downturn in the Philippine or Malaysian economies may negatively affect consumer sentiment and general business conditions in the Philippines or Malaysia, as applicable, which may lead to a reduction in demand for the Company's products and materially reduce the Company's revenues, profitability and cash flows. Moreover, there can be no assurance that current or future Philippine and Malaysian government policies will continue to be conducive to sustaining economic growth.

Political instability, acts of terrorism or military conflict or changes in laws or government policies in the Philippines or Malaysia could have a destabilizing effect and may have a negative effect on the Company.

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last few decades, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents and two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. An unstable political or social environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of Petron. A major deviation from the policies of the immediate past administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's businesses prospects, financial condition, and results of operations.

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists who were inspired by pledged allegiance to the

Islamic State of Iraq and Syria (“ISIS”). Due to the clash between the Philippine government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. The martial law in Mindanao was lifted on January 1, 2020, while the state of national emergency was lifted on July 25, 2023. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country’s economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country’s economy. The Philippine legislature passed the Anti-Terrorism Act of 2020 (Republic Act No. 11479), which has drawn criticism from, and sparked protests by, various sectors because of its controversial provisions on warrantless arrests and its broad definition of terrorist acts, which may be used to target government critics.

In Malaysia, the threat of political instability remains after the resignation of Mahathir Mohamad as Prime Minister in early 2020. There has been no political party or coalition controlling the strong majority with the replacement Prime Minister constantly being threatened by a vote of no confidence. Mistrust of the government was further intensified with the worsening pandemic situation that the country is currently in.

In August 2021, the sitting prime minister, Muhyiddin Yassin, also resigned and his deputy Prime Minister, Ismail Sabri Yaakob, was appointed as the new prime minister. The new Prime Minister is the third after the general election in 2018. During the last general election in November 2022, no single party or political coalition gained simple majority to form a government. Anwar Ibrahim having the highest seats under the Pakatan Harapan coalition was appointed as the Prime Minister and formed the Unity Government after gaining support from other coalitions namely Barisan Nasional and political parties from Sabah and Sarawak. With frequent changes in the government, different priorities in terms of regulations affecting the industry have been endorsed or rescinded.

The Company’s Corporate Affairs Department in Malaysia works either individually or together with other oil industry players to constantly engage and collaborate with relevant government agencies to prevent potential negative implication to the oil industry due to changes in government regulations.

Territorial and other disputes with neighboring states may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. China claims historic rights to nearly all of the West Philippine Sea based on its so-called “nine-dash line” and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea (UNCLOS). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the “nine-dash line” claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these territorial disputes, including a significant depreciation of the Philippine Peso or increase in interest rate, may adversely affect consumer sentiment

and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect Petron's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

The occurrence of natural or man-made catastrophes or electricity blackouts may materially disrupt the Company's operations.

The Philippines and Malaysia have experienced a range of major natural or man-made catastrophes including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. Natural catastrophes may disrupt the Company's ability to produce or distribute its products and impair the economic conditions in affected areas, as well as the overall Philippine and Malaysian economies. The Philippines and Malaysia have both experienced electricity blackouts resulting from insufficient power generation, faulty transmission lines and other disruptions, such as typhoons or other tropical storms. These types of events may materially disrupt the Company's business and operations and could have a material adverse effect on the Company's financial condition and results of operations. The Company has insurance policies that cover business interruption and material damage to its facilities caused by natural catastrophes. There can be no assurance that the insurance coverage that the Company maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural or man-made catastrophes or electricity blackouts, including possible business interruptions.

Investors may face difficulties in enforcing judgments against the Company

The Company is organized under the laws of the Philippines and most of its assets are located in the Philippines and Malaysia. It may be difficult for investors to effect service of process outside the Philippines upon the Company with respect to claims pertaining to the Preferred Shares. Moreover, it may be difficult for investors to enforce in the Philippines or Malaysia judgments against the Company obtained outside the Philippines or Malaysia, as applicable, in any actions pertaining to the Preferred Shares, particularly with respect to actions for claims to which the Company has not consented to service of process outside the Philippines or Malaysia, as the case may be. In addition, substantially all of the directors and senior management of the Company are residents of the Philippines, and all or a substantial portion of the assets of these persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process outside of the Philippines upon such persons or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines.

While the Philippines is a party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, it is not a party to any international treaty relating to the recognition or enforcement of foreign judgments. Philippine law provides that a final and conclusive judgment of a foreign court is enforceable in the Philippines through an independent action filed in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment, and without re-trial or re-examination of the issues, only if (i) the court rendering such judgment had jurisdiction in accordance with its jurisdictional rules, (ii) the other party had notice of the proceedings, (iii) such judgment was not obtained by collusion or fraud or based on a clear mistake of fact or law and (iv) such judgment was not contrary to public policy, public order, law, morals or good customs in the Philippines.

A judgment obtained against the Company in a court of a reciprocating country (as listed in the First Schedule of the Reciprocal Enforcement of Foreign Judgments Act 1958 (Revised 1972) of Malaysia (the "Enforcement Act")) in respect of any sum payable by the Company may be recognized and enforced by the courts of Malaysia upon registration of the judgment with the courts of Malaysia under the Enforcement Act within six years after the date of the judgment, or, where there have been proceedings by way of appeal against the judgment, after the date of the last judgment given in those proceedings, so long as the judgment: (i) is not inconsistent with public policy in Malaysia; (ii) was not given or obtained by fraud or duress or in a manner contrary to natural justice; (iii) is not directly or indirectly for the payment of taxes or other charges of a like nature or of a fine or other penalty; (iv) was of a court of competent jurisdiction of such jurisdiction and the judgment debtor being the defendant in the original court received notice of those proceedings in sufficient time to enable it to defend the proceedings; (v) has not been wholly satisfied; (vi)

is final and conclusive between the parties; (vii) could be enforced by execution in the country of that original court; (viii) is for a fixed sum; (ix) is not preceded by a final and conclusive judgment by a court having jurisdiction in that matter; and (x) is vested in the person by whom the application for registration was made.

Under current Malaysian law, any judgment obtained for a fixed sum against the Company in a court of a foreign jurisdiction with which Malaysia has no arrangement for reciprocal enforcement of judgments, after due service of process, may, at the discretion of the courts of Malaysia, be actionable in the courts of Malaysia by way of a suit on a debt if such judgment is final and conclusive. However, such action may be met with defenses, including, but not limited to, defenses based on the conditions listed above. A money judgment by the courts of a non-reciprocating country may be recognized by Malaysian courts and be enforced by way of summary judgment without re-examination of the issues in dispute provided that the judgment: (i) is not inconsistent with public policy in Malaysia; (ii) was not given or obtained by fraud or duress or in a manner contrary to natural justice; (iii) is not directly or indirectly for the payment of taxes or other charges of a like nature or of a fine or other penalty; (iv) was of a court of competent jurisdiction of such jurisdiction; (v) has not been wholly satisfied; (vi) is final and conclusive between the parties; and (vii) is for a fixed sum.

If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase raw materials and equipment and to service foreign currency denominated debt obligations could be adversely affected.

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, in the imminence of or during a foreign exchange crisis or in times of national emergency, to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require delivery of foreign exchange to the BSP or its designee banks. The Philippine government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

There are foreign exchange policies in Malaysia that support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange policies in Malaysia are issued by Bank Negara Malaysia (“BNM”), which is the central bank of Malaysia, governed by the Financial Services Act 2013 (“FSA”) and the Islamic Financial Services Act 2013 (“IFSA”). Currently, there are (i) Rules Applicable to Non-Residents; and (ii) Rules Applicable to Residents. Under the Rules Applicable to Non-Residents issued by the BNM, there is no restriction for non-residents to invest in Malaysia in Ringgit or foreign currency assets either as direct or portfolio investments, and non-residents are free to repatriate any amount of funds in Malaysia at any time, including divestment proceeds, profits, dividends, or any income arising from the investment in Malaysia, subject to the applicable reporting requirements and any withholding tax. Repatriation, however, must be made in a foreign currency.

The Company purchases some critical raw materials, particularly crude oil, and some technically advanced equipment from abroad and needs foreign currency to make these purchases. In addition, the Company has incurred and may continue to incur foreign currency denominated obligations. There can be no assurance that the Philippine government or the Malaysian Foreign Exchange Administration will not impose economic or regulatory controls that may restrict free access to foreign currency in the future. Any such restrictions imposed in the future could severely curtail the Company's ability to purchase crude oil, materials and equipment from outside the Philippines or Malaysia in U.S. dollars and its ability to make principal and interest payments in U.S. dollars on its foreign currency-denominated obligations, which could materially and adversely affect its financial condition and results of operations. Nevertheless, the Company does not foresee any such rescission of previously established access to foreign currency in the near future.

Risks Relating to the Preferred Shares

The Preferred Shares may not be a suitable investment for all investors

Each potential investor in the Preferred Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Preferred Shares, the merits and risks of investing in the Preferred Shares and the information contained in this Offer Supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preferred Shares and the impact the Preferred Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Preferred Shares, including where the currency for principal or dividend payments is different from the potential investor's currency;
- understand thoroughly the terms of the Preferred Shares and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Preferred Shares are perpetual securities and investors have no right to require redemption.

The Preferred Shares are perpetual and have no fixed final maturity date. Holders have no right to require the Company to redeem the Preferred Shares at any time and they can only be disposed of by sale in the secondary market. Holders who wish to sell their Preferred Shares may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Preferred Shares. Therefore, holders of the Preferred Shares should be aware that they may be required to bear the financial risks of an investment in the Preferred Shares for an indefinite period of time.

The Preferred Shares are subordinated obligations.

The obligations of the Company under the Preferred Shares will constitute the unsecured and subordinated obligations of the Company. In the event of the winding-up of the Company, the rights and claims of holders of the Preferred Shares will (subject to and to the extent permitted by applicable law) rank senior to the holders of the common shares of the Company and *pari passu* with each other, but junior to the claims of all other creditors and holders of the Capital Securities.

In the event of a winding-up of the Company, there is a substantial risk that an investor in the Preferred Shares will lose all of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Preferred Shares.

There are no terms in the Preferred Shares that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Preferred Shares.

There may be insufficient distributions upon liquidation.

Under Philippine law, upon any voluntary or involuntary dissolution, liquidation or winding up of the Company, holders of the Preferred Shares will be entitled only to the available assets of the Company remaining after the indebtedness of the Company is satisfied. If any such assets are insufficient to pay the amounts due on the Preferred Shares, then the holders of the Preferred Shares shall share ratably in any such distribution of assets in proportion to the amounts to which they would otherwise be respectively entitled. In the event of liquidation or winding-up, the unsubordinated obligations of the Company shall be preferred over the claims of holders of the Preferred Shares in respect of the Preferred Shares, which Preferred Shares shall rank *pari passu* with each other.

Holders may not receive dividend payments if the Company elects to defer dividend payments.

Cash dividends on the Preferred Shares may not be paid in full, or at all. Under the terms and conditions governing the Preferred Shares, the Company may pay no dividends or less than full dividends on a Dividend Payment Date. Holders of the Preferred Shares will not receive dividends on a Dividend Payment Date or for any period during which the Company does not have retained earnings out of which to pay dividends.

The declaration and payment of cash dividends for each Dividend Period will be subject to the sole and absolute discretion of the Board of Directors of the Issuer, to the extent permitted by applicable laws and regulations, and the covenants (financial or otherwise) in the agreements to which the Issuer is a party. The Board of Directors will not declare and pay dividends for any Dividend Period where payment of such dividends would cause the Issuer to breach any of its covenants (financial or otherwise).

If in the opinion of the Board of Directors, the Company will not be in a position to pay in full the dividends on the Offer Shares and the dividends or distributions on any Parity Securities falling due within a six (6)-month period from any Dividend Payment Date, after paying in full an amount equal to all dividends or distributions scheduled to be paid on or before that dividend or distribution payment date on any securities with a right to dividends or distributions ranking in priority to that of the Offer Shares, the Company shall either (a) not declare the dividends on the Offer Shares and defer the payment of such dividends or distributions on any Parity Securities, or (b) pay such dividends on the Offer Shares and the dividends or distributions on any Parity Securities *pro rata* to the amount of the dividends or distributions scheduled to be paid to them within the said period. The amount scheduled to be paid will include the amount of any dividend or distribution due and payable within the said period and any arrears on past cumulative dividends or any deferred distributions.

If for any reason the Board of Directors of the Company does not declare dividends on the Offer Shares, the Company will not pay dividends on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, Shareholders of the Offer Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods. See *"Dividend Cumulative – Summary of the Offering*.

If dividends on the Preferred Shares are not paid in full, or at all, the Preferred Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Preferred Shares during such a period by a holder of Preferred Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Preferred Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Preferred Shares may be more volatile than that of other securities that do not have these limitations.

The ability of the Company to make payments under the Preferred Shares is limited by the terms of the Company's other indebtedness.

The Company has and will continue to have a certain amount of outstanding indebtedness. The current terms of the Company's financing agreements contain provisions that could limit the ability of the Company to make payments on the Preferred Shares. Also, the Company may, in the future, directly or indirectly through its subsidiaries, enter into other financing agreements which may restrict or prohibit the ability of the Company to make payments on the Preferred Shares. There can be no assurance that existing or future financing arrangements will not adversely affect the Company's ability to make payments on the Preferred Shares.

The market price of the Preferred Shares may be volatile, which may result in the decline in the value of investments of the investors.

The market price of the Preferred Shares could be affected by several factors, including: (i) general market, political and economic conditions; (ii) changes in earnings estimates and recommendations by financial analysts; (iii) changes in market valuations of listed stocks in general and other retail stocks in particular;

(iv) the market value of our assets; (v) changes to Government policy, legislation or regulations; and (vi) general operational and business risks.

In addition, many of the risks described elsewhere in this Offer Supplement could materially and adversely affect the market price of the Preferred Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Preferred Shares.

There may be a lack of public market for the Preferred Shares.

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions and are not as highly regulated or supervised in the same manner or to the same degree as some of these other markets. The Company cannot guarantee that the market for the Preferred Shares will always be active or liquid upon their listing on the PSE.

An active or liquid trading market for the Preferred Shares may not develop.

The Company and the Joint Lead Underwriters and Bookrunners are not obligated to create a trading market for the Preferred Shares and any such market-making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Preferred Shares will develop or if such a market develops, if it can be sustained. Consequently, a shareholder may have to hold his Preferred Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

Holders of the Preferred Shares may not be able to reinvest at a similar return on investment.

On any Optional Redemption Date, as applicable and as may be defined in this Offer Supplement, or at any time a Tax Event or an Accounting Event occurs, the Company may redeem the Preferred Shares for cash at the redemption price. See “*Description of the Preferred Shares*” of this Offer Supplement. At the time of redemption, dividend rates may be lower than at the time of the issuance of the Preferred Shares and, consequently, the holders of the Preferred Shares may not be able to reinvest the proceeds at a comparable yield or purchase securities otherwise comparable to the Preferred Shares.

The Preferred Shares have no voting rights.

Holders of Preferred Shares will not be entitled to elect the Directors of the Company. Except as provided by Philippine law, holders of Preferred Shares will have no voting rights. See “*Description of the Preferred Shares*” of this Offer Supplement.

Risks Associated with the Presentation of Certain Information in this Offer Supplement.

Certain information contained herein is derived from unofficial publications.

Certain information in this Offer Supplement relating to the Philippines, Malaysia and the industry in which the Company’s business operates, including statistics relating to market size and market share, is derived from various internal surveys, market research, government data, private publications and/or the Company’s internal assumptions and estimates. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable. However, there is no assurance that such information is accurate, complete, up-to-date or consistent with information compiled within or outside the Philippines or Malaysia. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Joint Lead Underwriters and Bookrunners make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Issuer as at March 31, 2024 and as adjusted to give effect to the Offer. This table should be read in conjunction with the Issuer's unaudited interim condensed consolidated financial statements as at March 31, 2024 included in this Offer Supplement.

	As at March 31, 2024		
	Actual (unaudited)	Adjusted ¹ for Base Size of ₱13 Billion	Adjusted ² for maximum Offer Size of ₱17 Billion
<i>(in ₱ millions)</i>			
Short-term liabilities			
Short-term loans	124,168	124,168	124,168
Current portion of long-term debt - net	26,849	26,849	26,849
Total short-term debt	151,017	151,017	151,017
Long-term liabilities			
Long-term debt – net of current portion	87,518	87,518	87,518
Total long-term liabilities	87,518	87,518	87,518
Equity			
Equity Attributable to Equity Holders of the Parent:			
Capital stock	9,485	9,498	9,502
Additional paid-in capital ³	40,985	53,899	57,875
Capital securities	37,529	37,529	37,529
Retained earnings	34,491	34,491	34,491
Equity reserves	(21,543)	(21,543)	(21,543)
Treasury stock	(7,600)	(7,600)	(7,600)
Total Equity Attributable to Equity Holders of the Parent	93,347	106,274	110,254
Non-controlling interests	8,791	8,791	8,791
Total Equity	102,138	115,065	119,045
Total capitalization⁴	340,673	353,600	357,580

Notes:

¹Adjusted amount as at March 31, 2024 includes proceeds of ₱12,927 million of the base Offer, after deduction of commissions and expenses.

²Adjusted amount as at March 31, 2024 includes proceeds of ₱16,907 million of the maximum Offer, after deduction of commissions and expenses.

³ Includes excess of offer price over par.

⁴Total capitalization is the sum of debt and equity.

USE OF PROCEEDS

The Company estimates that the net proceeds from the Offer shall amount to approximately ₱12,926,640,000.00 after fees, commissions and expenses. Assuming the oversubscription option is fully exercised, the net proceeds of the Offer shall amount to approximately ₱16,907,530,000.00 after fees, commissions, and expenses.

Estimated fees, commissions and expenses relating to the Base Offer are as follows:

Underwriting and selling fees for the Series 4 Preferred Shares being sold by the Company	₱58,500,000.00
Taxes to be paid by the Company	₱3,607,500.00
Philippine SEC filing and legal research fee	₱252,500.00
PSE filing fee (exclusive of VAT)	₱1,000,000.00
Estimated legal and other professional fees*	
Issuer's Counsel	₱3,000,000.00
Independent Auditors	₱4,000,000.00
Fees that may be incurred for the engagement of SMC Stock Transfer Service Corporation as Registrar / Stock Transfer Agent and Receiving Agent	₱2,000,000.00
Estimated other expenses for publication, marketing, and out-of-pocket expenses of the underwriters and professional advisors	₱1,000,000.00
TOTAL	₱73,360,000.00

* The "Estimated legal and other professional fees" includes the fees for legal counsels and independent auditor engaged in relation to the Offer, which refers to (1) the fees for the Issuer's legal counsel Picazo Buyco Tan Fider and Santos, including fees for the legal opinion delivered by Adarlo Caoile and Associates Law Firm in respect of the material permits and licenses of the Company; (2) fees for the independent auditor, R.G. Manabat & Co. (KPMG); and (3) fees for the engagement of SMC Stock Transfer Service Corporation as Registrar / Stock Transfer Agent and Receiving Agent.

Additional estimated fees, commissions and expenses assuming the oversubscription option is fully exercised:

Underwriting and selling fees for the Series 4 Preferred Shares being sold by the Company	₱18,000,000.00
Taxes to be paid by the Company	₱1,110,000.00
TOTAL	₱19,110,000.00

The net proceeds of the Offer shall be used for the redemption of Series 3A Preferred Shares, refinancing of existing indebtedness, and to fund general corporate business, including the purchase of crude oil, as follows:

Purpose (listed according to priority)	Net proceeds of the Offer (Base Offer)	Net proceeds of the Offer (Assuming Oversubscription if Exercised in full)	Estimated Timing of Disbursement
Redemption of Series 3A Preferred Shares	₱12,926,640,000.00	₱13,403,000,000.00	December 26, 2024
Refinancing of existing indebtedness	₱0	₱875,000,000.00	November to December 2024

Funding general corporate business, including purchase of crude oil	₱0	₱2,629,530,000.00	September to December 2024
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Redemption of Series 3A Preferred Shares

On June 25, 2019, Petron issued 13,403,000 cumulative, non-voting, non-participating, non-convertible peso-denominated Perpetual Preferred Shares Series 3A (the “**Series 3A Preferred Shares**”) which are listed and trading in the PSE under the trading symbol PRF3A. The Series 3A Preferred Shares has an initial dividend rate of 6.8713% p.a.

On 26 June 2024, the Board of Directors of the Company approved the redemption of all issued and outstanding Series 3A Preferred Shares on 26 December 2024.

To redeem the shares, the Company shall give not less than 30 nor more than 60 days written notice prior to the intended date of redemption, at a price (the “**Redemption Price**”) equal to the Offer Price of the Series 3A Preferred Shares plus all dividends due them on the actual date of redemption as well as all accumulated dividends due and payable, or Arrears of Dividends after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption. Such notice to redeem shall be deemed irrevocable upon issuance thereof.

In the event the redemption date which the Issuer has chosen as the date to redeem the Series 3A Preferred Shares falls on a day that is not a Business Day, the redemption shall be made on the next succeeding day that is a Business Day, without adjustment as to the Redemption Price and the amount of dividends to be paid.

The Company intends to use up to ₱13,403,000,000.00 from the net proceeds of the Offer to fully redeem the Series 3A Preferred Shares on 26 December 2024.

Series 3A Preferred Shares	
Target date of redemption	December 26, 2024
Amount and number of Series 3A Preferred Shares to be redeemed	₱13,403,000,000.00 13,403,000 preferred shares
Target price upon redemption	₱1,000.00 per preferred share
Use of proceeds from its receipt on its offer in September until December, given the redemption of the Series 3A Preferred Shares is still on December 26, 2024	The Company intends to place the proceeds corresponding to the target redemption in market securities as disclosed in the Prospectus and this Offer Supplement.

Any shortfall from the net proceeds of the Offer allotted for redemption will be financed from the Company’s internally generated funds and/or debt.

Refinancing of existing indebtedness

Management will use up to ₱875,000,000.00 from the net proceeds of the Offer to refinance, in whole or in part, existing maturing obligations of the Company, as follows:

Lender	Amount
China Banking Corporation Interest Rate: 7.1663% p.a. Payment Date: November 19, 2024	Php250,000,000.00

Use of loan proceeds: working capital	
BDO Unibank, Inc. Interest Rate: 7.4206% p.a. Payment Date: December 16, 2024 Use of loan proceeds: working capital	Php312,500,000.00
Landbank of the Philippines Interest Rate: 7.5496% p.a. Payment Date: December 16, 2024 Use of loan proceeds: working capital	Php312,500,000.00

Any shortfall from the net proceeds of the Offer allotted for payment will be financed from the Company's internally generated funds.

Fund general corporate business, including the purchase of crude oil

The Company will use up to Php2,629,530,000.00 for crude oil importation. To minimize the Company's risk of potential losses due to volatility of international crude and product prices, Management intends to purchase crude oil taking into consideration the Company's crude inventories and market conditions, among other purchases.

In the event of a partial exercise of the Oversubscription Option, the Company intends to prioritize the allocation of proceeds to the refinancing of existing indebtedness over the purchase of crude oil.

Pending the above use of proceeds, the Company intends to invest the net proceeds from the Offer in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placements which are expected to earn prevailing market rates. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds.

UNDERTAKING ON THE USE OF PROCEEDS

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder, for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

Except for the underwriting and selling fees and expenses related to the Offer Shares, no amount of the proceeds will be utilized to pay any other outstanding financial obligations to any of the Sole Issue Manager and the Joint Lead Underwriters and Joint Bookrunners.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's development plan, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is better for the Company's and its shareholders' interest taken as a whole. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, the PSE and the holders of the Series 4 Preferred Shares in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Board or the Executive Committee, and disclosed to the PSE. In addition, the Company shall submit via the PSE's online disclosure system, the Electronic Disclosure Generation Technology ("**EDGE**"), the following disclosures to ensure transparency in the use of proceeds:

- i. any material disbursements made in connection with the planned use of proceeds from the Offer;
- ii. quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;
- iii. annual summary of the application of the proceeds on or before January 31 of the following year; and
- iv. approval by the Board or the Executive Committee of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The Company shall submit a certification by the Company's Treasurer and external auditor on the accuracy of the information reported by the Company to the PSE, as well as a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in this Offer Supplement, if any, in the Company's quarterly and annual reports as required in items (ii) and (iii) above. Such detailed explanation will state the approval of the Board as required in item (iv) above.

WITHDRAWAL OF THE OFFER

The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and PSE.

The Joint Lead Underwriters and Joint Bookrunners may also cancel or terminate their underwriting commitments at any time prior to the commencement of the Offer Period, by giving written notice to the Company, the SEC and the PSE, if prior to the commencement of the Offer Period, any of the events set out in the Underwriting Agreement occurs.

The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to the Listing Date, if any of the following events occurs, in which case the Underwriting Agreement shall be deemed terminated.

- a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration, or the SEC Permit to Sell Securities ("**Approvals**") and by this Offer Supplement, or would have a material adverse effect on the Philippine economy, on the securities or other financial or currency markets of the Philippines, or on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it, in the reasonable determination of the Joint Lead Underwriters and Joint Bookrunners, impracticable to proceed with the Offer in the manner contemplated by the Approvals and this Offer Supplement, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or Joint Lead Underwriters and Joint Bookrunners' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the Joint Lead Underwriters and Joint Bookrunners, or any other entity/person to take up any Offer Shares remaining after the Offer Period;
- b. An order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution listing or issuance of the Offer Shares is issued by any court or governmental agency or authority having jurisdiction on the matter which to issue such order is not lifted, including the SEC and the PSE;

- c. Cancellation, revocation or termination of the Approvals;
- d. Trading in the PSE is closed or suspended for at least three (3) consecutive Trading Days other than due to weekends or declared holidays, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;
- e. There is a change or impending change in any Philippine law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Issuer to engage in the business it is presently engaged in; (b) the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, or (ii) renders illegal the performance by any of the Joint Lead Underwriters and Joint Bookrunners of their respective obligations hereunder;
- f. Any significant, adverse, and unforeseeable change or development in the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which would have a material adverse effect on the offering to the public of the Offer Shares;
- g. The Issuer decides to or is compelled by any competent court or government authority to stop or is about to stop its operations, which is not remedied within five (5) Business Days from such decision of the Issuer or competent court or government authority (as the case may be);
- h. The Issuer shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or arrangement with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or the Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; and such receiver, trustee or similar officer shall be appointed; or the Issuer shall initiate or institute (by petition, application or otherwise), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation, corporate rehabilitation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted against the Issuer; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset of the Issuer or material part of the Issuer's assets; or any event occurs which under the laws of the Philippines or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;
- i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;
- j. The commencement or threatened commencement by any entity, person or regulatory body of any public action, court proceeding, litigation, arbitration or other similar proceeding against any of the Joint Lead Underwriters and Joint Bookrunners which renders the performance of their respective underwriting commitments impossible or impracticable;
- k. Any event occurs which makes it impossible for the Joint Lead Underwriters and Joint Bookrunners to perform their underwriting obligations due to conditions beyond their control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the Joint Lead Underwriters and Joint Bookrunners, or directing the Joint Lead Underwriters and Joint Bookrunners to cease, from performing their underwriting obligations;
- l. Any representation, warranty or statement of the Issuer in the Underwriting Agreement, in any certificate, or any information given this Offer Supplement is untrue or misleading in any material respect or omitted to state a material fact necessary to make the statements therein in light of the circumstances in which they were made, provided that such: (a) was not known and could not have

been known to the Joint Lead Underwriters and Joint Bookrunners on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability;

- m. Unavailability of PDTC's lodgement facilities and the PSE's listing facilities used for the Offer and/or listing prior to or on the target Listing Date and such unavailability effectively prevents the ability of the Issuer and the Joint Lead Underwriters and Joint Bookrunners to fully comply with the listing requirements of PSE, if the impact of such unavailability remains unresolved after discussions between the Issuer and the Joint Lead Underwriters and Joint Bookrunners in good faith; and
- n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Issuer's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended, or terminated solely by reason of the Issuer's or Joint Lead Underwriters and Joint Bookrunners' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/person to take up any Offer Shares remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. Subject to the rights of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section and the "Plan of Distribution – Withdrawal of the Offer" of this Offer Supplement, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

Notwithstanding the foregoing, the Company and the Joint Lead Underwriters and Joint Bookrunners recognize and acknowledge that the PSE is a self-regulatory organization with a mandate to maintain a fair and orderly market. In this regard, the PSE may impose appropriate and reasonable sanctions and penalties on the relevant party for the cancellation of the Offer on or after the commencement of the Offer Period and prior to the Issue Date if, subsequently, the PSE determines that the cancellation or suspension of the Offer was not warranted based on the facts gathered and properly evaluated by PSE and after due and proper proceedings initiated by the PSE not later than five (5) Business Days after such cancellation or suspension.

PLAN OF DISTRIBUTION

Petron plans to issue the Offer Shares to institutional and retail investors through a public offering to be conducted through the Joint Lead Underwriters and Joint Bookrunners.

Sole Issue Manager

BDO Capital & Investment Corporation (“**BDO Capital**”) is the Sole Issue Manager for the Offer, and as such, will manage and coordinate the various workstreams to ensure the successful execution of the Offer.

Joint Lead Underwriters and Joint Bookrunners

The Joint Lead Underwriters and Joint Bookrunners: Bank of Commerce (“**BankCom**”), BDO Capital, China Bank Capital Corporation (“**Chinabank Capital**”), Philippine Commercial Capital, Inc. (“**PCCI Capital**”), PNB Capital and Investment Corporation (“**PNB Capital**”), and SB Capital Investment Corporation (“**SB Capital**”), have agreed to distribute and sell the Offer Shares at the Offer Price, pursuant to an Underwriting Agreement to be entered into with Petron (the “**Underwriting Agreement**”). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Joint Lead Underwriters and Joint Bookrunners have committed to underwrite the following amounts on a firm basis:

BDO Capital	₱3,000,000,000.00
BankCom	₱2,500,000,000.00
PNB Capital	₱2,500,000,000.00
Chinabank Capital	₱2,000,000,000.00
SB Capital	₱2,000,000,000.00
PCCI Capital	₱1,000,000,000.00
TOTAL	₱13,000,000,000.00

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to Petron of the net proceeds of the Offer Shares.

The underwriting and selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.45% of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to the Joint Lead Underwriters and Joint Bookrunners and sub-underwriter, if any, and commissions to be paid to the Trading Participants of the PSE, which shall be equivalent to 0.125% of the total proceeds of the sale of Offer Shares by such Trading Participant⁵.

The Joint Lead Underwriters and Joint Bookrunners are duly licensed by the SEC to engage in underwriting or distribution of the Offer Shares. The Joint Lead Underwriters, and Joint Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of its business for Petron or any of its subsidiaries.

BankCom, one of the Joint Lead Underwriters and Bookrunners, is an affiliate of SMC. Petron is a wholly owned subsidiary of SMC. Other than the foregoing, the Joint Lead Underwriters and Joint Bookrunners have no direct relations with Petron in terms of material ownership by either of their respective major stockholder/s, and have no right to designate or nominate any member of the Board of Directors of Petron.

BDO Capital is a subsidiary of BDO Unibank, Inc. and Chinabank Capital is a subsidiary of China Banking Corporation. BDO Unibank, Inc. and China Banking Corporation are among the lenders of the loans of the Company that may be repaid from the proceeds of this Offer. See “Use of Proceeds” on page 83 of this Offer Supplement.

⁵ BDO Capital will not receive any fees for its role as Sole Issue Manager.

The Joint Lead Underwriters and Joint Bookrunners have no contract or other arrangement with Petron by which it may return to Petron any unsold Offer Shares.

The Joint Lead Underwriters and Joint Bookrunners will fully underwrite, on a firm commitment basis, the Offer Shares.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the (i) inability of the Company or the Joint Lead Underwriters and Joint Bookrunners to sell or market the Offer Shares or (ii) the refusal or failure by the Company, the Joint Lead Underwriter and Bookrunner, or any other entity or person to comply with any undertaking or commitment to take up any shares remaining after the Offer Period.

In undertaking its Firm Commitment to Purchase, the Joint Lead Underwriters and Joint Bookrunners hereby manifests its conformity to comply with and be bound by all duly promulgated and applicable listing and disclosure rules, requirements, and policies of the Exchange.

Overview of the Joint Lead Underwriters and Bookrunners

BDO Capital was incorporated in the Philippines in December 1998. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. BDO Capital has been registered and authorized to act as an investment house since 1999 under the Investment Houses Law or Presidential Decree No. 129. It is duly licensed by the SEC to operate as an investment house and was licensed by the SEC to engage in underwriting or distribution of securities to the public. BDO Capital is licensed by the SEC as an Investment House Engaged in Dealing Government Securities and a Mutual Fund Distributor under Certificate of Registration (C.R.) No.: 01-2008-00219 issued on 29 December 2014. Said license was renewed on 29 November 2022. As of June 30, 2024, it had ₱7.4 Billion and ₱4.2 Billion in consolidated resources and capital, respectively. It has an authorized capital stock of ₱1.10 Billion, of which approximately ₱1.00 Billion represents its paid-up capital.

BankCom, an affiliate of SMC since 2008, is a publicly-listed universal bank. On December 23, 2021, BankCom received its authority to operate as a universal bank under Monetary Board Resolution No. 1798, allowing BankCom to engage in investment banking activities. Subsequently, BankCom established its Investment Banking Group (IBG) in March 2022. On August 11, 2022, BankCom received its secondary license from the SEC to act as an Underwriter of Securities (certificate of registration no. 01-2008-00179). With these developments, BankCom's IBG can now undertake end-to-end publicly listed capital markets transactions, including the arrangement, issue management, and underwriting of debt and equity securities. IBG is likewise responsible for the arrangement, syndication, and placement of privately issued securities, such as syndicated loans and project finance facilities. IBG may also engage in financial advisory activities, including restructuring, mergers, and acquisitions.

Chinabank Capital is the wholly owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house on November 27, 2015, with SEC Company Registration No. CS201522558 and SEC Investment House License No. CR 01-2015-00279 (renewed on November 23, 2023), as a result of the spin-off of China Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions that enable clients to achieve their fundraising objectives and strategic goals. The company's services include arranging, managing, and underwriting debt and equity transactions, such as bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. Chinabank Capital also provides financial advisory services, such as deal structuring, valuation, and execution of mergers, acquisitions, divestitures, joint ventures, and other corporate transactions. As of December 31, 2023, it has total assets of ₱3.75 billion and a capital base of ₱3.70 billion.

PCCI Capital was incorporated on September 23, 1975 and is considered as one of the oldest investment

banks in the country. PCCI Capital has established a solid track record and expertise in the Philippine capital markets and consequently obtained a license to operate as a trust entity, investment house and securities dealer.

PNB Capital, a wholly-owned subsidiary of the Philippine National Bank, offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers and acquisitions. It was incorporated on July 30, 1997 and commenced operations on October 8, 1997. PNB Capital is licensed by the Philippine SEC to operate as an investment house with a non-quasi-banking license. PNB Capital is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. As of December 31, 2023, total assets of PNB Capital were at ₱3.65 billion while total capital was at ₱1.98 billion.

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues, both locally and internationally. As of June 30, 2024, its total assets amounted to ₱2.52 billion and its capital base amounted to ₱1.97 billion.

Sale and Distribution

The distribution and sale of the Offer Shares shall be undertaken by the Joint Lead Underwriters and Joint Bookrunners who shall sell and distribute the Offer Shares to third party buyers/investors. The Joint Lead Underwriters and Joint Bookrunners are authorized to organize a syndicate of other underwriters, soliciting dealers and/or selling agents for the purpose of the Offer.

Of the 13,000,000 Offer Shares to be offered, [9,100,000] Offer Shares or 70% of the Base Offer are being offered through the Joint Lead Underwriters and Joint Bookrunners for subscription and sale to Qualified Institutional Buyers and the general public (the **"Institutional Offer"**). The Company plans to make available up to [3,900,000] or 30% of the Base Offer for distribution to active Trading Participants of the PSE acting as Selling Agents and to LSIs under the Local Small Investors Program of the PSE at the Offer Price (the **"Trading Participants and Retail Offer"**). Up to [2,600,000] Offer Shares or 20% of the Base Offer (the **"Trading Participants Offer"**) shall be offered for distribution to the respective clients of the 121 active Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated [21,480] Offer Shares (the **"Allocation per TP"**) (computed by dividing the Offer Shares allocated to the Trading Participants by 121). The balance of [920] Offer Shares will be allocated to the Trading Participants as may be determined by the Joint Lead Underwriters and Joint Bookrunners. Trading Participants may undertake to purchase more than their allocation of [21,480] shares. Any requests for shares in excess of [21,480] may be satisfied via the reallocation of any Offer Shares not taken up by other Trading Participants.

Prior to the close of the Offer Period, any Offer Shares not taken up by the Trading Participants shall be distributed by the Joint Lead Underwriters and Joint Bookrunners directly to their clients and the general public. All Offer Shares not taken up by the Trading Participants, general public and the Joint Lead Underwriters' and Joint Bookrunners' clients shall be purchased by the Joint Lead Underwriters and Joint Bookrunners pursuant to the terms and conditions of the Underwriting Agreement.

Local Small Investors

On April 16, 2024, the PSE issued Memorandum Circular CN No. 2024-0024 (**"C.N. 2024-0024"**) which provides the amendments to Article III, Part F, Section 13 and Article V, Part F of the Consolidated Listing and Disclosure Rules, effective immediately. Under C.N. 2024-0024, the allocation of offer shares to Local Small Investors shall be mandatory. As such, the Company will allocate up to 10% or [1,300,000] Offer

Shares to Local Small Investors (the “**Retail Offer**”). In the event the total demand for the Retail Offer is five (5) times or more than the initial allocation of up to [1,300,000] Offer Shares, the Offer Shares in the Institutional Offer shall be reallocated to the Trading Participants and Retail Offer and the allocation for the Retail Offer shall be increased to [1,950,000] Offer Shares (or 15% of the Base Offer) in accordance with Article III, Part F, Section 4 of the PSE Listing Rules.

“**Local Small Investor**” or “**LSI**” shall mean a share subscriber who is willing to subscribe to a minimum board lot and whose subscription does not exceed ₱1,000,000.00.

The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company’s LSI Guidelines to be announced through the PSE EDGE website.

Allocation Process

Mechanics of Distribution

1. Upon preparation of the Firm Undertaking report, the designated Joint Lead Underwriter and Joint Bookrunner, with oversight from representative(s) of the Joint Lead Underwriters and Joint Bookrunners, shall input the number of Offer Shares requested by each Participating TP in a spreadsheet designed for the reservation and allocation of the Offer Shares.
2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process:
 - a) If the total number of Offer Shares requested by a Participating TP, based on its Firm Undertaking, does not exceed the allocation per TP, the Sole Issue Manager shall fully satisfy the request of such Participating TP. Each TP is assured of not less than the Allocation per TP. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated.
 - b) If the total number of Offer Shares requested by a Participating TP exceeds the allocation per TP, Additional Shares may be sourced from the Offer Shares not taken up by the other TPs. The designated Joint Lead Underwriters and Joint Bookrunners, under the observation of a representative of the PSE Listings Department, shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders of those TPs who have Firm Orders that are less than or equal to the allocation per TP; and (ii) distributing equitably the remaining TP Allocation to other TPs with orders for Additional Shares, but only up to their respective Firm Order.
 - c) In no case shall any Participating TP be awarded more than the shares indicated in its Firm Undertaking.
 - d) If the aggregate number of Offer Shares requested by all Participating TPs is less than the TP Allocation, the balance shall be returned to the Joint Lead Underwriters and Joint Bookrunners.
3. Unless otherwise determined by the Issuer, in consultation with the Joint Lead Underwriters and Joint Bookrunners, the distribution between the Series 4D and 4E Preferred Shares in the final TP allocation of each TP shall follow the same proportion of the Series 4D and 4E Preferred Shares as reflected in the relevant TP’s Firm Undertaking. This will be rounded to the prescribed board lot requirement as described in paragraph 10 of the TP Guidelines.
4. All deadlines indicated in these procedures shall be strictly followed.

For Local Small Investors

With respect to the LSIs, applications to purchase the Offer Shares must be done online through PSE EASy. The system will generate a unique reference number and payment instructions. LSI applications and payments must be completed and settled, respectively, by [●] on [●].

Further information about the Company, details about the Offer, instructions for subscribing through PSE EASy, and payment terms will be made available in the online information center. The link to the online information center will be made available on the Company's website in due course and in the Company's LSI Guidelines which will be published on the PSE EDGE website prior to the start of the Offer Period.

Term of Appointment

The engagement of the Joint Lead Underwriters and Joint Bookrunners shall subsist so long as the SEC Permit to Sell remains valid, unless otherwise terminated pursuant to the Underwriting Agreement.

Manner of Distribution

The Joint Lead Underwriters and Joint Bookrunners shall, at its discretion, determine the manner by which proposals for subscriptions to, and issuances of, the Offer Shares shall be solicited, with the sale of the Offer Shares to be effected only through the Joint Lead Underwriters and Joint Bookrunners.

No shares are designated to be sold to specific persons.

Offer Period

The Offer Period shall commence at 9:00 am on [September 5], 2024 and end at 5:00 pm on [September 13], 2024, or such other date as may be mutually agreed between the Company and the Joint Lead Underwriters and Joint Bookrunners.

