



THE SUCCESS

WE'VE BUILT

2025 ANNUAL REPORT

CONTENTS



About the Cover

Our success reflects the dedication, teamwork, and shared vision of every member of the Petron workforce. The cover captures a top view of our employees coming together to celebrate the milestones they have helped achieve. It is this spirit of collaboration and collective responsibility that keeps us united in our purpose and, combined with our winning strategies, drives our continued growth.

2	Message to Shareholders
6	Operational Highlights
24	Board of Directors
32	Corporate Governance
50	Financial Highlights
54	Financial Statements
182	Awards and Recognition
183	Terminals and Airport Installations
184	Product List



Scan, tap, or click for more information about Petron Corporation

THE SUCCESS WE'VE BUILT



Ramon S. Ang
President and CEO

Fellow Shareholders,

2025 was a remarkable year as we overcame persistent industry challenges to deliver some of the best results in our company's history.

In the face of heightened market uncertainties, intense competitive pressure, and major logistical constraints, our company achieved an all-time high net income of ₱15.6 billion, up 84% from the previous year.

We retained our leadership position in the Philippine market and recorded consistent sales growth in Malaysia despite the implementation of government-mandated changes to their fuel subsidy program. Our total volumes from our local and overseas operations reached close to 138 million barrels, almost at par with last year.

As we sustained our volumes, we were able to optimize our refineries and benefit from more favorable economics. Geopolitical events and policy changes kept the price of Dubai crude, the regional price benchmark, soft at US\$69 per barrel, down 13% compared to last year. This resulted in lower international prices accounting for the contraction in our revenues by 7% to ₱810 billion.

Our operating income stood at ₱37.3 billion, 28% higher than 2024, driven by the improvement in refining and marketing margins, as well as increased yields from our optimized refinery operations.

This performance underscores the strength and resilience of our overall strategy. It keeps us leading the competition, staying financially disciplined, and operating efficiently even when the entire industry is facing challenges. We can confidently say that we have more than kept up with an unpredictable market—we have emerged even stronger.

Our company raised ₱32 billion through our fixed-rate bonds offering on the Philippine Dealing and Exchange Corporation (PDEX). The original ₱25 billion offer was 1.3-times oversubscribed, with an additional ₱7 billion raised. The positive response to the issuance reaffirms investor confidence and supports our ability to allocate resources better.

Generating strong volume growth across markets

Our demand-generation programs helped boost domestic sales in the Philippines by 8%. Both our retail and industrial segments—our two biggest and most profitable markets—posted record-breaking volumes. Even more remarkable is that, for three years running, our performance in both segments consistently outpaced overall industry growth. This is a testament that our success is not simply market-driven, but a direct outcome of our efforts to improve brand equity and respond to competitive forces.

Our retail business reached new heights, recording both our highest sales and strongest network thruput across around 1,800 Petron service stations in the country. We increased our sales by double-digits equivalent to 10% with our steadfast execution of the Petron *Tapat Sa'yo* campaign across our network, highlighting the superior quality of our products, services, promotions, and ability to deliver meaningful value to consumers.

Our successful acquisition of new fleet accounts and retention of existing ones also contributed to our volume performance. We sought out opportunities in fast-growing and underserved markets, alongside efforts to strategically expand and optimize our network and keep our brand competitive.

Strategic planning, operational resilience, and effective account management propelled our commercial volumes to unprecedented levels. Despite varying demands across economic sectors, we achieved our highest industrial volume to date, with a 6% increase compared to 2024. Sales of our diesel and Jet-A1 products were a key driver, while our Lubes and LPG products provided valuable diversification to our portfolio.

With our marketing segment performing at its best, we easily maintained our position as the leading oil company in the Philippines. According to data from the Department of Energy (DOE), we captured 27.8% of the nation's total petroleum demand in the first half of 2025, pulling further away from our competitors. We also further reinforced our leadership in the LPG and liquid petroleum products markets.

Moving forward, we are dedicated to serving our customers in ways that truly matter, while constantly strengthening our capacity to deliver maximum value and productivity.

Navigating challenges with operational excellence

As a downstream oil player, our goal is not just to expand our market share, but ultimately to enhance the viability and sustainability of our refining operations and to position ourselves for long-term success. In 2025, we achieved strong domestic sales growth and improved productivity in utilizing the Petron Bataan Refinery, both of which played key roles in delivering another banner year for our company.

We realized our strongest refinery utilization rate since the pandemic—a result of our efforts to enhance product yield, boost operational availability, and optimize our systems, all while continuing to be at the center of our country's fuel security.

As always, we remained prudent and deliberate in investing our resources. Our relentless drive to strengthen our market share and boost refinery utilization was complemented by strategic investments to strengthen our logistics infrastructure, enhancing our capacity to better serve our markets. We upgraded and repaired tanks and LPG filling equipment, modernized our fleet of tank trucks, optimized vessel performance, and automated critical aspects of our operations for greater efficiency.

Our robust storage and distribution facilities allowed us to move a record volume of petroleum products in 2025 amid severe natural hazards, road closures, and other logistical limitations. Operating in such an environment demands a higher level of adaptability. Despite the obstacles, we achieved better results across our key efficiency metrics. In the end, it all comes down to our ability to plan ahead, execute effectively, and recalibrate as needed.

Reflecting our commitment to the highest standards in LPG operations, Petron was the first oil company to be recognized by the Department of Energy (DOE) as an official training institution in the sector. Given our vast reach, equipping our personnel with the right skills and knowledge is not just important, but an essential first step to treating our customers right. This certification also strengthens our capability to develop competent LPG professionals, while supporting the goals of the Liquefied Petroleum Gas Industry Regulation Act (LIRA).

Keeping our international operations strong

2025 was also a pivotal year for our international operations. Like in the Philippines, the optimized utilization of the Port Dickson Refinery strengthened our margins in a competitive domestic market. Petron Malaysia ended the year with significantly higher profits due to better production yields, lower costs, and higher

marketing margins. Our focus remained on enhancing the reliability of our operations, managing costs prudently, and staying responsive to customer needs.

Meanwhile, our trading arm, Petron Singapore Trading Pte Ltd (PSTPL), marked its 15th anniversary. From a lean team tasked to handle our crude procurement and risk management, PSTPL has become a self-sustaining unit that now increases the viability of our refineries, adds value to every barrel in our system, and fuels growth across our markets. Thanks to its strong partnerships and a solid reputation in the oil trading industry, PSTPL now moves more than 100 million barrels a year—more than double where it started.

The success we've built together

When we say we are proud of the success we've built, we do so with the deepest appreciation for the people who have paved the way with their hard work and dedication. We take great pride in the lasting relationships we've cultivated, the advancements we've made, and the positive impact we continue to make in our communities together. It is this spirit of teamwork and shared responsibility that has kept us aligned in both purpose and direction, and, along with our winning strategies, has fueled our success in 2025.

We recognize that past performance is not always indicative of future outcomes. Already, 2026 is shaping up to be a challenging year as we confront the impact of conflicts in the Middle East, which is creating significant disruptions across our industry. While we remain hopeful for a swift resolution, our foremost priority continues to be maintaining business stability and ensuring an uninterrupted supply of fuel nationwide.

Moving forward, we are dedicated to serving our customers in ways that truly matter, while constantly strengthening our capacity to deliver maximum value and productivity. And as we grow, as with the rest of the San Miguel family, sustainability guides our every decision, ensuring we scale responsibly and thoughtfully.

Fueled by our ambition for a stronger and more prosperous nation and with the invaluable support of our stakeholders, we are inspired by what we have accomplished, and even more excited about what's next.

Sa bawat isang naging kabahagi ng tagumpay na ito, maraming salamat po.

Ramon S. Ang
President and CEO



Built to succeed, set for greater growth

Today, Petron stands as the undisputed leader in the oil industry—a position we've earned, sustained, and continuously strengthened over the years. To us, however, leadership is never about standing still. Even as we dominate the market, we remain agile and always ready to adapt to changing consumer needs.

We ensure that our products are easily accessible when and where our customers need them, while delivering an experience that fuels trust, loyalty, and lasting partnerships.

2025 Philippine Market Performance



No. 1 Overall Market Share

(based on DOE data as of June 2025)



Up 10% ▲

Service Station Volumes



No. 1 in Liquid Petroleum Products

(based on DOE data as of June 2025)



Up 6% ▲

Commercial Volumes



No. 1 LPG Market Share

(based on DOE data as of June 2025)



Up 11% ▲

Supply Sales

Dominant market presence



- ✔ Maintained the country's largest network of about **1,800 service stations**.
- ✔ Built new stations in high-traffic, high potential areas to keep us close to our customers.
- ✔ Made our LPG and Lubes products conveniently accessible on more traditional and non-traditional platforms.
- ✔ Opened and re-imaged six **Car Care Centers**, offering reliable vehicle maintenance and repair in strategic areas.



Steady customer acquisition



- ✔ Acquired additional **Fleet Card** customers as we tapped into new and underserved markets.
- ✔ Secured and expanded supply agreements with Commercial customers, focusing on high-growth sectors.
- ✔ Successfully defended our leadership in the aviation sector through account renewals and deeper penetration across major airline customers.
- ✔ Maintained strong market presence and retained key LPG accounts.
- ✔ Delivered steady growth in our new **Fiesta Gas** canister LPG line.



Success beyond our core



- ✔ Completed upgrade of **50 Treats stores**, offering a larger selection of food and beverages and a brighter, more vibrant store experience.
- ✔ Unveiled new concept stores—**Treats Pasalubong** and **Treats Tam.Bayan**—expanding the brand beyond service stations.
- ✔ Aggressive expansion of our non-fuel business through strategic site development and acquisition of new tenants and brand partners as locators.