Application to Purchase

All Applications to Purchase the Offer Shares shall be evidenced by a duly completed and signed Application to Purchase, together with two fully executed specimen signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors.

The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application to Purchase and specimen signature card together with the requisite attachments. Payment for the Offer Shares shall be made by manager's check/cashier's check, corporate check or personal check drawn against any Bangko Sentral ng Pilipinas authorized bank or any branch thereof. All checks should be made payable to "Petron Preferred Shares Offer", crossed "Payee's Account Only," and dated on or before the date of submission of the Application.

The Applications and the related payments will be received at any of the offices of the Joint Lead Underwriters and Joint Bookrunners or the Selling Agents or the Receiving Agent (as applicable). Applicants submitting their Application to a Joint Lead Underwriter and Joint Bookrunner or Selling Agent may also remit payment for their Offer Shares through the RTGS facility of the BSP to the Joint Lead Underwriter and Joint Bookrunner or Selling Agent to whom such Application was submitted or via direct debit to their deposit account maintained with such Joint Lead Underwriter and Joint Bookrunner. Cash payments shall not be accepted.

Should the Applicant elect to pay through RTGS, the Application should be accompanied by an instruction issued by the Applicant to effect payment through RTGS in an amount equal to the total Offer Price of the Offer Shares applied for, to be effected and fully funded not later than (•) on (•).

Should the Applicant elect to pay by a debit memo or instruction, the Application should be accompanied by a debit memo or instruction issued by the Applicant in an amount equal to the total Offer Price applied

for in favor of the Joint Lead Underwriter and Joint Bookrunner to whom the Application is submitted, to be effected no later than (*) on (*).

Corporate and institutional purchasers must also submit a copy of SEC-certified or corporate secretary-certified true copy of the SEC Certificate of Registration, Articles of Incorporation and By-laws, General Information Sheet, or such other relevant organizational or charter documents, and the original or corporate secretary-certified true copy of the duly notarized certificate confirming the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Offer Shares and designating the authorized signatory/ies therefore. Individual Applicants must also submit a photocopy of any one of the following identification documents (“ID”): passport/driver’s license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen’s ID or such other ID and documents as may be required by or acceptable to the selling bank.

By virtue of the Philippine National Internal Revenue Code (“NIRC”), dividends declared to resident individuals are subject to final tax at the rate of 10%, while dividends declared by a domestic corporation to other domestic corporations and resident foreign corporations are not subject to tax as intercorporate dividends.

A non-resident applicant who is exempt from or is not subject to withholding tax on dividends or who claims reduced tax rates on dividends under existing tax treaties shall, in addition, be required to submit the following requirements to the relevant Joint Lead Underwriters and Joint Bookrunners (together with their Applications) who shall then forward the same to the Registrar and Depository Agent, subject to acceptance by the Company as being sufficient in form and substance:

1. Tax Residency Certificate for the period when the treaty rate is claimed, duly issued by the tax authority of the foreign country in which the income recipient is a resident.
2. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing payment/remittance of income.
3. Notarized Special Power of Attorney (SPA) issued by the nonresident taxpayer to his/her authorized representative(s), which shall expressly state the authority to sign the Application Form as well as to file the TTRA or Request for Confirmation.
4. When applicable, proof that shareholding in respect of which dividends are paid is not effectively connected with a permanent establishment of the foreign enterprise in the Philippines.

Depending on the circumstances of the applicant, additional/special requirements may be requested in accordance with existing rules and regulations issued by the Bureau of Internal Revenue (“BIR”).

In case, the non-resident corporate taxpayer wishes to, instead, avail of the benefits of the tax sparing under the NIRC, it will have to submit the following documents:

1. Original copy of apostilled/duly authenticated Tax Residence Certificate issued by the tax authority of the country of domicile.
2. Original apostilled/duly authenticated copy of the non-resident foreign corporation’s (“NRFC’s”) articles of incorporation or proof of establishment in its country of residence.
3. Original copy of apostilled/duly authenticated SPA issued by NRFC to its authorized representative.

As in request for confirmation/tax treaty relief application, additional/special requirements may be requested in accordance with existing rules and regulations issued by the BIR.

In both cases, an original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Company and the Registrar and Depository Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Company, the Registrar and Depository Agent and the Paying Agent free and harmless against any claims,

actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax will have to be submitted.

The Joint Lead Underwriters and Joint Bookrunners shall be responsible for accepting or rejecting any Application or scaling down the amount of Offer Shares applied for. The Application, once accepted, shall constitute the duly executed purchase agreement covering the amount of Offer Shares so accepted and shall be valid and binding on the Company and the Applicant. On the Business Day following the Closing Date, the Joint Lead Underwriters and Joint Bookrunners shall advise all the Selling Agents of any Applications that were rejected and/or scaled-down, with copy to the Company.

Minimum Purchase

A minimum purchase of 50 Offer Shares shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of 10 Offer Shares.

Acceptance/Rejection of Applications

The actual number of Offer Shares that an Applicant will be allowed to subscribe for is subject to the confirmation of the Joint Lead Underwriters and Joint Bookrunners. The Company, in consultation with the Joint Lead Underwriters and Joint Bookrunners, reserves the right to accept or reject, in whole or in part, any Application due to any grounds specified in the Underwriting Agreement to be entered into by the Company and the Joint Lead Underwriters and Joint Bookrunners. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any acceptance or receipt of payment pursuant to the Application does not constitute approval or acceptance by the Company of the Application.

An Application, when accepted, shall constitute a binding and effective agreement between the Applicant and the Company for the subscription to the Offer Shares at the time, in the manner and subject to terms and conditions set forth in the Application to Purchase and those described in this Offer Supplement, notwithstanding any provision to the contrary as may be found in the Application, this Offer Supplement, the Prospectus, and other offer-related document. Notwithstanding the acceptance of any Application by the Company, the actual subscription by the Applicant for the Offer Shares will become effective only upon listing of the Offer Shares on the PSE and upon the obligations of the Joint Lead Underwriters and Joint Bookrunners under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement. If such conditions have not been fulfilled on or before the periods provided above, all Application payments will be returned to the Applicants without interest. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to the Withdrawal of the Offer section of this Offer Supplement, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

Refunds

In the event an Application is rejected or the amount of Offer Shares applied for is scaled down, the Joint Lead Underwriters and Joint Bookrunners, upon receipt of such rejected and/or scaled down Applications, shall notify the Applicant concerned that his Application has been rejected or the amount of Offer Shares applied for is scaled down. All refunds, without interest, shall be made through the Joint Lead Underwriter and Joint Bookrunner, Selling Agent, or Receiving Agent (as applicable) with whom the Applicant has filed the Application within five (5) Business Days from the end of Offer Period.

Should the refund be made via a check, an Applicant may retrieve such check refund at the office of the relevant Joint Lead Underwriter and Joint Bookrunner, Selling Agent, or Receiving Agent (as applicable) with whom the Applicant has filed the Application. Refund checks that remain unclaimed after thirty (30) days from the date such checks are made available for pick-up shall be delivered through registered mail, at the Applicant's risk, to the address specified by the Applicant in the Application.

Secondary Market

Petron may purchase the Offer Shares at any time without any obligation to make *pro rata* purchases of Offer Shares from all Shareholders.

Registry of Shareholders

The Offer Shares shall be in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer, and lodged with PDTC as Depository Agent not later than the Listing Date through PSE Trading Participants nominated by the Applicants. Applicants shall indicate in the proper space provided for in the Application to Purchase the name of the PSE Trading Participant under whose name their Offer Shares will be registered and the relevant PSE Trading Participants shall sign the Application to Purchase on the space provided therefor.

Legal title to the Offer Shares will be shown in an electronic register of shareholders (the “**Registry of Shareholders**”) which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting Shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a Statement of Account to all Shareholders named in the Registry of Shareholders, confirming the number of Offer Shares held by each Shareholder of record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of a given date thereof. Any request by Shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.

Expenses

All out-of-pocket expenses, including, but not limited to, registration with the SEC, printing, publication, communication and signing expenses incurred by the Joint Lead Underwriters and Joint Bookrunners in the negotiation and execution of the transaction will be for Petron's account irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account. See “*Use of Proceeds*” of this Offer Supplement for details of expenses.

THE COMPANY

Overview

Petron Corporation was incorporated under the Corporation Code of the Philippines and registered with the SEC on December 22, 1966. On September 13, 2013, the SEC approved the extension of the 50-year corporate term of the Company to 2066. As a general rule under the Revised Corporation Code, which took effect on February 23, 2019, corporations with certificates of incorporation prior to the effectivity of the Revised Corporation Code, and which continue to exist, shall have perpetual existence. By operation of law therefore, Petron shall now have perpetual existence. As at June 30, 2024, it has a market capitalization of ₱25,500 million.

Petron is the only integrated oil refining and marketing company in the Philippines and is a leading player in the Malaysian market. The Company has a combined refining capacity of 268,000 barrels per day (“**bpd**”). The Company refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia.

In the Philippines, the Company operates the country’s only refinery, the **Petron Bataan Refinery**, located in Bataan, which has a production capacity of 180,000 bpd, capable of supplying approximately 40% of the country’s total fuel requirements. The Company had a retail market share of 36.3%⁶ of the Philippine oil market for the period ended June 30, 2023.

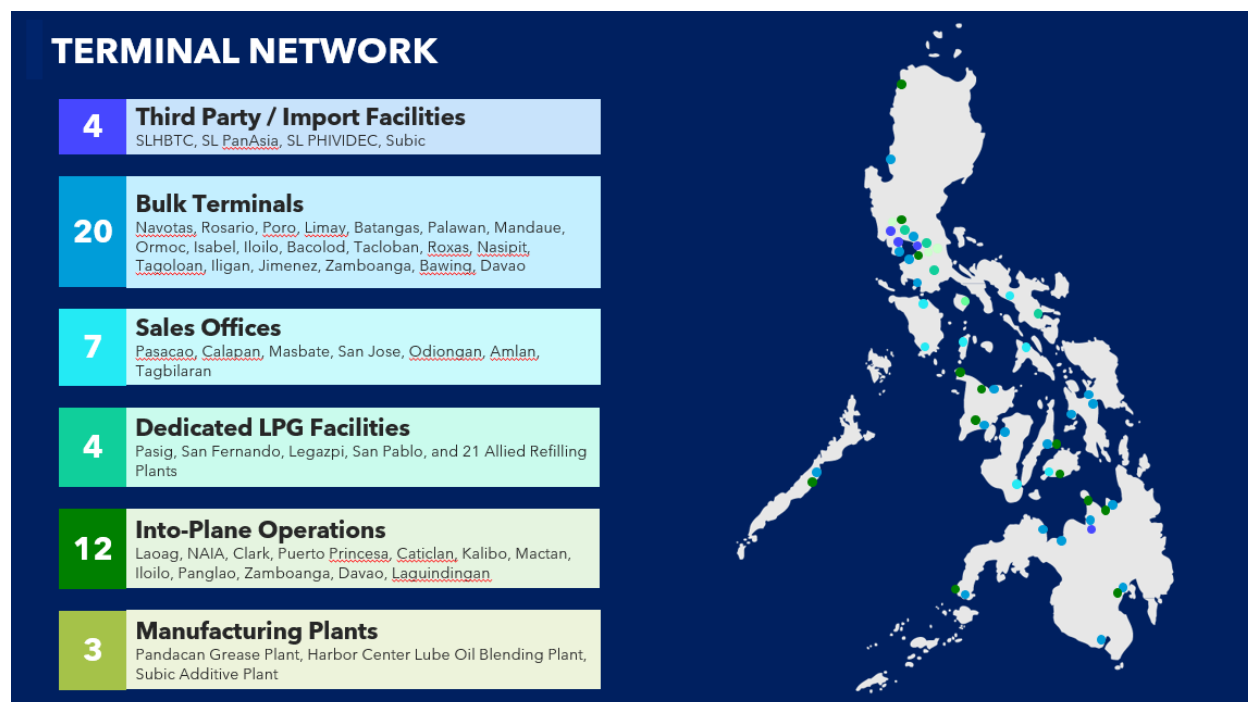
The Petron Bataan Refinery processes crude oil into a range of white petroleum products such as gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical products such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan (“**RMP-2**”), a US\$2 billion project for the Petron Bataan Refinery, enabled the Company to convert Black Products into more valuable White Products⁷, and to increase the Company’s production of petrochemicals. The project also made the Company the first and only oil company in the Philippines capable of locally producing Euro IV-standard fuels.

From the Petron Bataan Refinery, the Company moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, 7 in the Visayas and 8 in Mindanao, as well as 4 airport installations in Luzon, 5 in the Visayas and 3 in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers as well as jet fuel to international and domestic carriers.

The map below shows the geographic reach of the Company’s terminals, airport installations, and manufacturing plants in the Philippines as of June 30, 2024:

⁶ Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the period ended June 30, 2023.

⁷ Black Products refer to fuel oil and asphalts. White Products refer to diesel, gasoline, jet fuel, kerosene and LPG.



Through its network of around 1,800 retail service stations in the Philippines as of June 30, 2024, representing approximately 16% of the country's total service station count, the Company sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 45% of service stations are CODOs and 55% are DODOs. CODOs are company-owned-dealer-operated stations where Petron's investments include civil works, site development and station hardware (i.e. canopies, pumps, signages, etc.). The Company usually owns or leases the land and owns the building and equipment while dealers provide the working capital and other minor station equipment. DODOs, on the other hand, are dealer-owned-dealer-operated stations where the dealers provide the civil works, site development, working capital and station equipment. The dealers also assume ownership or lease of the land. Under this arrangement, Petron provides the station hardware. Regulation of CODOs and DODOs are generally similar. Pricing is dictated more by logistics and competition rather than the classification of a station.

As of June 30, 2024, the Company's LPG distribution network includes more than 1,900 branch and franchise stores where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. Meanwhile, the Company's Lubes distribution network includes about 45 car care centers, and more than 1,000 service stations selling lubes.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of June 30, 2024, the extent of the Company's programs includes more than 590,000 Petron Fleet Cards and more than 1.2 million Petron Value Cards (including Petron Super Driver Cards) in the Philippines. In Malaysia, as of June 30, 2024, the Company's programs include more than 11,000 Petron Fleet Cards, more than 1,400 Petron Super Driver Cards, and approximately 2.8 million active Petron Miles Privilege Cards ("**PMILES**") cardholder/member accounts.

The Company owns and operates a fuel additives blending plant (the "**Subic Plant**") in the Subic Bay Freeport Zone in the Philippines with a capacity of 12,000 metric tons per year. The Company has a tolling agreement with Innospec, Limited ("**Innospec**"), a global fuel additives supplier. Regional customers of Innospec and the Company's own requirements are served from the output of the Subic Plant.

The Company diversified into petrochemicals and in 2000 added a mixed xylene recovery unit to the Petron Bataan Refinery and a propylene recovery unit in 2008. Its benzene-toluene extraction unit became

operational in May 2009. On July 1, 2014, the Company acquired and took over from Philippine Polypropylene Inc. (“PPI”), an indirect subsidiary of the Company, the operations of the polypropylene plant in order to enhance the overall efficiency of its petrochemical operations. The polypropylene plant is located in Mariveles, Bataan and is owned by Robinson International Holdings Limited (“RIHL”), an indirect subsidiary of the Company. The polypropylene plant has an installed production capacity of 225,000 metric tons of various polypropylene resin annually.

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil’s downstream oil business in Malaysia. For the period ended December 31, 2023, the Company ranked third in the Malaysian retail market with more than 21% market share based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. The Company also covers the industrial segment in Malaysia, selling diesel and gasoline to mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. The Company owns and operates the Port Dickson Refinery in Malaysia, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue (“LSWR”). As of June 30, 2024, the Company had 10 product terminals, a palm oil methyl ester (“PME”) plant, a network of more than 780 retail service stations, and about 310 Treats convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

The Company’s products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical products, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company’s revenues from these export sales amounted to ₱47,011 million or 6% of total sales, as of December 31, 2023 and ₱15,767 million or 7% of total sales, in the first three months of 2024.

In 2021, 2022, 2023 and in the first three months of 2024, the Company’s sales were ₱438,057 million, ₱857,638 million, ₱801,027 million and ₱227,637 million, respectively, and net income was ₱6,136 million, ₱6,697 million, ₱10,134 million and ₱3,933 million, respectively.

The Company’s common shares are listed for trading on the PSE under the symbol “PCOR”, while its preferred shares are listed and traded on the same exchange under the symbols “PRF3A”, “PRF3B”, “PRF4A”, “PRF4B”, and “PRF4C”.

The Company’s US\$550,000,000 senior perpetual capital securities are listed on the Singapore Exchange Securities Trading Limited under the name “PETRON CORP US\$550M5.95%PCS”.

In Malaysia, the Company’s common shares for its subsidiary Petron Malaysia Refining & Marketing Bhd. are listed for trading on the Bursa Malaysia under the symbol “PETRONM.”

Strengths

The Company believes that its principal competitive strengths include the following:

The Only Refinery in the Philippines

Since the closure of the Shell Tabangao Refinery in the second half of 2020, the Petron Bataan Refinery has become the only oil refinery in the country. It has a total crude oil distillation capacity of 180,000 barrels per day. Being the only oil refiner in the Philippines, the Company benefits from refining margins while providing supply security to the domestic market.

Over the years, the Company has developed and maintained a strong core base of high-quality petroleum

products and has consistently made significant investments in upgrading its facilities. The Company has also focused on increasing production of higher-margin White Products and petrochemicals while minimizing production of low-margin fuel products. In the Philippines, the investment in RMP-2 allowed the Company to produce Euro IV-standard fuels and convert black products into white products.

The Company also completed constructing new facilities and structures on its existing power plant to replace some of its old generators, increase steam production, and expand power generation capacity from 140 MW to 184 MW. This is expected to generate power that would be more than enough for its internal consumption. The Company sells excess power to the grid. With the completion of the new power plant facilities, it is expected that the use of fuel oil at the Refinery will be eliminated, thereby allowing it to convert this fuel oil previously used as refinery fuel into high-value products. In addition, the Company invested in the expansion of its polypropylene plant to increase capacity from 160,000 MT to 225,000 MT annually.

Market leadership in the Philippine downstream oil sector

With a retail market share of 36.3%⁸ of the Philippine oil market as of June 30, 2023, the Company believes it is the leader in the Philippine oil industry.

The Company has around 1,800 retail service stations in the country as of June 30, 2024, retailing gasoline, diesel, and kerosene to motorists and the public transport sector. Its wide range of world-class fuel includes *Blaze 100 Euro 6*, *XCS*, *Xtra Advance*, *Turbo Diesel* and *Diesel Max*. The Company also sells its LPG brands, *Gasul* and *Fiesta Gas*, to households and other consumers through its extensive dealership network, numbering more than 1,900 branch and franchise stores as of June 30, 2024. The Company also manufactures lubricants and greases through its blending plant in Manila and sells these products through its service stations and various lubes outlets.

In particular, the Company believes that it is the market leader based on domestic sales volume in the retail and industrial market segments.

Logistically advantaged supply position in the Philippines

In the Philippines, the Company transports its products from the Petron Bataan Refinery to its fuel terminal facilities throughout the Philippines. The Petron Bataan Refinery remains the only petroleum refinery in the country.

The Company's extensive logistics network includes 28 terminals and 12 airport installations and reaches most key points in the Philippines. Given the challenges of distribution across the Philippine archipelago, this capability plays a significant role in securing Petron's leading position in the Philippines. From Bataan, products are moved mainly by sea to terminals located across the archipelago. Through its robust distribution network, the Company fuels strategic industries such as power generation, manufacturing, mining, and agribusiness, among others. The Company also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

The President of the Philippines signed the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**") into law on March 26, 2021. As part of Republic Act No. 11534 or the CREATE Act, local petroleum refineries are exempted from paying taxes and duties upon crude importation but will be subject to applicable taxes and duties on finished petroleum products upon lifting of refined petroleum products from the refinery. The Company believes that the CREATE Act allows it to be more competitive as domestic petroleum refineries will now pay taxes upon lifting of finished petroleum products from the refinery, similar to importers of refined fuel which pay taxes upon importation of finished products.

⁸ Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the period ended June 30, 2023..

Operations in markets with favorable industry dynamics

The Company operates as an integrated oil refining and marketing company in the Philippines and Malaysia, both of which the Company believes have favorable oil industry dynamics.

The Philippine economy expanded by 5.7% in the first quarter of 2024 after growing 5.5% in FY 2023, driven by increase in household spending and exports. On the other hand, Malaysian economy also expanded by 4.2% in the first quarter of 2024, outperforming market expectations at 3.9%, driven by resilient domestic demand and a rebound in exports amid a global trade recovery and semiconductor upcycle. IMF expects Philippine and Malaysian economies to sustain growth of around 6% and 4%, respectively, in FY 2024 driven by robust domestic demand, strong services growth, and improved trade in both countries.

Both economies are expected to continue to benefit from a growing oil demand; however, inflationary pressures and tighter monetary policy may pose challenges to demand.

The Philippines operates under a free market scheme with movements in regional prices and foreign exchange reflected in the pump prices on a weekly basis. Malaysia, on the other hand, operates under a regulated environment where pump prices are set by the government, and an automatic pricing mechanism (“APM”) is in place which provides stable returns to fuel retailers. Under this program, if government-mandated prices are lower than the fuel products’ total built-up cost per the APM, Petron will claim the difference from the Malaysian government as subsidies. Conversely, if government-mandated prices are higher than the fuel products’ total built-up cost per the APM, Petron will pay duties to the Malaysian government. Effective June 10, 2024, the Malaysian government implemented targeted diesel subsidy for Peninsular Malaysia, which involves the setting of the diesel fuel price to align with market price and provision of subsidies to targeted groups.

Expanded product offering driving non-fuel retail volumes

The Company’s network of service stations in the Philippines and Malaysia offers differentiated and comprehensive services to customers. Beyond just a petroleum station, the Company’s service station provides a one-stop service experience to travelers on the road, offering amenities such as Treats convenience stores, restaurants, and specialty shops. These convenience stores, restaurants and specialty shops help generate non-fuel revenues and improve traffic in the service stations. As of June 30, 2024, the Company has around 1,800 retail service stations in the Philippines representing approximately 16% of the country’s total service station count, As of June 30, 2024, the Company’s LPG distribution network includes more than 1,900 branch and franchise stores where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. Meanwhile, the Company’s Lubes distribution network includes about 45 car care centers, and more than 1,000 service stations selling lubes.

In Malaysia, the Company’s retail business markets fuel, LPG and Lubes through a dealer network comprising more than 780 retail service stations located throughout Peninsular and East Malaysia as of June 30, 2024. The Company has approximately 310 Treats convenience stores, generating non-fuel income and improving traffic in the service stations.

Since 2013, the Company has partnered with the Royal Malaysia Police (“RMP”) to set up a Go-To Safety Point (“GTSP”) at Petron stations in Malaysia. The GTSP is set up at service stations to allow the public to seek temporary shelter and to enable immediate reach out to the relevant authorities such as RMP, Fire & Rescue Department, ambulance etc. during emergencies. Thus, motorists can enjoy the Company’s products and services in a safer and more secure environment.

Enhanced loyalty card program in the Philippines and successful rollout of the Petron App

The Company also offers loyalty programs that complement its retail business, such as the Petron Value Card in the Philippines and the Petron Miles Privilege Card (“PMILES”) in Malaysia. The Company continues to upgrade existing loyalty programs and offer new and diverse programs to cater to customers’

unique needs. Some of the benefits of the Petron Value Card program include 24-hour free towing and roadside assistance, reward points for every purchase and complimentary annual personal accident insurance coverage. PMILES is a loyalty card aimed at ensuring customers enjoy better value, rewards and privileges. PMILES goes beyond fuel, as customers are able redeem instant fuel and mart items, enjoy partner offers through points conversion, promo codes and discounts across a wide range of products and services. Some of PMILES loyalty program partners include Aeon, Baskin Robbins, Grab, Ikea, Lazada, Shopee, among others.

As of June 30, 2024, the extent of the Company's programs includes more than 590,000 Petron Fleet Cards and more than 1.2 million Petron Value Cards (including Petron Super Driver Cards) in the Philippines. In Malaysia, as of June 30, 2024, the Company's programs include more than 13,000 Petron Fleet Cards, more than 1,400 Petron Super Driver Cards, and approximately 2.8 million active PMILES cardholder/member accounts.

On the digital front, the Company launched the Petron mobile application (the "**Petron App**") in 2016 as a companion for the everyday Filipino motorist. The Petron App provides value-added services to the Company's customers and increases interaction by cross-selling into non-fuel retail offerings, tie-ups with other merchants and insurance products, among others. In addition, contactless payment solutions through Maya are now offered in about 1,200 service stations nationwide as of June 30, 2024. Marketing programs that increase customer brand awareness, coupled with digital offerings such as online orders and pick-ups at service stations nationwide, increase customer frequency and, in turn, increase fuel sales as well as non-fuel sales.

With the extensive network of its loyalty card program and the Petron App, the Company believes that these programs have been able to foster brand loyalty and have enabled the Company to make more informed marketing decisions to cater to the needs of its customers.

Using transactional data, post-campaign analyses were conducted to categorize cardholders into segments based on their purchase behaviors to launch strategic promotional activities, product offerings, and targeted loyalty programs with the objective of increasing throughput, up-selling higher value products, and reactivating dormant accounts.

Historical carded volume is used in projecting baseline numbers to implement customer programs, forecast incremental sales and gain insights on actual campaign results.

Established position in the Malaysian downstream oil sector

The Company has an established position in the Malaysian downstream oil sector that provides geographic diversification to its portfolio, an additional platform to expand its business and stability to its operations.

The Company's network of service stations and distribution infrastructure in Malaysia facilitate the capture of a growing share of the market. It includes more than 780 service stations, around 310 Treats convenience stores, and 10 product terminals as of June 30, 2024. The Company also has a presence in the aviation segment with a 20% ownership of a multi-product pipeline ("**MPP**") to Kuala Lumpur International Airport ("**KLIA**"). The Joint venture through which the Company owns its interest in the MPP also owns a fuel terminal, the Klang Valley Distribution Terminal ("**KVDT**").

The Company's fuel supply in Malaysia comes from its Port Dickson Refinery and domestic and import purchases. The Port Dickson Refinery processes crude oil acquired from various sources. The Company has completed the construction of its diesel hydrotreater process unit, allowing the Port Dickson Refinery to comply with the Euro 5 specification for diesel (10 ppm sulfur) mandated by the Malaysian government effective April 2021. Furthermore, the Company has also completed constructing a new marine import facility in 2021 which generates freight cost and demurrage cost savings through decongestion of existing jetty.

The Malaysian government regulates the retail pricing structure through the APM, pursuant to which it mandates (i) the retail prices of certain refined petroleum products and (ii) the product cost built-up. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore. If government-mandated prices are lower than the fuel products' total built-up cost per the APM, Petron will claim the difference from the Malaysian government as subsidies. Conversely, if government-mandated prices are higher than the fuel products' total built-up cost per the APM, Petron will pay duties to the Malaysian government. This regulated environment provides stability to Petron's Malaysian operations in such sectors.

Effective June 10, 2024, the Malaysian government implemented a targeted subsidy on Diesel fuel across Peninsular Malaysia. Under this new system, pump prices for diesel increased to RM3.35 per liter from the previous RM2.20 per liter. Subsidies are provided for selected groups/traders using Diesel-powered commercial vehicles, and eligible groups can apply for a RM200 monthly cash subsidy. This adjustment aims to reduce the financial burden on the government and ensures that subsidies are more effectively targeted towards those in need.

Experienced management team and employees and strong principal shareholder in San Miguel Corporation

The Company has an experienced team of managers with substantial relevant experience in refining operations and development of service stations. In addition, the Company has a team of employees skilled in managing the various aspects of its business, including a highly experienced management team at the Petron Bataan Refinery, a focused sales and marketing team, which includes a group that has years of experience in service station engineering and construction, and a research and development team that has overseen years of product development and production process improvement. The Company is also committed to the development of its employees by adopting ongoing training and development programs to ensure that operations will be run by well-equipped and capable employees. The average tenure of employees in the Company is approximately 8.8 years for the Philippines and 8.6 years for Malaysia as of June 30, 2024.

SMC, which became the controlling shareholder of the Company in 2010, directly and indirectly, holds an effective 68.26% of the Company's outstanding common equity. See "*Ownership and Corporate Structure.*" SMC is among the largest and most diversified Philippine conglomerates, which has market-leading businesses in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure and property, and investments in car distributorship and banking services.

The Company believes that it benefits from its relationship as a key material subsidiary of SMC, primarily by realizing synergies, including the provision of fuels for SMC's expanding power generation business, SMC's infrastructure business and its various production facilities as well as cross-marketing opportunities with SMC's consumer and energy-related businesses. The Company also believes that SMC's strong balance sheet and international reach and relationships increase its leverage and bargaining power with suppliers and financial institutions as well as enhance its sources of funding for its capital expenditure projects.

Areas of Strategic Focus

The Company's principal strategies are set out below:

Optimize Refinery Operations and Maximize Refining Margins

Maximize production of high margin refined petroleum products and petrochemicals

After the significant investments in upgrading the facilities in the refinery, the Company will continue

to optimize operations and maximize the benefits from its upgraded facilities and further improve production of high-margin petroleum products and petrochemicals.

Ensure reliability and efficiency of refinery operations

The Company continuously improves the operational efficiency and profitability at the refinery, including: (i) implementation of scheduled maintenance turnarounds for reliable refining operations both in Philippines and Malaysia, (ii) enhancing crude optimization program to determine the crude mix that will yield the best product value at the lowest cost, and expanding crude oil supply sources in addition to major crude oil suppliers and (iii) managing crude oil freight costs and availability of terminal-compliant vessels with contracts of affreightment that are competitive with the spot market.

Volume Growth and Sustainable Margins

Maximize volume growth and further increase market share in the downstream oil markets in the Philippines and Malaysia

The Company intends to leverage on its leading market position and extensive retail and distribution network in the Philippines and Malaysia to maximize its revenue and margin potential.

The Company believes that the downstream oil markets in the Philippines and Malaysia are still underserved and have strong potential for growth. To capture this growth and further strengthen its market position, the Company will embark on: (i) implementing competitive pricing programs to boost volumes; (ii) strategically expanding its retail outlets for fuels, and LPG to improve accessibility and availability to its customers ; (iii) improving productivity of existing service station and other sales networks; (iv) introducing new products with differentiated and superior qualities; (v) expanding lubes distribution network by putting up more sales channels such as new lubes outlets, sales centers and car care centers, and penetrating non-traditional outlets such as auto parts and repair shops; (vi) continuing to strengthen and expand its non-fuel businesses by improving the *Treats* convenience stores and leasing additional service station spaces to food chains, coffee shops and other consumer services or franchising those establishments to provide “value conscious” customers with a one-stop full-service experience; and (vii) intensifying its dealer and sales personnel training to further improve customer service experience.

These initiatives will support the Company’s growing retail business and continuing service station network expansion.

Improve Supply Chain Reliability and Efficiency

The Company also intends to further enhance efficiencies and reduce distribution costs through supply chain improvements and enhancements to its existing facilities through: (i) expanding receiving and storage facilities and improving existing facilities to support volume growth, and (ii) reducing distribution costs through optimization and expansion of company truck fleet and rationalization of the terminal network.

Continue to pursue, implement and build on environmental, corporate and social responsibility initiatives

The Company intends to continue to pursue, implement and build on its various environmental, corporate and social responsibility initiatives. Sustainability at Petron is integrated in its business. Sustainability is completely aligned with Petron’s business model, its mission, and corporate culture, and aims to benefit the communities that Petron serves. Through its corporate social responsibility (“CSR”) arm, Petron Foundation, Inc. (“PFI”), the Company fuels initiatives that address national

concerns in essential areas of education, environment, health and human services, and livelihood in partnership with its host communities, national government agencies and local government units, like-minded organizations, and employee volunteers. For example, for the school year 2023 to 2024, the Company had 2,433 scholars from elementary to college under its “*Tulong Aral ng Petron*” program, bringing its total number of scholars to over 18,000 since 2002.

In addition, the Company has an active carbon footprint management program through production efficiencies, carbon capturing, and the promotion of energy efficiencies with the installation of LEDs, solar panels and rainwater harvesting facilities in Petron stations and terminals. The Company also continues its reforestation and circular economy initiatives as well as social development initiatives undertaken in all of Petron facilities nationwide.

Moreover, compliance with the various environmental laws such as the Renewable Energy Act, the Biofuels Act, the Clean Air Act, and the Clean Water Act entails costs and additional investments on the part of the Company, resulting in higher production costs and operating expenses. In 2023, the Company spent a total of ₱50.63 million for treatment of wastes, monitoring and compliance, permits, and personnel training at the Petron Bataan Refinery while in 2022, it spent a total of ₱41.45 million.

Corporate History and Milestones

Certain key dates and milestones for the Company’s business are set forth below.

- 1957** Standard Vacuum Oil Company was granted a concession to build and operate the refinery in Limay, Bataan owned by the Bataan Refining Corporation.
- 1961** The Petron Bataan Refinery commenced commercial operations with a capacity of 25,000 barrels per day.
- 1998** The lubricant oil blending plant in Pandacan, Manila was modernized, replacing facilities that were built in 1968.
- 2000** The mixed xylene plant in the Petron Bataan Refinery commenced operations, marking the Company’s entry into the petrochemicals market.
- 2008** The petrofluidized catalytic cracking (“**PetroFCC**”) unit in the Petron Bataan Refinery commenced operations, enabling the Company to convert fuel oil into higher value products such as LPG, gasoline and diesel.

The propylene recovery unit in the Petron Bataan Refinery commenced operations, enabling the recovery of propylene from the LPG produced by the PetroFCC unit.

The fuel additives blending plant in the Subic Freeport Zone commenced operations, making the Company the exclusive blender of Innospec’s additives in the Asia Pacific region.
- 2009** Debottlenecking of the Company’s continuous catalyst regeneration reformer unit and its mixed xylene plant was completed, enabling the recovery of more mixed xylene.

The benzene-toluene extraction unit in the Petron Bataan Refinery commenced operations, enabling the Company to produce benzene and toluene.
- 2010** The Company acquired a 40% stake in PAHL, the ultimate parent company of PPI, which was diluted to 33% when PAHL issued new shares to another investor in June 2010. PPI operated a polypropylene plant located in Mariveles, Bataan in the Philippines

from 2011 until its polypropylene business was acquired by the Company on July 1, 2014.

The Company acquired a 35% stake in MNHPI, forming a joint venture between the Company and Harbour Centre Port Terminal, Inc.

In the fourth quarter of 2010, the Company commenced construction of the RMP-2, a USD2 billion project designed to enable the Petron Bataan Refinery to further enhance its operational efficiencies, convert its fuel oil production into production of more White Products, increase the Company's production of petrochemicals, and produce Euro-IV standard fuels.

2011 PPI commissioned a rehabilitated polypropylene plant in Mariveles, Bataan.

2012 The Company acquired 65% of the voting shares of Esso Malaysia Berhad ("**Esso Malaysia**") from ExxonMobil International Holdings Inc. The Company subsequently acquired an additional 8.4% of the voting shares of Esso Malaysia in May 2012 pursuant to a mandatory takeover offer. In July 2012, Esso Malaysia was renamed "Petron Malaysia Refining & Marketing Berhad".

The Company's acquisition of ExxonMobil's downstream oil business in Malaysia extended its portfolio of oil refining and marketing businesses outside the Philippines.

The Company converted certain loans that it had extended to PAHL to additional equity, increasing its stake in PAHL to 45.9%.

2013 The Company sold to SMC Powergen Inc. the cogeneration power plant located in the Petron Bataan Refinery.

2014 The Company acquired the polypropylene business of PPI and took over the operations of the polypropylene plant, which is leased from PPI's parent, RIHL.

The Company completed RMP-2 in the fourth quarter of 2014.

2015 The Company completed commissioning of RMP-2 in the fourth quarter of 2015.

The Company increased its stake in PAHL to 47.25%.

2016 The Company declared commercial operations of RMP-2 in January 2016.

The Company took over the retail operations of PMC. The Company increased its stake in PAHL to 100%.

The Company acquired from SMC Powergen Inc. the cogeneration power plant.

2017 In March 2017, the Company introduced Blaze 100 EURO 6 gasoline. Petron Blaze is the first premium plus gasoline in the Philippines with 100 octane and the first local fuel to surpass Euro 6 fuel standards.

In October 2017, the Company completed the sale of its 10,449,000 shares in MNHPI (equal to 34.83% of MNHPI's outstanding shares) to International Container Terminal Services, Inc.

2020 In September 2020, the Company sold all its shares in Petrofuel Logistics, Inc. to San

Miguel Integrated Logistics Services, Inc.

In December 2020, the Company entered into a Registration Agreement with the AFAB pursuant to which the Petron Bataan Refinery complex was approved as a FAB registered enterprise. In the same month, NVRC also entered into a FAB Expansion Area Agreement with the AFAB.

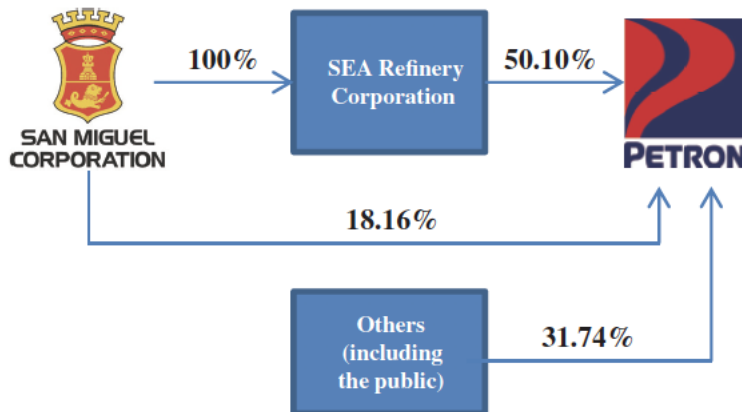
2021 In February 2021, the Securities and Exchange Commission approved the increase in the capital stock of Petrogen from PHP750 million to PHP2.25 billion, out of which 1,494,973 shares were issued to SMC, making Petrogen 25.06% owned by Petron and 74.94% owned by SMC.

2022 The Company acquired 100% of the authorized capital stock of Mema Holdings, Inc. Mema owns 100% of Weldon Offshore Strategic Limited, Inc. which, in turn, owns 100% of Petrofuel Logistics Inc. (“**PLI**”). PLI undertakes the fuel-hauling and logistics services as well as into-plane operation requirements mainly for Petron.

Phase 3 of the power plant was completed.

Ownership and Corporate Structure

The Company is a publicly listed company jointly owned by SEA Refinery, SMC and others, including the general public. The chart below sets forth the ownership structure of the Company’s common shares as of June 30, 2024.



SEA Refinery is a Philippine company wholly-owned by SMC.

SUBSIDIARIES, ASSOCIATES AND HOLDING COMPANIES

The table below sets forth the Company’s equity interest in its primary operating subsidiaries, associates and holding companies as of the date of this Offer Supplement, as well as their principal businesses and places of incorporation. As of June 30, 2024, the Company has an insurance subsidiary, Ovincor, which was established to support the insurance requirements of the Company and its allied business partners, including contractors, suppliers, haulers and dealers. Petrogen was a subsidiary of the Company until February 2021 when the Company’s interest in Petrogen decreased from 100% to 25.06% while SMC’s interest totaled 74.94% following SMC’s infusion of a ₱3,000 million equity investment into Petrogen. The Company also has marketing and trading subsidiaries and interests in realty companies to support its core business.

Name of Company	Place (Date) of Incorporation/ Form of Organization	Company's Equity Interest	Principal Business
Overseas Ventures Insurance Corporation Ltd. (" Ovincor ")	Bermuda (1995)/ exempt company	100%	Reinsurance
Petron Freeport Corporation (" PFC ")	Philippines (2003)/ company	100%	Wholesale or retail sale of fuels, operation of retail outlets, restaurants and convenience stores, and the manufacture of fuel additives
Petron Singapore Trading Pte. Ltd. (" PSTPL ")	Singapore (2010)/ company	100%	Procurement of crude oil, trading of petroleum and petrochemical products, vessel chartering and risk management
Petron Oil & Gas International Sdn Bhd (" POGI ")	Malaysia (2011)/ company	100% indirect interest	Investment holding
Petron Malaysia Refining & Marketing Bhd (" PMRMB ")	Malaysia (1960)/ company	73.4% indirect interest (the other 26.6% is owned by the public)	Manufacturing and marketing of petroleum products in Peninsular Malaysia
Petron Fuel International Sdn. Bhd. (" PFISB ")	Malaysia (1961)/ company	100% indirect interest	Marketing of petroleum products in Peninsular Malaysia
Petron Oil (M) Sdn. Bhd. (" POMSB ")	Malaysia (1969)/ company	100% indirect interest	Marketing of petroleum products in East Malaysia
New Ventures Realty Corporation (" NVRC ")	Philippines (1995)/ company	85.55% (the other 14.45% is owned by PCERP)	Purchase and sale of properties suitable for use as service station sites, bulk plants or sales offices
Petrofuel Logistics, Inc. (" PLI ")	Philippines (2010)/ company	100% indirect interest	Providing logistics services such as freight forwarding services and into-plane refueling and other allied services

For the years ended December 31, 2021, 2022, 2023 and in the first three months of 2024, the Company's subsidiaries' contribution to total revenue were ₱200,989 million or 46%, ₱426,904 million or 50%, ₱365,071 million or 46%, and ₱104,304 million or 46%, respectively.

PRODUCTS

The Company's core products are categorized into (i) Fuels, (ii) Lubricants and Greases, and (iii) Petrochemicals. The Company also produces other refinery products.

Fuels

Product Name	Product Type	Description
<u>The Philippines</u>		
Petron Gasul	LPG	A premium LPG product used as fuel for cooking, lighting and industrial applications. Sold in 2.7-kg, 11-kg, 22-kg and 50-kg cylinders and in bulk.
Fiesta Gas	LPG	An economy LPG product used as fuel for cooking, lighting and industrial applications. Sold in 2.7-kg, 11-kg, 22-kg and 50-kg cylinders.
Petron Gaas	Kerosene	Water-white kerosene used as fuel for stoves, lamps and other domestic uses.
Petron Blaze 100 Euro 6	Gasoline	A 100-octane and Euro-6 level premium plus gasoline that meets European fuel quality standards for Euro-6 technology vehicles. It also meets Euro 6b emission standards.
Petron XCS	Gasoline	A 95-octane premium gasoline which contains a complete combustion additive system that delivers excellent engine response, enhanced power and acceleration, and improved fuel economy. It meets and exceeds Euro IV-PH standard for premium grade gasoline.
Petron XTRA Advance	Gasoline	A 91-octane regular gasoline formulated to provide better engine protection, corrosion control, better power, and improved fuel economy.
Petron Turbo Diesel	Diesel	An advanced diesel designed for high performance diesel engines. It is designed to provide excellent engine protection, improved fuel economy, and maximum power for today's modern diesel engines.
Petron Diesel Max	Diesel	A regular diesel fuel formulated with robust multi-functional additive system for optimum engine protection, better power, and improved fuel economy.
Petron Aviation Gasoline	Jet Fuel	A low-lead, high-octane aviation gasoline for aircraft with reciprocating engines.
Petron Jet A-1	Jet Fuel	A highly purified kerosene-type aviation fuel used by aircraft with turbo prop and turbojet engines. It has good combustion characteristics suitable for low-temperature operation at high altitude.

Malaysia

Petron Blaze 100	Gasoline	Malaysia's first 100-octane premium grade gasoline that meets Euro 4M and MS 118-3:2011 standards. It provides optimum performance in terms of power, acceleration, and combustion efficiency.
Petron Blaze 97	Gasoline	A 97-octane high-performance premium gasoline that contains a special blend of multi-functional additive, combustion enhancer and friction modifier, resulting in excellent engine cleaning action, enhanced power and acceleration, and improved fuel economy. It meets Euro 4M and MS 118-3:2011 standards.
Petron Blaze 95	Gasoline	A 95-octane regular gasoline formulated with advanced additive technology to provide optimum engine performance that meets Euro 4M and MS 118-3:2011 standards.
Petron Turbo Diesel Euro 5	Diesel	A premium plus diesel fuel with 7% PME that meets Euro 5 and MS 123-3:2019 specifications. It is formulated with an advanced additive technology that provides excellent power and improved fuel economy. It also provides better ignition quality, quicker engine start-up and smoother engine run.
Petron Diesel Max Euro 5	Diesel	A premium diesel fuel with 7%, 10% or 20% PME that is specially formulated to provide improved fuel economy and reduced exhaust emissions. It meets Euro 5 and MS 123-3:2019 specifications or MS 123-5:2020 specifications.
Petron Diesel (Commercial Diesel B7)	Diesel	A high-quality diesel fuel with 7% PME. It is formulated with enhanced cleaning technology that provides improved fuel economy and reduced exhaust emissions. It meets Euro 5 and MS 123-3: 2019 specifications.
Petron Gasul	LPG	A premium LPG product used as fuel for cooking and industrial applications, sold in 12-kg, 14-kg and 50-kg cylinders and in bulk. An additional product line called F-14, which are 14-kg cylinders for forklifts, is also available.
Petron Kerosene	Kerosene	A refined kerosene with clean and efficient burning qualities. It meets the AFQRJOS Checklist, British MoD DEF STAN 091-091 and ASTM D1655 standards.

Petron Jet A-1	Jet Fuel	A highly purified kerosene-type aviation fuel used by aircraft with turbo prop and turbojet engines.
Petron Crude Glycerine	Crude Glycerin	Crude Glycerine is the by-product from PME production. It is an impure form of glycerine and is used as feedstock for the production of Refined Glycerine.
Petron Refined Glycerine	Refined Glycerin	Petron Refined Glycerine, which is also the by-product from PME production, is USP Grade Glycerine. USP Grade Glycerine refers to the requirement mandated by the U.S. Food and Drug Administration (FDA) regulations to ensure only the highest purity Glycerine is used in the manufacture of pharmaceutical products.

Lubricants and Greases

Automotive oil and lubricant products include the Company's extensive line of automotive oil and lubricants for different types of vehicle engines and road conditions.

Industrial oil and lubricant products include the Company's broad range of oil and lubricants designed for extreme temperatures and operating conditions for various industrial uses.

Marine oil and lubricant products include the Company's broad range of oil designed for lubrication of various types of diesel engines used in the maritime industry.

Greases include the Company's grease products used for the protection of equipment and the reduction of wear on gears and other components of vehicle and industrial engines.

Asphalts include the Company's asphalt products used for road paving, sealing applications, undercoating, waterproofing and rust proofing.

Special products include the Company's products designed for special applications, such as process oils, thermal oils, protective coatings, steel case moulding, tire manufacturing, processing of natural fibers and other non-lubricating applications.

Aftermarket specialties include products such as brake fluid coolants, diesel additives, engine oil and gasoline additives, sprayable grease, car shampoos and multi-purpose sprays.

Petrochemicals

Xylene is used to make polyester fibres, packaging materials, bottles and films.

Propylene is the raw material used for the production of polypropylene.

Polypropylene is used to manufacture food packaging plastics, car bumpers, computer housings, appliance parts and fibres.

Benzene is an aromatic hydrocarbon used to produce numerous intermediate petrochemical compounds, such as styrene, phenol, cyclohexane, alkylbenzenes, and chlorobenzenes, which are used to produce plastics, pharmaceuticals, pesticides and other chemicals. It is also used as a solvent for paints and natural

rubber.

Toluene is used as a solvent in paints, inks, adhesives, and cleaning agents, as well as in chemical extractions. It is also used in the chemical synthesis of benzene, urethane foams and other organic chemicals, and in the production of pharmaceuticals, dyes and cosmetic nail products.

Other Refinery Products

LSWR is a low-sulfur bottom/residue from refinery processing that is used as feedstock for chemical plants or as fuel for industrial boilers or heaters.

Naphtha is widely used as a motor gasoline component. It is also used as feedstock in steam crackers to produce olefins. Like some petrochemicals, it is also used as solvent for cleaning applications and also as a diluent in the mining industry.

Molten sulfur and bio-sulphur are by-products of the Petron Bataan Refinery and Port Dickson Refinery, respectively. These are used as precursor to different chemical compounds with a wide variety of applications from sulfuric acid to fertilizers and pharmaceutical drugs.

Petcoke is used in power generation and manufacturing processes as an alternative feedstock to coal.

Scope of Business

Petron's principal business involves the refining of crude oil and the marketing and distribution of refined petroleum products. It sells a full range of refined petroleum products including LPG, gasoline, diesel, jet fuel, kerosene, solvents, asphalts, and petrochemical feedstocks such as mixed xylene, propylene, and toluene.

The major markets in the petroleum industry are Retail, Industrial, LPG and Lube Trades. Petron sells its products to industrial end-users and through a nationwide network of service stations, LPG dealerships, sales centers and other retail outlets. It also supplies jet fuel at key airports to international and domestic carriers.

Keeping its presence in the regional market, the Company also exports petroleum and non-fuel products to Asia-Pacific countries. Exports, which generate dollar inflows for the Company, provide a natural hedge against losses which may arise from fluctuations in the foreign exchange rate.

Petron operates a lube oil blending plant in Tondo, Manila. Its fuel additives blending plant in Subic Bay Freeport supplies the Company's requirements and serves as Asian supply hub of Innospec.

All of the Company's permits and licenses are valid and subsisting.

Production Facilities

The Philippines

In the Philippines, the Company owns the Petron Bataan Refinery complex located in Limay, Bataan, which is a 180,000 bpd full conversion refinery. It has its own product piers and offshore berthing facilities, one of which can accommodate very large crude oil carriers, or "VLCCs".

The Petron Bataan Refinery is capable of producing a range of all white petroleum products such as LPG, naphtha, gasoline, kerosene, jet fuel and diesel, with no residual fuel oil production. It also produces petrochemical feedstocks benzene, toluene, mixed xylene, and propylene. In December 2016, the Company acquired the cogeneration power plant from SMC Powergen, Inc., which consists of four turbo generators and four solid fuel fired Circulating Fluidized Bed boilers. With the completion

of phase 3 in 2022, the cogeneration power plant now consists of six turbo generators with a combined capacity of 184MW and six solid fuel fired Circulating Fluidized Bed boilers with a combined capacity of 1,200 tons per hour. This ensures the sufficient and reliable supply of steam and power for the Petron Bataan Refinery. Excess power is exported to the grid.

In addition to the Petron Bataan Refinery, the Company owns and operates a fuel additives blending plant (the “**Subic Plant**”) in the Subic Bay Freeport Zone in the Philippines with a capacity of 12,000 metric tons per year. The Company has a tolling agreement with Innospec, a global fuel additives supplier. The output of the Subic Plant serves the fuel additive requirements of the Company and Innospec’s customers in the Asia-Pacific region. The Company is Innospec’s exclusive blender in the Asia-Pacific region.

Petron also operates a lube oil blending plant in Tondo, Manila. The capacity of the New Lube Oil Blending Plant (“**NLOBP**”) is 90,000,000 liters per year per shift.

Malaysia

In Malaysia, the Company owns a petroleum refinery complex located in Port Dickson, Negeri Sembilan. The Port Dickson Refinery has a crude oil distillation capacity of 88,000 bpd.

The Port Dickson Refinery produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and LSWR. With the exception of naphtha and LSWR, these products are intended to meet domestic demand in Malaysia. The Company exports its naphtha and LSWR to various customers in the Asia-Pacific region under term and spot contracts.

Crude oil for the Port Dickson Refinery is received by means of a single buoy mooring (“**SBM**”) and crude pipeline facilities that are jointly owned with Hengyuan Refining Company Berhad (formerly known as Shell Refining Company (Federation of Malaya) Berhad) through an unincorporated joint venture. Under the joint venture, the Company shares 50% of all SBM operating and capital costs and also pays a levy of one-third of the overhead and administrative charges incurred in connection with the operation of the SBM.

Refining Process and Quality Improvement Initiatives

The Petron Bataan Refinery

The Petron Bataan Refinery has been continuously implementing various programs and initiatives to achieve key performance index targets on reliability, processing efficiency, energy efficiency, safety and environmental protection.

To adapt to ever-changing market conditions, the Refinery implements margin enhancement programs to strategize production of higher value product yields.

On December 28, 2020, Petron Bataan Refinery was approved as a FAB-registered enterprise. With this registration, the Refinery would be more competitive and in a better position to sustain its operation to supply fuel for the nation.

In July 2022, phase 3 of the power plant was completed, adding 44MW to the existing co-gen facility. The project aims to benefit the Company by freeing up fuel oil previously used as refinery fuel for conversion to high-value products instead. Likewise, it will also provide revenues through the generation of incremental power for selling to the grid.

The Petron Bataan Refinery also holds three Integrated Management System (IMS) certifications, demonstrating an unwavering commitment to global standards in Quality (ISO 9001), Environmental (ISO 14001), and Safety management (ISO 45001).

The Port Dickson Refinery

The Port Dickson Refinery uses an Integrated Management System (“**IMS**”) in support of its operations. Embedded within the IMS are the Petron Operation Integrity Management System (“**POIMS**”), Control Management System (“**CMS**”), and Product Quality Management System (“**PQMS**”). In addition, the Port Dickson Refinery also practices the Loss Prevention System (“**LPS**”), the PDR Reliability System (“**PRS**”) and plant optimization initiatives for improved plant efficiency.

The Port Dickson Refinery adopted IMS in 2019 to align all existing processes under one management system. The POIMS provides a structured approach to the management of risks related to safety, security, health, environment (“**SSHE**”) and operation integrity to comply with local regulations and laws. CMS provides a process for ensuring that Corporate Policies and In-Line Controls are implemented and effectively sustained over time. PQMS provides a work process to ensure high-quality products delivered to customers. The Port Dickson Refinery was awarded with the IMS certification on December 24, 2019.

To increase plant reliability, the Port Dickson Refinery adopted the PRS, which utilizes a risk-based equipment strategy and aims to improve mechanical efficiency through routine work planning, scheduling and execution. The Port Dickson Refinery also continuously seeks improvement in the areas of process optimization, flaring, oil loss and energy conservation through the use of advanced process computer control and an integrated plant information system.

Raw Materials

Philippine Operations

The main raw material used in the Petron Bataan Refinery’s production process is crude oil. The Company’s crude oil optimization strategy includes the utilization of various types of crude oil, ranging from light and sweet crude to heavier, more sour alternative crude.

The Company acquires crude oil for the Petron Bataan Refinery primarily through arrangements with its wholly owned subsidiary Petron Singapore Trading Pte. Ltd. (“**PSTPL**”), which, in turn, obtains crude oil from foreign sources through a combination of term or spot purchase contracts. PSTPL has a term contract with Saudi Aramco for the year 2024 to purchase various Saudi Arabian crude. The pricing and payment mechanisms under this contract are consistent with Saudi Aramco’s standard practice for its Far East customers. Pricing is determined through a formula that is linked to international industry benchmarks, and payment is secured by irrevocable standby letters of credit. The contract is automatically renewed annually unless either the Company or Saudi Aramco elects to terminate the contract upon at least 60 days’ written notice prior to its expiration date. As of the date of this Offer Supplement, neither the Company nor Saudi Aramco has terminated the contract.

Several other crude oils are purchased on spot basis from various suppliers.

PSTPL has a term contract for the year 2024 to purchase group II base oils (J500 (500N) and J150 (150N)) and avgas. Group II base oil is the company’s main feedstock to produce automotive, industrial, and marine lubricants, while avgas is used for aviation fuel requirements.

PSTPL has a term contract for the year 2024 to purchase Asphalt, LPG, and high RON Gasoline. These term contracts are tendered annually, and it is awarded to the most competitive supplier(s). Pricing is calculated using a formula based on an international standard price benchmark for these products.

The Company may import gasoline, diesel, and jet fuel. These imports are necessary if there is higher demand in the Philippines and during maintenance of the Petron Bataan Refinery. The Company ceased producing fuel oil, a lower margin product, upon the completion of the RMP-2. Pricing for products being imported is usually based on Mean of Platts Singapore.

Malaysian Operations

The main raw materials used in the Port Dickson Refinery's production process are crude oil and condensate. The Port Dickson Refinery is designed to process sweet crude oil. The Company's crude oil optimization strategy includes diversification in processing different types of local as well as regional sweet crude oil.

The Company acquires crude oil and condensate for the Port Dickson Refinery from various sources, through a combination of term purchase contracts and spot market purchases. The Company has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**") until March 2026, supplemented by other short-term supply contracts and spot crude purchases. As of June 30, 2024, about 41% 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. Petron also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

A portion of the Petron's palm oil methyl ester requirements for its bio-diesel mix are sourced from the PME plant acquired by Petron Malaysia Refining & Marketing Bhd in March 2019. The plant is located at Lumut, Perak and has an annual capacity of 78,000 metric tons. Petron purchases the balance of its PME requirements from other Malaysian government-approved local suppliers. PME is the bio-component of the biodiesel mix sold to domestic customers in Malaysia. Petron produces a biodiesel mix comprising 7%/10%/20% PME: 93%/90%/80% diesel for the Retail sector and 7%/10% PME: 93%/90% diesel for the Commercial sector (with exception for electricity power generation and bunkering) mainly for the transportation and subsidized segment, following the Malaysian Biofuel Industry Act of 2007.

Petron also imports LPG, diesel, gasoline, jet fuel and some gasoline blending components into Malaysia to support domestic demand beyond its production level. These imports are purchased through term purchase contracts and in the spot market. Pricing is usually based on Mean of Platts Singapore for diesel, gasoline, jet fuel and some gasoline blending components, or Saudi CP for LPG.

Utilities

The principal utilities required for the Company's production process are water, electricity and steam.

Water

Deep wells and a seawater desalination plant provide the Petron Bataan Refinery's water requirements.

The Port Dickson Refinery's clean water requirements for the process units are sourced from the local municipal water source. Water for fire-fighting purposes is sourced from a lagoon located within the Port Dickson Refinery complex, supplemented by a municipal water storage tank.

Electricity and Steam

The Petron Bataan Refinery's electricity and steam requirements are sourced from the Petron Bataan Refinery's existing turbo and steam generators as well as from its cogeneration power plant. The

cogeneration power plant was acquired by the Company in December 2016 from SMC Powergen Inc., a subsidiary of SMC and an affiliate of the Company. With the completion of phase 3 in 2022, the cogeneration power plant now consists of six turbo generators with a combined capacity of 184 megawatts and six solid fuel fired Circulating Fluidized Bed boilers with a combined capacity of 1,200 tons per hour.

The Port Dickson Refinery's electricity requirements are purchased from Tenaga Nasional Berhad, the Malaysian national electricity provider, while the Port Dickson Refinery's fired and waste heat boilers supply the steam requirements of the refinery's process units.

Sales and Marketing

The major markets in the petroleum industry are Retail, Industrial, LPG and Lube Trades. Petron sells its products to both industrial end-users and through a nationwide network of service stations, LPG dealerships, sales centers and other retail outlets. It also supplies jet fuel at key airports to international and domestic carriers.

The Company is not dependent on a single customer or a few customers. No single customer of the Company accounts for at least 20% of its sales.

The Philippines

In the Philippines, the Company operates the only integrated oil refinery and is a leading oil marketing company. The Company had a retail market share of 36.4%⁹ of the Philippine oil market for the period ended June 30, 2023.

Retail Service Stations

The Company had a network of around 1,800 retail service stations in the Philippines as of June 30, 2024, according to the Company's estimates. Most of these stations are located in Luzon, where demand is heaviest.

The Company employs two types of service station operating structures in the Philippines: (i) CODO, which are Company-owned-dealer-operated service stations, and (ii) DODO, which are dealer-owned-dealer-operated service stations. For CODOs, the Company buys or leases the land and owns the service station structures and equipment, but third-party dealers operate the CODOs. For DODOs, third-party dealers buy or lease the land, build service station structures according to Company specifications, lease the service station equipment from the Company, and operate the DODOs. As of June 30, 2024, approximately 45% of the Company's retail service stations in the Philippines were CODOs, and approximately 55% were DODOs.

The Company's DODO Network includes Petron *Bullit* Stations which are small service stations that provide the flexibility to establish a presence even in remote rural areas and make the Company's products and services accessible to more Filipinos. As of June 30, 2024, about 400 Petron *Bullit* Stations are in operation.

To improve traffic in the Company's service stations and increase potential revenues of the Company's non-fuel business, the Company established Treats convenience stores and leases space to quick-serve restaurants and other consumer service shops in strategic service stations nationwide. The Treats convenience stores were rebranded under the brand name San Mig Food Avenue in 2011 pursuant to an agreement with San Miguel Foods Inc. The convenience stores are operated by dealers through a franchise obtained from San Miguel Foods, Inc. opened stores in Manila under the brand name "Treats," with

⁹ Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the period ended June 30, 2023. Company estimates exclude all direct imports of end users.

permission from San Miguel Foods, Inc. for the use of the brand name. On March 1, 2021, the Company reacquired the Treats convenience store business from the San Miguel Food Group. The acquisition covered fixed assets in the stores, inventory, and intangible assets such as contracts and the Treats trademarks. On June 29, 2021, the Company acquired additional *Treats* assets from Foodcrave Marketing, Inc. The Treats acquisition optimizes the synergies between the operation of the Petron service stations and the Treats outlets located in the service stations, resulting in operational efficiencies and savings, unified customer marketing programs, maximized exposure of the Treats brand, and the provision of holistic business consulting to dealers on their businesses within the service station. As of June 30, 2024, there are about 60 *Treats* outlets nationwide.

The Company continues to install the point of sale (“**POS**”) system across its retail network throughout the Philippines. POS systems are used for gaining efficiencies through automating retail transactions and the proper monitoring of actual sales in service stations. As of June 30, 2024, the Company had installed POS terminals in approximately 1,200 retail service stations in the Philippines.

Industrial Sales

The Company believes it is the leading supplier to the Philippine industrial sector, which includes major manufacturing, aviation, marine, and power accounts. The Company had approximately 1,300 direct industrial account customers as of June 30, 2024.

LPG

The Company is a leading market participant in the Philippine LPG market in terms of market share. The Company has set up more than 1,900 branch and franchise stores through its *Gasul* and *Fiesta Gas* LPG dealers as of June 30, 2024. The Company has commissioned about 19 mini-refilling plants in the Philippines as of June 30, 2024 to broaden the reach of the Company’s LPG products and make them accessible to more Filipinos.

Lubricants, Specialties and Petrochemicals

To augment lubricants and greases sales, the Company has a network of about 45 Car Care Centers, around 40 Petron Lube Distributors, and 14 Key Accounts throughout the Philippines as of June 30, 2024. The Company capitalizes on the strong lubricant distribution network of non-traditional outlets such as automotive and motorcycle parts outlets and automotive repair shops, and expanded LPG-outlet network by utilizing its LPG branch stores as outlets for the Company’s lubricants and specialty products. The Company has expanded into blending and export of fuel additives, leveraging on its technology partnership with Innospec, a global fuel additives supplier. The Company also provides technical services to Innospec’s customers, and was able to tap the customer base of Innospec in Asia to broaden the market for its own lubricant brands.

The Company exports various petroleum products such as lubricants and petrochemical feedstock, including naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region. These products are sold through accredited traders and to end-users under term or spot contracts.

Polypropylene is sold mostly to companies engaged in the manufacture of packaging materials.

Loyalty Programs

The Company actively pursues initiatives to improve customer service and promote customer loyalty. In 2004, the Company launched the Petron Fleet Card, the first microchip-powered card in the Philippines, which is a credit card that offers rebates and discounts on fuel, lubricants and services and provides 24-hour free towing and roadside assistance to cardholders. As of June 30, 2024, more than 590,000 Petron Fleet Cards had been issued in the Philippines. In 2008, the Company launched Petron e-Fuel Card as a promotional item. To maximize patronage of its service stations and related businesses, the Company

launched a loyalty program in October 2011 through its Petron Value Card, which offers 24-hour free towing and roadside assistance, rewards points for every purchase and complimentary annual personal accident insurance coverage. In 2014, the Company introduced the Petron Super Driver Card, a variant of the Petron Value Card, to the public utility vehicle sector, specifically targeting the taxi and tricycle markets. As of June 30, 2024, the Company has issued approximately 1.2 million Petron Value Cards (including Petron Super Driver Cards).

Malaysia

The Company's fuels marketing business in Malaysia is segmented into retail and commercial business.

Retail Business

The retail business markets fuel and its related products through a dealer network comprising more than 780 retail service stations located throughout Peninsular and East Malaysia as of June 30, 2024. In Malaysia, the Company uses the CODO and DODO operating structures for its retail service stations. CODO accounted for approximately 55% of the total retail service station network of the Company while DODOs made up the 45% balance. The Company also has approximately 310 *Treats* convenience stores, generating non-fuel income and improving traffic in the service stations.

To further enhance the customer service experience in Malaysia, the Company launched the "*Fuel Happy*" campaign in 2015 with various marketing activities and events organized to reward and enchant the customers. This was followed by "*Best Day at Petron*" campaign launched in 2017. In 2016, the Company pioneered the country's first premium fuel with the rollout of Petron Blaze 100. As of June 30, 2024, Blaze 100 is available in more than 110 stations, mainly located in Klang Valley and the southern city Johor Bahru. The Company also offers Petron Turbo Diesel Euro 5, a premium plus diesel fuel with 7% biodiesel mix that meets Euro 5 standards, even prior to the mandatory implementation of Euro 5 diesel standards set by the Malaysian government beginning April 1, 2021. As of June 30, 2024, the Company has more than 360 service stations offering Turbo Diesel Euro 5.

Commercial Business

The Company's commercial business is divided into three segments: industrial and wholesale fuels, LPG and lubricants and specialties.

Industrial and Wholesale Fuels

The industrial segment sells diesel and gasoline to mini-stations and power plants, as well as to the manufacturing, plantation, transportation, and construction sectors. Petron's sales of RON 95 gasoline and diesel to mini-stations represented approximately 59% of its industrial sales by volume in 2023 and in the first three months of 2024. Sales to the mini-stations are priced according to the APM. Many power plants in Malaysia run on natural gas and use diesel as alternative fuel when there are gas curtailments. Petron sells diesel to such power plants on an ad-hoc basis at formulated prices. The pricing of these sales is determined through a formula that is linked to international industry benchmarks. Prices of diesel to the manufacturing, mining, plantation and construction sectors are not regulated by the Malaysian government, and the pricing of these sales is subject to market supply and demand.

The Malaysian wholesale segment consists of sales, primarily of diesel, to Company-appointed distributors, which subsequently sell the Company's products to industrial customers. As of June 30, 2024, the Company had more than 140 active distributors.

In Malaysia's aviation sector, Petron is one of the three major jet fuel suppliers at KLIA and KLIA 2 pursuant to a throughput agreement with the Kuala Lumpur Aviation Fuelling System Sdn Bhd, the operator of the KLIA's storage and hydrant facility.

LPG

The Company markets LPG in 12-kg and 14-kg cylinders for domestic/household sales, and 50-kg cylinders and bulk for commercial use, through redistribution centers, stockists and dealers. LPG redistribution centers are owned by the Company to store and distribute bottled LPG to dealers. Stockists are dealer-owned distribution centers which also distribute bottled LPG to other dealers. Dealers generally collect bottled LPG directly from redistribution centers and stockists for onward sale to domestic and commercial consumers. Prices of 12-kg and 14-kg cylinders for domestic use are regulated under the APM. In April 2019, Petron launched *Petron Gasul* at its service stations, the first "cash and carry" service wherein customers can purchase their LPG cooking gas at the service station. As of June 30-, 2024, Petron has more than 190 service stations selling Gasul LPG.

The Company also sells bulk LPG to industrial users through appointed dealers and to resellers. Prices of 14-kg forklift gas, 14-kg commercial gas, 50-kg and bulk LPG are not regulated by the APM. To further enhance the *Petron Gasul* brand, Petron has identified three Brand Promises to drive the business forward: Safety, Quality and Convenience.

Lubricants and Specialties

The Company established a lubricants and specialties business line in April 2012 to introduce Petron lubricants and greases into the Malaysian market. These products are marketed through a network of appointed distributors in both West and East Malaysia to various industry segments including car and motorcycle workshops, transport and fleet operators, manufacturing, and industrial accounts. Petron's wide range of automotive lubricants is sold through the Company's extensive network of service stations in Malaysia.

The Company exports surplus intermediate products LSWR and naphtha from the Port Dickson Refinery through accredited traders and to end-users under term or spot contracts.

In response to the government's biofuel mandate, Petron acquired a PME plant in Lumut, Perak in March 2019 to help ensure reliable and adequate supply of PME for the Company's needs. Besides PME, the Lumut plant also produces glycerin that is sold to local and overseas consumers as raw material largely for pharmaceutical and cosmetic products like moisturizing skin care products and soaps.

Loyalty Programs

The Company has been actively pursuing initiatives to improve customer service and promote customer loyalty for its Malaysian retail business by offering rebates, points and discounts. As of June 30, 2024, the Company has about 2.8 million Petron Miles cardholder accounts in Malaysia under its loyalty card program.

Export Sales

In line with the Company's efforts to increase its presence in the regional market, it exports various petroleum and non-fuel products to Asia-Pacific countries such as South Korea, Taiwan, China, Vietnam, Singapore, India, and Indonesia. Exports, which generate dollar inflows for the Company, provide a natural hedge against losses which may arise from fluctuations in the foreign exchange rate. The Company's revenues from these export sales amounted to ₱26,387 million, or 6% of total sales, in 2021, ₱40,343 million, or 5% of total sales, in 2022, ₱47,011 million, or 6% of total sales, in 2023, and ₱15,767 million, or 7% of total sales, for the first three months of 2024.

Below is the summary of the percentage of sales or revenues of domestic and export sales of the Company and its subsidiaries from 2021 to 2023 and the first three months of 2024:

	Domestic	Exports/International	Total
2021 (in millions)	₱223,222 51%	₱214,835 49%	₱438,057
2022 (in millions)	₱412,743 48%	₱444,895 52%	₱857,638
2023 (in millions)	₱413,175 52%	₱387,852 48%	₱801,027
1Q2024 (in millions)	₱123,243 54%	₱104,394 46%	₱227,637

Additional Information on Business Segments – Consolidated

The following table presents additional information on the petroleum business segment of the Company as at and for the years ended December 31, 2021, 2022, and 2023, and the first three months of 2024:

	Retail	Lube	Gasul	Industrial	Others	Total
	(in ₱ millions)					
2021						
Revenue	206,337 47%	5,318 1%	24,947 6%	71,354 16%	127,626 30%	435,582
Property, plant and equipment ^b	7,943 5%	32 0%	217 0%	9 0%	162,828 95%	171,029
Capital expenditures ^b	1,363 9%	4 0%	22 0%	1 0%	14,433 91%	15,823
2022						
Revenue	395,183 46%	6,403 1%	33,126 4%	156,307 18%	263,693 31%	854,712
Property, plant and equipment ^b	7,920 5%	27 0%	149 0%	23 0%	160,880 95%	168,999
Capital expenditures ^b	1,170 9%	4 0%	- 0%	1 0%	12,360 91%	13,535
2023						
Revenue	367,013 46%	6,462 1%	33,267 4%	146,980 18%	244,310 31%	798,032
Property, plant and equipment ^b	7,880 5%	62 0%	138 0%	62 0%	154,868 95%	163,010
Capital expenditures ^b	1,237 25%	34 1%	10 0%	40 1%	3,645 73%	4,966
1Q2024						
Revenue	95,362 42%	1,813 1%	9,542 4%	40,989 18%	79,145 35%	226,851
Property, plant and equipment ^b	8,268 5%	85 0%	133 0%	64 0%	153,471 95%	162,021

Capital expenditures ^b	1,253	52	10	43	4,727	6,085
	20%	1%	0%	1%	78%	

^a Under the "Others" account, revenue includes exports and sale to other oil companies.

^b "Property, plant and equipment" and "Capital expenditures" include assets at the refinery and terminals.

In the first three months of 2024, diesel and gasoline continue to be the top sales contributors comprising 73% of total revenue, with diesel at 38% and gasoline at 35%. The current contribution of the rest of the products ranges from 1% to 10%. The remaining revenue largely comes PSTPL's trading volumes and from non-fuel transactions.

Distribution

The Philippines

The Company's main storage facility in the Philippines was formerly located in Pandacan, Manila. The reclassification by local authorities of the area occupied by the Pandacan terminal prohibited the continued operation of the Company's facility in Pandacan as a petroleum storage facility and necessitated relocation to other alternative sites in Luzon. The Company ceased its petroleum product storage operations in Pandacan in January 2015.

To serve its domestic markets, the Company maintains 40 terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, seven in the Visayas and eight in Mindanao, as well as four airport installations in Luzon, five airport installations in the Visayas and three airport installations in Mindanao. Terminals have marine receiving facilities, multiple product storage tanks for liquid fuels and LPG, drummed products storage, and warehouses for packaged products such as lubricants and greases. From the Petron Bataan Refinery, refined products are distributed to the various terminals and direct large consumer accounts using a fleet of company-owned and contracted barges and tankers, and to service stations and industrial accounts through a fleet of company-owned and contracted tank trucks. The barges and tankers are chartered on term or spot contracts from third-party ship owners. From the storage terminals, bulk products are hauled by company-owned and third-party tank trucks to service stations and industrial accounts. Under the terms of the applicable contracts, the third-party owners of the contracted barges, tankers and tank trucks that are used to haul the Company's products are liable for losses and environmental issues that may arise while the products are being transported.

In its Philippine LPG business, the Company has a nationwide network of retail dealerships and outlets. Some service stations carry the Company's LPG products and accessories. The Company has stand-alone LPG operations in its terminals in Pasig City, Legazpi City, San Fernando City in Pampanga and San Pablo City in Laguna.

Lubricants and greases in various packages are transported by container vans to bulk plants and terminals outside Metro Manila. Package trucks owned by third parties are utilized to deliver these lubricants and greases to various customers in Metro Manila and Luzon. Sales counters throughout the Philippines are appointed to sell these products. The Company has a tolling agreement with Innospec for the blending of fuel additive products in its Subic Plant.

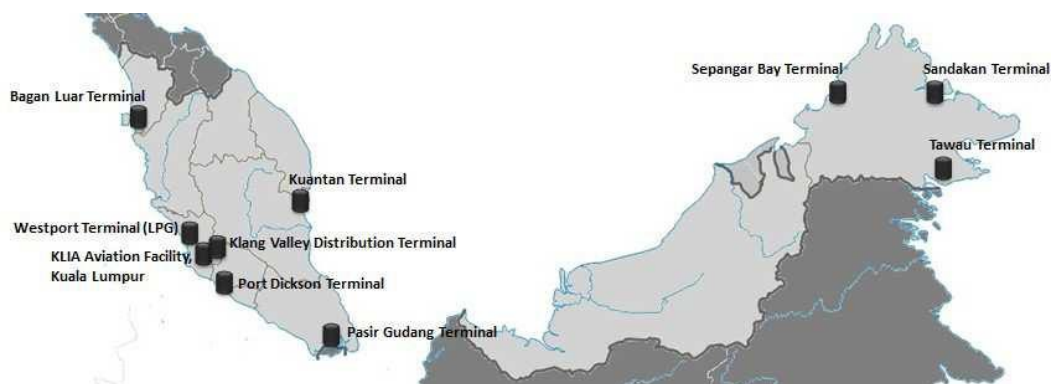
The Company has airport installations at the Ninoy Aquino International Airport ("**NAIA**") and 11 other airports located in major urban centers in the Philippines. These installations provide storage of aviation fuels as well as refueling services for various aircraft. The Company has presence in the airports of NAIA, Puerto Princesa City, Laoag and Clark in Luzon, Mactan, Bohol, Kalibo, Caticlan and Iloilo City in the Visayas, as well as in Davao City, Laguindingan and Zamboanga City in Mindanao via mobile into plane refueling equipment.

Malaysia

Products from the Port Dickson Refinery are distributed to service stations and commercial accounts through tank trucks that lift products via the Port Dickson Terminal's tank truck loading facilities. These loading facilities are connected to the storage tanks inside the refinery. The refinery's produced volume is also sent to Klang Valley Distribution Terminal ("KVDT") through a multi-product pipeline. Tank trucks lift products from KVDT for delivery to Petron customers. The other terminals source products through imports from regional suppliers. Products are lifted from the terminals via tank trucks and delivered to service stations and commercial accounts. The Port Dickson terminal is located beside the Port Dickson Refinery, while the other terminals are located near major fuel product market areas.

The map below shows the geographic coverage of the Company's terminals in Malaysia as of June 30, 2024.

Figure 2: Geographic Coverage of Petron's Terminals in Malaysia



Jet fuel is transported from the Port Dickson Refinery to KLIA through a multi-product pipeline (the "MPP"), which is jointly owned by Petron through its 20% ownership interest in an unincorporated joint venture with Petronas Dagangan Berhad ("PDB") and Shell Malaysia Trading Sdn Bhd ("Shell Malaysia"), each of which has a 40% ownership interest. The MPP is a fungible products pipeline for transporting gasoline, diesel and jet fuel and is operated by PS Pipeline Sdn Bhd, a 50-50 joint venture between PDB and Shell Malaysia.

The joint venture through which Petron owns its interest in the MPP also owns the KVDT, where fuel inventory is commingled. Prior to 2015, Petron only used the MPP to transport jet fuel to KLIA and not for transporting gasoline or diesel to the KVDT. In 2015, Petron successfully completed a project linking the Port Dickson Refinery to the MPP to transport gasoline and diesel products to KVDT. This improved the Company's logistics and reduced cost of delivery to service stations in the Klang Valley area, a major market.

LPG is bottled at the Port Dickson and Westport terminals. Most redistribution centers and stockists collect bottled LPG directly from the Port Dickson and Westport terminals. Petron has an LPG storage and bottling facility at West Port (part of Port Klang, the principal port facility serving the Klang Valley), which is a 50-50 joint venture between Petron and Boustead Petroleum Marketing Sdn Bhd. Both terminals also load Bulk LPG for industrial customers. Petron had also contracted third-party bottling facilities to expand the reach of its *Gasul* products in Perak and Penang in the north, Kelantan in the east coast and Johor in the south.

Petron entered the Sarawak retail market in February 2017 with an initial six DODO stations, subsequently increasing the number to 12 as of June 30, 2024. These stations are supplied through

a sales and purchase term agreement with a local company, Petronesa Trading Sdn Bhd, from independent terminals located in Kuching and Tanjung Manis.

Capital Expenditure Projects

Petron Bataan Refinery

The Company undertook the upgrade and expansion of the Petron Bataan Refinery in two phases – Phase 1 of the Refinery Master Plan (“**RMP-1**”) was completed in May 2009 while Phase 2 (“**RMP-2**”) attained full commercial operation in January 2016. RMP-1 increased the Petron Bataan Refinery’s capability to convert low-margin fuel oil into White Products such as LPG, gasoline and diesel. RMP-1 also expanded the Company’s venture into production of petrochemical feedstocks such as propylene, benzene, toluene and additional mixed xylene. RMP-2 was a USD2 billion investment project which enabled the Petron Bataan Refinery to further enhance its operational efficiencies, convert all residual fuel oil production into production of more White Products and produce Euro-IV fuels and increase the Company’s production of petrochemicals. With RMP-2, the Petron Bataan Refinery also produces byproduct petcoke, which is used as fuel for its cogeneration power plant, lowering its power and steam costs.

The Company believes that RMP-2 significantly enhanced the Petron Bataan Refinery’s competitiveness with its complexity index higher than most refineries in the region. The Company will continue to make investments in the Petron Bataan Refinery facilities to ensure reliability and efficiency of critical refinery processes and to reduce costs.

The Company completed construction of a new power plant in 2022 that replaced some of its old generators and generated incremental power and steam. In addition, products previously used as refinery fuel are now converted to high-value products.

Other investments in the Petron Bataan Refinery include the expansion of the polypropylene plant. Another ongoing project is the Propylene Transfer Line from the refinery to Polypropylene Plant (PPP) to provide more efficient and reliable means of supplying propylene feed to PPP.

Philippine Retail Network Expansion

To support growing fuel demand in the Philippines, the Company will continue to build service stations in strategic high-growth or high-volume sites. The Company will also continue its retail network expansion programs for its LPG and Lubes segments.

Logistics Expansion and Upgrade

The Company will continue upgrading and expanding its storage capacities to improve product supply reliability, support growing demand, and reduce distribution costs. The Company will also continue to invest in more fuel and LPG trucks for more efficient distribution of fuels.

Malaysia Expansion and Improvements

The Company completed construction of a new diesel hydrotreater process unit in Port Dickson Refinery in the second quarter of 2021 to comply with Euro-5 diesel specifications.

The Company will continue to construct new service stations and expand its retail network in Malaysia. Production facilities at the Port Dickson Refinery will also be enhanced to improve operations and efficiencies.

Petron Malaysia will also construct a new PME Plant at the Port Dickson Refinery, targeted for completion by 2025. This will support the increasing PME requirements of Petron Malaysia, in line with the government’s plan to increase the PME content in Diesel fuel in the future.

The Company is also constructing a new terminal in Kuching targeted to be completed in the fourth quarter of 2024, to support Petron's expansion in East Malaysia.

Competition

The Philippines

In the Philippines, the Company operates in a deregulated business environment, selling its products to individual, commercial and industrial customers. The enactment of the Downstream Oil Industry Deregulation Law in 1998 effectively removed the rate-setting function of the Philippine government through what was then known as the Energy Regulatory Board, leaving price-setting to market forces. It also opened the oil industry to free competition.

The Philippine downstream oil industry is deregulated and has seen the entry of approximately 400 other industry market participants, rendering the petroleum business highly competitive. The Company operates the only petroleum refinery in the country. The rest of the industry market participants are importers of finished petroleum products or purchase finished petroleum products from other market participants in the local market. In the Philippines, the Company competes with other industry market participants on the basis of price, product quality, customer service, operational efficiency and distribution network, with price being the most important competitive factor. Providing total customer solutions has increased in importance as consumers became more conscious of value.