Our "Tapat Sa'yo" commitment fulfilled



- ✔ Implemented facility upgrades, including the rehabilitation of service stations and restroom improvements across our network.
- ✔ Ran engaging, relevant promotions throughout the year, offering exciting prizes and rewards to our loyal customers.
- ✔ Set up a dedicated and more convenient area for two-wheeled vehicles at select stations for safer and smoother traffic flow.





Key events from 2025

Golden Nozzle Awards

Fueled by our commitment to excellence, we held the very first **Golden Nozzle Awards Night**. This marked our first-ever national awards dedicated to honoring our top-performing service station dealers. The highest honor of 2025 Dealer of the Year went to Mr. Conrado G. Ong from Tarlac.



Petron Sprint Scooter Launch

One of the major highlights of our Lubricant business was the launch of **Petron Sprint Scooter Oil**. Formulated to meet the demands of modern scooter riders, the product guarantees a reliable and smooth experience that's truly *"Subok Sa Bawat Ride!"*



Gold Standard: Petron Gasul Campaign

We launched our **"Gold Standard, Petron Gasul No. 1"** campaign, reflecting our passion and drive to remain at the industry's forefront. The campaign was introduced at our first-ever Gasul Summit, held in Metro Manila and Cebu, where we recognized exemplary employees and dealers.



DOE-Petron Fuel Economy Run

We partnered with the Department of Energy (DOE) for the **DOE-Petron Eco Run** featuring nearly 70 vehicles navigating a portion of the Tarlac-Pangasinan-La Union Expressway (TPLEX). All hybrid and internal combustion engine-powered participants ran on Petron XCS and Petron Turbo Diesel.





Peak efficiency in our refinery operations



The Petron Bataan Refinery (PBR) continued to be a key pillar of our operations. Through the strategic optimization of our refining units, enhanced operational efficiency, and improved plant stability, we successfully met the demands of a fast-growing economy and fueled everyday lives with our world-class petroleum products.

Our refinery reached its highest crude utilization rate since the pandemic and, at the same time, maximized plant productivity since the full commissioning of the **Refinery Master Plan Phase-2 (RMP-2)** in 2016. This achievement was the result of our efforts to continuously improve our resource management and capacity utilization in the most cost-effective manner.

Thanks to these strategic programs, we improved both our recovery of higher-value products like gasoline, diesel, and jet fuel, as well as our overall refining efficiency.

Fueled by our sustainability commitment, we balanced our production growth with initiatives to lessen our environmental footprint, reducing emissions, improving waste management, and conserving water and energy resources.

2025 Petron Bataan Refinery Highlights

- ✔ The Petron Bataan Refinery achieved its **highest utilization rate since 2020** through process optimization and enhanced plant reliability even with one catalytic cracking unit in service in 2025.
- ✔ Boosted refining productivity by improving yields and optimizing key process units, resulting in higher production of high-value, in-demand products like diesel and jet fuel.
- ✔ Successfully passed the second and final surveillance audit conducted by TÜV SÜD PSB Philippines, maintaining the refinery's IMS Certification.
- ✔ Significantly cut down hazardous waste using advanced technology to help recover oil from sludge during crude tank maintenance.





Robust and reliable logistics network



Our storage and distribution network rose to the challenge of meeting higher demand, overcoming extreme weather disruptions and logistical hurdles to ensure our uninterrupted terminal operations, product movements, and deliveries throughout the country. Key to our success was maintaining our facilities in excellent shape, aligning our processes with real-time data, ensuring that our people and partners are well-trained and prepared for the unexpected, and making sure that we are fully equipped to meet the demands of an evolving and growing market.

Supported by robust same-day fulfillment capabilities, we sustained our strong delivery fulfillment record in 2025. Through predictive planning, strict monitoring, and improved coordination across our terminals, we improved our efficiency and even generated cost savings. The timely activation of our business continuity plan helped maintain a healthy inventory level across our facilities amid massive operational challenges. Emergency preparedness was further strengthened through regular drills, including fire, oil spill, security, and emergency response scenarios.



2025 Key Initiatives Across our Storage and Distribution Network

- ✓ Upgraded and optimized fuel and LPG storage tanks in key areas.
- ✓ Deployed additional trucks and strengthened frontline execution through adequate training.
- ✓ Rehabilitated LPG filling machines to boost capacity and plant availability.
- ✓ Pursued automation programs to boost customer service excellence.
- ✓ Optimized vessel scheduling and improved coordination across terminals.
- ✓ Strict implementation of safety measures resulting in **140 million safe man-hours** without lost time incidents.
- ✓ Enhanced fueling capability of into-plane equipment to support additional international flights.





Shaping a firmer path to success



PETRON **REFINERY TECHNICAL FORUM**

CHECK NO: 221025
DATE: OCTOBER 22, 2025

PAY TO THE ORDER OF **Best Presentation**

PESOS _____

Recognizing the invaluable contributions of our employees, we continued to invest in their growth while prioritizing their overall well-being through tailored professional development programs, enhanced work-life balance initiatives, and comprehensive health and wellness benefits.

To ensure our employees are well-equipped, we increased training hours and enriched our program lineup. As we worked towards our bigger goals, we recruited new talents through our improved and specialized recruitment efforts. We developed new teams, restructured existing ones, and redefined roles to better align our organizational structure vis-à-vis our needs and overall direction.

We organized group-wide events to recognize our employees' hard work, alongside competitions designed to showcase their innovation and creativity. As we aim to create a positive work environment, we make sure to provide our people with an outlet for hobbies and talent outside work including sports tournaments, art competitions, and other fun and friendly contests.



2025 Social Performance Highlights



2,386
Employee count



6%
Attrition rate



100%
Percentage of employees who received performance reviews



24
No. or percentage surveillance testing conducted

0

Incidence of child labor

0

Incidence of discrimination in any aspect of operations

0

Operations and suppliers identified in which the right to freedom of association and collective bargaining may be at risk

Training Hours



392,973.60
Live programs



2,314
Self-directed learning (LinkedIn learning)



464
Coaching/mentoring hours



1,120
Trainee pool learning hours



Building sustained growth and expanding our presence across Malaysia



Similar to our Philippine operations, Petron Malaysia improved its refinery processes, expanded strategically, and committed more to sustainability. These priorities were aligned to strengthen the performance of its refining and marketing business.

Against a volatile oil market, production at the Port Dickson Refinery notably improved through process optimization and higher plant utilization, strengthening our margins and supporting overall profitability. On the marketing side, our steady retail and commercial performance enabled Petron Malaysia to sustain its strong presence and become an even more formidable player in the country.

In response to the targeted fuel subsidy program implemented by the government, we introduced the **PASTI OK** campaign to reinforce our name as a trusted fuel provider that puts a premium on customer satisfaction. We improved our loyalty system, upgraded facilities, and enhanced convenience at every touchpoint.

As of this writing, Petron Malaysia is working on replacing the Port Dickson Refinery's product jetty, which was damaged by Tropical Storm Senyar in November 2025. The company declared force majeure and activated its **Business Continuity Plan** to ensure the continued supply of its products.



2025 Petron Malaysia Highlights

- ✓ Expanded and optimized our retail network with more than **830 service stations** in Malaysia.
- ✓ Strengthened terminal and distribution operations to reinforce supply continuity for controlled products.
- ✓ Enhanced refinery operations to achieve higher utilization, optimized product mix, and improved yield.
- ✓ Delivered high-quality products and services supported by marketing programs and loyalty platform enhancements.
- ✓ Advanced commercial growth through targeted customer segmentation and strategic partnerships.





The future
we're shaping



The success we've built takes on a greater meaning when shared with our communities. Through **Petron Foundation Inc. (PFI)**, our Corporate Social Responsibility (CSR) arm, we remain committed to empowering our communities through opportunities for education and livelihood, while also minimizing our impact on the environment.

Long-standing initiatives like the **Tulong Aral ng Petron (TAP)** scholarship and **Puno ng Buhay** reforestation program, among others, continue to make a meaningful contribution to the brighter future we are shaping alongside our partners and strong network of employee-volunteers.



Education

Tulong Aral ng Petron (TAP)

- ✔ PFI had 2,454 TAP scholars from Elementary to College in SY 2024-2025.
- ✔ School supplies were distributed to scholars through SM Stores while those from areas without access to SM department stores received their supplies directly at their schools.
- ✔ For our high school scholars, we conducted the Best U Can Be life skills program with AHA Learning Center with employee-volunteers serving as facilitators.
- ✔ Of our 20 college scholars in SY 2024-2025, five made it to the Dean's List in their respective schools, while another one attained academic honors.

Bataan Engineering Scholarship Program

- ✔ Under the Refinery Engineering scholarship program, Petron supported 21 scholars from the Bataan Peninsula State University for SY 2025-2026.
- ✔ In 2025, out of eighteen Engineering scholars who completed their respective courses, four Electrical and ten Mechanical Engineering graduates successfully passed their Board Exams, bringing the total number of passers to 288. Five of these graduates joined the Refinery workforce, increasing the total number of scholars hired to 215.

Brigada Eskwela

- ✔ PFI continued to support Department of Education's (DepEd) Annual *Brigada Eskwela* National Schools Maintenance Week. Around 90 employees volunteered to benefit more than 10,000 students from 100 schools.
- ✔ PFI also supported the Ready-for-School campaign of the Philippine Business for Social Progress (PBSP).



Environment

Carbon Capture and Biodiversity Conservation

- ✔ Together with the University of the Philippines Los Baños College of Forestry and Natural Resources (UPLB-CFNR), we undertook activities to scientifically assess the carbon capture potential of our adopted sites in Davao del Sur, Roxas City, and Bulacan. The results of the full C-sequestration report will be published in our Sustainability Report.
- ✔ In December 2025, we formalized an agreement with the Department of Environment and Natural Resources (DENR), the Provincial Government of Bataan, and Limay Local Government Unit (LGU) for the reforestation of 30 hectares within the Limay Watershed Rehabilitation site in Barangay Duale.
- ✔ Supported by our employee-volunteers, over 16,000 mangrove and tree seedlings were planted in celebration of Earth Month, Environment Month, and International Coastal Cleanup Day.
- ✔ Our clean-up activities resulted in nearly 23 tons of debris removed from approximately 42 kilometers of coastal areas, rivers, and esteros.

Bataan Integrated Coastal Management Program

- ✔ Petron reaffirmed its support for the Bataan Pawikan Conservation Alliance by signing an agreement with the LGU and local community to set up the first Limay Pawikan Hatchery. We also held IEC and capacity-building activities to improve the LGU and community's ability to conserve marine turtles and manage hatcheries.
- ✔ As we extended our support for the annual Pawikan Festival, the emergence success rates of sea turtles from different nesting sites improved from 84% in 2022-2023 to 89% in 2024-2025. This reflects the positive impact of enhanced nesting site management and locals' better understanding of how to care for sea turtles.
- ✔ The nearly 250 artificial reefs that we deployed off Manila Bay in 2024 have also increased fish yield, benefiting 3,600 local fisherfolk.

Community Engagement and Livelihood

- ✔ Through the assistance of Bank of Commerce, we conducted Financial Literacy training for the TAP Rosario Parents Association, helping them enhance their skills in managing their rag and dressmaking business.
- ✔ For the Petron Automotive Care Education (ACE) program, we produced 29 graduates in partnership with Don Bosco. Our trainees are from our Car Care Centers and lube bays from NCR, Davao, Iloilo, Surigao, and Bacolod.
- ✔ Petron provided relief support and donations to communities, including our own scholars, affected by typhoons. We also donated diesel to the Department of Social Welfare and Development to ensure continuous operation of its genset at the National Resource Operations Center during disaster response efforts.

Board of Directors

As of December 31, 2025



Ramon S. Ang



Lubin B. Nepomuceno



Jose P. de Jesus



John Paul L. Ang



Emmanuel E. Eraña



Jacqueline L. Ang



Ron W. Haddock



Mirzan Mahathir



Aurora T. Calderon



Artemio V. Panganiban



Margarito B. Teves



Ricardo C. Marquez



Francis H. Jardeleza



Virgilio S. Jacinto



Nelly Favis-Villafuerte

Directors' Profiles

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 has also been a member of the Company's Executive Committee. In relation to the oil and gas industry, Mr. Ang has held the following positions, among others: Chairman of SEA Refinery Corporation ("SEA Refinery"), New Ventures Realty Corporation ("NVRC"), 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 Petrochemical Asia (HK) Ltd. ("PAHL") and Robinson International Holdings Ltd. (Cayman Islands); Director of Las Lucas Construction and Development Corporation ("LLCDC") and Petron Oil & Gas Mauritius Ltd. ("POGM"), and Director of Petron Oil & Gas International Sdn. Bhd. ("POGI"). He has also held 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 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"), San Miguel Equity Investments Inc., 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); Chairman and Chief Executive Officer of SMC Asia Car Distributors Corp.. He has also served as 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"); and Vice Chairman of Northern Cement Corporation. 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 has also held 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 has also been a member of the Company's Executive Committee. He has held the following positions, among others: Chairman, President and Chief Executive Officer of Petron Marketing Corporation ("PMC"); Director and Chief Executive Officer of PMRMB and member of its Sustainability Committee; Director and Chief Executive Officer of PFISB and POMSB; Director of POGI, LLCDC, NVRC, 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"), Petron Freeport Corporation ("PFC") and Petrofuel Logistics, Inc. ("PLI"). 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 has also served as a director of PMRMB, a company publicly listed in Malaysia.

Jose P. de Jesus, Filipino, born 1934, has served as a Director of the Company since May 20, 2014. He has also served as Independent Director and the Chairman of Converge ICT Solutions, Inc. He was the Chairman of Clark Development Corporation (March 2017 – November 2020), the President and Chief Executive Officer of Nationwide Development Corporation (September 2011 - June 2015), the Secretary of the Department of Transportation and Communications (July 2010 - June 2011), the President and Chief Operating Officer of MERALCO (February 2009 - June 2010), the President and Chief Executive Officer of Manila North Tollways Corporation (January 2000 - December 2008), Executive Vice President of the Philippine Long Distance Telephone Company (1993 - December 1999), Chairman of the Manila Waterworks & Sewerage System (1992 - 1993), the Secretary of the Department of Public Works and Highways (January 1991 - February 1993), and the President of the Development Academy of the Philippines (December 1987 – January 1991). He was awarded the Philippine Legion of Honor, Rank of Commander in June 1992 by then President Corazon C. Aquino. He was Lux in Domino Awardee (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. He is also a Director of SMC Skyway Corporation, SMC TPLEX Corporation, SMC SLEX, Inc., Comstech Integration Alliance, Inc., AirAsia, Inc., Philippines AirAsia, Inc., as well as an Independent Director of Alviera Country Club. He has served as 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 has held 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 has held 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 has not held a directorship in any listed company other than Petron.

Mirzan Mahathir, Malaysian, born 1958, has served as a Director of the Company since July 12, 2010. He has served as the Chairman and Chief Executive Officer of Crescent Capital Sdn. Bhd and Managing Director of Betamek Berhad. He has held 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 has not held a directorship in any listed company other than Petron.

Aurora T. Calderon, Filipino, born 1954, has served as a Director of the Company since July 12, 2010. She has also been a member of the Executive Committee, the Audit Committee, the Risk Oversight Committee and the Related Party Transaction Committee. She has held the following positions, among others: Senior Vice President

and Senior Executive Assistant to the Chairman and Chief Executive Officer of SMC; President of Petrogen; Director of SMC, PMRMB, POGM, POGI, 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; Non-Executive Director of San Miguel Brewery Hong Kong Limited; 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 has held directorships other than Petron, SMC and Petron-affiliate Top Frontier are also listed with the PSE, while PMRMB is publicly listed in Malaysia and San Miguel Brewery Hong Kong Limited is publicly listed in Hong Kong.

Francis H. Jardeleza, Filipino, born 1949, has served as a Director of the Company since August 4, 2020. He is a member of the Corporate Governance Committee of the Company. He has also served as a Director of GSMI and SMFB. He has likewise served as 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 Ret. Justice Jardeleza currently has held 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 July 12, 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 and is currently a Professorial Lecturer. He obtained his law degree from the University of the Philippines in 1981 (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 has not held a directorship in any listed company 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 has not held a directorship in any listed company other than Petron.

John Paul L. Ang, Filipino, born 1980, has served as a Director of the Company since March 9, 2021. He is also a member of the Audit Committee of the Company. He has served as the President and Chief Operating Officer of SMC and has been a director since January 21, 2021. He has been the Chairman, President and Chief Executive Officer of Southern Concrete Industries, Inc. since May 28, 2024, Vice Chairman of SMC Global Power Holdings Corp. since June 1, 2021 and a member of its Executive Committee, Audit and Risk Oversight Committee, Related Party Transaction Committee and Corporate Governance Committee. He is President and Chief Executive Officer of SMFB since June 5, 2024 and a Director since June 2, 2021; President of San Miguel Equity Investments, Inc. since December 7, 2023; President of Guimaras Ridge Property Development Inc., Lucky Nine Properties, Inc. and Mabini Properties Inc. since September 10, 2024. He has served as a Director

of Top Frontier since July 9, 2021 and a member of its Audit and Risk Oversight Committee, Related Party Transaction Committee and Corporate Governance Committee. He has also been a Director of San Miguel Brewery since May 28, 2024 and various SMC subsidiaries such as San Miguel Holdings Corp., SMC Slex Inc., SMC Skyway Corporation, SMC NAIAX Corporation, San Miguel Aerocity Inc. and SMC Tollways Corporation. He 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 has held directorships, parent companies Top Frontier and SMC and Petron-affiliate SMFB are also listed with the PSE.

Emmanuel E. Eraña, Filipino, born 1960, has served as the Senior Vice President and Chief Finance Officer of the Company since January 2009. He has held the following positions, among others: Chairman, President and Chief Executive Officer of LLCDC; Chairman and President of South Luzon Prime Holdings Inc. (“SLPHI”); President and Chief Executive Officer of NVRC; President of PFI and SEA Refinery; Vice President of Ovincor; Director of PFC, PMC, PPI, Mema, Weldon, PLI, PFISB and POMSB; 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.

Mr. Eraña has not held a directorship in any publicly listed company other than Petron.

Jacqueline L. Ang, Filipino, born 1986, has served as the Vice President for Procurement of the Company since January 1, 2024. She has also been a Director of PMRMB (August 2023 to present) and a member of its Sustainability Committee. She has also been a Director of PFC and PMC since March 11, 2025. Ms. Ang was formerly the Assistant Vice President for Procurement of the Company (March 2018 – December 2023). Her work in Petron started in Procurement in 2015. She worked for SMC 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.

Of the companies in which Ms. Ang has held directorships, PMRMB is a publicly listed company in Malaysia.

Artemio V. Panganiban, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He has been 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. On September 18, 2024, he was also conferred the Pro Ecclesia Et

Pontifice Award granted by Pope Francis and handed to him by Jose F. Cardinal Advincula at the Manila Cathedral. 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 has also served as an independent advisor of Metro Pacific Investments Corporation and an Independent Director of non-listed companies such as Asian Hospital, Inc., Metro Pacific Tollways Corporation, State Investment House, Inc. and State Properties Corporation.

Apart from Petron, Chief Justice Panganiban has served as 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 has been the Chairman of the Audit Committee and has been a member of the Corporate Governance, the Related Party Transaction, and the Risk Oversight Committees of the Company. He has also served as an Independent Director of SMC, Atok Big Wedge Corporation and SMC Tollway Corporation. 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 has held 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 has been the Chairman of the Risk Oversight Committee of the Company, and has been a member of the Audit, Corporate Governance and Related Party Transaction Committees of the Company. He has held 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 Corporate Governance Committee and Nomination Committee of Eagle Cement Corporation; and an independent director of Top Frontier (since June 2022). 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 Ret. Gen. Marquez has held directorships other than Petron, SMFB and Top Frontier are also listed with the PSE.