The Company participates in the reseller (service station), industrial, LPG and lube sectors through its network of service stations, terminals, dealers and distributors throughout the Philippines. In the reseller sector, competition is most dynamic among the major firms, as seen through the construction of service stations by Shell, Chevron, Total Philippines, Phoenix Petroleum, Seoil and other new participants in major thoroughfares. The Company has around 1,800 retail service stations as of June 30, 2024, reaching more customers throughout the Philippines. Participants in the reseller and LPG sectors continue to resort to aggressive pricing and discounting in order to expand their market share. The number of major LPG importers in the Philippines increased from three, prior to deregulation, to about seven, with new entrants having more flexible and bigger import receiving capacities. In the industrial sector, the major market participants continue to invest heavily in order to increase their market share and tap new markets. In the lubricants sector, intense competition among many brands, including global brands such as Castrol, Mobil, Shell and Caltex, continues. Brands compete for limited shelf space, which has led to the penetration of previously unutilized markets, such as auto-dealerships in malls.

The Company is the leader in the Philippine downstream oil industry with a retail market share of 36.3%¹⁰ of the Philippine oil market for the period ended June 30, 2023. Approximately 400 smaller oil market participants, which started operations after the deregulation of the oil industry in 1998, account for the remaining market share. The Company believes that it is the leader in terms of domestic sales volumes based on Company estimates using its internal assumptions and calculations and industry data from the DOE as of June 30, 2023. The Company's retail sales volumes for the years ended 2021, 2022 and 2023, and for the first three months of 2024 were approximately 42,000 bpd, 44,000 bpd, 50,000 bpd, and 56,000 bpd, respectively. The Company's non-retail sales volumes (including industrial and LPG) for the years ended 2021, 2022 and 2023, and the first three months of 2024, were approximately 67,000 bpd, 95,000 bpd, 108,000 bpd, and 126,000 bpd, respectively.

The Company believes that its competitive advantages include organization, technology, assets,

¹⁰ Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the period ended June 30, 2023.

resources and infrastructure. The Company continues to implement initiatives aimed at improving operational efficiencies, managing costs and risks, and maximizing utilization of its assets and opportunities.

Malaysia

In the retail service station business, Petron's Malaysian operations compete with five other main participants in the market, namely, Petronas, Shell, Caltex, BHPetrol, and Five Petroleum. Of these five, only Petronas has refinery operations in Malaysia. Market players compete in terms of product quality, customer service, supply reliability and availability. Pricing of gasoline and diesel at retail service stations is not a competitive factor since the Malaysian government regulates the pricing of these products through the APM.

Petron continues to grow its retail market share to more than 21%, with over 780 service stations in Malaysia as of June 30, 2024. With the Company's customer-centric programs, service station facilities upgrades, continued retail network expansion program, introduction of innovative product lines, and improvements in logistics and refinery capabilities, the Company believes that it is well positioned to compete in the retail segment.

Petron continues to face intense competition in the industrial, aviation and wholesale market segments from other local and multinational oil companies. Petron uses its local production from the Port Dickson Refinery and its strategic terminal locations across Malaysia to remain competitive in these segments. Besides the mini stations, fisheries and some selected transportation sectors, which are governed by the APM, other sectors do not benefit from the subsidies provided for under the APM. Major participants resort to aggressive pricing in these segments in order to expand market share. The aviation market is also very competitive, as the three local refiners offload their jet fuel through the MPP to KLIA. Sales of jet fuel at the other Malaysian airports are supplied by the oil companies having the necessary storage and logistics capability. In the LPG segment, Petron competes with Petronas and NGC Energy Sdn Bhd, among others. The APM applies only for sales of LPG for domestic/household cylinders and does not cover sales of industrial and bulk LPG. Competition in this market is driven by supply reliability, dealer network efficiency and customer service. Petron, being well established, remains competitive in this segment. Overall, the Company's commercial sales remain competitive as a result of the Company's reliable and steady supply of quality fuel to sectors such as transportation, manufacturing, construction, mining, agriculture, and power generation. Retail sales volumes for the years ended 2021, 2022 and 2023, and in the first three months of 2024 were approximately 67,000 bpd, 93,000 bpd, 98,000 bpd, and 100,000 bpd, respectively. In 2021, retail sales volume was affected by Movement Control Order (MCO) that restricted travel and business activities restrictions in Malaysia due to the COVID-19 pandemic.

The lubricants and specialties market is dominated by traditional global brands as well as established local participants. The Company leverages on its growing network of service stations and lubes distributors to market its products and to provide brand presence. Price is a major competitive factor in this market. The Company believes that it is well positioned to compete in this market due to its growing brand strength and widening network of distributors as well as national consumer promotion through service station and independent workshops.

Employees

As of June 30, 2024, the Company had 3,013 employees, of which 297 are managerial employees and 2,716 are rank and file employees (including professional/technical and supervisory level employees). Approximately 76% of the Company's employees are based in the Philippines, with the remaining 24% based in Malaysia and Singapore. The Company believes that it has a well-trained and experienced pool of employees. As of June 30, 2024, approximately 8% of the Company's employees had worked with it for over 20 years and the average tenure of the Company's employees is approximately 8.8 years in the

Philippines, approximately 8.6 years in Malaysia and approximately 3.6 years in Singapore. Within the ensuing 12 months, the Company may require additional hiring of employees to support its business operations, the number of which will be determined based on the prevailing requirements of the Company.

The Company has collective bargaining agreements (“**CBAs**”) with three labor unions in the Philippines: (1) Petron Employees Association with 175 members is affiliated with the National Association of Trade Unions and has a CBA effective from January 1, 2023 to December 31, 2025; (2) Petron Employees Labor Union with 40 members has a CBA effective from January 1, 2022 to December 31, 2024; and (3) the Bataan Refiners Union of the Philippines with 343 members is affiliated with the Philippine Transport and General Workers Organization and has a CBA effective from January 1, 2022 to December 31, 2024. As of June 30, 2024, approximately 25% of the Company’s employees in the Philippines were covered by CBAs.

The Company has CBAs with two labor unions in Malaysia: (1) the National Union of Petroleum and Chemical Industry Workers has 149 members with a CBA effective from January 1, 2023, to December 31, 2025; and the (2) the Sabah Petroleum Industry Workers Union has 8 members with a CBA effective from May 1, 2023, to April 30, 2026. As of June 30, 2024, approximately 23% of the Company’s employees in Malaysia were covered by CBAs.

The Company has not experienced any significant strikes or work stoppages for more than 20 years on account of employee relations. The Company considers its relationship with its employees to be good.

In addition to Philippine statutory benefits, the Company provides hospitalization insurance, life insurance, vacation, sick and emergency leaves, and computer, company and emergency loans to its employees. It has also established a savings plan wherein an eligible employee may apply for membership and have the option to contribute 5% to 15% of his or her monthly basic salary. The Company, in turn, contributes a maximum of 5% of the monthly basic salary to a member-employee’s account in the savings plan. The Company has adopted the “*Rewarding Excellence through Alternative Pay Program*,” a performance incentive program that rewards eligible employees who contribute to the achievement of the Company’s annual business goals. The Company has a tax-qualified defined benefit pension plan, PCERP, which covers all permanent, regular and full-time employees of the Company, excluding its subsidiaries. The control and administration of PCERP are vested in its board of trustees, as appointed by the Board of Directors of the Company. PCERP’s accounting and administrative functions are undertaken by the SMC Retirement Funds Office. The annual cost of providing benefits under the plan is determined using the projected unit credit actuarial cost method. As of the Company’s latest actuarial valuation date of December 31, 2023, the Company is expected to contribute about PHP523 million to its defined benefit plans in 2024.

The benefits in Malaysia are substantially similar to those in the Philippines, with the exception of the savings plan and variable pay scheme. Malaysian employment regulations require employers and employees to contribute to an employees’ provident fund (the “**EPF**”) to provide for the retirement and other needs of employees in Malaysia. Under present regulations, employees contribute a minimum of 11% of their monthly salary to the EPF via payroll deductions. Employers are required to contribute a minimum amount equivalent to 12% to 13% of a managerial, professional and technical (“**MPT**”) employee’s monthly salary to the EPF. Under collective agreements entered into by the Company with its non-MPT employees in Malaysia, the Company contributes up to 16% of the salaries to the EPF. The Malaysian government does not require employers to make contributions to the EPF with respect to foreign workers. However, if foreign employees opt to contribute, the Company will make the commensurate employers’ contribution.

The Company employs experienced, skilled, and qualified personnel for the management and operation of its business and prioritizes programs that will ensure the retention and continuous engagement of its talent. The Company’s attrition rate is still lower than the industry average. The Company ensures that manpower for critical positions is adequately maintained. The Company has an established succession planning program supported by a structured mentoring program for identified replacements of retiring employees to

ensure leadership strength and technical knowledge preservation necessary for continued business operation. Promising or high-potential employees are given the opportunity to accelerate their development in the early stages of their careers through a structured coaching program to prepare them for greater roles and responsibilities. The Company also supports the continuing education or learning of employees through an education reimbursement program for post-graduate studies and employees' participation in functional technical courses, conferences, and seminars. The Company believes it has a strong compensation and benefits package and regularly reviews its employee relations programs to continuously attract, retain and engage talent.

Research and Development

To enhance productivity and efficiency, improve costs and strengthen its competitiveness, Petron engages in research and development to identify improvements that can be made to its products and production processes. The Company's Research and Development Department ("**R&D**") conducts various technical research and testing activities to develop and enhance the performance of products and optimize production processes. In addition to research and product development, it also engages in quality control and technical training. The development, enhancement and testing of new products are continuing business activities of the Company.

R&D develops revolutionary products that meet and exceed the highest industry quality standards. Petron utilizes latest and proven technology in developing new fuel and lubricant products to improve product performance, quality level and cost-effectiveness. R&D also continuously seeks ways to develop more eco-friendly petroleum products. The Company remains fully compliant with all government laws and regulations such as the Clean Air Act and the Biofuels Act.

Expenses relating to research and development amounted to approximately ₱61 million in 2022, approximately ₱87 million in 2023, and approximately ₱19 million in the first three months of 2024.

In addition to these regulations, Petron also secures stringent certifications and approvals from global industry certifying institutes and original equipment manufacturers to be more competitive both in local and international markets. These approvals are applicable to specific Petron products in the Philippines, Malaysia, China, and Brunei.

Since spearheading its inception in 2019, the R&D group has continually implemented Total Quality Management ("**TQM**") at the terminals and Petron Research and Testing Centers ("**PRTC**") laboratories. TQM is a management system where all members of the organization participate and work together in improving processes by eliminating unnecessary steps and doing value-adding and innovative activities, thereby resulting to a more efficient, productive, and cost-saving operations.

With TQM implementation, Petron terminals were able to optimize resources and safeguard product quality with the use of quality assurance tools. PRTCs were also able to generate operating cost avoidance by rationalizing critical test properties and focusing on customer requirements. With this quality system, the laboratories were able to develop innovative procedures that enhance operating efficiency, reduce hazardous wastes, and provide customer-focused services. The Petron TQM program works in conjunction with Terminal Operations Work Process System wherein it focuses on quality management system without compromising loss in safety, business opportunity, and capital expenditures.

The Company's testing facilities are ISO/IEC17025 certified – a testament to its ability to perform tests and analyses in accordance with global standards. R&D also has long-standing partnerships with leading global technology providers in fuels, lubricants and grease products. In addition, it provides technical training to keep internal and external customers updated on the latest technology trends in the industry.

Intellectual Property

The Company has existing and pending trademark registrations for its products for terms ranging from 10 to 20 years. Its trademark registrations include those for the Petron new logo, Gasul (stylized) and Fiesta Gas with device. The Company also has copyrights for its 7-kg LPG container, “Gasulito” with stylized letter “P” and two flames, for “2T Powerburn,” and for Petron New Logo (22 styles). Under Philippine law, copyrights subsist during the lifetime of the creator and for another 50 years after the creator’s death. In addition, the Company has registered industrial designs for its Petron Specialty Lubricant Bottle (1L container), Petron Engine Oil Bottles (4L and 6L container), Petron Fiesta 2.7kg LPG Cylinder, Petron Gasul 2.7kg LPG Cylinder, Petron Engine Oil Bottles (1L and 800ML Jerry can bottle container), and Petron Gasul Elite (gas cylinder). The Company has not had any significant disputes with respect to any of its trademarks or copyrights.

As of June 30, 2024, the Company has filed around 176 trademark applications in Malaysia for brands relating to its Malaysian operations. It has obtained copyright protection for the stylized letter “P” and has registered other trademarks in Malaysia, including “Petron”, “Gasul”, “Fiesta Gas” and “Energen”.

Environmental, Social, and Governance (“ESG”) Overview

Petron recognizes the importance of ESG in the Company and has put forth certain steps towards building the Company’s sustainability roadmap. Alongside its parent company SMC, Petron has established an ESG Council that aims to align initiatives and reports by each of the subsidiaries within the Group.

The ESG Council is led by the General Manager and the Chief Finance Officer together with key members of Petron’s senior management. The Council is tasked to develop and implement an ESG strategy and roadmap and actively oversees and monitors the Company’s ESG performance.

ESG Highlights¹¹

Program/Initiative	Starting Year of Implementation	Gains	Savings (PHP)
SMC Water for All	2016	Refinery: Scarce Water: 2016-2023: 22.4 million m ³ 2023 Only: 3.7 million m ³	Refinery: Scarce Water: 2016-2023: PHP 133 million 2023 Only: PHP 22 million
		Recycled Water: 2016-2023: 4.65 million m ³ 2023 Only: 0.71 million m ³	Savings on Recycled Water 2016-2023: PHP 19.0 million 2023 Only: PHP 2.9 million
		Terminals: 79,327m ³ of harvested rainwater since 2016	Terminals: PHP 6.6 million water savings from rainwater

¹¹ For the full report, please refer to the Company’s 2023 Sustainability Report through this link: https://www.petron.com/wp-content/uploads/2024/04/Petron-Corporation_SEC-Reg-No-31171_2023-Annual-Report_SEC-Form-17-A_15-April-2024-for-website.pdf starting on page 350.

Program/Initiative	Starting Year of Implementation	Gains	Savings (PHP)
Use of Waste Energy (Low Pressure Steam) in Desalination Plant	2016	<p>Refinery:</p> <p><u>Avoided GHG</u> 453,698.682 tons CO₂e since 2016 (114,999.170 tons CO₂e in 2023)</p> <p><u>Avoided Fuel</u> 34,277 MT of petcoke since 2016 (34,035.24 MT in 2023)</p>	<p>Refinery:</p> <p>Fuel Savings (PHP 580.38 million (PHP 151.85 million in 2023))</p> <p><i>Note: Reason for new values is that total LS absorbed was considered last year's 2022 SR. New values are now based on net LS or the waste energy absorbed by Desalination Plant. Net LS is calculated by Total LS absorbed by desal less LS letdown from MS.</i></p>
Diversification to Petrochem (Benzene, Toluene, Mixed Xylene, Propylene, Polypropylene)	1999 (Mixed Xylene) 2008 (Propylene, Benzene, Toluene) 2014 (Polypropylene)	<p>Refinery: In 2023 the avoided GHG as Scope 3 if used as fuel was at 1,457,592.78 tons CO₂e</p>	
LED Conversion and Solar Power Usage	<p>Refinery:</p> <p>2013 for offices, 2016 for streetlights</p>	<p>Refinery:</p> <p>2013-2023: 78,199.40 watts saved / 252,185.33 kWh/ 154.662 tons CO₂ reduced</p> <p>2023 only: 61,556.40 watts saved/ 217,034.49 kWh/ 154.572 tons CO₂ reduced</p>	<p>Refinery:</p> <p>2013-2023: PHP 434,048.99</p> <p>2023 only: PHP 371,128.99</p>
	<p>Terminals:</p> <p>(2018)</p>	<p>Terminals: 108,641 kWh saved/ 77.6 tons CO₂e reduced in 2023</p>	<p>Terminals: PHP 1.16 million on electricity cost</p>
	<p>Service Stations</p> <p>(2018)</p>	<p>Service Stations: 4,690 MWH/3,340 tons CO₂e reduced for 560 service stations (8,375 kWh/6 tons CO₂e per SS) from conversion of Under</p>	<p>Service Stations: PHP 47.09 million on electricity cost</p>

Program/Initiative	Starting Year of Implementation	Gains	Savings (PHP)
		Canopy Lighting to LED in 2022 to 2023 19,204 KWH solar power generated or 13.7 tons CO ₂ e emissions avoided from Solar Panels installed at PEC1 Station	
Bulk Additives Delivery (Terminals)	2019	156 metric tons (MT) per year of steel drums avoided	PHP 29.7 million per year
Waterless Receiving (Terminals)	2019	Eliminated 10,000 m ³ per year of wastewater	Avoided PHP 70.0 million in investment cost on wastewater treatment facilities (PHP 7.0-M/ facility x 10 facilities)
Hazardous Waste Recycling (Refinery)	2018	2018-2023: 8,394 Metric Tons hazardous waste diverted from disposal.	2018-2023: PHP 59.87 million
		2023 only: 3,744 MT of hazardous waste	2023 only: PHP 20.80 million
Continuous to Batch Treatment at Spent Caustic Treater (Refinery)	2020	2020-2023: 12,398.32 MT CO ₂ e reduced 173,619.02 GJ Energy Reduced	2022-2023: PHP 101.78 million in savings
		2023 only: 4,594.00 MT CO ₂ e reduced 64,331.79 GJ Energy Reduced	2023 only: 44.74 MMP savings
Restoration of Superheater Coils (Refinery)	2022	One Time Project. None in 2023	One Time Project. None in 2023

LOCAL COMMUNITIES

Education

- Over 18,000 Tulong Aral ng Petron (TAP) scholars since 2002
- 300 new Grade 1 scholars from Luzon (Poro, La Union and Puerto Princesa, Palawan), Visayas (Bacolod, Negros Occidental; Mandaue and Mactan, Cebu; Roxas, Capiz, and; Tagbilaran, Bohol) and Mindanao (Davao City) for SY 2024-2025
- 10 new TAP college scholars for SY 2024-2025, eight coming from Mindanao

- 108 Petron Schools (equivalent to 256 classrooms) built since 2002
- 38,913 students and teachers assisted through Brigada Eskwela 2023

Environment	Community
<ul style="list-style-type: none"> ▪ 55 hectares of mangrove areas adopted in Bulacan, Capiz, and Davao del Sur for adoption under Puno ng Buhay ▪ Nearly 19,000 seedlings and propagules planted ▪ Approximately 20,000 kilograms of debris removed from shorelines ▪ 30 km of coastal areas and creeks cleaned ▪ 100% of employee volunteer participation in Earth Day, Environment Month, and International Coastal Cleanup Day activities 	<ul style="list-style-type: none"> ▪ 100% participation of Petron terminals in social development activities/initiatives ▪ Over 4,300 beneficiaries of Petron’s Rosario Livelihood Loan Assistance Program since 2011 ▪ 84 Petron engineering scholars currently employed in the Petron Bataan Refinery for regular positions ▪ 209 scholars hired by Petron including Bataan Peninsula State University (BPSU) scholars hired as apprentices or cadets

Malaysian Operations

Philippine operations and Malaysian operations have slightly different paths in terms of emission standards, targets and even reporting, hence the adopted strategies by Petron Malaysia will be different. For now, the Company is looking into establishing a separate TWG in Malaysia that will be engaged in the Malaysia business ESG discussions and roadmap.

DESCRIPTION OF PROPERTY

Operating Sites

The Philippines

The Company owns the Petron Bataan Refinery complex located in Limay, Bataan and operates and maintains a network of terminals as bulk storage and distribution points throughout the Philippines. It also operates the following manufacturing facilities: the Subic Plant, the lube oil blending plant in Tondo, Manila, a grease plant in Pandacan, Manila and the polypropylene plant in Mariveles, Bataan.

All facilities owned by the Company are free from liens and encumbrances.

In respect of the parcels of land occupied by the Petron Bataan Refinery and certain of its terminals and service stations, the Company entered into commercial leases with the Philippine National Oil Company (“**PNOC**”). The lease agreements include upward escalation adjustment of the annual rental rates. In 2009, the Company renewed its lease with PNOC (through NVRC) for the continued use of the Petron Bataan Refinery land for 30 years starting January 1, 2010 (renewable upon agreement of the parties for another 25 years). In 2015, the Company also entered into another 25-year lease agreement with PNOC effective August 1, 2014 for additional lots near the Petron Bataan Refinery for its expansion projects. The Company entered into negotiations with PNOC for the renewal of leases relating to 23 terminals and sales offices and 66 service stations that were expiring in August 2018. These leases were automatically renewable as expressly provided in the lease agreements. PNOC, however, refused to honor (i) the automatic renewal clause in the lease agreements for the terminals, sales offices, and service station sites, and (ii) the renewed lease agreement for the Refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC. On October 20, 2017, the Company filed an action against the PNOC in respect of the leased properties to preserve its rights under the lease agreements. Expenses relating to the PNOC leases paid directly to PNOC and through NVRC amounted to ₱311 million in 2021, ₱320 million in 2022, ₱330 million in 2023, and ₱85 million in the first three months of 2024.

As of June 30, 2024, the Company leases from NVRC 112 sites for service stations and terminals and pursuant to 25-year lease contracts renewable upon agreement of the parties. Expenses relating to the NVRC leases amounted to ₱172 million annually from 2021 to 2023, and ₱43 million in the first three months of 2024.

The Company also leases land for its service stations from third parties pursuant to lease contracts with varying terms that generally range from five to 25 years and which are renewed upon negotiations between the Company and the lessors. As of June 30, 2024, there were leases covering 715 service stations: 456 in Luzon, 147 in the Visayas and 112 in Mindanao. Expenses under these leases amounted to ₱1,154 million in 2021, ₱1,272 million in 2022, ₱1,395 million in 2023 and ₱408 million in the first three months of 2024.

Malaysia

In Malaysia, the Company owns the Port Dickson Refinery in Negeri Sembilan, including the diesel hydrotreater process unit which became operational in 2021 located within the Port Dickson Refinery.

The land on which the Company's retail service stations operate are either owned by the Company or leased from third parties. As of June 30, 2024, the Company owned approximately 260 parcels of land and leased about 340 parcels of land from third parties for the use of its CODO service stations. Rentals for the service station lands are either paid in advance and amortized over the lease period, or paid over the lease period, depending on the agreement. Port Dickson Refinery occupies a 579-acre site, out of which 404 acres are freehold land while the remaining 175 acres are leasehold land pursuant to a 99-year lease that expires in 2060.

Insurance

The Company's insurance coverage includes property, marine cargo and third-party liability, as well as personal injury, accidental death and dismemberment, and machinery breakdown. One of the main insurance policies of the Company, the Industrial All Risk (the "IAR") policy, covers the Petron Bataan Refinery for material damages and machinery breakdown. The Company considers its insurance coverage to be in accordance with industry standards. The Company's Malaysian operations are insured with local Malaysian insurance companies as required by Malaysian law.

Permits and Licenses

The Company holds various permits and licenses for its business operations, which include but are not limited to, the following:

1. Certificate of Incorporation issued by the Securities and Exchange Commission ("SEC"), together with the latest Certificate of Filing Amended Articles of Incorporation dated December 23, 2022
2. Business permits of Petron Corporation ("Petron") and its Philippine operating subsidiaries — Petrofuel Logistics, Inc. ("PLI"), New Ventures Realty Corporation and Petron Freeport Corporation ("PFC")
3. Import and Export Certificate of Registration issued by the Bureau of Customs ("BOC") in favor of Petron and PFC
4. Permit to discharge and shipside permits from the BOC, in favor of Petron*
5. Permit to Produce Biofuel- Blended Gasoline (E-10 / E-Gasoline) issued by the Bureau of Internal Revenue ("BIR"), in favor of Petron*
6. Authority to Release Imported Goods issued by BIR (or Subic Bay Metropolitan Authority ("SBMA"), as applicable), in favor of Petron / PFC*
7. Permit to Export issued by BIR (or SBMA, as applicable), in favor of Petron / PFC*
8. BOC Authority to Load and Export Declaration, in favor of Petron*
9. Department of Energy ("DOE") Import Notice, in favor of Petron*
10. BIR and DOE denaturing request for bioethanol, including the permit to transport bioethanol, in favor of Petron*
11. BIR permit to buy local ethanol, in favor of Petron*
12. Environmental Compliance Certificate ("ECC") issued by the Department of Environment and Natural Resources ("DENR")
13. DENR foreshore lease agreements (or proof of payment of occupational fees for pending applications for foreshore lease agreements) of Petron and NVRC
14. Certificate of Compliance ("COC") issued by Energy Regulatory Commission for the Refinery Solid Fuel-Fired Boiler Power Plant, which is valid until December 19, 2024 pursuant to Section 35, Article IX of the 2023 Revised COC Rules

15. Certificate of Registration issued by The Authority of the Freeport Area of Bataan (“AFAB”) in favor of Petron
16. Master Manufacturing licenses issued by the Ministry of Domestic Trade, Co-operatives & Consumerism of Malaysia
17. Storage License permits issued by the Majlis Perbandaran Port Dickinson (Port Dickinson Municipal Office) of Malaysia
18. Customs Bonded Warehouse License, Sales Tax License, and Permit for Loading and Discharge of Products issued by the Royal Malaysian Customs
19. Statement of Compliance for Marine Facility issued by the Jabatan Laut Malaysia (Malaysian Marine Department)
20. Company Registration issued by the Companies Commission of Malaysia
21. Annual Listing and Bursa Link Access licenses issued by the Bursa Malaysia Securities Berhad
22. Petrol Development Act Licenses and Control Supply Act Licenses issued by the Ministry of Domestic Trade, Co-operatives & Consumerism of Malaysia
23. Storage and trading licenses issued by the local councils of Malaysia
24. Biodiesel license issued by the Ministry of Plantation Industries and Commodities of Malaysia
25. Statement of Compliance for Marine Facility issued by the Jabatan Laut Malaysia (Malaysian Marine Department)
26. Authority to Handle Goods or Cargo Over Foreshore issued by the Penang Port Commission of Malaysia
27. License for the sale, purchase, transfer and storage of biodiesel issued by the Malaysian Palm Oil Board
28. Authorization for into-plane operations of PLI
29. Authority to operate truck-for-hire services issued by the Land Transportation Franchising and Regulatory Board of PLI

*Note: *Obtained on per shipment / transaction basis.*

The Company and its subsidiaries have all the applicable and material permits and licenses necessary to operate the respective businesses as currently conducted and such permits and licenses are valid and subsisting. For a list of the Company’s material permits and licenses, please refer to Appendix C of this Offer Supplement.

Sustainability and Corporate Social Responsibility Programs

Sustainability at Petron is integrated in its business. Sustainability is completely aligned with Petron’s business model, its mission, and corporate culture. It is also good for the communities that Petron serves. Through its corporate social responsibility (“**CSR**”) arm, Petron Foundation, Inc. (“**PFI**”), the Company fuels initiatives that address national concerns in essential areas such as education, environment, health and human services, livelihood and other advocacies in partnership with its host communities, national government agencies and local government units, like-minded organizations, and employee volunteers.

PFI's key programs revolve around the following "iFUEL" pillars:

- iFUEL Knowledge: initiatives include Tulong Aral ng Petron, which has been providing scholarships from elementary to college for more than 18,000 children and youth throughout the Philippines, Petron Engineering Scholarship which has employed a total of 209 engineers in the Petron Bataan Refinery and Limay Terminal, 108 Petron Schools equivalent to 258 classrooms built and over 1,700 classrooms refurbished nationwide benefitting at least 100,000 students and teachers;
- iFUEL the Environment: initiatives include leading the establishment of the Bataan Integrated Coastal Management Program in partnership with the Provincial Government of Bataan; over one million tree and mangrove seedlings planted since 2000; over 55 hectares of mangrove reforestation sites adopted all over the country, and nearly 19,000 trees and mangroves planted in 2023;
- iFUEL Health: initiatives include operating a Community Health Center in Pandacan (Manila) to benefit residents of its host communities with specialized services (X-Ray, Laboratory, ECG, and Ultrasound) to augment surrounding barangay health centers; providing Petron employees with free RT-PCR testing during the COVID-19 pandemic and making these tests affordable and available to business partners and employee family members; and
- iFUEL Communities: initiatives include livelihood programs and skills training for members of its host communities and parents of Tulong Aral ng Petron scholars, and providing assistance to affected populations in times of calamities, including providing critical assistance (PPEs, e-fuel cards, Gasul LPGs, food packs) to protect, transport, and care for medical and security frontliners, Petron personnel, and partner communities.

Petron's CSR and sustainability programs are guided by indicators set forth by local and international agencies, including global standards (U.N. Sustainable Development Goals and Global Reporting Initiative (GRI) international guidelines for sustainability reporting) as well as by the local context (Philippine Development Plan 2023-2028). Petron also benchmarks best practices on CSR and sustainability and optimizes its practice of employee engagement with such memberships as in the Philippine Business for Social Progress, Association of Foundations, Business for Sustainable Development, and Philippine Council for NGO Certification.

Petron faithfully practices the principles of good governance, transparency and accountability. Petron Foundation secured a five-year certification from the Philippine Council for NGO certification ("PCNC") in September 2002 as a Donee Institution, and has been successfully renewing the certification every five years, i.e., in December 2012, February 22, 2018 and September 28, 2022. Petron Foundation is PCNC-certified until September 27, 2027. The Foundation likewise renewed its DSWD Certificate of Registration for another three years as well as the License to Operate as a Social Welfare and Development Agency until August 1, 2026.

Health, Safety and Environmental Matters

The Company is guided by its Corporate Health, Safety and Environment Policy (the "Corporate HSE Policy"). The principles of the Corporate HSE Policy apply to all assets, facilities, and operating and support groups of the Company. The Company has a Corporate Technical Services Group ("CTSG") responsible for formulating, implementing, and enforcing the Company's employee health, safety and environmental policies, as well as ensuring compliance with applicable laws and regulations in the Philippines.

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

The Philippines

The Company is subject to a number of employee health, safety and environmental regulations in the Philippines. For example, the Company is subject to the occupational safety and health standards under Republic Act No. 11058 (or An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof) and those promulgated by the Philippine Department of Labor and Employment (“DOLE”) as well as various other regulations on environmental compliance.

The Safety Department of the CTSG (“CTSG-Safety”) ensures, among others, compliance by the Company’s personnel, contractors and service station dealers with government-mandated safety standards and regulations through Oversight Safety Assessment and conducts training programs designed to raise awareness on process safety, oil spill response, fire-fighting and basic safety procedures for employees, contractors and service station dealers. CTSG-Safety has put together a Corporate Safety Management System, the main reference of all safety management systems in the Company, which is based mainly on ISO 45001:2018 (OHSMS).

Petron Bataan Refinery and terminals continue to be certified for the Integrated Management System (“IMS”) Certification to Quality Management System (“QMS”) ISO-9001 Version 2015 and Occupational Health & Safety Management System (OHSMS) ISO 45001 Version 2018, and also sustained Surveillance Audit to Environmental Management System (“EMS”) ISO-14001 Version 2015. In addition, the Petron Bataan Refinery and all Terminals have Philippine Coast Guard-approved Oil Spill Response Contingency Plans. Furthermore, all 15 Petron pier facilities are compliant with the International Ship and Port Facility Security Code (“ISPS Code”) and certified by the Office of the Transport Security under the DOTr. The ISPS certification is a requirement by the International Maritime Organization for all international vessels calling on international ports and for all ports accepting international vessels.

The Terminal Operations Division of the Company implemented the Loss Prevention System (“LPS”), a system to prevent or reduce losses using behavior-based tools and proven management techniques. With this new system, the Company aims to improve the overall safety culture of the division to prevent all types of losses, and eventually apply the same system throughout the organization. The LPS Core Team members were able to conduct 23,592 training hours to more than 2,635 personnel in the Terminal Operations Group to disseminate the principles of LPS.

As part of its advocacy functions, CTSG-Safety is actively involved in public stakeholder consultations during the drafting of Philippine safety and environmental protection standards, laws and regulations. The Company also actively participates in the implementation of government programs, such as the Tripartite Secretary Seal of Excellence and Gawad Kaligtasan at Kalusugan programs of the DOLE.

From January to June 2024, a total of 6.89 million safe man hours were achieved by the Head Office, the Petron Bataan Refinery, and the terminals.”

The Environment Department of CTSG (“**CTSG-Environment**”) provides, among others, technical assistance and consultancy services on compliance to six Environmental Laws. The Department also monitors, profiles, and consolidates required material environmental indicators of all businesses to support the Sustainability Reporting and ESG roadmap of the Company. CTSG-Environment continues to provide mandated (40 hours) Basic Pollution Control Training to designated Pollution Control Officers of the various business units of the Company. It has sustained its accreditation as a training organization since 2014, when DENR-Environmental Management Bureau required national recognition / accreditation of environmental training provider per DAO 2014-02.

CTSG-Environment championed the Terminal ECOWATCH Assessment program, a color-coded rating system for all terminals to assess compliance with applicable environmental regulations and the effectiveness of environmental management programs implemented. CTSG-Environment conducts compliance monitoring for service stations to measure the effectiveness of trainings conducted. Moreover, CTSG-Environment conducts environmental due diligence audits for contractors, service providers and possible mergers and acquisitions. Furthermore, CTSG-Environment actively participates in the crafting and review of new laws and policies through Industry associations.

CTSG-Safety and CTSG-Environment conduct annual multi-functional audits of the Petron Bataan Refinery and the Company's other facilities, terminals, service stations and industrial accounts in the Philippines to ensure compliance with Petron safety standards and government laws and regulations on safety.

As of June 30, 2024, the Company is in material compliance with applicable environmental laws in the Philippines.

Malaysia

The Company is subject to local safety, health and environmental regulations in Malaysia, including (i) the Occupational Safety and Health (Amendment) Act 2022, Factories and Machinery (Repeal) Act 2022, Petroleum (Safety Measures) Act 1984 (Act 302), and the Occupational Safety and Health Act 1994 (Act 514), as amended, and regulations, rules and orders made pursuant thereto, which are administered by the Malaysian Department of Occupational Safety and Health, (ii) the Environmental Quality Act 1974 (Act 127), as amended, and regulations, rules and orders made pursuant thereto, which are administered by the Malaysian Department of Environment and (iii) the Fire Services Act 1988 (Act 341), as amended in year 2018 (Act A1568), and regulations made pursuant thereto, which are administered by the Malaysian Fire and Rescue Department.

The Company's safety, security, health and environment ("**SSHE**") functions are embedded within the main business lines. SSHE is responsible for formulating, implementing and enforcing the Company's safety, health and environmental policies in Malaysia, coordinating and conducting relevant programs to raise the level of awareness of SSHE and ensuring compliance with applicable laws and regulations. In-country recognition on Occupational Safety and Health (OSH) Excellence was awarded to most of the Company's operating sites in Peninsular Malaysia and Sabah from Malaysian Society for Occupational Safety and Health (MSOSH). The Company also received the Prime Minister Hibiscus Award for Exceptional and Notable Achievements in Environmental Performance 2019/2020 for the Port Dickson Refinery and Sepangar Bay terminal in Sabah, National Energy Award 2021 runner-up for Energy Renewable Category for the Lumut PME plant, gold merit for 2021 Annual Quality Environmental Challenge Award for Bagan Luar terminal, and silver for the Royal Society for the Prevention of Accidents (RoSPA) Health & Safety Awards 2023 for Kuantan terminal.

As prescribed by local regulatory requirements, the Port Dickson Refinery and the distribution terminals have established emergency response and oil spill contingency plans and regularly conduct drills and exercises. For more than 16 years, the Company's Malaysian operations have actively participated in local and regional oil spill response consortiums, such as the Petroleum Industries of Malaysia Mutual-Aid Group and Oil Spill Response Ltd.

The Company will persevere and continue striving to achieve and sustain good overall SSHE performance in Malaysia through the implementation of various key programs including (i) the POIMS, which provides a structured approach to the management of work-related personal and operational risks, including the selection, recruitment and training of employees and contractors, equipment design, maintenance and servicing, emergency preparedness and response as well as to ensuring regulatory compliance, and (ii) the LPS, which was adopted to prevent or reduce losses and incidents using behavior-based tools and other safety management techniques.

MANAGEMENT

On May 8, 2017, the Board of Directors approved the new Corporate Governance Manual of the Company, which was primarily based on the Code of Corporate Governance for Publicly-Listed Companies approved by the SEC pursuant to its Memorandum Circular No. 19 (2016) (the “**Company Corporate Governance Manual**”). The Company Corporate Governance Manual institutionalizes the principles, programs, and procedures of good corporate governance in the entire organization.

The Company Corporate Governance Manual sets forth policies and guidelines with respect to the following, among others:

- Appointment of a Compliance Officer to ensure adherence to corporate principles and best practices;
- Protection and enforcement of the shareholders’ right to vote, right to information, right to dividends, appraisal right, pre-emptive right and participation right;
- Composition, qualifications, responsibilities, specific duties and functions of the Board of Directors;
- Establishment of board committees to support the effective performance of the functions of the Board of Directors, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns such as nomination and remuneration;
- Adoption of an annual evaluation system to assess the performance of the Board of Directors, board committees and individual directors; and
- Requirement for all directors to attend a seminar or training program on corporate governance at least once a year or as often as may be legally required.

With the election of three (3) independent directors to the Company’s Board of Directors; the election of the members of the Audit, Risk Oversight, Related Party Transaction and Corporate Governance Committees; the conduct of regular board meetings and committee meetings, and the faithful attendance of the directors at such meetings; the proper discharge of duties and responsibilities by the directors; the conduct of a regular training/seminar for corporate governance for directors and key officers; and adherence to national and local laws pertaining to its business operations, including applicable accounting standards and disclosure requirements, the Company is in compliance with its Company Corporate Governance Manual.

Aside from the Company Corporate Governance Manual, several other manuals and policies have been instituted by Management to guide the employees in carrying out their respective functions and duties, address business operations, set contracting and bidding procedures, and promote and further business ethics, office decorum and employee discipline.

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

Revised Whistle-blowing and Non-Retaliation Policy

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

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

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

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

Anti-Sexual Harassment Policy

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

Policy on Conflict of Interest

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

Diversity, Equity, and Inclusion Policy

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

Policy on Child and Forced Labor

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

Board Diversity Policy

This policy provides a framework for inclusion to promote diversity in the Board of Directors of **the** Petron Group by promoting the inclusion of a wide range of perspectives and ideas that can inspire creativity and drive innovation and improve decision-making and corporate governance. In determining the structure and

composition of the Board of Directors, diversity will be considered from varied aspects, including, but not limited to, gender, age, ethnicity, religion, culture, sexual orientation, skills, backgrounds, competencies, knowledge, experience, length of service of directors, and applicable regulatory rules and regulations. The Board of Directors is also tasked to strive to maintain a balanced mix of executive, non-executive, and independent directors, having due regard to the requirements of the Company and the Board of Directors.

Revised Code of Conduct and Ethical Business Policy

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

Policy on Dealings in Securities

On May 6, 2013, the Company adopted this policy, under which the directors, officers and employees of the Petron Group are obliged to exercise extreme caution when dealing in the Petron Group’s securities and ensure that such dealings comply with this policy and the requirements under the Securities Regulation Code (“SRC”). The policy sets out the conditions and rules under which the directors, officers and employees of the Company should deal in securities of the Petron Group.

In addition to the foregoing, to instill a stable and transparent process of conducting business and to identify accountability at all times, the Company has a system of approvals set out in a resolution that is yearly reviewed and endorsed by the Audit Committee and approved by the Board of Directors (and amended with the approval by the Board of Directors as exigencies arise) whereby only authorized individual(s) can approve a particular business transaction based on an authorized amount.

The Company is continuously keeping abreast with developments on corporate governance, including reviewing existing policies and considering the formulation of new ones to address gaps.

The Company is in material compliance with its Manual of Corporate Governance. There has been no non-compliance with respect to the Manual of Corporate Governance by any director, officer or employee.

Directors

The Board of Directors of Petron is composed of 15 members, three (3) of whom are independent directors, in accordance with the requirements of the SRC and the SEC’s New Code of Corporate Governance for Publicly Listed Companies. Currently, only two (2) of the members are executive directors, occupying the positions of the President and Chief Executive Officer and the General Manager of the Company.

Set out below are the name, position and year of appointment of members of the Board of Directors of the Company as of the date of this Offer Supplement.

Name	Position	Year Appointed as Director
Ramon S. Ang	President and Chief Executive Officer and Director	2009
Lubin B. Nepomuceno	General Manager and Director	2013
Ron W. Haddock	Director	2008
Estelito P. Mendoza	Director	2009
Aurora T. Calderon	Director	2010
Francis H. Jardeleza	Director	2020
Mirzan Mahathir.	Director	2010
Virgilio S. Jacinto.	Director	2010

Nelly F. Villafuerte	Director	2011
Jose P. de Jesus	Director	2014
Horacio C. Ramos	Director	2018
John Paul L. Ang	Director	2021
Artemio V. Panganiban	Independent Director	2010
Margarito B. Teves	Independent Director	2014
Ricardo C. Marquez	Independent Director	2022

Certain information on the business and working experiences of each Director, including their qualifications and their current and past positions held, are set out below.