Corporate Governance

Petron Corporation (“Petron” or the “Company”) believes that corporate governance is a necessary component of what constitutes sound strategic business management, and it therefore undertakes every effort necessary to create awareness within the organization.

Petron is committed to pursuing good corporate governance and using good corporate governance principles and practices in the attainment of corporate goals. The Company keeps abreast of new developments in, and leading principles and practices on, good corporate governance. It continuously reviews its own policies and practices as it competes in a continually evolving business environment while taking into account the Company’s corporate objectives and the best interests of its stakeholders and the Company.

Corporate Governance Manual

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 Securities and Exchange Commission (“SEC”) pursuant to its Memorandum Circular No. 19 (2016) (the “Company Corporate Governance Manual”).

The Company Corporate Governance Manual institutionalizes the principles, policies, programs, and procedures of good corporate governance in the entire organization.

Petron is in material compliance with the Company Corporate Governance Manual.

The Company Corporate Governance Manual recognizes and upholds the rights of stakeholders in the Company and reflects the key internal control features necessary for good corporate governance, such as the duties and responsibilities of the Board of Directors and the board committees, the active operation of the Company in a sound and prudent manner, the presence of organizational and procedural controls supported by an effective management information and risk management reporting systems, and the adoption of independent audit measures that monitor the adequacy and effectiveness of the Company’s governance, operations and information systems.

Pursuant to the Company Corporate Governance Manual, in 2025, the Board of Directors appointed Atty. Jhoanna Jasmine M. Javier-Elacio, Vice President – Office of the General Counsel and Corporate Secretary (“OGCCS”), as the Compliance Officer tasked to monitor compliance with the Company Corporate Governance Manual and applicable laws, rules and regulations. Under the Company Corporate Governance Manual, the Compliance Officer directly reports to the Chairperson of the Board of Directors and has direct access to the Board of Directors.

The Compliance Officer, through the OGCCS, periodically releases memoranda to employees, officers and directors on good governance policies being adopted by the Company and new corporate governance requirements set by applicable law, rules and regulations.

Shareholders’ Rights

The Company is committed to respect the legal rights of its stockholders.

Voting Rights of Common and Preferred Shares

Common stockholders have the right to elect, remove and replace directors and vote on corporate acts and matters that require their consent or approval in accordance with the Revised Corporation Code of the Philippines (the “Corporation Code”).

At each stockholders’ meeting, a common stockholder is entitled to one vote, in person or by proxy, for each share of the capital stock held by such stockholder, subject to the provisions of the Company’s by-laws, including the provision which specifically provides for cumulative voting in the election of directors.

Preferred stockholders generally have no right to vote, except in respect of certain corporate acts as provided and specified in the Corporation Code, including, but not limited to, the following cases: **(a)** the amendment of the Company’s articles of incorporation or by-laws; **(b)** the extension or shortening of the Company’s corporate term; **(c)** a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets of the Company; **(d)** an increase or decrease in capital stock; or **(e)** a merger or consolidation involving the Company.

The Board of Directors is required by the Company Corporate Governance Manual to be transparent and fair in the conduct of the annual and special stockholders’ meetings of the Company. The stockholders are encouraged to attend such meetings and, if they cannot attend, they are apprised ahead of time of their right to appoint a proxy. The definitive information statement for a stockholders’ meeting of the Company provides a sample proxy for the convenience of the stockholders.

Right to Information of Shareholders

Accurate and timely information is made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

For the annual stockholders’ meeting in 2025, the notice, agenda, and the QR Code linked to the definitive information statement posted on the Company website were published online and in print in the Philippine Daily Inquirer and The Philippine Star on April 6 and 7, 2025, with the second publication completed 25 days before the meeting. The rationale for each agenda item was explained in the definitive information statement.

Through the definitive information statement prepared by the Company for each annual stockholders’ meeting, the Company publicizes its most recent audited financial statements showing in reasonable detail its assets and liabilities and the result of its operations.

At the annual meeting of the stockholders, the Board of Directors presents to the stockholders a financial report of the operations of the Company for the preceding year, which includes financial statements duly signed and certified by an independent public accountant, and allows the stockholders to ask and raise to Management questions or concerns. Duly authorized representatives of the Company's external auditor are also present at the meeting to respond to appropriate questions concerning the financial statements of the Company.

In addition to the foregoing, the Company maintains an investor relations unit and replies to requests for information and email and telephone queries from the stakeholders. The Company keeps stakeholders informed through its timely disclosures to the SEC, the Philippine Stock Exchange ("PSE"), and the Philippine Dealing & Exchange Corp. ("PDEX"), its regular quarterly briefings and investor briefings and conferences, and its website and social media accounts. The Company website makes available for viewing and downloading the Company's disclosures and filings with the SEC, PSE and PDEX, its media releases, and other salient information of the Company, including its governance, business, operations, performance, corporate social responsibility projects and sustainability efforts.

Right to Dividends

Stockholders have the right to receive dividends, subject to the discretion of the Board of Directors.

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

As of December 31, 2025, the outstanding capital stock of the Company was comprised of 8,911,446,400 common shares; 6,597,000 Series 3B preferred shares; 5,000,000 Series 4A preferred shares; 2,995,000 Series 4B preferred shares; 6,005,000 Series 4C preferred shares; 8,500,000 Series 4D preferred shares; and 8,330,000 Series 4E preferred shares.

The Series 2A and 2B preferred shares were redeemed by the Company on November 4, 2019 (since the 5th anniversary of the listing date, November 3, 2019, fell on a non-business day) and November 3, 2021, respectively.

The Series 3 preferred shares were issued by the Company on June 25, 2019. The dividend on the Series 3A preferred shares is at the fixed rate of 6.8713% per annum and on the Series 3B preferred shares at the fixed rate of 7.1383% per annum, based on the offer price of ₱1,000.00 per share on a 30/360-day basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 3 preferred shares since their issuance and listing in June 2019. The Series 3A preferred shares were redeemed by the Company on December 26, 2024 (since the 5.5th anniversary of the listing date, December 25, 2024, fell on a non-business day).

The first tranche of the Series 4 preferred shares was issued by the Company on July 7, 2023. The dividend on the Series 4A preferred shares is at the fixed rate of 6.7079% per annum, on the Series 4B preferred shares at the fixed rate of 6.7972% per annum, and on the Series 4C preferred shares at the fixed rate of 7.0861% per annum, based on the offer price of ₱1,000.00 per share on a 30/360-day basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 4A, 4B and 4C preferred shares since their issuance and listing in July 2023.

The second tranche of the Series 4 preferred shares was issued by the Company on September 23, 2024. The dividend on the Series 4D preferred shares is at the fixed rate of 6.8364% per annum, and 7.1032% on the Series 4E preferred shares, each as calculated based on the offer price of ₱1,000.00 per share on a 30/360 basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 4D and 4E preferred shares since their listing in September 2024.

Common Share Dividend Payments

Dividends of common shares are paid out within 30 days after the declaration by the Board of Directors, to the extent practicable.

On March 4, 2025, a cash dividend of ₱0.10 per common share was declared, which was paid out on April 2, 2025. The stockholders who had enrolled in the Cash Dividend Direct Credit Program of the Company received their cash dividends via direct deposit to their nominated bank account on the pay-out date. The rest of the stockholders were issued checks covering their cash dividends.

Preferred Share Dividend Payments

The cash dividends declared in 2025 for the preferred shares are set out below.

Series 3B Preferred Shares

Date of Board Approval	Cash Dividends per Share	Record Date	Payment Date
May 6, 2025	₱17.84575	June 2, 2025	June 25, 2025
August 5, 2025	₱17.84575	September 4, 2025	September 25, 2025
November 4, 2025	₱17.84575	December 1, 2025	December 26, 2025

Series 4A Preferred Shares

Date of Board Approval	Cash Dividends per Share	Record Date	Payment Date
May 6, 2025	₱16.76975	June 16, 2025	July 7, 2025
August 5, 2025	₱16.76975	September 16, 2025	October 7, 2025
November 4, 2025	₱16.76975	December 9, 2025	January 7, 2026

Series 4B Preferred Shares

Date of Board Approval	Cash Dividends per Share	Record Date	Payment Date
May 6, 2025	₱16.99300	June 16, 2025	July 7, 2025
August 5, 2025	₱16.99300	September 16, 2025	October 7, 2025
November 4, 2025	₱16.99300	December 9, 2025	January 7, 2026

Series 4C Preferred Shares

Date of Board Approval	Cash Dividends per Share	Record Date	Payment Date
May 6, 2025	₱17.71525	June 16, 2025	July 7, 2025
August 5, 2025	₱17.71525	September 16, 2025	October 7, 2025
November 4, 2025	₱17.71525	December 9, 2025	January 7, 2026

Series 4D Preferred Shares

Date of Board Approval	Cash Dividends per Share	Record Date	Payment Date
May 6, 2025	₱17.09100	May 29, 2025	June 23, 2025
August 5, 2025	₱17.09100	September 2, 2025	September 23, 2025
November 4, 2025	₱17.09100	November 28, 2025	December 23, 2025

Series 4E Preferred Shares

Date of Board Approval	Cash Dividends per Share	Record Date	Payment Date
May 6, 2025	₱17.75800	May 29, 2025	June 23, 2025
August 5, 2025	₱17.75800	September 2, 2025	September 23, 2025
November 4, 2025	₱17.75800	November 28, 2025	December 23, 2025

Appraisal Right

The stockholders have the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Corporation Code upon voting against a proposal for any of the following corporate acts: **(a)** a change or restriction in the rights of any stockholder or class of shares; **(b)** creation of preferences in any respect superior to those of outstanding shares of any class; **(c)** extension or shortening of the term of corporate existence; **(d)** a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets; **(e)** merger or consolidation; and **(f)** an investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation is organized.

Rights of Minority Shareholders

Minority stockholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the stockholders' meeting, provided the items are for legitimate business purposes and in accordance with law, jurisprudence and best practice.

The Company's by-laws and the Company Corporate Governance Manual specifically provide that a special meeting of the stockholders may be called at the written request of one or more stockholders representing at least 20% of the total issued and outstanding capital stock of the Company entitled to vote, and which request states the purpose or purposes of the proposed meeting and delivered to and called by the Corporate Secretary at the Company's principal office.

The Company Corporate Governance Manual expressly provides that the vote of at least 2/3 of the stockholders is necessary to remove a director.

Participation in Shareholders' Meetings: Venue, Proxy, Voting Procedures and Open Forum

The Company conducted its annual stockholders' meeting in 2025 through livestreaming for the stockholders in accordance with applicable laws and regulations on holding meetings through remote communication, with the directors at the principal office of the Company. The procedure and further details for attending and voting the meeting through remote communication (including the requirements for the submission of ballots and proxies) were discussed in the definitive information statement released for the meeting.

All the other past physical meetings of the stockholders before 2020 were held in the principal place of business of the Company or a location within Metro Manila, Philippines designated by the Board of Directors.

The Company encourages shareholders' voting rights and exerts efforts to remove excessive unnecessary costs and other administrative impediments to the meaningful participation in meetings and/or voting by all its stockholders, whether individual or institutional investors.

The Company releases to the stockholders, together with the notice of the meeting and the definitive information statement for the annual stockholders' meeting, sample proxy and ballot forms for their convenience. Proxy and ballots can be sent by email to the dedicated email address for the stockholders' meeting or by mail to the office of the Company's stock transfer agent.

Before the stockholders' meeting starts, the Corporate Secretary explains the voting and voting tabulation procedures.

As mentioned above, at each stockholders' meeting, a common stockholder is entitled to one vote, in person or by proxy, for each share of the common capital stock held by such stockholder, subject to the provisions of the Company's bylaws, including the provision on cumulative voting in the case of the election of directors.

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

Preferred stockholders have no right to vote, except on certain corporate acts specified in the Corporation Code.

If at any stockholders' meeting a vote by ballot shall be taken, the Company's by-laws require the Chairperson to appoint two (2) Inspectors of Votes who will act as the Chairperson and the Vice Chairperson of the Voting Committee and, in turn, designate the other members of the Voting Committee. The Voting Committee to be created will adopt its own rules to govern the voting and take charge of the voting proceedings and the preparation and distribution of the ballots. Each member of the Voting Committee, who need not be a stockholder, will subscribe to an oath to faithfully execute his/her duties as an inspector of votes with strict impartiality and according to the best of his/her ability. In any event, the external auditor of the Company will be requested to supervise the voting proceedings.

The stockholders are allowed to ask and raise to Management questions or concerns at the open forum during each annual meeting of the stockholders. In 2025, a live chatbox was available in the streaming site to which the stockholders may send their questions and/or comments during the meeting. A dedicated email address was also created by the Company to which the stockholders could send their questions and/or comments prior to or during the meeting. Questions and comments could have also been written in the space provided in the sample ballot/proxy form.

Board of Directors

Compliance with the principles of good corporate governance starts with the Board of Directors.

Responsibility, Duties and Functions

The Board of Directors is responsible for overseeing management of the Company and fostering the long-term success of the Company and securing its sustained competitiveness and profitability in a manner consistent with the fiduciary responsibilities of the Board of Directors and the corporate objectives and best interests of the Company and its stakeholders.

The Board of Directors determines and formulates the Corporation's vision, mission, and strategic objectives and the means to attain them. The Board of Directors yearly reviews and approves the corporate strategies of the Company, together with company business plans and capital expenditure and operating budgets. It also periodically evaluates and monitors the overall performance of Management and the implementation of the strategies, plans and budgets for the year.

The specific functions of the Board of Directors include the appointment of competent, professional, honest and highly motivated management officers for an effective management succession planning program of the Company, and the encouragement of the use of alternative dispute resolutions for the settlement of issues between the Company and its stockholders or other third parties, including regulatory authorities.

Conflict of Interest and Abstention from Voting in Case of Conflict

A director's office is one of trust and confidence. A director should therefore act in the best interests of the Company and its stakeholders in a manner characterized by transparency, accountability and fairness.

The Company Corporate Governance Manual requires a director to exercise leadership, prudence and integrity in directing the Company towards sustained progress.

The Company Corporate Governance Manual further expressly requires a director to conduct fair business transactions with the Company by fully disclosing any interest in any matter or transaction to be acted upon by the Board of Directors and excuse himself/herself in the decision-making process of the Board of Directors with respect to it. In general, a director is required to ensure that personal interest does not cause actual or potential conflict of interest with, or bias against, the interest of the Company or prejudice the decisions of the Board of Directors.

Multiple Board Seats

The Company Corporate Governance Manual requires a director to exercise due discretion in accepting and holding directorships in other companies and ensure that his/her capacity to diligently and efficiently perform his/her duties and responsibilities and regularly update his/her knowledge and skills as a director of the Company is not compromised.

A director is expressly required to notify the Board of Directors before accepting a directorship in another company.

Composition and Diversity of Background and Skills; Adoption of the Board Diversity Policy

The Board of Directors is composed of 15 members (with three (3) independent directors in 2025) who are elected from the list of nominees short-listed by the Corporate Governance Committee. The Corporate Governance Committee determines whether the nominees have all the qualifications and none of the disqualifications, as well as the qualities that will enable the Board of Directors to fulfill its responsibilities and duties, including the pursuit of the Company's corporate strategies. The directors are elected annually at the stockholders' meeting and hold the position until their successors have been duly elected and qualified pursuant to the Company's by-laws.

The Company Corporate Governance Manual expressly recognizes that optimal decision-making in the Board of Directors will be achieved with board diversity. Thus, the differences in age, skills, industry experience, background, gender, competence and knowledge, and other distinctions between and among directors are considered and balanced in determining optimum board composition.

The Board of Directors adopted the Board Diversity Policy in August 2023 to further strengthen board diversity. This policy provides the framework for inclusion to promote diversity in the Board of Directors 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.

Newly elected directors are given an orientation program by the OGCCS covering the profile and business of the Company and its corporate policies, including the CG Manual. The Company sponsors annual corporate governance seminars for the continuing education of the directors and the officers and their compliance with the corporate governance seminar requirements under Memorandum Circular No. 20 (Series of 2013) of the SEC.

In 2025, the only executive directors of the Company are Messrs. Ramon S. Ang, Lubin B. Nepomuceno and Emmanuel E. Eraña and Ms. Jacqueline L. Ang, and none of them serves as a director of more than two (2) listed companies outside the San Miguel Group to which the Company belongs.

The membership of the Board of Directors is a combination of executive and non-executive directors (who included the three (3) independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors possess such qualifications and stature that enable them to effectively participate in the deliberations of the Board of Directors. The diverse and varied skills, background and expertise of the directors ensure that matters that come before the Board of Directors are extensively discussed and evaluated.

The names, profiles, backgrounds and shareholdings of the directors, including the remuneration paid them, are disclosed in the definitive information statement of the Company made available prior to annual stockholders' meetings as well as in the SEC Form 17-A and the Annual Corporate Governance Report of the Company. All these reports can be accessed in the company website.

The Company may use professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the Board of Directors, as may be necessary.

Meetings and Seminars Attended

In 2025, the Board of Directors had six (6) meetings held February 13, March 4, May 2, May 6, August 5 and November 4.

The schedule of the meetings for any given year is presented to the directors the year before. The Board of Directors was advised of the schedule of the board meetings for 2025 at the board meeting held on November 5, 2024. Should any matter requiring immediate approval by the Board of Directors arise, such matters are reviewed, considered and approved at meetings of the Executive Committee, subject to the Company's by-laws. Special meetings of the Board of Directors may also be called when necessary in accordance with the Company's by-laws.

In keeping abreast of the latest best practices in corporate governance and complying with applicable legal requirements, including SEC Memorandum Circular No. 13 (Series of 2013), all the directors of the Company attended a corporate governance seminar in 2025 conducted by providers duly accredited by the SEC.

The attendance of the directors at the meetings and corporate governance seminar held in 2025 is set out below:

Director's Name	Feb 13 Special Board Meeting	Mar 4 Regular Board Meeting	May 2 Annual Stockholders' Meeting	May 2 Organizational Board Meeting	May 6 Regular Board Meeting	Aug 5 Regular Board Meeting	Nov 4 Regular Board Meeting	Attendance at Corporate Governance Seminar in 2025
Ramon S. Ang	✓	✓	✓	✓	✓	✓	✓	✓
Lubin B. Nepomuceno	✓	✓	✓	✓	✓	✓	✓	✓
Estelito P. Mendoza *	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Jose P. de Jesus	✓	✓	✓	✓	✓	✓	✓	✓
Ron W. Haddock	✓	✓	✓	✓	✓	✓	✓	✓
Mirzan Mahathir	✓	✓	✓	✓	✓	✓	✓	✓
Aurora T. Calderon	✓	✓	✓	✓	✓	✓	✓	✓
Francis H. Jardeleza	✓	✓	✓	✓	✓	✓	✓	✓
Virgilio S. Jacinto	✓	✓	✓	✓	✓	✓	✓	✓
Nelly Favis-Villafuerte	✓	✓	✓	✓	✓	✓	✓	✓
Horacio C. Ramos **	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
John Paul L. Ang	☐	✓	✓	✓	✓	✓	✓	✓
Emmanuel E. Eraña ***	N/A	N/A	✓	✓	✓	✓	✓	✓
Jacqueline L. Ang ***	N/A	N/A	✓	✓	✓	✓	✓	✓
Artemio V. Panganiban	✓	✓	✓	✓	✓	✓	✓	✓
Margarito B. Teves	✓	✓	✓	✓	✓	✓	✓	✓
Ricardo C. Marquez	✓	✓	✓	✓	✓	✓	✓	✓

✓ Present
☐ Absent

* Ceased to be a Director and Member of the Corporate Governance and Audit Committees due to his demise on March 26, 2025

** Ceased to be a Director due to his demise on April 17, 2025

*** Elected as Director at the Annual Stockholders' Meeting on May 2, 2025

Independent Directors

In 2025, the Company had three (3) independent directors in its Board of Directors, namely, former Supreme Court Chief Justice Artemio V. Panganiban, Mr. Margarito B. Teves, and Mr. Ricardo C. Marquez.