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

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

Lubin B. Nepomuceno, Filipino, born 1951, has served as a Director of the Company since February 19, 2013 and the General Manager of the Company since February 10, 2015. He is also a member of the Company’s Executive Committee. He holds the following positions, among others: President and Chief Executive Officer of Petron Marketing Corporation (“PMC”); Director and Chief Executive Officer of PMRMB and Chairman of its Sustainability Committee; Director of POGI, PFISB, POMSB, LLCDC, NVRC, PFC, Philippine Polypropylene Inc. (“PPI”), PAHL, Mariveles Landco Corporation, Robinson International Holdings, Ltd., Petron Singapore Trading Pte. Ltd. (“PSTPL”), SMYPC and San Miguel Yamamura

Packaging International, Ltd.; Chairman and Chief Executive Officer of Petron Foundation, Inc. (“PFI”); Chairman and President of Mema Holdings, Inc.; Chairman of Overseas Ventures Insurance Corporation Ltd. (“Ovincor”) and Petrofuel Logistics, Inc. Mr. Nepomuceno has held various board and executive positions in the San Miguel Group. He started with SMC as a furnace engineer at the Manila Glass Plant in 1973 and rose to the ranks to become the General Manager of the San Miguel Packaging Group in 1998. He was also formerly the Senior Vice President and General Manager of the Company (September 2009 - February 2013) and the President of the Company (February 2013 - February 2015). He also served as the Chairman of Petrogen (until 2021) and a Director of MNHPI (2012 - 2014). Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and master’s degree in Business Administration from the De La Salle University. He also attended the Advanced Management Program at the University of Hawaii, University of Pennsylvania and Japan’s Sakura Bank Business Management.

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

Estelito P. Mendoza, Filipino, born 1930, served as a Director of the Company from 1974 to 1986; thereafter, since January 8, 2009. He is a member of the Corporate Governance Committee and the Audit Committee. He is likewise a member of the Board of Directors of SMC, and Philippine National Bank (“PNB”). He has now been engaged in the practice of law for more than 70 years, and presently under the firm name Estelito P. Mendoza and Associates. He has been consistently listed for several years as a “Leading Individual in Dispute Resolution” among lawyers in the Philippines in the following directories/journals: “The Asia Legal 500”, “Chambers of Asia” and “Which Lawyer?” yearbooks. He was also a Professorial Lecturer of law at the University of the Philippines and served as Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was also the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He holds a Bachelor of Laws degree from the University of the Philippines (*cum laude*) and Master of Laws degree from Harvard University. He is the recipient on June 28, 2010 of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and was also awarded by the University of the Philippines Alumni Association its 1975 “Professional Award in Law” and in 2013 its “Lifetime Distinguished Achievement Award”.

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

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

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

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

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

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

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

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

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

Francis H. Jardeleza, Filipino, born 1949, has served as a Director of the Company since August 4, 2020. He is likewise a Director of GSMI and SMFB. He is also a director of MORE Electric and Power Corporation. He has been a Professorial Lecturer in Constitutional, Administrative, Remedial and Corporation Law at the University of the Philippines College of Law since 1993. Justice Jardeleza is also currently a member of the International and Maritime Law Department of the Philippine Judicial Academy. He was formerly the Senior Vice President and General Counsel of SMC (1996 – 2010), a partner of Angara Abello Concepcion Regala and Cruz Law Offices (1975 – 1987), Roco Buñag Kapunan Migallos and Jardeleza Law Offices (1992 – 1995), Jardeleza Sobreviñas Diaz Hayudini and Bodegon Law Offices (1987 – 1990) and Jardeleza Law Offices (1990 – 1992). He is a retired Associate Justice of the Supreme Court of the Philippines (August 19, 2014 – September 25, 2019). He also served as Solicitor General of the Office of the Solicitor General

of the Philippines (February 20, 2012 – August 18, 2014) and Deputy Ombudsman for Luzon of the Office of the Ombudsman of the Philippines (July 7, 2011 – February 19, 2012). Justice Jardeleza earned his Bachelor of Laws degree (salutatorian and *cum laude*) from the University of the Philippines in 1974, placed third in the bar exam that same year, and earned his Master of Laws degree from Harvard Law School in 1977.

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

Virgilio S. Jacinto, Filipino, born 1956, has served as a Director of the Company since August 13, 2010. He is a member of the Corporate Governance Committee of the Company and an alternate member of the Executive Committee. He holds the following positions, among others: Corporate Secretary, Compliance Officer, Senior Vice President and General Counsel of SMC; Corporate Secretary and Compliance Officer of Top Frontier; Corporate Secretary of GSMI and the other subsidiaries and affiliates of SMC; and Director of various other local and offshore subsidiaries of SMC. Atty. Jacinto has served as a Director and Corporate Secretary of United Coconut Planters Bank, a Director of SMB, and San Miguel Northern Cement, Inc., a Partner of Villareal Law Offices (June 1985 - May 1993) and an Associate of SyCip Salazar Feliciano & Hernandez Law Office (1981 - 1985). Atty. Jacinto was an Associate Professor of Law at the University of the Philippines until October 2021. He obtained his law degree from the University of the Philippines (*cum laude*) where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard University.

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

Nelly Favis-Villafuerte, Filipino, born 1937, has served as a Director of the Company since December 1, 2011. She was a columnist with two columns in the Manila Bulletin for more than 34 years and resigned recently. She was also a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2005 until July 2011. She is the President and General Manager of LRV Agri-Science Farm, Inc., a family-owned corporation involved in organic farming, and a Director of Bicol Broadcasting Systems, Inc. (also a family-owned corporation). She is an author of business handbooks on microfinance, credit card transactions, exporting and cyberspace and a four (4)-volume series on the laws on banking and financial intermediaries (Philippines). Atty. Villafuerte has served as Governor of the Board of Investments (1998 - 2005), Undersecretary for the International Sector (Trade Promotion and Marketing Group) of the Department of Trade and Industry (“DTI”) (July 1998 - May 2000), and Undersecretary for the Regional Operations Group of the DTI (May 2000 - 2005). She holds a master’s degree in Business Management from the Asian Institute of Management (“AIM”) and was a professor of international law/trade/marketing at the graduate schools of AIM, Ateneo Graduate School of Business and De La Salle Graduate School of Business and Economics. Atty. Villafuerte obtained her Associate in Arts and law degrees from the University of the Philippines, Diliman, Quezon City and ranked seventh place in the bar examinations held immediately after graduation.

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

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

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

John Paul L. Ang, Filipino, born 1980, was elected as a Director of the Company on March 9, 2021. He has been a director of SMC since January 21, 2021 and now holds the positions of Vice Chairman,

President and Chief Operating Officer, SMC Global Power Holdings Corp. since June 1, 2021, SMFB since June 2, 2021 where he currently serves as the President and Chief Executive Officer, and Top Frontier since July 9, 2021. He was also elected as a director of San Miguel Brewery, Inc. On January 1, 2024, he accepted the position of President of San Miguel Equity Investments, Inc. He holds and has held various positions in Eagle Cement Corporation, such as the President and Chief Executive Officer since 2008, a Director since 2010, a member of the Audit Committee since 2020 and the Chairman of the Executive Committee since February 2017. He also served as a member of the Nomination and Remuneration Committee (February 13, 2017 – July 15, 2020) and the General Manager and Chief Operating Officer (2008 – 2016). He has been the President and Chief Executive Officer of South Western Cement Corporation since 2017 and a Director of KB Space Holdings, Inc. since 2016. He was the Managing Director of Sarawak Clinker Sdn. Bhd. Malaysia (2002 – 2008) and the Purchasing Officer of Basic Cement (2002 – 2003). Mr. Ang has a Bachelor of Arts in Interdisciplinary Studies from the Ateneo de Manila University.

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

Artemio V. Panganiban, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is the Chairman of the Related Party Transaction Committee and a member of the Audit and Corporate Governance Committees. He is a columnist of the Philippine Daily Inquirer, and an officer, adviser or consultant to several other business, civic, educational and religious organizations. He was the Chief Justice of the Philippines in 2005 - 2006; Associate Justice of the Supreme Court (1995 - 2005); Chairperson of the Philippine House of Representatives Electoral Tribunal (2004 - 2005); Senior Partner of Panganiban Benitez Parlade Africa & Barinaga Law Office (1963-1995); President of Baron Travel Corporation (1967 - 1993); and professor at the Far Eastern University, Assumption College and San Sebastian College (1961 - 1970). He authored over a dozen books and received various awards for his numerous accomplishments, most notably the “Renaissance Jurist of the 21st Century” conferred by the Supreme Court in 2006 and the “Outstanding Manilan” for 1991 by the City of Manila. Chief Justice Panganiban earned his Bachelor of Laws degree (*cum laude*) from the Far Eastern University in 1960, placed sixth in the bar exam that same year, and holds honorary doctoral degrees in law from several universities. He co-founded and headed the National Union of Students of the Philippines in 1957-1959. He is also an independent advisor of Metro Pacific Investments Corporation and an Independent Director of non-listed companies Asian Hospital, Inc., Metro Pacific Tollways Corporation, and TeaM Energy Corporation.

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

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

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

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

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

Senior Management

Set out below are the name, position and year of appointment of the Executive Officers and senior management of the Company as of the date of this Offer Supplement:

Name	Position	Year Appointed as Officer
Ramon S. Ang	President and Chief Executive Officer	2015
Lubin B. Nepomuceno	General Manager	2015
Emmanuel E. Eraña	Senior Vice President and Chief Finance Officer	2009
Freddie P. Yumang	Senior Vice President – Chief Risk Officer	2023
Maria Rowena O. Cortez.	Vice President, Supply	2009
Albertito S. Sarte	Deputy Chief Finance Officer and Treasurer	As Treasurer: 2009; as Deputy Chief Finance Officer: 2021
Jaime O. Lu	Vice President and Executive Assistant to the President on Petron Malaysia Operations and Refinery Special Projects	2018
Ma. Rosario D. Vergel de Dios	Vice President, Human Resources Management	2018
Magnolia Cecilia D. Uy	Vice President, Retail Sales	2020
Myrna C. Geronimo	Vice President and Controller	As Controller: 2019; As Vice President: 2020
Allister J. Go	Vice President, Refinery	2020
Reynaldo V. Velasco, Jr.	Vice President, Refinery Plant Operations	2020
Virgilio V. Centeno	Vice President, Industrial Sales	2021
Mark Tristan Caparas		

	Vice President and Chief Finance Officer, Petron Malaysia	2022
Jonathan F. Del Rosario	Vice President, Operations and Corporate Technical Services Group	2023
Lemuel C. Cuezon	Vice President, Marketing	2023
Jacqueline L. Ang,,,,,,,,,,,,,,,,,,,,,	Vice President, Procurement	2024
Jhoanna Jasmine M. Javier- Elacio	Vice President – General Counsel, Corporate Secretary and Compliance Officer	As Vice President – General Counsel, Corporate Secretary and Compliance Officer–: 2024 As General Counsel, Corporate Secretary and Compliance Officer: 2022

Certain information on the business and working experiences of each of the Executive Officers of the Company who are not directors is set out below:

Emmanuel E. Eraña, Filipino, born 1960, has served as the Senior Vice President and Chief Finance Officer of the Company since January 2009. He holds the following positions, among others: Chairman, President and Chief Executive Officer of LLCDC; Chairman and President of South Luzon Prime Holdings Inc. (“SLPHI”) and Parkville Estates Development Corporation (“PEDC”); President and Chief Executive Officer of NVRC; President of PFI and SEA Refinery; Vice President of Ovincor; Director of PFC, PMC, Abreco Realty Corporation (“ARC”), PPI, Mema, Weldon, PLI, PFISB, POMSB, and Petron Finance (Labuan) Limited; and Alternate Director of POGM and POGI. He was formerly the President of Petrogen. Mr. Eraña also held the following positions in the San Miguel Group: as the Vice President and Chief Information Officer (January 2008 – December 2009), Vice President and Executive Assistant to the Chief Financial Officer, Corporate Service Unit (December 2006 – January 2008), Vice President and Chief Finance Officer of SMFBIL/NFL Australia (May 2005 – November 2006), Vice President and Chief Finance Officer of SMPFC (July 2002 – May 2005), and Assistant Vice President and Finance Officer (January 2001 – June 2002), Assistant Vice President and Finance and Management Services Officer, San Miguel Food Group (2000 – 2001). He also served as a Director of MNHPI (2012 – 2017). Mr. Eraña has a Bachelor of Science degree in Accounting from the Colegio de San Juan de Letran.

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

Maria Rowena O. Cortez, Filipino, born 1964, has served as the Vice President for Supply of the Company since November 2013. She is also a Director of PSTPL, PPI, PAHL, RIHL and MLC. The various positions she has held in the Company include Vice President for Supply & Operations (July 2010 – November 2013), Vice President for Supply (June 2009-June 2010) and various managerial and supervisory positions in the Marketing/Sales and Supply and Operations Divisions of Petron. Ms. Cortez also held various positions at

the Phil. National Oil Company-Energy Research and Development Center from 1986 to 1993. She holds a Bachelor of Science degree in Industrial Engineering and a Master's Degree in Business Administration both from the University of the Philippines, Diliman. She also took post graduate courses at the AIM, University of Oxford in Oxfordshire, UK and ExecOnline-Columbia University. She has attended local and foreign trainings and seminars on leadership, market research, supply chain, commodity risk management, petroleum, petrochemicals and energy oil trading.

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

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

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

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

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

Allister J. Go, Filipino, born 1965, has served as Vice President for Refinery of the Company since February 13, 2020. He is Director of MLC, ARC, PPI, PAHL and RIHL. He is also a Trustee of PFI. Other positions he has held include Head of Refinery Plant Operations (February 2018 – November 2019), Assistant Vice President for Refinery Production A (January 2018), Officer-in-Charge of Refinery Production

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

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

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

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

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

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

Jacqueline L. Ang, Filipino, born 1986, was appointed as the Vice President, Procurement of the Company on May 21, 2024. She is also a Director of PMRMB. Ms. Ang was the Assistant Vice President for Procurement of the Company since March 2018 up to her appointment as Vice President. She worked for San Miguel Corporation in Mergers and Acquisitions (2010-2014) and Corporate Finance (2009). Ms. Ang holds a Bachelor of Arts in Economics from the Ateneo De Manila University.

Jhoanna Jasmine M. Javier-Elacio, Filipino, born 1972, was appointed as the Vice President – General Counsel, Corporate Secretary and Compliance Officer of the Company on May 21, 2024. She has served as the Assistant Vice President – General Counsel, Corporate Secretary and Compliance Officer of the Company from March 6, 2023 up to her appointment as Vice President. She has also served as the Corporate Secretary and Compliance Officer from March 31, 2022 to March 5, 2023, and Assistant Corporate Secretary and Alternate Compliance Officer from May 15, 2012 until March 31, 2022. She is also the Corporate Secretary of a number of the domestic subsidiaries of the Company. Atty. Javier-Elacio was also the Legal Manager of Petron Corporation and the Assistant Corporate Secretary of Petron Foundation, Inc. and a number of the domestic subsidiaries of the Company (May 15, 2012 – March 31, 2022). She previously held the positions of Associate General Counsel of San Miguel Yamamura Packaging Corporation (January 2010-February 2012), Manager for Corporate Restructuring and Reorganization of San Miguel Corporation (December 2007-December 2009) and legal counsel of San Miguel Corporation (October 2005-November 2007). She has also acted as Corporate Secretary and Assistant Corporate Secretary of various subsidiaries of San Miguel Corporation. She was a former associate at the law firm Sycip Salazar Hernandez & Gatmaitan. Atty. Javier-Elacio holds a Bachelor of Arts degree in English (*cum laude*) and a Bachelor of Laws degree from the University of the Philippines, and a master's degree in law from the Kyushu University in Fukuoka, Japan.

Identify Significant Employees

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

Family Relationship Director

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

Involvement in Certain Legal Proceedings

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

Certain Relationships and Related Transactions

The major stockholders of the Company holding at least 5% of its common shares, with their respective stockholdings as of June 30, 2024, are as follows:

SEA Refinery Corporation – 50.10%
PCD Nominee Corporation (Filipino) – 20.04%
San Miguel Corporation – 18.16%

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

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

CORPORATE GOVERNANCE

Pursuant to the new Corporate Governance Manual of the Company approved by the Board on May 8, 2017 (the “Corporate Governance Manual”), the Company has Executive, Audit, Corporate Governance, Risk Oversight, and Related Party Transaction Committees constituted in accordance with Corporate Governance Manual and the Company’s By-Laws.

Their respective members of each board committee were appointed at the last organizational meeting held on May 21, 2024.

The Board charter and the charter of each of the board committees were adopted on May 16, 2017.

Executive Committee

The Executive Committee is composed of not less than three (3) members, which shall include the Chairman of the Board of Directors and the President, with two (2) alternate members. The Executive Committee, when the Board of Directors is not in session, may exercise the powers of the latter in the management of the business and affairs of the Company, except with respect to (a) the approval of any action for which stockholders’ approval is also required, (b) the filling of vacancies in the Board of Directors, (c) the amendment or repeal of the by-laws or the adoption of new by-laws; (d) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable, (e) distribution of dividends to the stockholders, and (f) such other matters as may be specifically excluded or limited by the Board of Directors.

As of the date of this Offer Supplement, the members of the Executive Committee are Mr. Ramon S. Ang, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno. Mr. John Paul L. Ang and Atty. Virgilio S. Jacinto are the two (2) alternate members of the Executive Committee.

Corporate Governance Committee

The Corporate Governance Committee, created on May 8, 2017, is composed of at least three (3) independent directors as members. The Chairperson of the committee is an independent director. The Corporate Governance Committee is tasked to assist the Board of Directors in the performance of its corporate governance, nomination and remuneration responsibilities and ensure compliance with and proper observance of corporate governance principles and practices.

The Corporate Governance Committee is chaired by Independent Director former Chief Justice Artemio V. Panganiban, with independent directors Mr. Margarito B. Teves and Mr. Ricardo C. Marquez, Atty. Estelito P. Mendoza and Atty. Virgilio S. Jacinto as members.

Audit Committee

The Audit Committee is composed of at least three (3) appropriately qualified non-executive directors, majority of whom are independent directors. The Chairperson is an independent director and is not the Chairperson of the Board of Directors or of any other board committee. The members of the Audit Committee are required to have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

The Audit Committee is responsible for overseeing the senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. The Audit Committee 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. Among its functions set out in the Corporate Governance Manual and the Audit Committee Charter, the Audit Committee primarily recommends to the Board each year the appointment of the external auditor to examine the accounts of the Company for that year and performs oversight functions over the Company's internal and external auditors to ensure that they act independently from each other or from interference of outside parties and that they are given unrestricted access to all records, properties and personnel necessary in the discharge of their respective audit functions. The Audit Committee is chaired by Mr. Margarito B. Teves, an independent director of the Company, and its members are independent directors former Chief Justice Artemio V. Panganiban and Mr. Ricardo C. Marquez, Atty. Estelito P. Mendoza, and Ms. Aurora T. Calderon. Mr. Ferdinand K. Constantino acted as advisor to the committee.

Risk Oversight Committee

The Risk Oversight Committee, created on May 8, 2017, is composed of at least three (3) members, the majority of whom are independent directors. The Chairperson is an independent director. At least one member of the committee has relevant thorough knowledge and experience on risk and risk management.

The Risk Oversight Committee shall be responsible for the oversight of the enterprise risk management system of the Company to ensure its functionality and effectiveness.

The Risk Oversight Committee is chaired by Independent Director Ricardo C. Marquez, with independent director Mr. Margarito B. Teves, and Ms. Aurora T. Calderon as members.

Related Party Transaction Committee

The Related Party Transaction Committee, created on May 8, 2017, is composed of least three (3) non-executive directors, two (2) of whom are independent directors. The Chairperson is an independent director.

The Related Party Transaction Committee is tasked with reviewing all material related party transactions of the Company.

The Related Party Transaction Committee is chaired by Independent Director former Chief Justice Artemio V. Panganiban, with independent director Margarito B. Teves and Ms. Aurora T. Calderon as members.

Executive Compensation

Standard Arrangements

Petron's executive officers are also regular employees of the Company and are similarly remunerated with a compensation package comprising of 12 months base pay. They also receive whatever gratuity pay the Board of Directors extends to the managerial, supervisory and technical employees of the Company.

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

Other Arrangements

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

Warrants or Options

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

Employment Contract

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

Executive Compensation

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

NAME	YEAR	SALARY (Including Fee and Per Diem Allowance of Directors)	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officers and Senior Executive Officers	2024 (est)	₱129.09 Million	₱45.57 Million	₱0.84 Million	₱175.50 Million
	2023	₱123.58 Million	₱40.10 Million	₱1.93 Million	₱165.51 Million
	2022	₱114.12 Million	₱62.01 Million	₱2.45 Million	₱178.58 Million
<p>The Chief Executive Officer and top five (5) highly compensated Senior Executive Officers of the Company for 2024 are Ramon S. Ang (President and Chief Executive Officer), Lubin B. Nepomuceno (General Manager), Emmanuel E. Eraña (Senior Vice President and Chief Finance Officer), Freddie P. Yumang (Senior Vice President – Chief Risk Officer), and Maria Rowena O. Cortez (Vice President, Supply).</p> <p>For 2023, Ramon S. Ang (President and Chief Executive Officer) is joined by Lubin B. Nepomuceno (General Manager), Emmanuel E. Eraña (Senior Vice President and Chief Finance Officer), Freddie P. Yumang (Senior Vice President – Chief Risk Officer), and Susan Y. Yu (Vice President, Procurement).</p> <p>For 2022, Ramon S. Ang (President and Chief Executive Officer) is joined by Lubin B. Nepomuceno (General Manager), Emmanuel E. Eraña</p>					

NAME	YEAR	SALARY (Including Fee and Per Diem Allowance of Directors)	BONUS	OTHERS	TOTAL
(Senior Vice President and Chief Finance Officer), Maria Rowena O. Cortez (Vice President, Supply) and Susan Y. Yu (Vice President, Procurement).					
All other officers and directors as a group unnamed	2024 (est)	₱105.38 Million	₱34.35 Million	₱4.09 Million	₱143.82 Million
	2023	₱87.05 Million	₱23.67 Million	₱4.20 Million	₱114.92 Million
	2022	₱72.67 Million	₱36.17 Million	₱3.50 Million	₱112.34 Million
All Directors as a Group	2024 (est)	₱16.48 Million	-	-	₱16.48 Million
	2023	₱16.34 Million	-	-	₱16.34 Million
	2022	₱15.46 Million	-	-	₱15.46 Million
			-	-	

The Company provides each non-executive directors with reasonable per diem of ₱75,000 and ₱50,000 for each board and board committee meeting attended, respectively, in addition to monthly fees and monthly fuel allowances. In 2023, the Company paid the following fees to these directors (in pesos):

Directors	Per Diem for Board and Board Committee Meetings	Directors' Fees	Total
John Paul L. Ang	₱525,000.00	₱635,000.00	₱1,160,000.00
Jose P. de Jesus	₱525,000.00	₱447,000.00	₱972,000.00
Ron W. Haddock	₱525,000.00	₱635,000.00	₱1,160,000.00
Mirzan Mahathir	₱525,000.00	₱635,000.00	₱1,160,000.00
Estelito P. Mendoza	₱825,000.00	₱433,000.00	₱1,258,000.00
Artemio V. Panganiban	₱875,000.00	₱635,000.00	₱1,510,000.00
Margarito B. Teves	₱875,000.00	₱635,000.00	₱1,510,000.00
Nelly Favis-Villafuerte	₱525,000.00	₱635,000.00	₱1,160,000.00
Horacio C. Ramos	₱525,000.00	₱635,000.00	₱1,160,000.00

Francis H. Jardeleza	₱525,000.00	₱635,000.00	₱1,160,000.00
Ricardo C. Marquez	₱825,000.00	₱635,000.00	₱1,460,000.00
Aurora T. Calderon	₱775,000.00	₱635,000.00	₱1,410,000.00
Virgilio S. Jacinto	₱625,000.00	₱635,000.00	₱1,260,000.00
TOTAL	₱8,475,000.00	₱7,863,000.00	₱16,338,000.00

In the first half of 2024, the Company paid the following fees to these directors (in pesos):

Directors	Per Diem for Board and Board Committee Meetings	Directors' Fees	Total
John Paul L. Ang	₱450,000.00	₱334,000.00	₱784,000.00
Jose P. de Jesus	₱450,000.00	₱334,000.00	₱784,000.00
Ron W. Haddock	₱450,000.00	₱334,000.00	₱784,000.00
Mirzan Mahathir	₱450,000.00	₱334,000.00	₱784,000.00
Estelito P. Mendoza	₱600,000.00	₱334,000.00	₱934,000.00
Artemio V. Panganiban	₱600,000.00	₱334,000.00	₱934,000.00
Margarito B. Teves	₱600,000.00	₱334,000.00	₱934,000.00
Nelly Favis-Villafuerte	₱450,000.00	₱334,000.00	₱784,000.00
Horacio C. Ramos	₱450,000.00	₱334,000.00	₱784,000.00
Francis H. Jardeleza	₱450,000.00	₱334,000.00	₱784,000.00
Ricardo C. Marquez	₱600,000.00	₱334,000.00	₱934,000.00
Aurora T. Calderon	₱550,000.00	₱334,000.00	₱884,000.00
Virgilio S. Jacinto	₱500,000.00	₱334,000.00	₱834,000.00
TOTAL	₱6,600,000.00	₱4,342,000.00	₱10,942,000.00

Under the Corporate Governance Manual of the Company, the Corporate Governance Committee is tasked with the establishment of a formal and transparent procedure to determine the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates. The fees of the directors for 2023 were reviewed and favorably endorsed by the Corporate Governance Committee and approved by the Board of Directors on March 6, 2023. The matter was ratified by the stockholders at the Annual Stockholders' Meeting held on May 16, 2023. Similarly, the fees of the directors for 2024 were reviewed and favorably endorsed by the Corporate Governance Committee and approved by the Board of Directors on March 5, 2024. The matter was ratified by the stockholders at the Annual Stockholders' Meeting held on May 21, 2024.

OWNERSHIP AND CAPITALIZATION

As of June 30, 2024, the Company had the following outstanding capital stock:

Title of Each Class	Number of Shares of Common and Preferred Stock Outstanding	
Common Shares	9,375,104,497	
SUB-TOTAL (Common Shares)		<u>9,375,104,497</u>
Series 3A Preferred Shares	13,403,000	
Series 3B Preferred Shares	6,597,000	
Series 4A Preferred shares	5,000,000	
Series 4B Preferred Shares	2,995,000	
Series 4C Preferred Shares	6,005,000	
SUB-TOTAL (Preferred Shares)		<u>34,000,000</u>
TOTAL Outstanding Shares		9,409,104,497

As of June 30, 2024, a total of 190,420,162 common shares, 73,313 Series 3A Preferred Shares, and 45,010 Series 3B Preferred Shares, 30,430 Series 4A Preferred Shares, 20,510 Series 4B Preferred Shares, and 44,670 Series 4C Preferred Shares, equivalent to 2.03% of the Company's total issued and outstanding capital stock, are owned by foreigners while the remaining 97.97% of the Company's total issued and outstanding capital stock are owned by Filipinos.

MARKET PRICE OF AND DIVIDENDS ON THE EQUITY OF THE COMPANY AND RELATED SHAREHOLDER MATTERS

Security Ownership of Certain Beneficial Owners

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent to Total Outstanding Capital Stock
Common	San Miguel Corporation	San Miguel Corporation	Filipino	1,702,870,560	18.10
Common	SEA Refinery Corporation (Filipino) Mandaluyong City – Shareholder of Issuer	San Miguel Corporation – Parent Company of the Record Owner and the Issuer	Filipino	4,696,885,564	49.92
Common		Various individuals/ Entities	Filipino / Non-Filipino	2,975,348,373	31.98
Series 3A Preferred Shares				13,403,000	

Series 3B Preferred Shares				6,597,000	
Series 4A Preferred Shares				5,000,000	
Series 4B Preferred Shares				2,995,000	
Series 4C Preferred Shares				6,005,000	

Other than the abovementioned, the Company has no knowledge of any person who, as of June 30, 2024, was directly or indirectly the beneficial owner of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to, shares comprising more than five percent (5%) of the Company's outstanding common shares of stock.

List of Top 20 Stockholders

As of June 30, 2024, the Company had 9,375,104,497 common shares and 34,000,000 preferred shares issued and outstanding.

The table below sets forth the Company's top 20 holders of common shares as of June 30, 2024:

	Stockholder Name	No. of shares	% to Total
1	SEA Refinery Corporation	4,696,885,564	50.10
2	PCD Nominee Corp. (Filipino)	1, 878,340,832	20.04
3	San Miguel Corporation	1,702,870,560	18.16
4	Petron Corporation Employees Retirement Plan	459,156,097	4.90
5	PCD Nominee Corp. (Non-Filipino)	184,957,946	1.97
6	F. Yap Securities Inc.	15,704,918	0.17
7	Benito Keh	7,200,000	0.08
8	Ernesto Chua Chiaco &/or Margaret Sy Chua Chiaco	6,000,000	0.06
9	Sysmart Corp.	4,000,000	0.04
10	Margaret S. Chuachiaco	3,900,000	0.04
11	Mary Felicci B. Ongchuan	2,950,100	0.03
12	Genevieve S. Chuachiaco	2,735,000	0.03
13	Ernesson S. Chuachiaco	2,732,000	0.03
14	Q-Tech Alliance Holdings, Inc.	2,648,500	0.03
15	Genevieve S. Chua Chiaco	2,490,000	0.03
16	Benedict Chua Chiaco	2,365,000	0.03
17	Anthony Chua Chiaco	2,008,000	0.02
19	Manuel Awiten Dy	2,000,000	0.02
19	Shahrad Rahmanifard	2,000,000	0.02
20	Kristine Chua Chiaco	1,956,000	0.02

As of June 30, 2024 the Issuer had 143,806 shareholders of its common shares.

The table below sets forth the Company's top 20 holders of the preferred shares as of June 30, 2024:

Series 3A Preferred Shares

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	13,307,827	99.30
2	PCD Nominee Corporation (Non-Filipino)	73,313	0.55
3	NCC Retirement Plan	7,000	0.05
4	Felix Bellen Chavez or Aida Tang Lee Say Chavez or Irene Tang Lee Say Chavez	3,500	0.03
5	SMITS, Inc. Retirement Plan	3,000	0.02
6	Anchor Insurance Brokerage Corp. Retirement Plan	2,000	0.01
7	Mila Leonina Diaz Justiniano	2,000	0.01
8	Luz Dela Cruz Canlapan	1,500	0.01
9	Carolina N. Dionisio	1,000	0.007
10	Process Synergy, Inc. Retirement Plan	960	0.007
11	Ana Uy Gan or Albert David Uy Gan, Edwin Ferdinand Uy Gan or Philip Benjamin Uy Gan	500	0.004
12	Alma Florence A. Logronio	300	0.002
13	NSJS Realty & Development Corporation	50	0.0004
14	Enrico Dela Llana Yusingco	50	0.0004

Series 3B Preferred Shares

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	6,523,690	98.89
2	PCD Nominee Corporation (Non-Filipino)	45,010	0.68
3	Can Asia Inc Retirement Plan	5,000	0.08
4	SMHC Multi-Employer Retirement Plan	5,000	0.08
5	Distileria Bago Incorporated Retirement Plan	5,000	0.08
6	Joie Tinsay &/or Irene Tinsay	4,500	0.07
7	G.D. Tan & Co. Inc.	2,000	0.03
8	Romualdo Estacio Franco or Virginia M. Franco	1,000	0.02
9	Agnes Logronio Baniqued	1,000	0.02
10	Felix Bellen Chavez or Aida Tang Lee Say Chavez or Irene Tang Lee Say Chavez	1,000	0.02
11	Antonio M. Ostrea	500	0.008
12	Enrique LL Yusingco	500	0.008
13	Conchita Perez Jamora	500	0.008
14	Enrique Noel L. Yusingco	500	0.008
15	Enrique Miguel L. Yusingco	500	0.008
16	Ma. Teresa L. Yusingco	500	0.008
17	Angelo De Guzman Macabuhay or Maritess Sigua Macabuhay	400	0.006
18	Michelle Marie Y. San Juan	100	0.002
19	Jose Manuel R. San Juan	100	0.002
20	Henry P. Yusingco IV	100	0.002

Series 4A

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	4,966,070	99.32
2	PCD Nominee Corporation (Non-Filipino)	30,430	0.61
3	G. D. Tan & Co., Inc.	2,500	0.05
4	Michael Angelo O. Lopez or Ma. Ana Khristina L. Atienza or Jose Emanuel O. Lopez	1,000	0.02

Series 4B

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	2,835,490	94.67
2	San Miguel Foods, Inc. Retirement Plan	100,000	3.34
3	PCD Nominee Corporation (Non-Filipino)	20,510	0.68
4	The Purefoods-Hormel Co., Inc. Employees' Retirement Plan	15,000	0.50
5	SMHC Multi-Employer Retirement Plan	12,000	0.40
6	San Miguel Equity Investments, Inc. Retirement Plan	2,500	0.08
7	Process Synergy, Inc. Retirement Plan	2,000	0.07
8	G. D. Tan & Co., Inc.	1,500	0.05
9	SMCGP Multi-Employer Retirement Plan	1,500	0.05
10	Archen Technologies, Inc. Retirement Plan	1,500	0.05
11	San Miguel Food and Beverage Inc. Retirement Plan	1,000	0.03
12	Agnes Logronio Baniqued or Edrian James Logronio Baniqued	1,000	0.03
13	East Pacific Star Bottlers Phils Inc. Retirement Plan	1,000	0.03

Series 4C

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	5,221,830	86.96
2	San Miguel Brewery Inc. Retirement Plan	250,000	4.16
3	San Miguel Foods, Inc. Retirement Plan	150,000	2.50
4	San Miguel Yamamura Packaging Corporation Retirement Plan	150,000	2.50
5	Ginebra San Miguel Inc. Retirement Plan	50,000	0.83
6	PCD Nominee Corporation (Non-Filipino)	44,670	0.74
7	NCC Retirement Plan	25,000	0.42
8	The Purefoods-Hormel Co., Inc. Employees' Retirement Plan	20,000	0.33
9	SMITS, Inc. Retirement Plan	18,000	0.30
10	Magnolia, Inc. Retirement Plan	15,000	0.25
11	SMHC Multi-Employer Retirement Plan	12,000	0.20
12	San Miguel Mills, Inc. Retirement Plan	12,000	0.20
13	Distileria Bago, Inc. Retirement Plan	5,000	0.08
14	Can Asia Inc., Retirement Plan	4,000	0.07
15	SMC Shipping and Lighterage Corp. Retirement Plan	4,000	0.07
16	San Miguel Properties, Inc. Retirement Plan	4,000	0.07
17	San Miguel Equity Investments, Inc. Retirement Plan	2,500	0.04
18	Anchor Insurance Brokerage Corp. Retirement Plan	2,500	0.04
19	Retirement Plan	2,000	0.03
20	Process Synergy, Inc. Retirement Plan	2,000	0.03

Security Ownership of Directors and Officers**Directors**

The security ownership of directors as of June 30, 2024 is as follows:

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Directors					
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500 225,000	D I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Francis H. Jardeleza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Horacio C. Ramos	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	John Paul L. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Ricardo C. Marquez	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Officers

The security ownership of executive officers as of June 30, 2024 is as follows:

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Executive Officers					
Common	Ramon S. Ang (same as above)	Filipino	-	-	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno (same as above)	Filipino	-	-	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Emmanuel E. Eraña	Filipino	-	-	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Freddie P. Yumang	Filipino	352,600	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			3,000	I	0.00%
Series 4C Preferred			-	-	N.A.
Common	Albertito S. Sarte	Filipino	765,500	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			5,000	I	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Maria Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 3A Preferred			500	I	0.00%
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			2,000	I	0.00%
Common	Jaime O. Lu	Filipino	14,200	I	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			2,000	I	0.00%
Common	Ma. Rosario Vergel de Dios	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common		Filipino	-	-	N.A.

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Series 3A Preferred	Magnolia Cecilia D. Uy		-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Myrna C. Geronimo	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			3,000	I	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			3,000	I	0.00%
Common	Allister J. Go	Filipino	11,030	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			300	I	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common			Reynaldo V. Velasco, Jr.	Filipino	5,200
Series 3A Preferred	17,100	I			0.00%
Series 3B Preferred	-	-			N.A.
Series 4A Preferred	-	-			N.A.
Series 4B Preferred	-	-			N.A.
Series 4C Preferred	-	-			N.A.
Common	Virgilio V. Centeno	Filipino			13,200
Series 3A Preferred			1,532	I	0.00%
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			300	I	0.00%
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common			Mark Tristan D. Caparas	Filipino	2,000
Series 3A Preferred	-	-			N.A.
Series 3B Preferred	-	-			N.A.
Series 4A Preferred	1,000	I			N.A.
Series 4B Preferred	-	-			N.A.
Series 4C Preferred	-	-			N.A.
Common	Jonathan F. Del Rosario	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Lemuel C. Cuezon	Filipino	42,939	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common		Filipino	-	-	N.A.

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Series 3A Preferred	Jacqueline L. Ang		-	-	N.A.
Series 3B Preferred			24,000	I	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Jhoanna Jasmine M. Javier-Elacio	Filipino	-	-	N.A.
Series 3A Preferred			200	I	0.00%
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			500	-	0.00%
Series 4C Preferred	500	-	0.00%		
Directors and Executive Officers as a Group		Common	2,266,982		0.00%
		Series 3A Preferred	1,200		0.00%
		Series 3B Preferred	44,300		0.00%
		Series 4A Preferred	1,000		0.00%
		Series 4B Preferred	3,500		0.00%
		Series 4C Preferred	7,500		0.00%

As of June 30, 2024, the directors and executive officers of the Company owned 2,266,982 common shares, 1,200 Series 3A Preferred Shares, 44,300 Series 3B Preferred Shares, 1,000 Series 4A Preferred Shares, 3,500 Series 4B Preferred Shares, and 7,500 Series 4C Preferred Shares, for a total of 2,324,482 or 0.0002% of the Company's total outstanding capital stock. No one of the directors and executive officers of the Company directly owns 5% or more of the outstanding capital stock of the Company.

Except as indicated in the above table, the above-named directors and executive officers have no indirect beneficial ownership in the Company.

Except as aforementioned, no other key executive officers of the Company hold, directly or indirectly, shares in the Company.

Voting Trust of Holders of 5% and more

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

Changes in Control

As of the date of this Offer Supplement, the Issuer is not aware of any arrangements that may result in a change in control of the Company.

Market Price of the Issuer's Equity

The Company's common shares were first listed on the PSE on September 7, 1994. The Company's common and preferred shares are principally traded at the PSE under the symbols "PCOR", "PRF3A",

“PRF3B”, “PRF4A”, “PRF4B”, and “PRF4C”. On June 30, 2024, the closing price of the Company’s common shares was ₱2.72 with a market capitalization of ₱25,500 million.

The high and low prices of the common shares for each quarter of the last three (3) fiscal years and the first and second quarters of this year are indicated in the table below.

(in ₱)	2024		2023		2022		2021	
	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	3.50	3.13	3.73	2.37	3.94	3.17	3.98	3.00
2nd Quarter	3.16	2.72	4.65	3.30	3.52	3.01	3.50	2.93
3rd Quarter	N/A	N/A	3.82	3.47	3.11	2.55	3.64	3.03
4th Quarter	N/A	N/A	3.55	3.24	2.58	2.27	4.02	3.11

The high and low prices of the PRF3A for each quarter of the last three fiscal years and the first quarter of this year are indicated in the table below:

(in ₱)	2024		2023		2022		2021	
	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	999.00	962.00	1,030.00	980.00	1,080.00	1,015.00	1,119.00	1,015.00
2nd Quarter	994.50	960.00	1,008.00	960.00	1,070.00	1,043.00	1,118.00	1,020.00
3rd Quarter	N/A	N/A	1,050.00	951.00	1,058.00	980.00	1,117.00	1,041.00
4th Quarter	N/A	N/A	997.50	965.00	1,015.00	941.00	1,195.00	1,000.00

The high and low prices of the PRF3B for each quarter of the last three fiscal years and the first quarter of this year are indicated in the table below:

(in ₱)	2024		2023		2022		2021	
	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	1,010.00	960.00	1,048.00	1,008.00	1,140.00	1,050.00	1,140.00	1,080.00
2nd Quarter	1,000.00	970.00	1,020.00	1,001.00	1,117.00	1,060.00	1,159.00	1,080.00
3rd Quarter	N/A	N/A	1,015.00	960.00	1,070.00	1,021.00	1,169.00	1,101.00
4th Quarter	N/A	N/A	1,000.00	967.00	1,047.00	1,000.00	1,189.00	1,070.00

The high and low prices of the PRF4A for the following periods are indicated in the table below:

(in ₱)	2024		2023	
	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	1,010.00	971.00	N/A	N/A
2nd Quarter	994.50	950.00	N/A	N/A
3rd Quarter	N/A	N/A	1,010.00	960.00
4th Quarter	N/A	N/A	1,005.00	998.00

The high and low prices of the PRF4B for the following periods are indicated in the table below:

(in ₱)	2024		2023	
	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	1,010.00	965.00	N/A	N/A
2nd Quarter	1,010.00	950.00	N/A	N/A
3rd Quarter	N/A	N/A	1,005.00	940.00
4th Quarter	N/A	N/A	1,010.00	950.00

The high and low prices of the PRF4C for the following periods are indicated in the table below:

(in ₱)	2024		2023	
	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	1,000.00	973.00	N/A	N/A
2nd Quarter	999.00	925.00	N/A	N/A
3rd Quarter	N/A	N/A	1,027.00	972.00
4th Quarter	N/A	N/A	1,005.00	960.00

Dividends and Dividend Policy

Consistent with the Company's Manual on Corporate Governance, the Company's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Company's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

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

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

The Company is allowed under Philippine laws to declare property and stock dividends, subject to certain requirements. See "*Market Price of and Dividends on the Issuer's Common Equity and Related Stockholder Matters*" on page 138 of this Offer Supplement. Other than the foregoing, the Company does not have a specific dividend policy.