Mr. Teves served as the Lead Independent Director.

The Company Corporate Governance Manual defines an independent director as "a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation, which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director."

An independent director is required by the Company Corporate Governance Manual to submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an independent director at the time of his/her election and/or re-election as an independent director.

The Chairperson; the President and Chief Executive Officer

Mr. Ramon S. Ang, the President and Chief Executive Officer of the Company, is empowered to act as the Chairman of the meetings of the Board of Directors in accordance with the by-laws of the Company.

Under the Company's by-laws, the Chairperson presides at all board and stockholders' meetings. Under the Company Corporate Governance Manual, the Chairperson is responsible for matters such as the following: (a) ensuring that the meetings of the Board of Directors are held in accordance with the Company's by-laws or as the Chairperson may deem necessary; (b) supervising the preparation of the agenda of the meeting; and (c) facilitating discussions on key issues.

Board Committees

The Board of Directors constituted the board committees described below in accordance with the principles of good corporate governance and pursuant to the Company's by-laws.

The Company Corporate Governance Manual sets out the role, authority, duties and responsibilities, and the procedures of each committee, and guides the conduct of its functions.

Executive Committee

The Executive Committee is composed of not less than three (3) members, which shall include the Chairperson of the Board of Directors and the President, with two (2) alternate members. When the Board of Directors is not in session, the Executive Committee may exercise the powers of the former 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)** a distribution of dividends to the stockholders, and **(f)** such other matters as may be specifically excluded or limited by the Board of Directors.

In 2025, the Executive Committee was chaired by Mr. Ramon S. Ang, with Ms. Aurora T. Calderon and Lubin B. Nepomuceno as members. Mr. John Paul L. Ang and Atty. Virgilio S. Jacinto were alternate members of the Executive Committee.

The Executive Committee held four (4) meetings in 2025, with attendance as shown below. The resolutions approved by the Executive Committee were passed with the unanimous vote of the committee members in attendance (whether regular members or alternate members) and later presented to and ratified by the Board of Directors at the board meeting held after each approved resolution.

Members	January 28	March 27	July 22	September 4
Ramon S. Ang (Chairperson)	✓	✓	✓	✓
Lubin B. Nepomuceno (Member)	✓	✓	✓	✓
Aurora T. Calderon (Member)	✓	✓	✓	✓
Virgilio S. Jacinto (Alternate Member)	-	-	-	-
John Paul L. Ang (Alternate Member)	-	-	-	-

Audit Committee

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.

In 2025, the Audit Committee was chaired by Independent Director Mr. Margarito B. Teves, with Independent Directors former Chief Justice Artemio V. Panganiban and Mr. Ricardo C. Marquez, and Ms. Aurora T. Calderon and Mr. John Paul L. Ang as members. Atty. Estelito P. Mendoza served as a member of the Audit Committee until March 26, 2025, while Mr. John Paul L. Ang served as a member from May 2, 2025. Mr. Ferdinand K. Constantino acted as advisor to the committee.

The Audit Committee held four (4) meetings on March 4, May 6, August 5, and November 4, with attendance as indicated below.

Members	March 4	May 6	August 5	November 4
Margarito B. Teves (Chairperson; Independent Director)	✓	✓	✓	✓
Artemio V. Panganiban (Independent Director)	✓	✓	✓	✓
Ricardo C. Marquez (Independent Director)	✓	✓	✓	✓
Estelito P. Mendoza*	✓	N/A	N/A	N/A
Aurora T. Calderon	✓	✓	✓	✓
John Paul L. Ang**	N/A	✓	✓	✓
Ferdinand K. Constantino – Advisor	✓	✓	✓	✓

* Ceased to be a Member of the Audit Committee due to his demise on March 26, 2025

** Elected as a Member of the Audit Committee during the Organizational Board Meeting on May 2, 2025

Corporate Governance Committee

The Corporate Governance Committee 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 was chaired by Independent Director former Chief Justice Artemio V. Panganiban, with Independent Directors Mr. Margarito B. Teves and Mr. Ricardo C. Marquez, and Atty. Virgilio S. Jacinto and Ret. Justice Francis H. Jardeleza as members. Atty. Estelito P. Mendoza served as a member of the Corporate Governance Committee until March 26, 2025, while Ret. Justice Francis H. Jardeleza served as a member from May 2, 2025.

In 2025, the Corporate Governance Committee held two (2) meetings on March 4 and 27, with the following members in attendance:

Members	March 4	March 27
Artemio V. Panganiban (Chairperson, Independent Director)	✓	✓
Margarito B. Teves (Independent Director)	✓	✓
Ricardo C. Marquez (Independent Director)	✓	✓
Estelito P. Mendoza*	✓	N/A
Francis H. Jardeleza**	N/A	N/A
Virgilio S. Jacinto	✓	✓

* Ceased to be a Member of the Audit Committee due to his demise on March 26, 2025

** Elected as a Member of the Audit Committee during the Organizational Board Meeting on May 2, 2025

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 and is not the Chairperson of the Board of Directors or any other board committee. At least one member of the committee has relevant thorough knowledge and experience on risk and risk management.

The Risk Oversight Committee that shall be responsible for the oversight of the enterprise risk management system of the Company to ensure its functionality and effectiveness.

In 2025, the Risk Oversight Committee was chaired by Independent Director Mr. Ricardo C. Marquez, with Independent Director Mr. Margarito B. Teves and Ms. Aurora T. Calderon as members. The Risk Oversight Committee did not hold meetings in 2025.

Related Party Transaction Committee

The Related Party Transaction Committee is composed of at 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 has been chaired by independent director former Chief Justice Artemio V. Panganiban, with Independent Director Mr. Margarito B. Teves and Ms. Aurora T. Calderon as members.

In 2025, the Related Party Transaction Committee held one (1) meeting, with attendance indicated below:

Members	November 4
Artemio V. Panganiban (Independent Director; Chairperson)	✓
Margarito B. Teves (Independent Director)	✓
Aurora T. Calderon	✓

Annual Assessment of Board, Committee and Individual Directors Performance; Results of the 2025 Assessment

The Board of Directors adopted an annual self-assessment form which covers board, committee and individual performance. The assessment form is accomplished by all the directors each year-end.

The self-assessment forms cover the evaluation of the **(a)** fulfillment of the key responsibilities of the Board of Directors, including the consideration of the interests of minority shareholders and stakeholders and their equitable treatment in its decision-making processes, the pursuit of good corporate governance, the establishment of a clear strategic direction for the Company designed to maximize long-term shareholder value, the review and approval of financial statements and budgets, and the appointment of directors who can add value and contribute independent judgment to the formulation of sound policies and strategies of the Company and officers who are competent and highly motivated; **(b)** relationship between the Board of Directors and the Management of the Company, including having a clear understanding of where the role of the Board of Directors ends and where that of Management begins, the participation of the Board of Directors and the board committees in major business policies or decisions, the continuous interaction with Management for a better understanding of the businesses, and the consideration of the correlation between executive pay and Company performance; **(c)** effectiveness of board and committee processes and meetings through the adequacy of the frequency, duration and scheduling of board and committee meetings, the ability of the Board of Directors to balance and allocate its time effectively in discussing issues related to the Company's strategy and competitiveness, the attendance at board and committee meetings and the conduct of meetings in a manner that ensures open communication, meaningful participation, and timely resolution of issues, the wide and diverse range of expertise and occupational and personal backgrounds of the directors, and the institutionalization of a formal review process for monitoring the effectiveness of the Board of Directors and the individual directors; and **(d)** individual performance of the directors including a director's understanding of the mission, values and strategies of the Company, his/her duties as a director and the Company's articles of incorporation, by-laws and governing policies and applicable law, rules and regulations, the attendance at meetings and the conscious effort to avoid entering into situations where a director may be placed in a conflict of interest with that of the Company.

All the 15 directors accomplished the annual self-assessment for 2025. The average self-rating by the Directors covering all four (4) topics discussed above was 4.75 (out of a possible 5.0), broken down as follows: (1) Fulfillment of Board Key Responsibilities – The ratings averaged 4.70 based on a series of nine (9) questions; (2) Board-Management Relationship – The ratings averaged 4.73 based on a series of four (4) questions; (3) Effectiveness of Board Processes and Meetings-- The ratings averaged 4.77 based on a series of nine (9) questions; and (4) Individual Performance of Directors-- The ratings averaged 4.80 based on a series of 10 questions.

External Audit

R.G. Manabat & Co./KPMG ("KPMG") was the independent auditor of the Company appointed by the stockholders for year 2025 upon the recommendation of the Audit Committee and endorsement by the Board of Directors. The partner of KPMG who led the audit of the Company for its 2025 financial statements was appointed in 2025.

The Company Corporate Governance Manual requires the external auditor to observe and enable an environment of good corporate governance as reflected in the financial records and reports of the Company, undertake an independent audit, and provide objective assurance on the manner by which the financial statements are prepared and presented to the shareholders.

Duly authorized representatives of KPMG are expected to attend the Company's annual stockholders' meetings to respond to appropriate questions concerning the financial statements of the Company. KPMG auditors are also given the opportunity to make a representation or statement in case they decide to do so.

As in the previous years, representatives of KPMG attended the annual stockholders' meeting held on May 2, 2025.

Internal Audit

The Company has in place an independent internal audit function performed by the Internal Audit Department ("IAD") presently led by Ms. Liane Mel C. Apilado, Assistant Vice President – Internal Audit.

The Audit Committee considers the appointment of the internal auditor and the terms and conditions for his/her engagement and removal.

The IAD provides the Board of Directors, Management, and shareholders with reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate, and complied with.

The IAD is guided by the International Standards on Professional Practice of Internal Auditing. The IAD Head, in order to achieve the necessary independence to fulfill his/her responsibilities, directly reports functionally to the Audit Committee and administratively to the President.

The Company Corporate Governance Manual requires the head of the IAD to submit to the Audit Committee and the Management an annual report on IAD's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee, and which shall include significant risk exposures, control issues and such other matters as may be needed or requested by the Board of Directors and Management.

Disclosure System

The Company Corporate Governance Manual recognizes that the essence of corporate governance is transparency. The Company has established corporate disclosure policies and procedures that (a) are practical and in accordance with best practices and regulatory expectations and (b) will ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the financial condition, results and business operations of the Corporation.

All material information about the Company which could adversely affect its viability or the interest of its stockholders and other stakeholders (such as earnings results, acquisition or disposal of significant assets, board changes, related party transactions, shareholdings of directors and changes to ownership) are fully, fairly, accurately and timely disclosed to the public.

All information disclosed by the Company is released through the approved stock exchange procedure for Company announcements and the Company's annual report. The Company's website is also updated as soon as disclosures are approved by the PSE.

Stakeholder Relations

The Corporation maintains open and easy communication with its stakeholders, including for purposes of providing redress for any concern relating their rights, through stakeholder engagement touchpoints in the Company such as the Investor Relations Office, the Office of the Corporate Secretary and its customer care, corporate communications group and stock transfer agent.

In addition, the Company keeps the public informed through the Company's timely PSE, PDEX, and SEC disclosures, its regular quarterly briefings and investor briefings and conferences and the Company's website and replies to information requests and email and telephone queries.

The Company's disclosures and filings with the SEC, PSE, and PDEX (including its annual reports, SEC Form 17-A, reports on SEC Form 17-C, and Integrated Annual Corporate Governance Report), its media releases, and other salient information on the Company, including its governance, business, operations, performance, corporate social responsibility projects and sustainability efforts are found in the Company website www.petron.com.

Various Corporate Policies

Revised and Newly Adopted Governance and Personnel Policies

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.

Orientation sessions with new employees were held to inform them of all personnel policies.

- **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 old policy already expressly provided the commitment of the Company that it shall not tolerate retaliation in any form against a director, officer, employee or any the other interested party who, in good faith, raises a concern or reports a possible violation of the policy. The Company reiterated in the revised policy its commitment against retaliation, which action will be subject to appropriate sanctions that include dismissal or termination of contractual relations with the Company.

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

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

- **Anti-Sexual Harassment Policy**

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

- **Policy on Conflict of Interest**

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

- **Diversity, Equity, and Inclusion Policy**

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

- **Policy on Child and Forced Labor**

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

- **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.

The other provisions of the Code of Conduct and Ethical Business Policy of the Company previously revised on May 8, 2018 by the Board of Directors remain effective.

The Company's Revised Code of Conduct and Ethical Business Policy sets the standards for ethical and business conduct of the directors, officers and employees and expresses the commitment of the Company to conduct its business fairly, honestly, impartially and in good faith, and in an uncompromising ethical and proper manner.

All the directors, officers and employees of the Company are expressly required to comply with the Company's Revised Code of Conduct and Ethical Business Policy and conduct themselves in a manner that avoids even the mere appearance of improper behavior.

Among the standards set by the Revised Code of Conduct and Ethical Business Policy include **(a)** the open, honest and arm's length dealings with its dealers customers, dealers, suppliers, vendors, contractors, creditors, financial institutions, and joint venture partners, **(b)** the supply of products and services of the highest quality backed by efficient after sales service, **(c)** the conduct of business in a manner that preserves the environment, protects the health and safety of its employees, customers, suppliers, contractors, and other stakeholders, and the general public, **(d)** the observance of the vision and the mission of the Company and its core values of professionalism, integrity, fairness, commitment to excellence, and care of the environment, and includes the prohibitions against conflict of interest, bribery, gifts, disclosure of non-public information of the Company and misuse of company property, and **(e)** professional competence of the employees.

The procedure under the Revised Code of Conduct and Ethical Business Policy requires anyone with any information or knowledge of any prohibited act or violation to promptly report the same to the Department Head, any Vice President, the Human Resources Management Department, the IAD or the General Counsel. Disciplinary measures may be imposed after an investigation.

All incoming employees are oriented with the policies of the Company, including the Revised Code of Conduct and Ethical Business Policy. And as part of their pre-employment requirements, all such incoming employees are required to declare in their acceptance of the company policies, rules and procedures, including those relating to conflict of interest, gifts, and insider trading.

- **Board Diversity Policy**

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

Policy on Dealings in Securities

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

Personal Data Privacy Policy

On May 16, 2017, the Board of Directors of the Company adopted the Personal Data Privacy Policy of the Company. The Personal Data Privacy Policy of the Company mandates that all processing of personal data within the Company should be conducted in compliance with law and the data privacy principles of **(i)** transparency that allows a data subject to be aware of the nature, purpose, and extent of the processing of his/her personal data by the Company and his/her rights as a data subject; **(ii)** use for legitimate purpose that requires the processing of personal data by the Company to be compatible with a declared and specified legitimate purpose, and **(iii)** proportionality that requires the processing of personal data to be adequate, relevant, suitable, necessary, and not excessive in relation to a declared and specified purpose. The Company also has its data protection officer.

Policy on Related Party Transactions

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

On November 5, 2024, upon the recommendation of the Related Party Transaction Committee of the Board of Directors and pursuant to the Policy on Related Party Transactions of the Company, the Board of Directors approved the proposed transactions for 2025 between the Company and its subsidiary Petron Singapore Trading Pte. Ltd.



Financial Highlights

Amounts in Million Pesos, except earnings per share and sales volume data

Net Sales

2025	809,766
2024	867,966
2023	801,027

Gross Profit

2025	56,018
2024	46,213
2023	46,598

Operating Income

2025	37,323
2024	29,223
2023	30,713

Net Income

2025	15,627
2024	8,471
2023	10,112

EBITDA

2025	52,350
2024	43,076
2023	45,179

Total Assets

2025	451,962
2024	468,802
2023	445,769

Total Equity

2025	121,023
2024	104,210
2023	99,660

Sales Volume (in thousand barrels)

2025	137,861
2024	139,853
2023	126,914

Return on Assets

2025	3.39%
2024	1.85%
2023	2.23%

Return on Equity

2025	13.88%
2024	8.31%
2023	9.48%

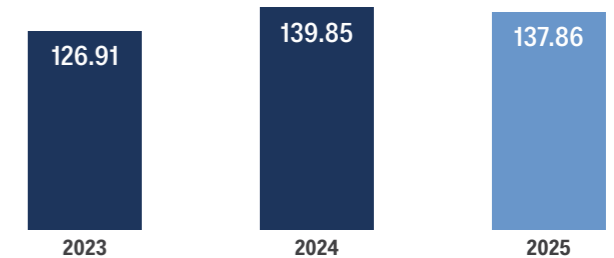
Improved profitability fueled by sustained domestic sales growth and increased productivity

2025 was marked with oversupply of oil from the unwinding of voluntary production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and other major producers amid subdued demand. While these factors weighed down on oil prices, the supply constraints due to geopolitical conflicts and sanctions on Russian, Venezuelan and Iranian oil kept the prices afloat. The price of Benchmark crude Dubai declined by 13% to average US\$69/bbl in 2025. Prices of finished products also tracked the oil movement.

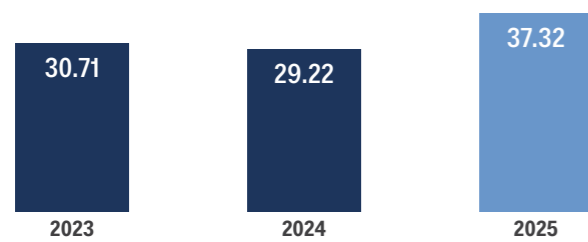
Petron's consolidated sales volume ended almost flat at **138 million barrels (MMB)** as the higher domestic sales volume was fully offset by the strategic reduction in trading volume of Petron Singapore and export sales. Philippine operations continued to grow its domestic sales volume with an overall 8% increase. The sustained growth was driven by the economic growth and tourism recovery, intensified marketing efforts, and new account acquisitions and network expansion for LPG. Petron Malaysia's volume remained steady despite the domestic demand correction following the change in government-regulated pricing mechanism for fuels.

Net sales dropped by 7% from ₱868 billion to **₱810 billion** for the year ended December 31, 2025 due to the combined impact of decline in total sales volume and prices.