Dividend Declarations and Payments

The Company declared cash dividends as follows:

2024

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

On May 7, 2024, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2024, with a record date of June 3, 2024 and a pay-out date of June 25, 2024; (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2024, with a record date of June 3, 2024 and a pay-out date of June 25, 2024; (iii) Php16.76975 per share to the shareholders of the Series 4A Preferred Shares for the third quarter of 2024, with a record date of June 13, 2024 and a pay-out date of July 8, 2024 (with July 7, 2024 falling on a Sunday); (iv) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the third quarter of 2024, with a record date of June 13, 2024 and a pay-out date of July 8, 2024 (with July 7, 2024 falling on a Sunday); and (v) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the third quarter of 2024, with a record date of June 13, 2024 and a pay-out date of July 8, 2024 (with July 7, 2024 falling on a Sunday).

2023

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

On May 10, 2023, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2023, with a record date of May 31, 2023 and a pay-out date of June 26, 2023 (with June 25, 2023 falling on a Sunday); and (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2023, with a record date of May 31, 2023 and a pay-out date of June 26, 2023 (with June 25, 2023 falling on a Sunday).

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

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

2022

On August 1, 2022, the Board of Directors approved cash dividends of (i) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2022, with a record date of August 31, 2022 and a pay-out date of September 26, 2022 (with September 25, 2022 falling on a Sunday); and (ii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2022, with a record date of August 31, 2022 and a pay-out date of September 26, 2022 (with September 25, 2022 falling on a Sunday).

On November 8, 2022, the Board of Directors approved cash dividends of (i) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2022, with a record date of November 29, 2022 and a pay-out date of December 26, 2022 (with December 25, 2022 falling on a Sunday); (ii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2022, with a record date of November 29, 2022 and a pay-out date of December 26, 2022 (with December 25, 2022 falling on a Sunday); (iii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2023, with a record date of March 2, 2023 and a pay-out date of March 27, 2023 (with March 25, 2023 falling on a Saturday); and (iv) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2023, with a record date of March 27, 2023 (with March 25, 2023 falling on a Saturday).

2021

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

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

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

On November 3, 2021, the Company completed the redemption of all of the Series 2B Preferred Shares it issued in 2014.

On November 9, 2021, the Board of Directors approved cash dividends of (i) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2022, with a record date of March 3, 2022 and a pay-out date of March 25, 2022; (ii) ₱17.8475 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2022, with a record date of March 3, 2022 and a pay-out date of March 25, 2022; (iii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2022, with a record date of June 3, 2022 and a pay-out date of June 27, 2022 (with June 25, 2022 falling on a Saturday); and (iv) ₱17.184575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2022, with a record date of June 3, 2022 and a pay-out date of June 27, 2022 (with June 25, 2022 falling on a Saturday).

Distributions

Under the terms and conditions of the capital securities issued by the Company on April 19, 2021 (the “**Capital Securities**”), more particularly described below in “Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction”, the Company cannot declare dividends on any Junior Securities (as defined thereunder), which include the common shares of the Company, or (except on a pro rata basis) on any Parity Securities (as defined thereunder), which include the outstanding preferred shares of the Company, in case the payment of all distributions scheduled to be made on the Capital Securities is not made in full by reason of the Company deferring such distributions in accordance with the terms of the Capital Securities.

Dividends Declared by Subsidiaries

As of date, the Company’s subsidiaries have not established any specific dividend policy. The table below

sets forth the dividends declared by the subsidiaries for the past three (3) years:

Subsidiary	2023 (in ₱ Millions)	2022 (in ₱ Millions)	2021 (in ₱ Millions)
Petron Freeport Corporation	-	-	90
Petron Oil & Gas (Mauritius) Ltd.	971	1,149	372
Petron Singapore Trading Pte Ltd	1339	1,127	850

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

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

The securities discussed below were either offered in the Philippines to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers and/or to any number of qualified buyers as defined in the Code. Thus, the subject securities were either exempt securities pursuant to Section 9 of the Code and Rule 9.2 of the Amended SRC Rules or their offer and sale qualified as an exempt transaction pursuant to Sections 10.1(k) and 10.1(l) of the Code and Rule 10.1 of the Amended SRC Rules. In the case of the subject exempt transactions, a confirmation of exemption from the SEC that the offer and sale of the securities in the Philippines qualify as an exempt transaction under the Code was not required to be, and had not been, obtained. No notices of exemption were filed after the issuance of the securities qualifying as exempt transactions as these are no longer required under the Amended SRC Rules.

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

US Dollar Redeemable Perpetual Securities

On November 27, 2019, June 22, 2020, and August 10, 2020, the Company issued redeemable perpetual securities (the “**Redeemable Perpetual Securities**”) to less than 19 non-qualified investors in the amounts of US\$6 million, US\$130 million and US\$100 million, respectively. As the Redeemable Perpetual Securities were offered to less than 19 non-qualified investors, each issuance of such securities was considered an exempt transaction and no confirmation or notice of exemption from the registration requirements of the Code was required to be filed with the SEC pursuant to the Code and the 2015 SRC rules. Redeemable Perpetual Securities in the amount of US\$6 million were redeemed on May 29, 2023 (with May 27, 2023 falling on a Saturday).

US\$550,000,000 Senior Perpetual Capital Securities

On April 19, 2021, Petron issued US\$550,000,000 Senior Perpetual Capital Securities with an initial rate of distribution of 5.95% per annum. On April 20, 2021, the Senior Perpetual Capital Securities were listed on the SGX-ST. The net proceeds were applied for the repayment of indebtedness and for general corporate purposes.

Apart from the foregoing, there are no recent sales of unregistered or exempt securities, including recent issuances of securities constituting an exempt transaction.

Registered Debt Securities

The following are the registered debt securities of the Company:

Name of Security	Amount	Issue Date	Interest Rate
Series D Bonds Due 2025	Php6.8 billion	19 October 2018	8.0551% p.a.
Series E Due 2025	Php9.0 billion	12 October 2021	3.4408% p.a.
Series F Due 2027	Php9.0 billion	12 October 2021	4.3368% p.a.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Company engages from time to time in a variety of transactions with related parties. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into under terms comparable to those available from unrelated third parties. For more information regarding the Company's transactions with related parties, see note 7 to the Company's unaudited interim consolidated financial statements as of and for the period ended March 31, 2024, included elsewhere in this Offer Supplement.

The Parent Company, certain subsidiaries, associate, joint ventures and SMC and its subsidiaries in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

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

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

- a. 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.

- b. 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.
- c. 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.

San Miguel Corporation

SMC is a major stockholder of the Company. See "*Ownership and Capitalization – List of Top 20 Stockholders*." The Company has supply agreements with various SMC subsidiaries, under which the Company supplies the diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries. Generally, the pricing formulae under these agreements are based on MOPS. Aggregate revenue with related parties amounted to approximately ₱8,007 million, ₱17,116 million, ₱16,589 million, and ₱2,815 million for the years ended December 31, 2021, 2022, 2023, and the first three months of 2024, respectively. The Company also currently leases office space from an SMC subsidiary pursuant to a lease agreement that was entered into on an arm's length basis.

As of March 31, 2024, the Company has issued a total of USD230M Million Redeemable Perpetual Securities ("RPS"). The RPS were fully subscribed by San Miguel Corporation. Distributions are payable quarterly.

New Ventures Realty Corporation

NVRC is a subsidiary of the Company 85.55%-owned by the Company and 14.45%-owned by PCERP. The Company leases from NVRC certain parcels of land where the Petron Bataan Refinery and its service

station sites, terminals and bulk plants are located. NVRC is the holder of the lease over the site of the Petron Bataan Refinery of which PNOC is the lessor. Lease expenses in connection with the NVRC leases amounted to approximately ₱172 million annually from 2021 to 2023 and ₱43 million the first three months of 2024.

Petron Singapore Trading Pte. Ltd.

PSTPL is a wholly-owned subsidiary of the Company. The Company acquires crude oil for the Petron Bataan Refinery and certain finished petroleum products through arrangements with PSTPL. The pricing formula for these imports is based on regional benchmark prices. Aggregate purchases from PSTPL amounted to approximately ₱149,751 million, ₱295,863 million, ₱274,647 million and ₱68,417 million for the years ended December 31, 2021, 2022, 2023, and the first three months of 2024, respectively.

LEGAL PROCEEDINGS

As set forth below, the Company is involved in ongoing legal cases the outcome of which may or may not have a material adverse effect on its operations and profitability. While the final outcomes of these legal proceedings are not certain, the Company believes it has strong legal grounds in each of these legal proceedings. In respect of the cases discussed below, the Company has not made provisions in its financial statements for possible liabilities arising therefrom.

Guimaras Oil Spill Incident

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

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total aggregate claims for both cases amount to ₱292 million. The cases are still pending.

The cases for damages are pending in the Regional Trial Court, Branch 65, Jordan, Guimaras.

Pursuant to DENR Memorandum Circular No. 2012-01, the DENR declared that the Guimaras coastal water was already compliant with applicable water quality standards.

Leases with PNOC

On October 20, 2017, the Company filed with the Regional Trial Court of Mandaluyong City a complaint against PNOC for Resolution and Reconveyance, and Damages, with Verified *Ex Parte* Application for 72-hour Temporary Restraining Order and Verified Applications for 20-day Temporary Restraining Order and Writ of Preliminary Injunction.

In its complaint, the Company sought the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Company. These landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by the Company of the conveyed lots for its business operation. Thus, PNOC and the Company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years to expire in August 2018, with a provision for automatic renewal for another 25 years.

Earlier in 2009, the Company, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint stemmed from PNOC’s refusal to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned and -controlled corporation. The Company alleged that by unilaterally setting aside both the renewal clauses of the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots, and by categorically declaring its refusal to honor them, PNOC committed a fundamental breach of such lease agreements with the Company.

On December 11, 2017, the trial court granted the Company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Company of possession of the subject properties until the case is decided, conditioned upon the posting by the Company of a bond in the amount of ₱100 million. The Company has posted the required bond.

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

The Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Company's motion for summary judgment and ordered (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Company of all such properties, and (iii) the payment by the Company to PNOC of the amount of ₱143 million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Company all lease payments the latter had paid to PNOC since 1993. Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Company filed their notices of appeal with the trial court.

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

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

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

Other Proceedings

The Company is also 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, the Company believes that the final outcome of these other proceedings will not have a material adverse effect on its business, financial condition or results of operations.

SELECTED FINANCIAL INFORMATION

The following tables set forth summary financial information for the Company and should be read in conjunction with the auditors' reports and the Company's consolidated financial statements, including the notes thereto, and the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations" found on page 209 of this Offer Supplement.

The summary financial information presented below for the years ended December 31, 2021, 2022 and 2023 were derived from the consolidated financial statements of the Company, audited by R.G. Manabat and Co., a member firm of KPMG. The Company's financial information included in this Offer Supplement has been prepared in accordance with PFRS. The financial and operating information of the Company presented below as of and for the three months ended March 31, 2024 and 2023 were derived from the unaudited consolidated financial statements of the Company prepared in compliance with Philippine Accounting Standards (PAS) 34, "Interim Financial Reporting". The information below should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto, which are included in Appendices "A" of this Offer Supplement. The historical financial condition, results of operations and cash flows of the Company are not a guarantee of its future operating and financial performance.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION **(Amounts in Million Pesos)**

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

Income tax payable		457	132
Current portion of long-term debt - net	8, 9	26,849	25,642
Total Current Liabilities		230,960	234,729
		Unaudited	Audited
		March 31	December 31
	Note	2024	2023
Noncurrent Liabilities			
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
Total Noncurrent Liabilities		113,643	109,540
Total Liabilities		344,603	344,269
Equity Attributable to Equity Holders of the Parent Company			
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)
Total Equity Attributable to Equity Holders of the Parent Company		93,347	90,981
Non-controlling Interests		8,791	8,654
Total Equity		102,138	99,635
		P446,741	P443,904

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

**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

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(Amounts in Million Pesos)

	For the Three Months Ended March 31	
	2024	2023
NET INCOME	P3,933	P3,399
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
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
	(375)	(1,332)
OTHER COMPREHENSIVE LOSS - Net of tax	(375)	(1,332)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD - Net of tax	P3,558	P2,067
Attributable to:		
Equity holders of the Parent Company	P3,421	P1,907
Non-controlling interests	137	160
	P3,558	P2,067

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)
(Amounts in Million Pesos)

Equity Attributable to Equity Holders of the Parent Company

	Note	Retained Earnings				Equity Reserves			Treasury Stock	Total	Non-controlling Interests	Total Equity
		Capital Stock	Additional Paid-in Capital	Capital Securities	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
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See accompanying Management's Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)
(Amounts in Million Pesos)

Equity Attributable to Equity Holders of the Parent Company

	Note	Capital		Retained Earnings		Equity Reserves			Treasury Stock	Total	Non-controlling Interests	Total Equity
		Stock	Additional Paid-in Capital	Capital Securities	Appropriated	Unappropriated	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.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Amounts in Million Pesos)

For the Three Months Ended
March 31

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

Forward

	For the Three Months Ended March 31		
	Note	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
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)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		416	(845)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,931	(6,438)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		27,519	37,183
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P30,450	P30,745

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

Summary Consolidated Statements of Income

(Amounts in millions of ₱, except per share data)

	For the years ended December 31			For three months ended March 31, 2024
	2021	2022	2023	
Sales.....	438,057	857,638	801,027	227,637
Cost of goods sold.....	407,558	823,788	754,429	213,471
Gross profit.....	30,499	33,850	46,598	14,166
Selling and administrative expenses.....	(14,557)	(16,175)	(17,560)	(4,422)
Other operating income.....	1,273	1,538	1,683	427
Interest expense and other financing charges.....	(10,008)	(13,094)	(19,095)	(5,086)
Interest income.....	564	898	1,284	274
Share in net income of an associate and joint ventures	11	66	89	36
Other income (expenses)—net.....	(485)	1,018	139	(283)
	(23,202)	(25,749)	(33,460)	(9,054)
Income before income tax.....	7,297	8,101	13,138	5,112
Income tax expense	1,161	1,404	3,004	1,179
Net income	6,136	6,697	10,134	3,933
Attributable to:				
Equity holders of the Parent Company.....	5,369	5,727	9,241	3,712
Non-controlling interests.....	767	970	893	221
Basic/ Diluted Earnings per Common Share attributable to equity holders of the Parent Company.....	₱0.05	₱0.01	₱0.27	₱0.38

Summary Consolidated Statements of Financial Position

(Amounts in millions of ₱, except per share data)	As of December 31,			As of
	2021	2022	2023	March 31, 2024
Current assets:				
Cash and cash equivalents.....	36,406	37,183	27,519	30,450
Financial assets at fair value.....	1,005	1,753	1,162	1,014
Trade and other receivables – net.....	51,745	81,979	86,479	92,065
Inventories.....	67,684	85,347	77,318	70,528
Other current assets.....	31,195	37,025	40,529	43,562
Total current assets.....	188,035	243,287	233,007	237,619
Non-current assets:				
Investment in shares of stock of an associate and joint ventures.....	1,012	1,085	1,158	1,195
Property, plant and equipment – net.....	171,602	170,153	166,046	165,411
Right-of-use assets - net.....	5,648	5,398	5,286	5,134
Investment property – net.....	29,175	28,437	27,194	26,687
Deferred tax assets – net.....	2,172	1,812	1,190	737
Goodwill – net.....	8,235	8,509	8,093	8,010
Other non-current assets – net.....	1,541	1,390	1,930	1,948
Total non-current assets.....	219,385	216,784	210,897	209,122
Total assets.....	407,420	460,071	443,904	446,741
Current liabilities:				
Short-term loans.....	109,196	137,886	137,910	124,168
Liabilities for crude oil and petroleum product importation.....	42,641	51,067	44,840	48,059
Trade and other payables.....	14,001	22,896	23,890	29,303
Lease liabilities – current portion.....	1,335	1,380	1,566	1,495
Derivative liabilities.....	997	723	749	629
Income tax payable.....	302	204	132	457
Current portion of long-term debt – net.....	21,580	13,399	25,642	26,849
Total current liabilities.....	190,052	227,555	234,729	230,960
Non-current liabilities:				
Long-term debt – net of current portion.....	81,065	93,662	83,254	87,518
Retirement benefits liability – net.....	3,327	3,261	2,621	2,724
Deferred tax liabilities – net.....	3,784	3,601	4,432	4,403
Lease liabilities – net of current portion.....	14,220	13,714	14,378	13,991
Asset retirement obligation.....	2,857	3,527	3,612	3,666
Other non-current liabilities.....	1,202	1,201	1,243	1,341
Total non-current liabilities.....	106,455	118,966	109,540	113,643
Total liabilities.....	296,507	346,521	344,269	344,603

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
Equity Attributable to Equity Holders of the Parent Company*:				
Capital stock.....	9,485	9,485	9,485	9,485
Additional paid-in capital.....	37,500	37,500	40,985	40,985
Capital securities.....	62,712	62,712	37,529	37,529
Retained earnings.....	30,232	30,357	31,834	34,491
Equity reserves.....	(18,341)	(16,887)	(21,252)	(21,543)
Treasury stock.....	(18,000)	(18,000)	(7,600)	(7,600)
Total Equity Attributable to Equity Holders of the Parent Company.....	103,588	105,167	90,891	93,347
Non-controlling interests.....	7,325	8,383	8,654	8,791
Total equity.....	110,913	113,550	99,635	102,138
Total liabilities and equity.....	407,420	460,071	443,904	446,741

*Under the Company's financial statements, the "Parent Company" refers to Petron Corporation.

Summary of Consolidated Statement of Cash Flows

	For the years ended December 31			For three months ended March 31, 2024
	2021	2022	2023	
Net cash flows provided by (used in) operating activities.....	(10,668)	(22,661)	19,204	13,372
Net cash flows used in investing activities.....	(9,759)	(2,382)	(6,438)	(2,098)
Net cash flows provided by (used in) financing activities.....	28,098	22,794	(21,753)	(8,759)
Effect of exchange rate changes on cash and cash equivalents.....	1,682	3,026	(677)	416
Net increase (decrease) in cash and cash equivalents.....	9,353	777	(9,664)	2,931
Cash and cash equivalents at beginning of year.....	27,053	36,406	37,183	27,519
Cash and cash equivalents at end of year.....	36,406	37,183	27,519	30,450

Other Financial and Operating Data

	For the years ended December 31,			For three months ended March 31, 2024
	2021	2022	2023	
Sales volume ('000 bpd)	225	309	348	388
Net debt ⁽¹²⁾	175,435	207,764	219,287	208,085

¹² Net debt represents the sum of short-term loans, current portion of long-term debts—net, and long-term debts—net of current portion, less cash and cash equivalents.

Ratio of total debt to equity	1.91	2.16	2.48	2.34
EBITDA ⁽¹³⁾	27,198	33,061	44,945	13,299
Capital expenditures ⁽¹⁴⁾	9,532	5,933	6,652	2,032
Total debt ⁽¹⁵⁾	211,841	244,947	246,806	238,535

¹³ EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.

¹⁴ Capital expenditures represent the sum of additions to property, plant and equipment for the period.

¹⁵ Total debt consists of the sum of short-term loans, current portion of long-term debts-net and long-term debts-net of current portion.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Overview

Petron is the only integrated oil refining and marketing company in the Philippines and is a leading player in the Malaysian market. The Company has a combined refining capacity of 268,000 barrels per day (“bpd”). The Company refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia.

In the Philippines, the Company operates the country's only refinery, the **Petron Bataan Refinery**, located in Bataan, which has a production capacity of 180,000 bpd, capable of supplying approximately 40% of the country's total fuel requirements. The Company had a retail market share of 36.3%¹⁶ of the Philippine oil market for the period ended June 30, 2023.

The Petron Bataan Refinery processes crude oil into a range of white petroleum products such as gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical products such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan (“**RMP-2**”), a US\$2 billion project for the Petron Bataan Refinery, enabled the Company to convert Black Products into more valuable White Products¹⁷, and to increase the Company's production of petrochemicals. The project also made the Company the first and only oil company in the Philippines capable of locally producing Euro IV-standard fuels.

From the Petron Bataan Refinery, the Company moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, 7 in the Visayas and 8 in Mindanao, as well as 4 airport installations in Luzon, 5 in the Visayas and 3 in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers as well as jet fuel to international and domestic carriers.

Through its network of around 1,800 retail service stations in the Philippines as of June 30, 2024, representing approximately 16% of the country's total service station count, the Company sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 45% of service stations are CODOs and 55% are DODOs. CODOs are company-owned-dealer-operated stations where Petron's investments include civil works, site development and station hardware (i.e. canopies, pumps, signages, etc.). The Company usually owns or leases the land and owns the building and equipment while dealers provide the working capital and other minor station equipment. DODOs, on the other hand, are dealer-owned-dealer-operated stations where the dealers provide the civil works, site development, working capital and station equipment. The dealers also assume ownership or lease of the land. Under this arrangement, Petron provides the station hardware. Regulation of CODOs and DODOs are generally similar. Pricing is dictated more by logistics and competition rather than the classification of a station.

As of June 30, 2024, the Company's LPG distribution network includes more than 1,900 branch and franchise stores where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. Meanwhile, the Company's Lubes distribution network includes about 45 car care centers, and more than 1,000 service stations selling lubes.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of June 30, 2024, the extent of the Company's programs includes more than 590,000 Petron Fleet Cards and more than 1.2 million Petron Value Cards (including Petron Super Driver Cards) in the Philippines. In Malaysia, as of June 30, 2024, the Company's programs include more than 13,000 Petron Fleet Cards, more than 1,400 Petron Super Driver Cards, and approximately 2.8 million active Petron Miles Privilege Cards (“PMILES”) cardholder/member accounts.

¹⁶ Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the period ended June 30, 2023. Company estimates exclude all direct imports of end users.

¹⁷ Black Products refer to fuel oil and asphalts. White Products refer to diesel, gasoline, jet fuel, kerosene and LPG.

The Company owns and operates a fuel additives blending plant (the “**Subic Plant**”) in the Subic Bay Freeport Zone in the Philippines with a capacity of 12,000 metric tons per year. The Company has a tolling agreement with Innospec, Limited (“**Innospec**”), a global fuel additives supplier. Regional customers of Innospec and the Company’s own requirements are served from the output of the Subic Plant.

The Company diversified into petrochemicals and in 2000 added a mixed xylene recovery unit to the Petron Bataan Refinery and a propylene recovery unit in 2008. Its benzene-toluene extraction unit became operational in May 2009. On July 1, 2014, the Company acquired and took over from Philippine Polypropylene Inc. (“**PPI**”), an indirect subsidiary of the Company, the operations of the polypropylene plant in order to enhance the overall efficiency of its petrochemical operations. The polypropylene plant is located in Mariveles, Bataan and is owned by Robinson International Holdings Limited (“**RIHL**”), an indirect subsidiary of the Company. The polypropylene plant has an installed production capacity of 225,000 metric tons of various polypropylene resin annually.

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil’s downstream oil business in Malaysia. For the period ended December 31, 2023, the Company ranked third in the Malaysian retail market with more than 21% market share based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. The Company also covers the industrial segment in Malaysia, selling diesel and gasoline to mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. The Company owns and operates the Port Dickson Refinery in Malaysia, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue (“**LSWR**”). As of June 30, 2024, the Company had 10 product terminals, a palm oil methyl ester (“**PME**”) plant, a network of more than 780 retail service stations, and about 310 Treats convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

The Company’s products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical products, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company’s revenues from these export sales amounted to ₱47,011 million or 6% of total sales, as of December 31, 2023 and ₱15,767 million or 7% of total sales, in the first three months of 2024.

In 2021, 2022, 2023 and in the first three months of 2024, the Company’s sales were ₱438,057 million, ₱857,638 million, ₱801,027 million and ₱227,637 million, respectively, and net income was ₱6,136 million, ₱6,697 million, ₱10,134 million and ₱3,933 million, respectively.

Factors affecting results of operations

The Company’s financial condition and results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Company’s results in the past and that the Company expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on the Company’s financial condition and results of operations in the future.

Crude Oil Prices

Crude oil generally accounts for a large portion of the Company’s total cost of goods sold. In 2023, crude oil accounted for approximately 53% of the Company’s total cost of goods sold. Because of the commodity nature of oil products, competition in the Philippine and international markets for refined petroleum products is based primarily on price, as adjusted to account for differences in product specifications and transportation and distribution costs. Therefore, the prices of the Company’s principal products are highly dependent on international crude oil prices.

The Company is exposed to fluctuations in the price of crude oil, which is subject to volatile price movement caused by a number of factors beyond the Company's control, including changes in global supply and demand for crude oil, international economic conditions, global conflicts or acts of terrorism, weather conditions and domestic and foreign governmental regulation. The Company holds crude oil and finished petroleum products inventory of approximately two months in the Philippines and approximately one month in Malaysia. The prices at which the Company sells its products generally rise and fall in line with international crude oil prices. Accordingly, since the Company accounts for its inventory using the first-in-first-out method, a sharp drop in crude oil prices would adversely affect the Company, as it would require the Company to sell its refined petroleum products produced with higher-priced crude oil at lower prices. See "*Risk Factors — Risks Relating to the Company's Business and Operations — Volatility of the price of crude oil and petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition.*" Furthermore, a sharp rise in oil prices would increase the Company's requirements for short-term financing for working capital and may result in higher financing costs for the Company.

The Company enters into commodity swaps and options to manage the price risks of crude oil and finished petroleum products. In 2013, the Company also started implementing measures to shorten the pricing cycle gap between its crude oil purchases and finished petroleum product sales. However, volatile crude oil prices could still adversely affect the Company, as the Company may not be able to pass on the effects of crude oil price changes to consumers in a timely manner.

Results of Operations

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)		Analysis	
	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 Thousand 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. Its 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)		Analysis	
	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 Thousand 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

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

			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%
Total Noncurrent Liabilities	113,643	109,540	4,103	4%	25%	25%
Total Liabilities	344,603	344,269	334	0%	77%	78%
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%)
Total Equity Attributable to Equity Holders of the Parent Company	93,347	90,981	2,366	3%	21%	20%
Non-controlling Interests	8,791	8,654	137	2%	2%	2%
Total Equity	102,138	99,635	2,503	3%	23%	22%
Total Liabilities and Equity	446,741	443,904	2,837	1%	100%	100%

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

	Mar 31		Horizontal Analysis		Vertical Analysis	
	2023	2022	Increase (Decrease) Amount	(Decrease) %	Mar 31 2023	Dec 31 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%
Total Current Assets	225,763	243,287	(17,524)	(7%)	51%	53%
Investment in shares of stock of an associate and joint ventures	1,119	1,085	34	3%	0%	0%
			(1,064)	(1%)	38%	37%
Property, plant and equipment – net	169,089	170,153				
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%
Total Noncurrent Assets	214,261	216,784	(2,523)	(1%)	49%	47%
Total Assets	440,024	460,071	(20,047)	(4%)	100%	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%
Total Current Liabilities	210,644	227,555	(16,911)	(7%)	48%	49%

Forward

	Horizontal Analysis				Vertical Analysis	
	Mar 31	Dec 31	Increase (Decrease)		Mar 31	Dec 31
	2023	2022	Amount	%	2023	2022
Long-term debt - net of current Portion	92,000	93,662	(1,662)	(2%)	21%	20%
Retirement benefits liability	3,228	3,261	(33)	(1%)	1%	1%
Deferred tax liabilities - net	3,557	3,601	(44)	(1%)	1%	1%
Lease liability - net of current Portion	13,246	13,714	(468)	(3%)	3%	3%
Asset retirement obligation	3,585	3,527	58	2%	1%	1%
Other noncurrent liabilities	1,199	1,201	(2)	(0%)	0%	0%
Total Noncurrent Liabilities	116,815	118,966	(2,151)	(2%)	27%	26%
Total Liabilities	327,459	346,521	(19,062)	(6%)	74%	75%
Capital stock	9,485	9,485	-	-	2%	2%
Additional paid-in capital	37,500	37,500	-	-	9%	8%
Capital securities	61,594	62,712	(1,118)	(2%)	14%	14%
Retained earnings	31,485	30,357	1,128	4%	7%	7%
Equity Reserves	(18,042)	(16,887)	(1,155)	7%	(4%)	(4%)
Treasury stock	(18,000)	(18,000)	-	-	(4%)	(4%)
Total Equity Attributable to Equity Holders of the Parent Company	104,022	105,167	(1,145)	(1%)	24%	23%
Non-controlling Interests	8,543	8,383	160	2%	2%	2%
Total Equity	112,565	113,550	(985)	(1%)	26%	25%
Total Liabilities and Equity	440,024	460,071	(20,047)	(4%)	100%	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	1.0	1.0
Total Interest-bearing Debt to Equity Ratio	2.3	2.5
Return on Equity (%)	10.6	9.5
Interest Rate Coverage Ratio	2.0	1.7
Assets to Equity Ratio	4.4	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.

Year ended December 31, 2023 compared to year ended December 31, 2022

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

Sales

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

Cost of Goods Sold

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

Gross Profit

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

Selling and Administrative Expenses

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

Other Operating Income

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

Interest Expense and Other Financing Charges

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

Interest Income

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

Share in Net Earnings of an Associate and Joint Ventures

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

Other Income (Expense) – net

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

Income Tax Expense

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

Year ended December 31, 2022 compared to year ended December 31, 2021

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

Sales

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

Cost of Goods Sold

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

Gross Profit

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

Selling and Administrative Expenses

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

Other Operating Income

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

Interest Expense and Other Financing Charges

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

Interest Income

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

Share in Net Earnings of an Associate and Joint Ventures

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

Other Income – net

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

Income Tax Benefit (Expense)

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

Year ended December 31, 2021 compared to year ended December 31, 2020

	Years Ended		Horizontal Analysis		Vertical Analysis	
	December 31		Favorable (Unfavorable)			
	2021	2020	Amount	%	2021	2020
	(in Millions)					
Sales	438,057	286,033	152,024	53%	100%	100%
Cost of Goods Sold	(407,558)	(277,320)	(130,238)	(47%)	93%	97%
Gross Profit	30,499	8,713	21,786	high	7%	3%
Selling and Administrative Expenses	(14,557)	(14,389)	(168)	(1%)	3%	5%
Other Operating Income	1,273	1,047	226	22%	0%	0%
Interest Expense and Other Financing Charges	(10,008)	(11,313)	1,305	12%	2%	4%
Interest Income	564	780	(216)	(28%)	0%	0%
Share in Net Income of an Associate and Joint Ventures	11	-	11	high	0%	0%
Other Expense - net	(485)	(1,049)	564	54%	0%	0%
Income (Loss) Before Income Tax	7,297	(16,211)	23,508	high	2%	6%
Income Tax Benefit (Expense)	(1,161)	4,798	(5,959)	(high)	0%	2%
Net Income (Loss)	6,136	(11,413)	17,549	high	1%	4%
Attributable to Equity Holders of the Parent Company	5,369	(11,380)	16,749	high	1%	4%
Attributable to Non-controlling Interests	767	(33)	800	high	0%	0%
	6,136	(11,413)	17,549	high	1%	4%
Sales Volume in Thousand Barrels	82,241	78,582	3,659	5%		

Sales

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

Cost of Goods Sold

Cost of Goods Sold (CGS) likewise surged by 47% to ₱ 407.56 billion from ₱ 277.32 billion mainly due to higher cost per liter. Benchmark crude Dubai breached the \$80/bbl-mark in the 4th quarter and averaged US\$69/bbl for the year, up by 64% from US\$42/bbl average in 2020.

Gross profit

Gross profit climbed up to ₱ 30.50 billion traced to the absence of inventory losses and improved refining cracks.

Selling and Administrative Expenses

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

Other Operating Income

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

Interest Expense and Other Financing Charges

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

Interest Income

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

Share in Net Earnings of an Associate and Joint Ventures

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

Other Expense – net

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

Income Tax Benefit (Expense)

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

Financial Position

Year ended December 31, 2023 compared to year ended December 31, 2022

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis December 31	
	2023	2022	Amount	%	2023	2022
Cash and cash equivalents	27,519	37,183	(9,664)	(26%)	6%	8%
Financial assets at fair value	1,162	1,753	(591)	(34%)	0%	0%
Trade and other receivables – net	86,479	81,979	4,500	5%	19%	18%
Inventories	77,318	85,347	(8,029)	(9%)	17%	19%
Other current assets	40,529	37,025	3,504	9%	9%	8%
Total Current Assets	233,007	243,287	(10,280)	(4%)	52%	53%
Investment in shares of stock of an associate and joint ventures	1,158	1,085	73	7%	0%	0%
Property, plant and equipment – net	166,046	170,153	(4,107)	(2%)	37%	37%
Right of Use – net	5,286	5,398	(112)	(2%)	1%	1%
Investment property – net	27,194	28,437	(1,243)	(4%)	6%	6%
Deferred tax assets - net	1,190	1,812	(622)	(34%)	0%	0%
Goodwill – net	8,093	8,509	(416)	(5%)	2%	2%
Other noncurrent assets – net	1,930	1,390	540	39%	0%	0%
Total Noncurrent Assets	210,897	216,784	(5,887)	(3%)	48%	47%
Total Assets	443,904	460,071	(16,167)	(4%)	100%	100%
Short term loans	137,910	137,886	24	0%	31%	30%
Liabilities for crude oil and petroleum products	44,840	51,067	(6,227)	(12%)	10%	11%

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

Forward

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Year ended December 31, 2022 compared to year ended December 31, 2021

	December 31		Horizontal Analysis		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
Cash and cash equivalents	37,183	36,406	777	2%	8%	9%
Financial assets at fair value	1,753	1,005	748	74%	0%	0%
Trade and other receivables – net	81,979	51,745	30,234	58%	18%	13%
Inventories	85,347	67,684	17,663	26%	19%	17%
Other current assets	37,025	31,195	5,830	19%	8%	8%
Total Current Assets	243,287	188,035	55,252	29%	53%	46%
Investment in shares of stock of an associate and joint ventures	1,085	1,012	73	7%	0%	0%
Property, plant and equipment – net	170,153	171,602	(1,449)	(1%)	37%	42%
Right of Use – net	5,398	5,648	(250)	(4%)	1%	1%
Investment property – net	28,437	29,175	(738)	(3%)	6%	7%

Deferred tax assets - net	1,812	2,172	(360)	(17%)	0%	1%
Goodwill – net	8,509	8,235	274	3%	2%	2%
Other noncurrent assets – net	1,390	1,541	(151)	(10%)	0%	0%
Total Noncurrent Assets	216,784	219,385	(2,601)	(1%)	47%	54%
Total Assets	460,071	407,420	52,651	13%	100%	100%
Short term loans	137,886	109,196	28,690	26%	30%	27%
Liabilities for crude oil and petroleum products	51,067	42,641	8,426	20%	11%	10%
Trade and other payables	22,896	14,001	8,895	64%	5%	3%
Current portion of lease liability	1,380	1,335	45	3%	0%	0%
Derivative liabilities	723	997	(274)	(27%)	0%	0%
Income tax payable	204	302	(98)	(32%)	0%	0%
Current portion of long-term debt – net	13,399	21,580	(8,181)	(38%)	3%	5%
Total Current Liabilities	227,555	190,052	37,503	20%	49%	47%

Forward

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

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

Financial assets at fair value went up to **₱1.75 billion** from ₱1.01 million due to higher gains on outstanding currency hedges.

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

Inventories rose by ₱17.66 billion to **₱85.35 billion** mainly from higher prepaid taxes and unused creditable withholding taxes.

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

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

Other noncurrent assets – net declined to ₱ 1.39 billion from ₱1.54 billion mostly from the amortization of catalyst and deferred input tax.

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

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

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

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

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

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

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

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

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

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

Year ended December 31, 2021 compared to year ended December 31, 2020

	December 31		Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		December 31	
	2021	2020	Amount	%	2021	2020
Cash and cash equivalents	36,406	27,053	9,353	35%	9%	8%

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

Forward

	Horizontal Analysis				Vertical Analysis	
	December 31		Increase (Decrease)		December 31	
	2021	2020	Amount	%	2021	2020
Long-term debt - net of current portion	81,065	88,340	(7,275)	(8%)	20%	25%
Retirement benefits liability – net	3,327	3,705	(378)	(10%)	1%	1%
Deferred tax liabilities - net	3,784	3,084	700	23%	1%	1%
Lease liability - net of current portion	14,220	14,561	(341)	(2%)	3%	4%
Asset retirement obligation	2,857	2,867	(10)	(0%)	1%	1%
Other noncurrent liabilities	1,202	1,904	(702)	(37%)	0%	1%
Total Noncurrent Liabilities	106,455	114,461	(8,006)	(7%)	26%	33%
Total Liabilities	296,507	263,530	32,977	13%	73%	75%
Capital stock	9,485	9,485	-	0%	2%	3%
Additional paid-in capital	37,500	37,500	-	0%	9%	11%
Capital securities	62,712	36,481	26,231	72%	15%	10%
Retained earnings	30,232	29,799	433	1%	7%	9%
Equity Reserves	(18,341)	(18,371)	30	(0%)	(5%)	(5%)
Treasury stock	(18,000)	(15,122)	(2,878)	19%	(4%)	(4%)

Total Equity Attributable to Equity Holders of the Parent Company	103,588	79,772	23,816	30%	25%	23%
Non-controlling Interests	7,325	6,423	902	14%	2%	2%
Total Equity	110,913	86,195	24,718	29%	27%	25%
Total Liabilities and Equity	407,420	349,725	57,695	16%	100%	100%

The consolidated assets of Petron Corporation and its Subsidiaries as of end-2021 amounted to **₱407.42 billion**, 16% or **₱57.70 billion** lower than end-2020 balance of **₱349.73 billion**. The increase in total assets can be traced to higher inventories, trade and other receivables, and cash and cash equivalents.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds have historically been net cash flows from operating activities, and debt and equity financing. The Company's principal use of funds has historically been to fund its working capital and capital expenditure requirements. The Company has been able to pay its trade liabilities as they become due. The Company may from time to time seek external sources of funding, which may include debt or equity financing, depending on its financing needs and market conditions. The incurrence of additional debt would divert cash from working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict the Company's operations. If the Company is unable to obtain additional financing as required, its business, results of operations, financial condition and prospects may be adversely affected.

The following table sets forth the Company's cash flows for the periods indicated:

	For the years ended December 31			For the three months ended March 31	
	(Audited)			(Unaudited)	
	2021	2022	2023	2023	2024
	(in millions of ₱)			(in millions of ₱)	
Net cash flows provided by (used in) operating activities	(10,668)	(22,661)	19,204	19,784	13,372
Net cash flows used in investing activities.....	(9,759)	(2,382)	(6,438)	(1,284)	(2,098)
Net cash flows provided by financing activities	28,098	22,794	(21,753)	(24,093)	(8,759)
Effect of exchange rate changes on cash and cash equivalents....	1,682	3,026	(677)	(845)	416
Net increase (decrease) in cash and cash equivalents	9,353	777	(9,664)	(6,438)	2,931
Cash and cash equivalents at beginning of year.....	27,053	36,406	37,183	37,183	27,519
Cash and cash equivalents at end of year	36,406	37,183	27,519	30,745	30,450

Net Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities for the three months ended March 31, 2024 was **₱13,372**

million. The Company's income before income tax was ₱ 5,112 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱13,965 million. The Company paid interest of ₱4,826 million and income taxes of ₱239 million for the period.

Net cash flows provided by operating activities for the three months ended March 31, 2023 was ₱19,784 million. The Company's income before income tax was ₱ 4,449 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱9,799 million. The Company paid interest of ₱4,145 million and income taxes of ₱170 million for the period.

Net cash flows provided by operating activities for the year ended December 31, 2023 was ₱19,204 million. The Company's income before income tax was ₱13,138 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱43.396 million. The Company paid interest of ₱18,264 million and income taxes of ₱948 million for the period.

Net cash flows used in operating activities for the year ended December 31, 2022 was ₱22, 461 million. The Company's income before income tax was ₱8,101 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱31,946 million. The Company paid interest of ₱12,086 million and income taxes of ₱1,001 million for the period.

Net cash flows used in operating activities for the year ended December 31, 2021 was ₱10,668 million. The Company's income before income tax was ₱7,297 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱28,453 million. The Company paid interest of ₱9,274 million and income taxes of ₱365 million for the period.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities was ₱2,098 million in the three months ended March 31, 2024. This is primarily reflected in additions to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱1,284 million in the three months ended March 31, 2023. This is primarily reflected in additions to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱6,438 million in 2023. This is primarily reflected in additions to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱2,382 million in 2022. This is primarily reflected in additions to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱9,759 million in 2021. This is primarily reflected in additions to property, plant and equipment and investment property.

Net Cash Flows Provided by Financing Activities

Net cash flows used in financing activities was ₱8,759 million in the three months ended March 31, 2024. The main component of this were payment of loans and lease liabilities of ₱93,644 and cash dividends and distribution of ₱907 million. This was partly offset by the proceeds from loans of ₱85,792 million.

Net cash flows used in financing activities was ₱24,093 million in the three months ended March 31, 2023. The main component of this were payment of loans and lease liabilities of ₱72,895, cash dividends and distribution of ₱1,490 million, and redemption of capital securities of ₱1,142 million. This was partly offset by the proceeds from loans of ₱51,448 million.

Net cash flows used in financing activities was ₱21,753 million in 2023. The main component of this were redemption of capital securities of ₱ 27,469 million, payment of cash dividends and distribution of ₱ 7,356 million and lease liabilities of ₱2,463 million. This was offset in part by reissuance of preferred shares of ₱ 13,885 and net avancement of loans amounting to ₱ 1,792 million.

Net cash flows provided by financing activities was ₱22,794 million in 2022. The main component of this were proceeds from loans of ₱373,935 million. This was offset in part by payment of loans and lease liabilities of ₱345,001 million and payment of cash dividends and distribution of ₱6,127 million.

Net cash flows provided by financing activities was ₱28,098 million in 2021. The main component of this were proceeds from loans and issuance of capital securities of ₱253,288 million. This was offset in part by payment of loans and lease liabilities of ₱217,657 million, payment of cash dividends and distribution of ₱4,655 million, and redemption of preferred shares of ₱2,878 million.

Capital Resources

As of March 31, 2024, the Company had cash and cash equivalents of ₱30,450 million. As of the same date, the Company had total outstanding short-term debt of ₱124,168 million in the form of unsecured Peso, US Dollar, and Ringgit loans.

As of December 31, 2023, the Company had cash and cash equivalents of ₱27,519 million. As of the same date, the Company had total outstanding short-term debt of ₱137,910 million in the form of unsecured Peso and Ringgit loans.

As of December 31, 2022, the Company had cash and cash equivalents of ₱37,183 million. As of the same date, the Company had total outstanding short-term debt of ₱137,886 million in the form of unsecured Peso and Ringgit loans.

As of December 31, 2021, the Company had total outstanding long-term debt (excluding current portion of long-term debt) of ₱87,518 million. The Company obtained these loans from various financial institutions under several credit facilities. All of the Company's long-term borrowings are unsecured. As of the date of this Offer Supplement, the Company's long-term debt agreements include requirements to maintain certain specified financial ratios, including a ratio of consolidated gross debt to consolidated net worth and an incurrence-based ratio of consolidated net adjusted debt to consolidated EBITDA.

As of the date of this Offer Supplement, the Company is in compliance with the covenants in its long-term debt agreements.

The following table sets forth a summary of the maturity profile of the outstanding long-term borrowings of the Company for the years 2024 to 2028 and beyond as of March 31, 2024:

Payments Due by Period

	Amount
	(in millions of ₱)
2024	23,338
2025	37,145
2026	19,095
2027	29,990
2028 and beyond	4,799
Total	<u>114,367</u>

The following table sets forth the Company's outstanding long-term debt (net of debt issue cost) by the currency in which they are denominated as of March 31, 2024:

Currency	Amount
	(in millions of ₱)
Peso	63,487
USD	49,300

Yen	1,580
.....	
Total outstanding long-term debt	<u>114,367</u>
.....	

The following table sets forth the Company's outstanding long-term debt (net of debt issue cost) by fixed floating interest rate terms as of March 31, 2024:

	Amount
	(in millions of ₱)
Fixed rate	63,487
Floating rate	<u>50,880</u>
Total outstanding long-term debt	<u>114,367</u>

Capital Expenditures

Over the past several years, the Company has made significant capital expenditures to maintain and upgrade the refineries in Bataan and Port Dickson, and to expand and upgrade its retail service station network in the Philippines and in Malaysia. In 2021, 2022, 2023, and in the first three months of 2024, the Company's capital expenditures were ₱9,532 million, ₱5,933 million, ₱6,652 million and ₱2,032 million, respectively, which primarily related to expenditures for refinery, depot and service stations. The Company has historically funded its capital expenditures with net cash flows provided by operating activities and debt or equity financing.

Following the completion of the Company's major projects such as the Power Plant Phase 3 in Bataan, Marine Import Facility and the Diesel Hydrotreater in Port Dickson Malaysia, the Company plans to continue investments focusing on the following projects:

- Retail network expansion and improvements for both Philippine and Malaysian operations
- Second reactor at the Polypropylene Plant (PP Plant) expanding capacity to 225KTA
- Propylene Transfer Line to provide more efficient transfer of Propylene from the Bataan Refinery to PP Plant
- Expansion of the Company's truck fleet for more efficient transport of our products
- Environment-related projects such as wastewater treatment facilities, flood control and sewage treatment upgrades, EV charging stations and solar panels

These capital expenditures are expected to be funded through internally generated cash. The Company's capital expenditures may change as projects are reviewed and subject to various factors including market conditions, the general state of the Philippine and Malaysian economies, the Company's operating performance and cashflow.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements. The Company has, however, entered into derivative transactions to manage its exposures to currency exchange rates and fluctuating commodity prices. See "*Derivative Financial Instruments*."

Derivative Financial Instruments

The Company has entered into derivative financial instrument transactions, including swaps, options and forwards, to manage its exposures to exchange rates and fluctuating commodity prices. A more detailed description of the Company's derivative financial instruments is set forth in note 35 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2023, included elsewhere in this Offer Supplement.

Financial Soundness Indicators

Financial Ratios	Formula	December 31, December 31,	
		2023	2022
Liquidity			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.99	1.07
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	0.49	0.53
Solvency			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^b}{\text{Total Equity}}$	2.48	2.16
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	4.46	4.05
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	1.69	1.62
Profitability			
f) Return on Equity	$\frac{\text{Net Income}^a}{\text{Average Total Equity}}$	9.51%	5.97%
g) Return on Assets	$\frac{\text{Net Income}^a}{\text{Average Total Assets}}$	2.24%	1.54%
Operating Efficiency			
h) Volume Growth	$\left(\frac{\text{Current Period Volume}}{\text{Prior Period Volume}} - 1 \right)$	12.50%	37.17%
i) Sales Growth	$\left(\frac{\text{Current Period Sales}}{\text{Prior Period Sales}} - 1 \right)$	-6.60%	95.78%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	3.84%	2.24%

^a trailing 12 months net income

^b excludes lease liabilities

Financial Ratios	Formula	March 31,	December 31,		
		2024	2023	2022	2021
Liquidity					
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.03	0.99	1.07	0.99
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	0.53	0.49	0.53	0.47
Solvency					
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^b}{\text{Total Equity}}$	2.34	2.48	2.16	1.91
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	4.37	4.46	4.05	3.67
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	2.01	1.69	1.62	1.73

Profitability					
f) Return on Average Equity	$\frac{\text{Net Income}^a}{\text{Average Total Equity}}$	10.57%	9.51%	5.97%	6.23%
g) Return on Average Assets	$\frac{\text{Net Income}^a}{\text{Average Total Assets}}$	3.53%	2.24%	1.54%	1.62%
Operating Efficiency					
h) Volume Growth	$\left(\frac{\text{Current Period Volume}}{\text{Prior Period Volume}} - 1 \right)$	23.42%	12.50%	37.17%	4.66%
i) Sales Growth	$\left(\frac{\text{Current Period Sales}}{\text{Prior Period Sales}} - 1 \right)$	20.60%	-6.60%	95.78%	53.15%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	4.47%	3.84%	2.24%	3.93%

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.

Quick Ratio – Total current assets less inventories and other current assets divided by total current liabilities.

This ratio is a cursory indication of a company's ability to service its current obligations using its more liquid assets. Generally, higher quick 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.

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.

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.

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

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

Return on Average Asset – Net income divided by average total asset.

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

Volume Growth – Current period volume divided by prior period volume minus 1.

This ratio measures how much the sales volume of the company increased or decreased from prior period's level. A ratio greater than zero indicates that the company's volume is growing as against comparative period.

Sales Growth – Current period sales revenue divided by prior period sales revenue minus 1.

This ratio measures how much the sales revenue account of the company increased or decreased from prior period's level. This is a function of both volume and price change from period to period. A ratio greater than zero indicates that the company's sales revenue increased compared to previous period.

Operating Margin – Income from operating activities divided sales.

This ratio measures how much profit the company derives from every peso sale made after deducting direct costs and selling and operating expenses. The higher the ratio the greater return is realized by the company from its core business activities.

OTHER MATTERS

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- Other than the resurgence of the COVID-19 pandemic and the ongoing war between Russia and Ukraine which pose a risk for the Company as with other businesses broadly affected thereby, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets.

The following are the significant contractual obligations and commitments of the Company, default under which will most likely trigger direct or contingent financial obligations that is material to the Company:

- a. *Supply Agreements.* The Parent Company has assigned all its rights and obligations to PSTPL

(as Assignee) to have a term contract to purchase the Company's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), Kuwait Petroleum Corporation (KPC) 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 June 30, 2024, about 41% 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.

b. *Toll Service Agreement with Innospec Limited (Innospec)*. PFC entered into an agreement with Innospec, a leading global fuel additives supplier, in December 2006. Under the agreement, PFC shall be the exclusive toll blender of Innospec's fuel additives sold in the Asia-Pacific region consisting of the following territories: South Korea, China, Taiwan, Singapore, Cambodia, Japan and Malaysia.

PFC will provide the tolling services which include storage, blending, filling and logistics management. In consideration of these services, Innospec will pay PFC a service fee based on the total volume of products blended at PFC Fuel Additives Blending facility.

Tolling services started in 2008 on which PFC recognized revenue amounting to ₱19, ₱76, ₱110 and ₱96 in in the first three months of 2024, and for the years ended 2023, 2022, and 2021, respectively.

c. *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 ₱191, starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. 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.

- The effects of seasonality or cyclicity on the interim operations of the Company's business is not material. The Company's operation is not affected by seasonal demand and supply similar to other basic commodities.
- There were no material off-statements of financial position transactions, arrangements, obligations including contingent obligations), and other relationship of the Company with unconsolidated entities

or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Company as at and for the period March 31, 2024.

INTEREST OF NAMED EXPERTS AND COUNSEL

Legal Matters

All legal issues relating to the issuance of the Preferred Shares which are subject of this Offer shall be passed upon by SyCip Salazar Hernandez & Gatmaitan (“**SyCip Law**”) for the Joint Lead Underwriters and Bookrunners, and Picazo Buyco Tan Fider & Santos (“**Picazo Law**”) for the Company.

SyCip Law and Picazo Law have no direct or indirect interest in Petron. However, SyCip Law and Picazo Law may, from time to time be engaged by the Company to advise on the transactions of the Company and perform legal services on the same basis that SyCip Law and Picazo Law provide such services to its other clients.

Independent Auditors

The consolidated financial statements of Petron as at December 31, 2023, 2022 and 2021 have been audited by R.G. Manabat & Co., a member firm of KPMG, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Offer Supplement.

The Company’s Audit and Risk Management Committee of the Board reviews and approves the scope of audit work of the independent auditors and the amount of audit fees for a given year. The financial statements will then be presented for approval by the stockholders in the annual meeting. As regards to services rendered by the external auditor other than the audit of financial statements, the scope of and amount for the same are subject to review and approval by the Audit and Risk Management Committee.

The Company’s audit fees for each of the last three fiscal years for professional services rendered by the external auditor were ₱7.1 million, ₱7.0 million, and ₱6.7 million for 2023, 2022 and 2021, respectively. Said fees include compensation for audit services and other related services such as review and agreed-upon procedures. There were no fees paid for accounting, compliance, advisory, planning and any other form of tax. There were no other fees paid to the independent auditors other than for the above-described services.

Changes in and Disagreements with Accountants

The Company has not had any changes in or disagreements with its independent accountants/auditors on any matter relating to financial or accounting disclosures.

No interest in the Company

There is no arrangement that any of the foregoing experts shall receive a direct or indirect interest in the Company or was a promoter, co-manager, voting trustee, director, officer, or employee of the Company.

REGULATORY AND ENVIRONMENTAL MATTERS

The statements herein are based on the laws in force as of the date of this Offer Supplement and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.

GENERAL BUSINESS REGULATORY FRAMEWORK

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the notable amendments in the Revised Corporation Code are as follows: (i) corporations are now generally given a perpetual existence; (ii) a new section on one-person corporation was added; (iii) the requirement that at least 25% of the authorized capital stock must be subscribed, and at least 25% of the subscribed shares must be paid-up upon incorporation was removed; (iv) stockholders can now vote in absentia; (v) incorporators now include any person, partnership, association or corporation; and (vi) the powers of the SEC to prosecute and investigate offenses under the Revised Corporation Code have been expanded.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

Republic Act No. 10667, otherwise known as the Philippine Competition Act (“**PCA**”), was signed into law on July 21, 2015 and took effect on August 8, 2015. This Act aims to codify anti-trust laws in the Philippines and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities. It prohibits anti-competitive agreements between or among competitors, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (“**PCC**”), an independent quasi-judicial agency to be composed of five commissioners. Among the PCC’s powers are to: review proposed mergers and acquisitions, conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

On June 3, 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act (“**IRR**”). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion (“**Size of Party**”) and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the IRR (“**Size of Transaction**”); while Parties to a joint venture transaction shall also be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

The Size of Party and Size of Transactions have been gradually increased by the PCC to ensure that the thresholds maintain their real value over time and relative to the size of the economy. Beginning March 1, 2019 and for every subsequent year, the notification thresholds will be indexed based on the official estimates by the Philippine Statistics Authority of the nominal GDP growth for the previous calendar year rounded up to the nearest hundred million.

Under Commission Resolution No. 02-2020, effective March 1, 2020, the threshold in relation to the Size of Party was increased to ₱6,000,000,000.00, and the threshold for the Size of Transaction was increased to ₱2,400,000,000.00.

On September 11, 2020, in response to the COVID-19 pandemic, President Rodrigo Duterte signed into law Republic Act No. 11494, otherwise known as the “Bayanihan to Recover as One Act” which became effective on September 15, 2020. Under the Bayanihan to Recover as One Act, all mergers and acquisitions entered into within a period of two (2) years from its effectivity, with transaction values below ₱50 billion shall be exempt from compulsory notification under the PCA. In addition, the PCC’s power to review mergers and acquisitions motu proprio shall be suspended for one (1) year from effectivity of the Bayanihan to Recover as One Act. The PCC issued Memorandum Circular No. 20-003 reiterating the foregoing exemptions and clarified that mergers and acquisitions entered into prior to the Bayanihan to Recover as One Act which exceed the following thresholds: (a) Size of Party exceeds ₱6.0 billion; and (b) Size of Transaction exceeds ₱2.4 billion, are still subject to compulsory notification under the PCA, and all mergers and acquisitions entered into prior to the effectivity of the Bayanihan to Recover as One Act may still be subject to the motu proprio review of the PCC. On October 5, 2020, the PCC issued the Rules for the Implementation of Section 4 (eee) of Republic Act No. 11494, Otherwise Known as the “Bayanihan to Recover as One Act”, Relating to the Review of Mergers and Acquisitions.

With the lapse of the two-year period provided under the Bayanihan to Recover as One Act and the growth of the nominal Gross Domestic Product of the country, Commission Resolution No. 18-2022 was issued, effective September 16, 2022, to increase the threshold in relation to the Size of Party to ₱6,100,000,000.00, and the threshold for the Size of Transaction to ₱2,500,000,000.00. The thresholds were further increased with the issuance of Commission Resolution No. 04-2023. Effective March 1, 2023, parties to a merger or acquisition are required to provide notification when the Size of the Party exceeds ₱7,000,000,000.00 and the Size of Transaction exceeds ₱2,900,000,000.00.

The latest issuance of the PCC on this matter is Commission Resolution No. 01-2024, which provides that effective March 1, 2024, parties to a merger or acquisition are required to provide notification when the Size of a Party exceeds ₱7,800,000,000.00 and the Size of the Transaction exceeds ₱3,200,000,000.00.

Foreign Investments Act of 1991

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 (“**FIA**”), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Twelfth Regular Foreign Investment Negative List (the “**Negative List**”). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40.0%. A corporation with more than 40.0% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by

such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants. However, the Philippine Department of Justice (“DOJ”) issued an opinion to the effect that the exploration, development and utilization of solar, wind, hydro and ocean or tidal energy sources is not subject to the 40% foreign equity limitation and thus, may be wholly-owned by foreign nationals. In DOJ Opinion No. 21, Series of 2022 dated September 29, 2022, the DOJ opined that solar, wind, hydro and ocean or tidal energy sources are inexhaustible and, therefore, not within the ambit of the term “natural resources” in Article XII, Section 2 of the Philippine Constitution.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100.0% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of Philippine Nationals;
- Provided, That where a corporation and its non-Filipino stockholders own stocks in a SEC-registered enterprise, at least 60.0% of the capital stocks outstanding and entitled to vote of both corporations must be owned and held by citizens of the Philippines and at least 60.0% of the members of the Board of Directors of both corporations must be citizens of the Philippines, in order that the corporations shall be considered a Philippine national.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the “**Narra Nickel Case**”), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders’ own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation’s Filipino equity falls below 60.0%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

Land Ownership

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that, save in cases of hereditary succession, no private land shall be transferred or conveyed except to citizens of

the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Intellectual Property Code

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten (10) years and may be renewed for periods of ten (10) years at its expiration.

Data Privacy Act of 2012

Republic Act No. 10173 or the Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission ("**Privacy Commission**").

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its IRR took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the Privacy Commission. The IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

Electronic Commerce Act

Republic Act No. 8792 or the Electronic Commerce Act of 2000 ("**R.A. No. 8792**") aims to facilitate domestic and international dealings, transactions, arrangement agreements, contracts and exchanges and storage of information through the utilization of electronic, optical and similar medium to promote the universal use of electronic transaction in the government and general public.

R.A. No. 8792 restricts access to an electronic file, or an electronic signature of an electronic data message or electronic document only in favor of the individual or entity having a legal right to the possession or the use of plaintext, electronic signature or file and solely for the authorized purposes.

The law also ensures confidentiality and prohibits any person who obtains access to any electronic key, electronic data message, electronic document, book, register, correspondence, information, or other material pursuant to any powers conferred under the said law, from conveying to or sharing the same with any other person, except for purposes expressly authorized by law. The implementing rules of the law provides that the electronic key for identity or integrity shall not be made available to any person or party without the consent of the individual or entity in lawful possession of that electronic key.

The law clarifies that violations of the Consumer Act of the Philippines or Republic Act No. 7394 and other related laws through transactions covered by or using electronic data messages or electronic documents shall be penalized with the same penalties as provided therein.

Registration under the Board of Investments (“BOI”)

Under the Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25.0% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday, (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

On April 12, 2019, Republic Act No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under Executive Order No. 226, as amended, and any other applicable laws for 10 years from the effectivity of the Act. Said energy efficiency projects shall also be exempt from the requirements provided under Article 32(1) of Executive Order No. 226. Energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto: provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

In view of the effectivity of the CREATE Law (discussed below), registered business enterprises with incentives granted prior to the effectivity of the CREATE Law shall be subject to the following rules:

- (i) registered business enterprises whose projects or activities were granted only an income tax holiday prior to the effectivity of the law shall be allowed to continue to avail of the income tax holiday for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the income tax holiday but have not yet availed of such incentive upon the effectivity of the law may use the income tax holiday for the period specified in the terms and conditions of their registration;
- (ii) registered business enterprises whose projects or activities were granted an income tax holiday prior to the effectivity of the law and that are entitled to 5% tax on gross income earned incentive after the income tax holiday shall be allowed to avail of the 5% tax on gross income incentive subject to the 10-year limit under the CREATE Law; and
- (iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue of such tax incentive for 10 years.

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 (“**LGC**”) establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every LGU shall exercise the powers expressly granted, those

necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

The power to tax and police power is exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Labor and Employment

The Department of Labor and Employment (“**DOLE**”) is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines and the Occupational Safety and Health Standards (which sets out, among others, the guidelines applicable to different establishments intended for the protection of every workingman against the dangers of injury, sickness or death through safe and healthful working conditions), as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

Social Security System, PhilHealth, and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 11199, the Social Security Act of 2018 to ensure coverage of employees following procedures set out by the law and the SSS. Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

The failure of the employer to comply with any of its obligations may lead to sanctions, including the imposition of a fine of not less than ₱5,000.00 nor more than ₱20,000.00, or imprisonment for not less than six years and one day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.

Employers are likewise required to ensure enrolment of its employees in a National Health Insurance Program (“**NHIP**”) administered by the Philippine Health Insurance Corporation, a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, the National Health Insurance Act of 2013.

On February 20, 2019, Republic Act No. 11223, the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types: (i) direct contributors, and (ii) indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program. An employer who fails or refuses to register its employees, regardless of their employment status, or to deduct contributions from its employees’ compensation or remit the same to our Corporation shall be punished with a fine of not less than ₱5,000.00 multiplied by the total number of employees of the firm.

Under Republic Act No. 9679, the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2.0% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2.0% of the employee's monthly compensation, and remit the contributions to the HDMF. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but not more than twice the amount involved, or imprisonment of not more than six years, or both such fine and imprisonment. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines and deportation when the offender is a foreigner.

The Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: fifteen days' salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

Other Labor-Related Laws and Regulations

Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the DOLE issued DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, as Amended ("**D.O. No. 174-17**"), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No. 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal, and the contractor or subcontractor does not have substantial capital, or the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. D.O. No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

The Department Order provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing

the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

DOLE Mandated Work-Related Programs

Under Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

Consumer Act of the Philippines

Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines (“**Consumer Act**”), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer’s health and safety; (c) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labeling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

REGULATIONS RELATING TO THE FUEL AND OIL BUSINESS

Philippines

Oil Deregulation Act

The Oil Deregulation Act provides the regulatory framework for the downstream oil industry of the country.

Under the Oil Deregulation Act, any person or entity may import or purchase any quantity of crude oil and petroleum products from foreign and domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirement, provided that, among others such person or entity complies with certain requirements such as giving of prior notice to the DOE for monitoring purposes. The same law declared as policy of the state the liberalization and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high-quality petroleum products.

To ensure the attainment of these objectives, the DOE, in consultation with relevant government agencies, promulgated the Implementing Rules and Regulations of the Oil Deregulation Act on March 11, 1998 through Department Circular No. 98-03-004. The rules require any person or entity engaged in any activity in the downstream oil industry to comply with the notice, reportorial, quality, health, safety and environmental requirements set forth therein.

The DOE is the lead government agency overseeing the oil sector. With the enactment of the Oil Deregulation Act, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board, leaving price-setting to market forces. DOE's current function is solely to monitor prices and violations under the law, which includes prohibited acts such as cartelization and predatory pricing.

Other functions of the DOE under the Oil Deregulation Act include the following:

- monitoring and publishing the daily international crude oil prices, following the movements of domestic oil prices, monitoring the quality of petroleum and stopping the operation of businesses involved in the sale of petroleum products which do not comply with national standards of quality;
- monitoring the refining and manufacturing processes of local petroleum products to ensure clean and safe technologies are applied;
- maintaining a periodic schedule of present and future total industry inventory of petroleum products to determine the level of supply;
- immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and
- in times of national emergency, when the public interest so requires, during the emergency and under reasonable terms, temporarily taking over or directing the operations of any person or entity engaged in the industry.

Promotion of Retail Competition

In November 2017, the DOE promulgated Department Circular No. DC 2017-11-011, or the Revised Rules and Regulations Governing the Business of Retailing Liquid Petroleum Products, (the "**Revised Retail Rules**"). The Revised Retail Rules apply to all persons engaged or intending to engage in the business of retailing liquid fuels such as gasoline, diesel, and kerosene.

A person intending to engage in the business of retailing liquid petroleum products must notify the Oil Industry Management Bureau ("**OIMB**") of its intention to engage in such activity and, upon compliance with the requirements under the Revised Retail Rules, secure a certificate of compliance ("**Certificate of Compliance**") from the OIMB. The certificate shall be valid for a period of five years. The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a Certificate of Compliance. Storage and dispensing of liquid fuels that are for own-use operation shall not be covered by the Revised Retail Rules only upon issuance of a Certificate of Non-Coverage by the DOE.

The Revised Retail Rules likewise imposes: (i) mandatory standards and requirements for new retail outlets and minimum facility requirements for existing retail outlets; (ii) rules and procedures relating to fuel storage, handling, transfer and/or dispensing of liquid fuels; (iii) requirements of other types of retail outlets; (iv) the conduct of inspection and monitoring by the OIMB; (v) rules and procedures relating to liquid fuels quantity and quality; and (vi) fines and/or sanctions against prohibited acts.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. Prohibited acts include illegal trading, adulteration, underdelivering, refusal/ obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of prohibited acts under the Revised Retail Rules.

LPG Laws and Regulations

LPG Industry Regulation Act

Republic Act No. 11592 or the LPG Industry Regulation Act ("**LPG Industry Regulation Act**"), was signed into law on October 14, 2021. The law lists down the responsibilities of LPG Industry Participants, including compliance with Philippine National Standards and LPG-related issuances and guidelines, observation of safety practices and entering into contracts only with authorized LPG Industry Participants. The law also provides additional responsibilities specific to each type of LPG Industry Participant, including bulk suppliers, bulk distributors, haulers, refillers, trademark owners, dealers and retail outlets. These players must be registered in a central database to be created by the DOE. The law further provides for the requirement of securing a License to Operate from the DOE to be an authorized LPG Industry Participant.

The LPG Industry Regulation Act introduced two (2) new programs: the LPG Cylinder Improvement Program and the LPG Exchange and Swapping Program. The LPG Cylinder Improvement Program is a system that aims to ensure the quality of all LPG cylinders in circulation with the goal of protecting the end-consumers. The LPG Exchange and Swapping Program is a system that allows end-consumers to exercise their freedom of choice in the purchase of LPG-filled cylinders through LPG cylinder exchange and LPG cylinder swapping.

The law likewise provides for prohibited acts, including engaging in LPG industry-related activities without the required licenses, certificates, and permits, manufacturing, selling, fabricating or refilling filled and unfilled LPG cylinders without the express approval of the trademark owner, and selling or distributing refilled LPG cartridges and cylinders without a seal or tampered seal.

The Implementing Rules and Regulations of the LPG Industry Regulation Act as provided by the DOE-DTI Joint Department Circular No. JDC2022-05-0001 establishes the regulatory framework for the safe operations of the LPG industry, delineating the powers and functions of various government agencies, defining, and penalizing certain prohibited acts.

B.P. 33

Batas Pambansa Blg. 33, as amended by Presidential Decree No. 1865, provides for certain prohibited acts inimical to public interest and national security involving petroleum and/or petroleum products. These prohibited acts include, among others, (i) illegal trading in petroleum and/or petroleum products, and (ii) underdelivery or underfilling beyond authorized limits in the sale of petroleum products or possession of underfilled LPG cylinder for the purpose of sale, distribution, transportation, exchange or barter. For this purpose, the existence of the facts hereunder gives rise to the following presumptions:

- a. That cylinders containing less than the required quantity of LPG which are not property identified, tagged and set apart and removed or taken out from the display area and made accessible to the public by marketers, dealers, sub-dealers or retail outlets are presumed to be for sale;
- b. In the case of a dispensing pump in a petroleum products retail outlet selling such products to the public, the absence of an out-of-order sign, or padlocks, attached or affixed to the pump to prevent delivery of petroleum products therefrom shall constitute a presumption of the actual use of the pump in the sale or delivery of such petroleum products; and

- c. When the seal, whether official or of the oil company, affixed to the dispensing pump, tank truck or LPG cylinder, is broken or is absent or removed, it shall give rise to the presumption that the dispensing pump is underdelivering, or that the LPG cylinder is underfilled, or that the tank truck contains adulterated finished petroleum products or is underfilled.

The use of such pumps, cylinders or containers referred to in sub-paragraph (a), (b), and (c) above, to deliver products for sale or distribution shall constitute prima facie evidence of intent of the hauler, marketer, refiller, dealer or retailer outlet operator to defraud.

Under the said law, "illegal trading in petroleum and/or petroleum products" is understood to mean, among others, (1) the sale or distribution of petroleum products without license or authority from the OIMB, (2) non-issuance of receipts by licensed oil companies, marketers, distributors, dealers, subdealers and other retail outlets, to final consumers; provided: that such receipts, in the case of gas cylinders, shall indicate therein the brand name, tare weight, gross weight, and price thereof, (3) refilling of LPG cylinders without authority from the Oil Industry Management Bureau, or refilling of another cylinders of a company or firm without written authorization of such Company or Firm, and (4) marking or using in such cylinders a tare weight other than the actual or true tare weight thereof.

"Underfilling" or "underdelivery" refers to a sale, transfer, delivery or filling of petroleum products of a quantity that is actually beyond authorized limits than the quantity indicated or registered on the metering device of container. This refers, among others, to the quantity of petroleum retail outlets or to LPG in cylinder or to lube oils in packages.

Republic Act No. 9514 IRR

The Implementing Rules and Regulations of Republic Act No. 9514 or the Fire Code of 2008 also outlines requirements for storage and handling of LPG by outside bulk LPG stores and filling stations and the transportation of LPG which require, among others, that during the unloading or transfer of LPG, the tank truck shall be located or parked clear of a public thoroughfare, unless the failure to transfer would create a hazard or it is impossible due to topography.

LPG Industry Rules

In January 2014, the DOE issued Department Circular 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry (the "**LPG Industry Rules**"). The LPG Industry Rules apply to all persons engaged or intending to engage in the business of importing, refining, refilling, marketing, distributing, handling, storing, retailing, selling and/or trading of LPG.

A Standards Compliance Certificate ("**SCC**") from the OIMB is required before engaging in any LPG Industry Activity. The SCC is valid for a maximum of three (3) calendar years from date of issue and may be renewed. LPG Industry participants must also submit certain reports to the OIMB.

The LPG Industry Rules also imposes (i) minimum standards and requirements for refilling and transportation of LPG; (ii) qualifications and responsibilities for LPG Industry participants such as bulk suppliers, refillers, marketers, dealers, and retail outlets.

Brand owners whose permanent mark appears on the LPG cylinder are presumed under the rules as the owner thereof, irrespective of their custody, and shall ensure that its cylinders comply with all required quality and safety standards. The owner of the cylinders is also required to secure product liability insurance for any liability that may result from an unsafe condition of LPG cylinders.

In January 2022, the DOE issued Joint Department Circular No. JDC2022-05-0001, or the Rules and Regulations Implementing the LPG Industry Regulation Act (the "**LPG Industry Regulation Act IRR**") to establish the regulatory framework for the safe operations of the LPG industry, delineating the powers and functions of various government agencies, defining, and penalizing certain prohibited acts. The LPG Industry Regulation IRR states that the LPG Regulation Act applies to (a) importation, refining, storing, exporting, refilling, transportation, distribution, and marketing of LPG; (b) importation, manufacture, requalification, repair, exchange, swapping improvement, and scrapping of LPG

pressure vessels, whichever is applicable; and (c) safe operations of the entire LPG industry including all LPG facilities and the residential, commercial, industrial, and automotive use of LPG.

Rules Pertinent to Auto-LPG Motor Vehicles

On February 13, 2007, the DOE issued DOE Circular No. DC 2007-02-0002 entitled “Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas for Automotive Use” (the “**Auto-LPG Rules**”). The Auto-LPG Rules govern the business of supplying, hauling, storage, handling, marketing and distribution of LPG for automotive use.

Under the rules, an Auto-LPG Industry Participant is required to secure from the DOE through the OIMB, an SCC before it can operate. The Auto-LPG also mandates all participants to observe a code of practice consisting of operational guidelines and procedures to ensure the safe operation in the auto LPG business. Illegal trading, adulteration and hoarding are likewise prohibited. Under the Auto-LPG Rules, the following shall constitute prima facie evidence of hoarding: (i) the refusal of Auto-LPG Dispensing Stations to sell LPG products for automotive use shortly before a price increase or in times of tight supply, and in both instances if the buyer or consumer has the ability to pay in cash for the product; (ii) the undue accumulation of Auto-LPG Dispensing Stations of LPG products for automotive use in times of tight supply or shortly before a price increase. For purposes of this Auto LPG Rules, “undue accumulation” shall mean the keeping or stocking of quantities of LPG products for automotive use beyond the inventory levels as required to be maintained by the Auto-LPG Dispensing Stations, for a period of thirty (30) days immediately preceding the period of tight supply or price increase.

The Land Transportation Office (“**LTO**”) also issued Memorandum Circular No. RIB-2007-891 or the “Implementing Rules and Regulations in the Inspection and Registration of Auto-LPG Motor Vehicles”. The Circular requires the device for the use of LPG as fuel by any motor vehicle to be installed only by the conversion/installing shop duly certified by the Bureau of Product and Standards (“**BPS**”) of the DTI under its Philippine Standards Certification Mark (“**PS Mark**”) scheme. The converted vehicle shall be subjected to an annual maintenance and inspection by the BPS certified conversion/installing shop. The BPS certified conversion/installing shop shall issue a corresponding Certificate of Inspection and Maintenance Compliance (“**CIMC**”).

Rules Relating to Retailing of Liquid Petroleum Products

In November 2017, the DOE promulgated Department Circular No. 2017-11-0011 or the Revised Rules and Regulations Governing the Business of Retailing Liquid Fuels (the “**Revised Retail Rules**”). The Revised Retail Rules apply to all persons engaged or intending to engage in the business of Retailing Liquid Fuels. Liquid Fuels refer to gasoline, diesel, and kerosene.

A person intending to engage in the business of retailing liquid petroleum products must notify the Oil Industry Management Bureau (“**OIMB**”) of its intention to engage in such activity and, upon compliance with the requirements under the Revised Retail Rules, secure a certificate of compliance (“**Certificate of Compliance**”) from the OIMB. The certificate shall be valid for a period of five (5) years. The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a Certificate of Compliance. Storage and dispensing of liquid fuels that are for own-use operation shall not be covered by the Revised Retail Rules only upon issuance of a Certificate of Non-Coverage (“**CNC**”) by the DOE.

The Revised Retail Rules likewise imposes: (I) mandatory standards and requirements for new retail outlets and minimum facility requirements for existing retail outlets; (ii) rules and procedures relating to fuel storage, handling, transfer and/or dispensing of liquid fuels; (iii) requirements of other types of retail outlets; (iv) the conduct of inspection and monitoring by the OIMB; (v) rules and procedures relating to liquid fuels quantity and quality; and (vi) fines and/or sanctions against prohibited acts.

The prohibited acts under the Revised Retail Rules include illegal trading, adulteration, underdelivering, refusal/obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of Prohibited Acts under the Revised Retail Rules.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. On June 6, 2019, the DOE issued Department Circular No. DC2019-06-0009, otherwise known as Implementing the Modified Philippine National Standard Specifications for Liquefied Petroleum Gases. This issuance mandates compliance to PNS/DOE Quality Standards (“QS”) 005:2016 and PNS DOE QS 012:2016, the latest standard specifications for LPG for non-motor fuel and motor fuel, respectively. Meanwhile, on December 9, 2020, the DOE issued Department Circular No. DC2020-12-0025, also known as Implementing the Philippine National Standard Specification for Kerosene. This, on the other hand, mandates compliance of all kerosene sold in the Philippines with PNS/DOE QS 009:2019 – Kerosene – Specifications. Under the issuance, petroleum fuel product adulteration, or the failure to meet the required product specifications at the bulk plants/depots as prescribed by the applicable products standards, and adulteration, or the possession and sale of liquid fuels that do not conform with quality standards, are considered prohibited acts.

The recently enacted LPG Industry Regulation Act IRR also regulates liquid petroleum products.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (the “**ECC**”) prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau (the “**EMB**”), determines whether a project is environmentally critical or located in an environmentally critical area. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement (“**EIS**”) to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“**IEE**”) to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is mandatory. The construction of major roads and bridges are considered environmentally critical projects for which EIS and ECC are mandatory. Presidential Proclamation No. 2146 also classified petroleum and petro-chemical industries as environmentally critical projects.

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project’s environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project’s abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

The Biofuels Act of 2006

Republic Act No. 9367, also known as “The Biofuels Act of 2006”, aims to reduce the dependence of the transport sector on imported fuel and, pursuant to such law, regulations mandate that all premium gasoline fuel sold by every oil company in the Philippines should contain a minimum 10% blend of bioethanol starting August 6, 2011. For diesel engines, the mandated biodiesel blend in the country was increased from 1% to 2% starting February 2009.

In June 2015, the DOE issued Department Circular No. DC 2015-06-005, or the Amended Guidelines on E-10 Implementation, which temporarily waives compliance by oil companies with the required bioethanol blend for premium plus grade gasoline products when supply of locally produced bioethanol products are insufficient to meet demand.

In 2008, a Joint Administrative Order known as the “Guidelines Governing the Biofuel Feedstock Production and Biofuel Blends Production, Distribution and Sale” (the “**Guidelines**”) was issued by various Philippine government agencies. The Guidelines mandate oil companies to blend biodiesel with diesel and bioethanol with gasoline. The Guidelines further require oil companies to source biofuels only from biofuel producers accredited by the DOE or from biofuel distributors registered with the DOE. Moreover, unless authorized by DOE to import in case of shortage of supply of locally-produced bioethanol as provided for under the Act, an oil company’s failure to source its biofuels from accredited biofuels producers and/or registered biofuel distributors would constitute a prohibited act under the Guidelines.

In June 2015, the DOE issued Department Circular No. DC 2015-06-007, or the Revised Guidelines on the Utilization of Locally-Produced Bioethanol (“**Revised Guidelines**”), which repealed Department Circular No. 2011-12-0013, or the “Guidelines on the Utilization of Locally-Produced Bioethanol in the Production of E-Gasoline Consistent with the Biofuels Act of 2006”. The Revised Guidelines require oil companies operating within the Philippines to secure and maintain a DOE accreditation as an “Oil Industry Participant in the Fuel Bioethanol Program” and submit to the OIMB certain reports in order for the OIMB to monitor the oil companies’ compliance with the Revised Guidelines, including an annual performance compliance report relating to the oil companies’ compliance with the minimum biofuel blends and monthly reports on compliance with local monthly allocations for the use of locally-sourced bioethanol. The Revised Guidelines further require oil companies to strictly comply with the Local Monthly Allocation (“**LMA**”). The LMA refers to the local bioethanol volume imposed on oil companies based on the committed volume by the local bioethanol producers of bioethanol available for lifting by the oil companies and computed and circulated by the OIMB.

In February 2016, the Congress of the Philippines promulgated Republic Act No. 10745, amending The Biofuels Act of 2006. The law allows natural gas power generation plants to use neat diesel (instead of the mandated biofuel blend) as alternative fuel during shortages of natural gas supply. The DOE issued Department Order No. 2016-07-0012 or the implementing rules and regulations for Republic Act No. 10745. This provides that the natural gas power generating plants with duly issued Certificate of Compliance from the Energy Regulatory Commission can avail of the use of neat diesel in the following instances:

- (a) During maintenance and/or shutdown of facilities used for the supply of natural gas such as pipelines, terminal, etc.;
- (b) During force majeure which adversely affect the supply of natural gas to natural gas power plants; or
- (c) Other analogous instances.

All suppliers of natural gas shall submit to the DOE their preventive maintenance schedule indicating the dates when the suppliers of natural gas would be critical. During force majeure events, the DOE shall determine the affected facilities for proper issuance of certification of the shortage of natural gas supplies.

Philippine Clean Air Act of 1999

Republic Act No. 8749, otherwise known as the “Philippine Clean Air Act”, provides more stringent fuel specifications over a period of time to reduce emission that pollutes the air. The Philippine Clean Air

Act specifies the allowable sulfur and benzene content for gasoline and automotive diesel. Under the law, oil firms are mandated to lower the sulfur content of automotive diesel oils to 0.05% by weight by January 1, 2004 nationwide. The law also prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or fuel additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for all types of fuel and fuel related products, to improve fuel consumption for increased efficiency and reduced emissions. The committee is guided by strict time-bound and quality-specific targets under the mandate of the Philippine Clean Air Act and the DOE initiative on alternative fuels.

Philippine Clean Water Act of 2004

In 2004, Republic Act No. 9275, or the “Philippine Clean Water Act”, was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country’s water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Philippine Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

On May 24, 2016, DENR issued DENR Administrative Order No. 2016-08, otherwise known as the Water Quality Guidelines and General Effluent Standards of 2016 (the “Water Quality Guidelines”), which apply to all water bodies in the Philippines. The guidelines set forth, among others: (a) the classification of water bodies in the Philippines, (b) determination of time trends and evaluation of stages of deterioration or enhancement in water quality, (c) the designation of water quality management areas and (d) the general effluent standards. On the general effluent standards, the Water Quality Guidelines provide that discharges from any point of source (regardless of volume) shall, at all times, meet the effluent standards prescribed by the guidelines to maintain the required water quality per water body classification. The general effluent standards apply regardless of the industry category. For purposes of implementing the Water Quality Guidelines, the DENR has extended a grace period of not more than five years from June 15, 2016 (i.e., the effectivity of the Water Quality Guidelines) to allow establishments to submit to the DENR a compliance action plan and a periodic status of implementation on the steps taken for the establishment’s compliance schedule within the grace period. The grace period shall include a moratorium on the issuance of cease and desist and/or closure order, fines and other penalties against the establishment’s operations.

Oil Pollution Compensation Act of 2007

Republic Act No. 9483, otherwise known as the Oil Pollution Compensation Act of 2007, imposes strict liability on the owner of the ship for any pollution damage caused within the Philippine territory. Pollution damage is the damage caused outside the ship by contamination due to the discharge of oil from the ship, as well as the cost of preventive measures to protect it from further damage.

The law also provides that any person who has received more than 150,000 tons of “contributing oil” (as explained below) in a calendar year in all ports or terminal installations in the Philippines through carriage by sea shall pay contributions to the International Oil Pollution Compensation Fund in accordance with the provisions of the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage. For this purpose, “oil” includes any persistent hydrocarbon mineral oil such as crude oil, fuel oil, heavy diesel oil and lubricating oil, whether carried on board a ship as cargo or in bunkers of such a ship.

A person shall be deemed to have received “contributing oil,” for purposes of determining required contributions, if he received such oil from another country or from another port or terminal installation within the Philippines, notwithstanding that this oil had already been previously received by him. Where

the quantity of contributing oil received by any person in the Philippines in a calendar year, when aggregated with the quantity of contributing oil received in the Philippines in that year by such person's subsidiaries or affiliates, exceeds 150,000 tons, such person, including its subsidiaries and affiliates, shall pay contributions in respect of the actual quantity received by each, notwithstanding that the actual quantity received by each did not exceed 150,000 tons. Persons who received contributing oil are required to report to the DOE. Contributing oil means crude oil and fuel oil as defined under Republic Act No. 9483.

Republic Act No. 9483 provides for the establishment of a fund to be constituted from, among others, an impost amounting to ten centavos per liter levied on owners and operators and tankers and barges hauling oil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund, will be in addition to the requirement under the 1992 Civil Liability Convention and 1992 Fund Convention and will be administered by the Maritime Industry Authority ("**MARINA**").

In April 2016, the Department of Transportation (then the Department of Transportation and Communications) promulgated the implementing rules and regulations of Republic Act No. 9483. Under the rules, oil companies are required to submit (a) reports on the amount of contributing oil received and (b) sales and delivery reports of persistent oil.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation.

The MARINA is responsible for integrating the development, promotion, and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA issued: (i) Circular No. 2007-01 which mandated the use of double-hull vessels including those below 500 tons deadweight tonnage by the end of 2008 for transporting Black Products; and (ii) Circular No. 2010-01 for transporting White Products in certain circumstances by 2011.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills. Oil companies, oil explorers, natural gas explorers, power plants/barges and tanker owners are also required to develop shipboard oil pollution emergency plans to be approved by the Philippine Coast Guard.

Moreover, both the Philippine Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution have the primary responsibility of conducting clean-up operations at its own expense.

Other Regulatory Requirements

Petroleum products are subject to Philippine National Standards ("**PNS**") specifications. The DTI, through the Bureau of Products Standards, ensures that all products comply with the specifications of the PNS.

Philippine government regulations also require the following: fire safety inspection certificates;

certificates of conformance of facilities to national or accepted international standards on health, safety and environment; product liability insurance certificates or product certificate of quality; and the ECC issued by the DENR for service stations and for environmentally-critical projects. These certificates have to be submitted to the DOE for monitoring (not regulation) purposes. Reports to the DOE are required for the following activities/projects relating to petroleum products: (a) refining, processing, including recycling and blending; (b) storing/ transshipment; (c) distribution/operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plant; (f) bunkering from freeports and special economic zones; and (g) importations of petroleum products and additives. In addition, importations of restricted goods require clearances from the proper governmental authorities.

Other Relevant Tax-related Regulations

Taxes and duties applicable to the oil industry have had periodic and unpredictable changes over the last several years. The import duty on crude oil was increased on January 1, 2005 from 3% to 5%, but was later reduced to 3% effective as of November 1, 2005.

Under Executive Order No. 527 dated May 12, 2006, upon certification by the DOE that the trigger price levels provided therein have been reached, the 3% import duty on crude oil shall be adjusted to 2%, 1% or 0%. Subsequently, Executive Order No. 850, which took effect on January 1, 2010, modified the rates of duty on certain imported articles in order to implement the Philippines' commitment to eliminate the tariffs rates on certain products under the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area ASEAN Trade in Goods Agreement ("**ATIGA**"). Under the ATIGA, crude oil and refined petroleum products imported from Association of Southeast Asian Nations ("**ASEAN**") Member States are levied zero rates. To address the tariff distortion between ASEAN and non-ASEAN Member States brought about by the implementation of the zero duty under Executive Order No. 850 and to provide a level playing field for local refiners to compete with importers, the President of the Philippines issued Executive Order No. 890, which also imposed zero duty effective as of July 4, 2010 for imported crude oil and refined petroleum products, except certain types of aviation gas, from Non-ASEAN Member States.

Republic Act No. 9337, also known as the "Expanded VAT Law", imposed a VAT of 10% on certain goods and services, including petroleum products and its raw materials, particularly the sale and importation thereof. The rate was further increased to 12% effective February 1, 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on November 21, 2006, removed the 70% ceiling on the credit of input VAT to output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to P4.35 per liter of volume capacity. In February 2012, the BIR issued Revenue Regulation ("**RR**") No. 2-2012 stating that VAT and excise taxes due on all petroleum and petroleum products that are imported and/or brought from abroad to the Philippines, including from the freeport and economic zones shall be paid by the importer to the Bureau of Customs. The BIR later issued Revenue Memorandum Circular No. 38-2017 to circularize the SC decision in GR No. 210588 promulgated on November 2016 which declared RR No. 2-2012 as null and void for being unconstitutional.

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**") took into effect. The TRAIN Law amended provisions of the Philippine Tax Code, among others, increasing excise tax rates of petroleum products. Excise tax rates on gasoline products were increased from ₱4.35 per liter to ₱7.00 per liter effective January 1, 2018, ₱9.00 per liter on January 1, 2019 and ₱10.00 per liter in January 1, 2020. Diesel and bunker fuel products which were previously not subject to excise taxes were imposed excise taxes at ₱2.50 per liter effective January 1, 2018 and increased further to ₱4.50 per liter on January 1, 2019 and ₱6.00 per liter on January 1, 2020.

Also in compliance with the TRAIN, the Philippine government is currently implementing a Philippine Fuel Marking Program to mark imported and refined petroleum products such as gasoline, diesel and kerosene to ensure that all downstream fuels are tax and duty paid. The fuel marking fee was paid by the government to the Fuel Marking Service Provider for the first year of implementation. For the second to fifth year of implementation, said fee shall be borne by petroleum companies on top of duties and taxes to be collected by the Bureau of Customs or the Bureau of Internal Revenue.

Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (“**CREATE Act**”) took effect on April 11, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives. The corporate income tax rate for domestic corporations and resident foreign corporations has been reduced to 25% effective July 1, 2021 and on January 1, 2021 for non-resident foreign corporations. Domestic corporations and resident foreign corporations no longer have an option to be taxed at 15% on gross income and the rate of the minimum corporate income tax shall be lowered to 1%. Under the CREATE Act, persons that directly import petroleum products for resale in the Philippine customs territory and/or in free zones will be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program and/or other tax-exempt sales by the importer. The CREATE Act also provides for the rationalization of tax incentives that may be granted by investment promotion agencies (such as the AFAB) to qualified registered business enterprises. As part of the rationalization of tax incentives, the CREATE Act provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person will be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, will be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the Bureau of Internal Revenue.

Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001, provides for parity tax treatment among imported oil and indigenous fuels. Prior to the enactment of this law, indigenous fuels were imposed with higher taxes due to royalties to the Philippine government.

Malaysia

Petroleum Development Act, 1974

The Petroleum Development Act, 1974 (the “**PDA**”), which took effect on October 1, 1974, and the Petroleum Regulation 1974, which was enacted pursuant to the PDA (the “**Petroleum Regulation**”), are the primary legislation governing upstream and downstream oil activities in Malaysia. Pursuant to the Petroleum Regulation, two government bodies are vested with powers to regulate all downstream activities, namely:

- a. the Ministry of International Trade and Industry (“**MITI**”), which is responsible for the issuance of licenses for the processing and refining of petroleum and the manufacture of petrochemical products; and
- b. the Ministry of Domestic Trade and Cost of Living (“**MDTCOL**”) – formerly known as Ministry of Domestic Trade, Cooperative and Consumerism (“**MDTCC**”), which is responsible for regulating the marketing and distribution of petroleum products.

The Company has obtained specific licenses from the MITI for the production of the Company’s products. Specific licenses are required pursuant to Section 6 of the PDA for the business of processing or refining petroleum or manufacturing petrochemical products from petroleum at the Port Dickson Refinery. Contravention of the provisions of the PDA or failure to comply with any term or condition of any permission granted thereunder is an offense and is subject to a fine not exceeding RM1 million or imprisonment for a term not exceeding five years or both.

Petroleum (Safety Measures) Act, 1984

The storage and handling of crude oil and oil products and the utilization of equipment and/or appliances used in the downstream oil industry in Malaysia are controlled and governed by the Petroleum (Safety Measures) Act, 1984 (the “**PSMA**”) and the regulations made thereunder. The PSMA also regulates the transportation of petroleum by road, railway, water, air and pipeline.

Beginning 2015, the entire regulations under PSMA are fully enforced by the Department of Occupational Safety and Health (DOSH) under the Ministry of Human Resources.

Biofuel Industry Act, 2007

The Biofuel Industry Act, 2007 (the “**MBIA**”) was enacted on July 18, 2007. The MBIA provides for the mandatory use of biofuel, the licensing of activities relating to biofuel and other matters connected and incidental thereto. The MBIA is designed to regulate the biofuel industry in Malaysia and to promote the mandatory use of Malaysia’s domestic palm biodiesel, which is a blend of 5% PME and 95% diesel. The MBIA empowers the Minister of Plantation Industries and Commodities to prescribe (a) the percentage by volume of palm oil and/or methyl ester to be blended in any fuel or (b) the activities in which the use of (i) palm oil and/or methyl ester, (ii) palm oil and/or methyl ester blended with any other fuel or (iii) any other biofuel is to be made mandatory. The MBIA limits the percentage of PME that can be used in a biodiesel mix to a maximum of 5%.

In October 2014, the Malaysian Government announced the implementation of the B7 programme (blending of 7% PME and 93% diesel) for the subsidized sector. Implementation was completed in the second quarter of 2015. The use of B7 Bio-Diesel was implemented for use in the industrial sector, with an exception being given to power generation companies or other industries where the use of Bio-Diesel would not be possible due to mechanical specifications. In December 2018, the Government implemented the sale of B10 Bio-Diesel (blending of 10% PME and 90% diesel) from the current B7 Bio-Diesel in service stations.

PME content in retail diesel was increased from 10% to 20% starting with Langkawi and Labuan in January 2020 and Sarawak in September 2020, whereas the implementation in Sabah and Peninsular Malaysia has been delayed due to COVID-19 pandemic.

Sale and Pricing of Refined Petroleum Products

Control of Supplies Act, 1961

The Control of Supplies Act, 1961 (the “**CSA**”) was enacted primarily to regulate, prohibit and control the movement of controlled articles in Malaysia. The CSA also regulates the distribution of any controlled article and limits the quantity of any controlled article that may be acquired or held by any person. Petrol, motor spirit, or motor gasoline of all grades, diesel fuel and LPG have all been classified as controlled articles under the CSA.

Pursuant to the Control of Supplies Regulations 1974, issued pursuant to the CSA, a license is required for any person to deal, by wholesale or retail, in any scheduled article (including petrol, motor spirit, or motor gasoline of all grades, diesel fuel and LPG) or to manufacture any scheduled article. A separate license is required for each place of business where the scheduled article is manufactured or sold. The Controller of Supplies has the authority to enforce the rules and regulations provided in the CSA and related regulations.

Automatic Pricing Mechanism (“APM”)

The compliance, enforcement and monitoring of APM is under Regulation 12A of the Control and Supply Regulations 1974 (Control of Supplies Act 1961).

The Malaysian government generally mandates fixed prices for (a) sales of formulated unleaded gasoline fuel with an octane index of 95 (“**Mogas 95**”), (b) diesel to retail customers, as well as to the commercial transportation and fisheries sectors, and (c) LPG to retail customers, to ensure that increases in international prices of crude oil and petroleum products are not borne fully by consumers of such products in Malaysia. The Malaysian government subsidizes sales of these products using a formula known as the APM. A subsidy is payable to the Company pursuant to the APM if the mandated price of the relevant product is less than the total built-up cost (as described below) of such product. Conversely, a duty is payable by the Company if the mandated price of the relevant product exceeds the total built-up cost of such product.

Since January 2020, the total built-up cost is determined by aggregating the cost of the relevant product and certain predetermined government-specified amounts, as follows:

	Mogas 95	Mogas 97	Diesel	Retail LPG
Cost of Product	Based on MOPS	Based on MOPS	Based on MOPS	Based on Saudi CP
Alpha	5 sen/liter	5 sen/liter	4 sen/liter	USD80/MT
Freight, Distribution and Marketing Cost*	9.54 sen/liter	9.54 sen/liter	9.54 sen/liter	Peninsular Malaysia: 38.95 sen/kg Sabah: 72.10 sen/kg Sarawak: 71.26 sen/kg
Oil company margin	5 sen/liter	5 sen/liter	2.25 sen/liter	11.35 sen/kg
Dealer Margin	15 sen/liter	15 sen/liter	10 sen/liter	35.00 sen/kg

*Prior to 2018 Operating Cost standardization, the freight, distribution and marketing cost for Sabah and Sarawak were 8.98 sen/liter and 8.13 sen/liter, respectively.

The specified amounts for alpha, freight, distribution and marketing cost, oil company margin and dealer margin are fixed by the Malaysian government and subject to change. The Malaysian government last revised the freight, distribution and marketing cost in January 2018 for East Malaysia. In January 2019, the dealer's margin was revised, while the alpha for Mogas 97 was last revised in January 2020 for all states. For retail LPG, the alpha and dealer margin for all states, and the freight, distribution and marketing costs for the states of Sabah and Sarawak, were revised upwards in June 2015.

Effective March 30, 2017, the Malaysian government implemented a managed float system under which the government fixes the government-mandated retail prices for RON 95 and RON 97 petroleum and diesel on a weekly basis based on MOPS.

As of February 2021, the Malaysian government-mandated retail prices for the products that are covered by the APM are at RM 2.05 per liter for Mogas 95 and RM 2.15 per liter for diesel. Nevertheless, effective as of June 10, 2024, the Malaysian government moved to remove the subsidy on diesel in Peninsular Malaysia thereby raising the price of diesel to RM3.35 per liter. However, to contain any negative impact on the economy (such as a substantial increase in prices that will impact the cost of living), the Malaysian government, via its targeted subsidy scheme, enabled 23 'targeted' types of commercial vehicle groups to continue to receive subsidy. The government-mandated price for LPG is at RM 1.90 per kilogram. In addition, the government also provides additional subsidy to selected public transportation and fisheries sectors. The government-mandated diesel price for the fisheries sector is RM1.65 per liter whereas RM 1.8810 (Peninsular Malaysia), RM 1.8840 (Sabah) and RM 1.8780 (Sarawak) per liter applies to the public transportation sector.

The amount of the subsidies or duties varies from month to month for Mogas 95 and diesel. There are no duties on LPG and no limit on the subsidies for retail LPG.

The sale of diesel at the retail station in Malaysia is subject to a quota system to ensure that subsidized diesel is not sold illegally to industrial customers at unregulated prices. The Company's quotas are provided and regulated by the MDTCOL. Accordingly, the Company is required to manage its subsidized diesel sales on a bi-annual basis to ensure that such sales do not exceed the amount permitted under the approved quotas. The Company has a quota to sell diesel at all of its retail service stations in Malaysia. Customers in the commercial transportation and fisheries sectors are required to obtain their own quotas in order to be able to purchase diesel from the Company. The Company has also been licensed to supply distributors that are appointed by the Malaysian government to sell diesel to unbranded mini stations and to collect subsidies in respect of such sales. If the Company requires an increase in its approved quota due to higher demand, it may apply with the MDTCOL for a quota

increase. However, if the Company sells more subsidized diesel than is permitted under the approved quotas, it will not be eligible to receive government subsidy in respect of the sales that exceed the approved quotas.

Customers in the selected public transportation and fisheries sectors are required to obtain their own quotas in order to be able to purchase diesel from the Company at the price mandated by the government for both sectors. The Company has also been licensed to supply distributors that are appointed by the Malaysian government to sell diesel to mini stations and to collect subsidies in respect of such sales.

Environmental Laws

Environmental Quality Act, 1974

The Environmental Quality Act, 1974 (the “**EQA**”) governs the prevention, abatement and control of pollution and enhancement of the environment in Malaysia and covers, among other things, oil spills and pollutants on land and in Malaysian waters. The EQA, which was introduced by the Malaysian government to promote environmentally sound and sustainable development restricts atmospheric, noise, soil and inland-water pollution without a license, prohibits the discharge of oil and waste into Malaysian waters without a license and prohibits open burning. The Department of Environment (the “**MDOE**”) is the regulatory body responsible for administering the EQA and any regulations and orders made thereunder.

The MDOE will also have responsibility for monitoring the implementation of and compliance with Euro 4M and Euro 5 standards in Malaysia, which are the Malaysian equivalent of Euro IV and Euro V standards. The main change from Euro 2M standards to Euro 4M and Euro 5 standards for Mogas and Diesel is the reduction in sulfur content, consistent with Euro IV and Euro V standards. Euro 4M for RON 97 was implemented in September 2015. The implementation of Euro 4M and Euro 5 fuels will be in phases: Euro 4M for RON 95 had been implemented since January 1, 2019, Euro 5 (sulfur specification only) for Diesel by April 1, 2021, and Euro 5 (of all other parameters) for Diesel by April 1, 2023, RON 95 and RON 97 by the year 2027.

The Malaysian government has mandated that RON 95 and RON 97 sold in Malaysia must comply with Euro 5 specifications by 2027. The Malaysian government, however, has proposed to accelerate the date of implementation, subject to the agreement of all stakeholders, to 2025. This is in line with the move by downstream oil companies in Malaysia, including the Company, that introduced and supplied Euro 5 standards earlier in service stations. Hence, Euro 5 compliance for Mogas will be done in phases starting 2025 and full compliance in 2027.

Other Laws

Companies Act, 2016

The Companies Act which came into effect on January 1, 2017, governs the incorporation and registration of companies in Malaysia. The agency that oversees such incorporation is the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia) (“**CCM**”).

Under the Companies Act, a corporation’s existence does not have an expiration but may be terminated through dissolution by: (i) the winding up of the company, either voluntarily or pursuant to an order of the court; or (ii) the striking out by the Registrar and Paying Agent, in the exercise of its discretionary powers, of the name of the company based on any of the grounds provided under the Companies Act.

By virtue of an amendment to the Companies Act in 2024, which took effect on 1 April 2024, the Companies Commission now requires each company to report its beneficial ownership as part of its ‘Beneficial Ownership and Nominees Reporting Framework’.

Malaysian Corporate Governance Code

The Securities Commission Malaysia released the new Malaysian Code on Corporate Governance (“**MCCG**”) on April 26, 2017, which takes effect immediately. The MCCG is a set of best practices to

strengthen corporate culture anchored on accountability and transparency.

On April 28, 2021, a revised Corporate Governance Code was issued by the Securities Commission Malaysia. The revised provisions have no material impact to Petron Malaysia Refining & Marketing Bhd's compliance with the MCCG.

Other Regulatory Requirements

The Company has a general duty pursuant to the Occupational Safety and Health (Amendment) Act 2022 (replacing Occupational Safety and Health Act, 1994) and the regulations made thereunder to (a) provide and maintain plants and systems of work that are, to the extent practicable, safe and without risks to health, (b) provide information, instruction, training and supervision to ensure, to the extent practicable, the safety and health of the Company's employees at work and (c) provide a working environment that is, to the extent practicable, safe, without risk to health and adequate with respect to facilities related to employee welfare at work. The Company also has a duty to ensure, to the extent practicable, that other persons who are not employees of the Company are not affected by, and are not exposed to risks to their safety or health by, the conduct of the Company's business. As the Company employs more than 100 employees in Malaysia, it must employ a safety and health officer, who is tasked with ensuring the due observance of statutory obligations with respect to workplace health and safety and the promotion of safe work conduct at the workplace.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Preferred Shares. The statements made regarding taxation in the Philippines are based on the laws in force at the date of this Offer Supplement and are subject to any changes in law occurring after such date. The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Shares. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Preferred Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates or tax incentives under special laws. Prospective purchasers of the Preferred Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Preferred Shares.

The tax treatment applicable to a holder of the Preferred Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Preferred Shares.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines". A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

The term "non-resident holder" means a holder of the Preferred Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- should an income tax treaty be applicable, whose ownership of the Preferred Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

Philippine Taxation

On January 1, 2018, Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" Act (or the TRAIN Act), took effect. The TRAIN Act amended provisions of the Tax Code including provisions on documentary stamp tax ("**DST**"), capital gains tax, tax on interest income and other distributions, estate tax, and donor's tax.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises bill was signed into law as Republic Act No. 11534, otherwise known as the CREATE Act. The CREATE Act serves as a follow-up to Package 1 of the CTRP. The main amendment of CREATE Act is the reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. For domestic corporations, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the MCIT was lowered to 1%, effective July 1, 2020 to June 30, 2023. However, effective July 1, 2023, the MCIT rate reverted to its previous rate of 2% based on the gross income of the corporation. Under Revenue Memorandum Circular ("**RMC**") No. 36-2024, in computing the MCIT, the gross income shall be divided by 12 months to get the average monthly gross income and apply the rate of 1% for the period January 1 to June 30, 2023 and 2% for the period July 1 to December 31, 2023 and onwards.

Taxes on Transfer of Shares Listed and Traded on the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax, a sale, barter, exchange or other disposition of shares of stock listed at and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock

transaction tax at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed. The stock transaction tax is classified as a percentage tax and is paid in lieu of the capital gains tax. In addition, a value added tax of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the minimum public ownership (“MPO”) requirement (*i.e.*, the rule that requires listed companies to maintain a minimum percentage of listed securities held by the public or “public float” at 10% of such companies’ issued and outstanding shares, exclusive of treasury shares, at all times) after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. For further discussion on the MPO, see section on *The Philippine Stock Exchange - Amended Rule on Minimum Public Ownership*.

The sale of such listed company’s shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax.

Capital Gains Tax, if the Sale was Made Outside the PSE

The net capital gains realized by an individual taxpayer or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to a final tax at the rate of 15% beginning January 1, 2018. Net capital gains realized by resident and non-resident foreign corporations during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at but effected outside of the facilities of the local stock exchange, are also subject to the final tax rate of 15% based on the net capital gains realized during the taxable year.

Capital gains tax will also apply if the publicly listed company that issued the shares sold does not comply the MPO requirement.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor’s tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm’s length and free from donative intent) will be considered as made for an adequate and full consideration in money or money’s worth and will not be subject to donor’s tax.

Exemption from capital gains tax may be provided under income tax treaties executed between the Philippines and the country of residence or domicile of the non-resident holder. If an applicable income tax treaty exempts net gains from such sale from capital gains tax, either a request for confirmation on the propriety of the withholding tax applied or an application for tax treaty relief has to be filed with the BIR in accordance with Revenue Memorandum Order No. 14-2021 and Revenue Memorandum Circular No. 77-2021, and approved by the BIR, to avail of the exemption.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains, documentary stamp taxes, and other internal revenue taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to income tax at the rate of 10%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines from a domestic corporation are subject to a 20% tax on the gross amount thereof, while

cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines from a domestic corporation are subject to tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals and provided further that a request for confirmation or application for treaty relief is filed with and approved by the BIR.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are subject to withholding tax at the rate of 25%.

The 25% final withholding tax rate for inter-corporate cash and/or property dividends paid by a domestic corporation to a non-resident foreign corporation may be reduced depending on the country of domicile of the non-resident foreign corporation if it has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate depending on the provisions of the corresponding tax treaties. On the other hand, the tax rate for a country without a tax treaty may be reduced to 15% if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (ii) if the country of domicile of the non-resident foreign corporation allows a credit equivalent to 10% for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, a non-resident foreign corporation must file an application with the BIR for a confirmatory ruling on its entitlement pursuant to Revenue Memorandum Order No. 46-20 (Guidelines and Procedures for the Availment of the Reduced Rate of 15% on Intercompany Dividends Paid by a Domestic Corporation to a Non-resident Foreign Corporation Pursuant to Section 28 (B) (5) (b) of the National Internal Revenue Code of 1997, as Amended, dated December 23, 2020). The application has to be filed within 90 days from “the remittance of the dividends or from the determination by the foreign tax authority of the deemed paid tax credit/non-imposition of tax because of the exemption, whichever is later.” A domestic corporation is not required to first secure a ruling from the BIR in order to use the tax sparing rate when it remits the dividends. However, it is required to determine if under the law of the country of domicile of the non-resident foreign corporation, such non-resident foreign corporation is granted the applicable “deemed paid” tax credit, or an exemption from income tax on such dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder (please see discussion on tax treaties below.) Most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR revised its procedures for availment of tax treaty relief on dividends by issuing Revenue Memorandum Order No. 14-21 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated March 31, 2021) as clarified by Revenue Memorandum Circular No. 77-21 (Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21, dated June 15, 2021). In accordance with the foregoing regulations, all income items derived by nonresident taxpayers entitled to tax treaty relief shall be confirmed by the BIR through filing of: (i) a request for confirmation by the withholding agent, or (b) a tax treaty relief application by the nonresident taxpayer, with the required supporting documents in either case.

Request for Confirmation (“RFC”)

The withholding agent/income payor may apply the preferential tax treaty rate on the dividend income of the non-resident foreign shareholder by relying the submission by such shareholder of the following documents before the dividend income is paid: (a) on an application form for treaty purposes (BIR Form 0901-D for dividends), (b) an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the shareholder, and (c) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on dividend income. If the tax treaty rate was applied, the withholding agent/income payor must file with the BIR’s International Tax Affairs Division

("ITAD") a request for confirmation of the use of the tax treaty rate. The request for confirmation must be filed at any time after the close of the taxable year and in no case later than the last day of the fourth month following the close of such taxable year when the dividend is paid or becomes payable. Revenue Memorandum Circular No. 77-21 prescribes the filing of one consolidated request for confirmation per nonresident income recipient, regardless of the number and type of income payments during the year. Revenue Memorandum Circular No. 77-21 also provides for a list of all documentary requirements that have to be submitted in support of the request for confirmation.

If the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that the non-resident taxpayer is not entitled to treaty benefits, the request for confirmation will be denied and it will require the withholding agent/income payor to pay the deficiency taxes plus surcharge, interest and penalties.

Tax Treaty Relief Application ("TTRA")

In case the withholding agent/income payor used the regular rate under the Tax Code, the non-resident foreign shareholder may, at any time after its receipt of the dividend income, file a TTRA with ITAD. Similar to a request for confirmation, the application must also be supported by the documents specified in Revenue Memorandum Circular No. 77-21.

If the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits, and the shareholder may apply for a refund of excess withholding tax within the two-year period provided in Section 229 of the Tax Code. The claim for refund of the shareholder may also be filed simultaneously with the TTRA.

The Company shall withhold taxes at a reduced rate on dividends to a non-resident holder if the nonresident submitted to the Company a Tax Residency Certificate ("**TRC**") and BIR Form No. 0901-D prior to the payment of dividends. TRC is a certificate issued by the tax authority of the country of residence and shall establish the fact of residency in a contracting state of the non-resident.

On March 31, 2021, the BIR issued Revenue Memorandum Order No. 14-2021 ("**RMO 14-2021**"). RMO 14-2021 was issued to streamline the procedures and documents for the availment of the tax treaty benefits. To avail of the tax treaty relief benefits, the following guidelines and procedures will be observed:

1. The non-resident income recipient should submit to the withholding agent or income payor the submitted Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by the non-resident income recipient. The documents should be submitted to each withholding agent or income payor prior to the payment of income for the first time. The failure to provide the said documents when requested may lead to the withholding using the regular withholding rates without the tax treaty benefit rate.
2. When the preferential tax rates have been applied by the withholding agent, it shall file with the ITAD a request for confirmation on the propriety of the withholding tax rates applied by the withholding agent. On the other hand, if the regular withholding rates have been imposed on the income, the non-resident income recipient shall file a tax treaty relief application ("**TTRA**") with ITAD. In either case, each request for confirmation and TTRA shall be supported by the documentary requirements set out in the issuance.
3. The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth month following the close of each taxable year. On the other hand, the filing of the TTRA may be filed by the non-resident income recipient at any time after the receipt of the income.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the nonresident income recipient is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA.

Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the nonresident income recipient's entitlement to the treaty benefits. In this case, the nonresident income recipient may apply for a refund of the excess withholding tax.

The original or certified true copy of the following documents, as may be applicable, shall be submitted to the ITAD of the BIR when claiming the tax treaty relief:

- A. General Requirements
 1. Letter-request
 2. Application Form duly signed by the non-resident income earner or its/his/her authorized representative
 3. Tax Residency Certificate for the relevant period, duly issued by the tax authority of the foreign country in which the Bondholder is a resident
 4. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing the payment/remittance of income
 5. Withholding tax return with Alphalist of Payees
 6. Proof of payment of withholding tax
 7. Notarized Special Power of Attorney issued by the non-resident income earner to its/his/her authorized representative(s), which shall expressly state the authority to sign the Application Form as well as to file the tax treaty relief application or request for confirmation

- B. Additional general requirements for legal persons and arrangements, and individuals:
 1. Authenticated copy of the non-resident legal person or arrangement's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language.
 2. Original copy of the Certificate of Non-Registration of the Bondholder or certified true copy of License to Do Business in the Philippines duly issued by the Philippine SEC for legal persons and arrangements, or original copy of the Certificate of Business Registration/Presence duly issued by the Department of Trade and Industry for individuals.

- C. Additional general requirements for fiscally transparent entities:
 1. A copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the foreign fiscally transparent entity;
 2. List of owners/beneficiaries of the foreign entity;
 3. Proof of ownership of the foreign entity; and
 4. Tax Residency Certificate issued by the concerned foreign tax authority to the owners or beneficiaries of the fiscally transparent entity.

The BIR may require additional documents during the course of its evaluation as it may deem necessary. Upon the confirmation of the entitlement to the tax treaty benefit or confirmation of the correctness of the withholding tax rates applied, the BIR will issue a certification to that effect. Any adverse ruling may be appealed to the Department of Finance within 30 days from receipt.

If the income of the nonresident Shareholder has been subjected to regular withholding rates, the Shareholder may file a claim for refund with the BIR independently of, or simultaneously with, the TTRA. Nonetheless, all claims for refund shall be filed within the two-year prescriptive period provided under Section 229 of the National Internal Revenue Code, as amended.

Transfer taxes (*e.g.*, documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro-rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

If the dividends of the non-resident taxpayer have been subjected to the regular rate, he/she/it may subsequently file a claim for refund of the difference between the amount of withholding tax actually paid in the Philippines and the amount of tax that should have been paid under the treaty after obtaining

a certificate confirming his/her/its entitlement to treaty benefits. For this purpose, a duly accomplished BIR Form No. 1913 shall be filed together with the letter-request. The claim for refund may be filed independently of, or simultaneously with, the TTRA. (See RMO 14-2021, sec. 10). However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund.

Preferential Rates under Income Tax Treaties

The following table lists some of the countries with which the Philippines has income tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)⁽⁹⁾	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25 ⁽¹⁾	0.6	May be exempt ⁽¹³⁾
China.....	15 ⁽²⁾	Exempt ⁽¹⁰⁾	May be exempt ⁽¹³⁾
France	15 ⁽³⁾	Exempt ⁽¹¹⁾	May be exempt ⁽¹³⁾
Germany	15 ⁽⁴⁾	Exempt ⁽¹²⁾	May be exempt ⁽¹³⁾
Japan	15 ⁽⁵⁾	0.6	May be exempt ⁽¹³⁾
Singapore.....	25 ⁽⁶⁾	0.6	May be exempt ⁽¹³⁾
United Kingdom	25 ⁽⁷⁾	0.6	Exempt ⁽¹⁴⁾
United States	25 ⁽⁸⁾	0.6	May be exempt ⁽¹³⁾

Notes:

- (1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.
- (3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.
- (4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.
- (5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.
- (6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.
- (7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the National Internal Revenue Code provided certain conditions are met.
- (9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the National Internal Revenue Code as amended by the Section 39 of the TRAIN.
- (10) Article 2(2)(b)(ii) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.

- (11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.
- (12) Article 2(3)(a)(iv) of the Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.
- (13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.
- (14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a certification on the exemption from capital gains tax pursuant to the tax treaty from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the company's stock and transfer book of the issuing corporation. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the certification from the BIR confirming the capital gains tax exemption of the seller should be submitted to the BIR office processing the CAR.

The requirements for an RFC or TTRA in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 14-21 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated March 31, 2021) as clarified by Revenue Memorandum Circular No. 77-21 (Clarification on Certain Provisions of Revenue Memorandum Order No. 14-21, dated June 15, 2021). The requirements include an application form for treaty purposes (BIR Form 0901-C for capital gains) and an authenticated/apostilled tax residency certificate duly issued by the tax authority of the foreign country where the seller is a resident. If the seller is a juridical entity, authenticated or an apostilled certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence. The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which in respect of capital gains tax, is before the due date for the payment of the DST on the sale of shares.

Revenue Memorandum Circular No. 77-21 clarified that the deadline for filing of a request for confirmation by the withholding agent/income payor is any time after the transaction but must not be later than the last day of the fourth month following the close of the taxable year when the income is paid or when the transaction is consummated.

Documentary Stamp Tax

The original issuance of shares is subject to a documentary stamp tax ("**DST**") of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The Philippines also imposes a DST upon the transfer outside of the PSE of shares of stock issued by a Philippine corporation at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the par value of the shares. The DST is imposed on the person making, signing, issuing, accepting, or transferring the document and is thus payable by either or both the vendor or the vendee of the shares. Conversely, the sale, barter, or exchange of shares of stock listed on and traded through the PSE are exempt from DST.

Estate and Gift Taxes

Shares issued by a corporation organized or constituted in the Philippines in accordance with Philippine laws are deemed to have a Philippine situs and their transfer by way of succession or donation is subject to Philippine estate and donor's taxes.

The transfer by a deceased individual to his heirs of the Offer Shares by way of succession, whether such individual was a citizen of the Philippines or an alien and regardless of residence, shall be subject to an estate tax at a rate of 6% of the net estate of the deceased individual.

The transfer of the Offer Shares by way of gift or donation by an individual or corporate holder, whether or not a citizen or resident of the Philippines, shall be subject to donor's tax at a rate of 6% based on the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year.

In case the Offer Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Offer Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Offer Shares, based on Section 100 of the NIRC, provided that a transfer of property made in the ordinary course of business (a transaction which is a *bona fide*, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Offer Shares, shall not be collected: (1) if the decedent, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

Taxation Outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above. Sales or other dispositions of shares of stock in a domestic corporation through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, are, however, subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Offer Supplement does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING, AND DISPOSING OF THE PREFERRED SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NATIONAL TAX LAWS.

THE PHILIPPINE STOCK EXCHANGE, INC.

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On 8 August 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of ₱120 million, of which 61.2 million shares were subscribed and fully paid-up as of 30 June 2018. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “*Trading Participant Certificate*” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE.

On 15 December 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds (“**ETF**”) which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE adopted a new online disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In December 2013, the PSE Electronic Disclosure Generation Technology (EDGe), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ’s X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, PSE received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices

The table below sets out movements in the composite index as of the last Business Day of each calendar year from 2008 to 2023, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	PSEi Level at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
2008	1,872.85	246	4,072.16	763.90
2009	3,052.68	248	6,032.22	994.15
2010	4,201.14	253	8,866.11	1,207.38
2011	4,371.96	253	8,696.96	1,422.59
2012	5,812.73	254	10,930.09	1,771.71
2013	5,889.83	257	11,931.29	2,546.18
2014	7,230.57	263	14,251.72	2,130.12
2015	6,952.08	265	13,465.57	2,151.41
2016	6,840.64	265	14,438.77	1,929.50
2017	8,558.42	267	17,583.12	1,958.36
2018	7,466.02	267	16,146.69	1,736.82
2019	7,815.26	270	16,705.35	1,776.15
2020	7,139.71	274	15,888.92	1,770.90
2021	7,122.6	276	18,081.1	2,232.5
2022	6,566.4	286	16,558.5	1,788.7
2023	6,450.04	283	16,740.2	(date not available)

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session, and resumes at 1:00 p.m. and ends at 3:00 p.m. for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Mondays to Fridays, except legal and special holidays, days when the BSP's PhilPaSS and the PCHC (or, in the event of the discontinuance of their respective functions, their respective replacements) are closed and such other days as may be declared by the SEC or the PSE, to be a non-trading day. The PSE, through PSE CN 2024-0010, allows volume weighted average price ("VWAP") transactions executed by trading participants on a pre-arranged basis, for different clients or through its proprietary account through the VWAP trading facility. VWAP transactions can only be executed within fifteen minutes after run-off/trading-at-last period.

Beginning on 15 March 2020, the PSE, in observance of the Government's implementation of the community quarantine in parts of the country including Metro Manila due to the COVID-19 pandemic, has implemented shortened trading hours starting at 9:30 a.m. and ending at 1:00 p.m. The shortened trading hours are still being implemented as of the date of this Preliminary Offer Supplement.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE.
- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly-listed securities, 15.0% for security cluster B and 10.0% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three (3) Business Days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The SCCP is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on 17 January 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of clearing members, who are also Trading Participants of the PSE;
- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and
- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three (3)-day rolling settlement environment, which means that settlement of trades takes place three days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the nine existing Settlement Banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc., Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement (“**CCCS**”) system on 29 May 2006. CCCS employs multilateral netting, whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the Philippine Depository & Trust Corp. (“**PDTC**”) (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On 16 December 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders’ meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation (“**PCD Nominee**”), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. “Immobilization” is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation’s registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant’s aggregate holdings, in the PDTC system, and with respect to each beneficial owner’s holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the

PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

Memorandum Circular No. 1, Series of 2020 issued by the SEC (the “**Revised REIT IRR**”) provides that all the shares of a Real Estate Investment Trust (“**REIT**”) shall be in uncertificated form. The REIT is required to engage a duly licensed transfer agent to monitor subsequent transfer of the shares. The transfer agent shall ensure that the shares are traceable to the names of the shareholders or investors for their own benefit and not for the benefit of any non-Public Shareholders. The REIT shall make the necessary arrangement with a central securities depository on the recording of its shareholders under a Name-On Central Depository arrangement.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations’ books. In the depository set-up, shares are simply immobilized, wherein customers’ certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee’s name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company’s transfer agents’ books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current “*de facto*” custodianship role.

Amended Rule on Lodgment of Securities

On 24 June 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on 1 July 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of 1 July 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.
- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed

company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on 21 May 2010, through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' total issued and outstanding shares (*i.e.*, exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (i) individuals (for as long as the shares held are not of a significant size (*i.e.*, less than 10.0%) and are non-strategic in nature); (ii) trading participants (for as long as the shares held are non-strategic in nature); (iii) investment and mutual funds; (iv) pension funds; (v) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal stockholder); and (vi) social security funds.

Listed companies which become non-compliant with the MPO on or after 1 January 2013, will be suspended from trading for a period of not more than six (6) months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 issued on 1 December 2017, the MPO requirement on initial public offerings is increased from 10% to 20% For existing publicly listed companies, the existing rules and/or guidelines of an exchange on minimum public float duly approved by the SEC still apply. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the PSE. As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 25.0%, such proposed rules on MPO is yet to be issued by SEC for comments by the public.

Under Section 8.1 of Republic Act No. 9856, the Real Estate Investment Trust Act of 2009 (the “**REIT Law**”) and Section 5.1(a) of the Revised REIT IRR, a REIT must be a public company. It is required to maintain its status as a listed company and upon and after listing, have at least 1,000 Public Shareholders each owning at least 50 shares of any class of shares, and who, in the aggregate own at least one-third (1/3) of the outstanding capital stock of the REIT. Failure to maintain the public ownership requirement will result to the imposition of a trading suspension for a period not more than six (6) months. If the REIT still fails to comply with the public ownership requirement within the six (6)-month period, it will be automatically delisted.

On 4 August 2020, the PSE issued Guidelines on MPO Requirement for Initial and Backdoor Listings, effective immediately. Under the guidelines, companies applying for initial listing through an IPO are required to have a minimum public offer size of 20% to 33% of its outstanding capital stock, as follows:

Market Capitalization	Minimum Public Offer
Not exceeding ₱500M	33% or ₱50M, whichever is higher
Over ₱500M to ₱1B	25% or ₱100M, whichever is higher
Over ₱1B	20% or ₱250M, whichever is higher

A company listing through an IPO is required to maintain at least 20% public ownership level at all times, whether the listing is initial or through backdoor listing. For companies doing a backdoor listing, the 20% MPO requirement shall be reckoned from the actual issuance or transfer (as may be applicable) of the securities which triggered the application of the Backdoor Listing Rules or from actual transfer of the business in cases where the Backdoor Listing Rules are triggered by a substantial change in business.

APPENDIX

- A. Unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2024
- B. Audited Consolidated Financial Statements as of and for the years ended December 31, 2023, 2022 and 2021.
- C. List of Government Permits