Sales Volume (in million barrels)

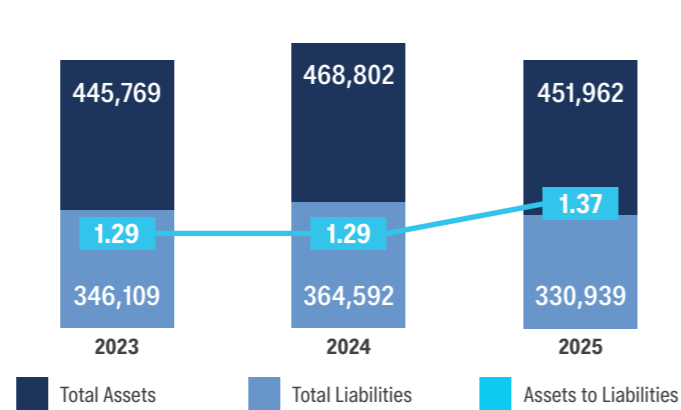


Operating Income (in billions)



While revenues declined, gross profit rose by 21% to **₱56.0 billion** from previous year's ₱46.2 billion driven by better margins from increased domestic sales volume and improved productivity of both refineries in the Philippines and Malaysia. After deducting incremental operating expenses, resulting operating income jumped by 28% to **₱37.3 billion** while earnings before interest, taxes, depreciation, and amortization (EBITDA) went up by 22% to **₱52.3 billion**.

Assets vs. Liabilities



Lower working capital requirements and rise in total equity

Consolidated assets declined from ₱468.8 billion to **₱452.0 billion** as of end-2025. The ₱16.8 billion net reduction can be traced mainly to inventories owing to lower crude volume and prices.

Total liabilities dropped by 9% to **₱330.9 billion** with reduced short-term loans as internal fund generation during the year was more than sufficient to meet working capital requirements.

As of December 31, 2025, equity closed higher at **₱121.0 billion**, ₱16.8 billion more than the previous year's ₱104.2 billion, chiefly from the recorded net earnings and issued capital securities during the year.

Significant growth in internally generated cash from better performance

Cash realized from operations rose to **₱86.2 billion** in 2025, more than double the ₱32.1 billion generated in the previous year, driven by higher income alongside effective working capital management. As a result, the Company was able to settle outstanding loans, service interest obligations, pay for dividends and distributions, and finance capital projects, while maintaining residual cash surplus. Cash balance as of December 31, 2025 stood at **₱42.1 billion**, up by 38% from end-2024 balance of ₱30.4 billion.

In Million Pesos	2025	2024	2023
Beginning Cash Balance	30,389	27,519	37,183
Operating Inflows	68,745	13,208	20,316
Investing Outflows	(7,064)	(10,216)	(7,550)
Financing Outflows	(50,481)	(1,285)	(21,753)
Effects of Exchange Rate Changes	470	1,163	(677)
Ending Cash Balance	42,059	30,389	27,519

Audit Committee Report

The Board of Directors
Petron Corporation

The Audit Committee assists the Board of Directors in its oversight function with respect to the adequacy and effectiveness of internal control environment, compliance with corporate policies and regulations, integrity of the financial statements, the independence and overall direction of the internal audit function, and the selection and performance of the external auditor.

In the performance of our responsibilities, we report that in 2025:

- We reviewed and discussed with Controllers management the quarterly and annual financial statements of Petron Corporation and Subsidiaries and endorsed these for approval by the Board;
- We endorsed the re-appointment of R.G. Manabat & Co./KPMG as the Company's independent auditors for 2025;
- We reviewed with R.G. Manabat & Co./KPMG the scope and timing of their annual audit plan, audit methodology, and focus areas related to their review of the financial statements;
- We reviewed with R.G. Manabat & Co./KPMG, the audit observations and recommendations on the Company's internal controls and management's response to the issues raised;
- We reviewed with the Internal Audit Head the annual internal audit plan, approved the same, and satisfied ourselves on the independence of the internal audit function; and
- We reviewed on a quarterly basis Internal Audit's report on the adequacy and effectiveness of the internal control environment in the areas covered during the period.

The Board Audit Committee is satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2025.

John Paul L. Ang
Director

Artemio V. Panganiban
Independent Director

Margarito B. Teves
Chairperson
Independent Director

Aurora T. Calderon
Director

Ricardo C. Marquez
Independent Director



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Petron Corporation and Its Subsidiaries** (collectively referred to as the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2025, 2024, and 2023**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

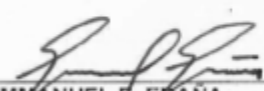
In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to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

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

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

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


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


EMMANUEL E. ERANA
Senior Vice President and Chief Finance Officer

Signed this 3rd day of March 2026

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Mandaue Terminal, Looc, Mandaue City, Cebu • Davao Depot, KM 9, Bo. Pampanga, Davao City
Tel. (632) 8-884-9200 • Website: <http://www.petron.com>

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Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders

Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

Opinion

We have audited the consolidated financial statements of Petron Corporation and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2025, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024 and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025
BSP Selected EAs of BSFIs-Group A, valid for five (5) years covering the audit of 2025 to 2029 financial statements under BSP Letter No. FSD VI-2025-02-0054g-FSD6L-External

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

R.G. Manabat & Co.



Key Audit Matters

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

Revenue Recognition (P809,766 million)

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

The risk

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

Our response

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

- We tested operating effectiveness of the key controls over revenue recognition. We involved our information technology specialists, as applicable, to assist in the audit of automated controls and the design, implementation and operating effectiveness of controls over the recording of revenue transactions.
- We checked, on a sampling basis, the sales transactions to supporting documentation such as sales invoices and delivery documents.
- We performed data and analytics procedures through two-way matching of sales invoices and delivery receipts for the last month of the current financial year and the first month of the following year, to assess whether revenue was recognized in the correct financial year, after performing manual testing over the population to assess the integrity of the information used.
- We tested journal entries posted to revenue accounts, including any unusual or irregular items.
- We tested, on a sampling basis, credit notes recorded after the financial year to identify potential reversals of revenue which were inappropriately recognized in the current financial year.

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R.G. Manabat & Co.



Valuation of Inventories (P67,495 million)

Refer to Note 3, *Summary of Material Accounting Policies*, Note 4, *Use of Judgments, Estimates and Assumptions* and Note 8, *Inventories* to the consolidated financial statements.

The risk

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

Our response

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

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

Valuation of Goodwill (P9,767 million)

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

The risk

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

R.G. Manabat & Co.



Our response

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements.

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

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

R.G. Manabat & Co.



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

R.G. Manabat & Co.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

R.G. Manabat & Co.



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

R.G. MANABAT & CO.

Rohanie C. Galicia

ROHANIE C. GALICIA

Partner

CPA License No. 0118706

SEC Accreditation No. 118706-SEC, Group A, valid for five (5) years covering the audit of 2022 to 2026 financial statements

Tax Identification No. 249-773-914

BIR Accreditation No. 08-001987-044-2024

Issued July 17, 2024; valid until July 17, 2027

PTR No. MKT 10764394

Issued January 5, 2026 at Makati City

March 31, 2026

Makati City, Metro Manila

PETRON CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Million Pesos)

	Note	2025	2024
ASSETS			
Current Assets			
Cash and cash equivalents	5, 34, 35	P42,059	P30,389
Financial assets at fair value	6, 14, 34, 35	1,080	1,044
Trade and other receivables - net	4, 7, 28, 34, 35	81,603	82,762
Inventories	4, 8	67,495	90,570
Other current assets	14, 28	46,429	51,108
Total Current Assets		238,666	255,873
Noncurrent Assets			
Investment in shares of stock of an associate and a joint venture	2, 13	1,227	1,165
Property, plant and equipment - net	4, 9, 11, 37	167,417	169,302
Right-of-use assets - net	4, 10	2,315	2,925
Investment property - net	4, 9, 11	30,101	28,243
Deferred tax assets - net	4, 27	548	560
Goodwill - net	4, 12	9,767	8,731
Other noncurrent assets - net	4, 6, 14, 34, 35	1,921	2,003
Total Noncurrent Assets		213,296	212,929
		P451,962	P468,802
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	15, 33, 34, 35, 37	P91,900	P138,906
Liabilities for crude oil and petroleum products	16, 28, 31, 34, 35	51,407	51,625
Trade and other payables	17, 28, 30, 33, 34, 35, 39	33,021	29,012
Lease liabilities - current portion	4, 31, 33, 34	1,513	1,295
Derivative liabilities	34, 35	1,722	1,699
Income tax payable		809	304
Current portion of long-term debt - net	18, 33, 34, 35	13,200	29,418
Total Current Liabilities		193,572	252,259

Forward

	Note	2025	2024
Noncurrent Liabilities			
Long-term debt - net of current portion	18, 33, 34, 35	P111,277	P88,025
Retirement benefits liability - net	30	3,734	3,661
Deferred tax liabilities - net	27	7,917	6,719
Lease liabilities - net of current portion	4, 31, 33, 34	12,572	12,120
Asset retirement obligation	4, 19	1,384	1,321
Other noncurrent liabilities	20, 34, 35	483	487
Total Noncurrent Liabilities		137,367	112,333
Total Liabilities		330,939	364,592
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	21	9,502	9,502
Additional paid-in capital		57,698	57,698
Capital securities		40,321	34,555
Retained earnings		42,908	33,715
Equity reserves		(18,225)	(19,350)
Treasury stock		(22,133)	(21,003)
Total Equity Attributable to Equity Holders of the Parent Company		110,071	95,117
Non-controlling Interests	12	10,952	9,093
Total Equity		121,023	104,210
		P451,962	P468,802

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Million Pesos, Except Per Share Data)

	Note	2025	2024	2023
SALES	28, 31, 37	P809,766	P867,966	P801,027
COST OF GOODS SOLD	22	753,748	821,753	754,429
GROSS PROFIT		56,018	46,213	46,598
SELLING AND ADMINISTRATIVE EXPENSES	23	(20,663)	(18,757)	(17,568)
OTHER OPERATING INCOME	29	1,968	1,767	1,683
INTEREST EXPENSE AND OTHER FINANCING CHARGES	26, 37	(18,708)	(20,961)	(19,095)
INTEREST INCOME	26, 37	1,182	1,201	1,284
SHARE IN NET INCOME OF AN ASSOCIATE AND A JOINT VENTURE	13	167	114	89
OTHER INCOME (EXPENSE) - Net	26	(559)	3,417	119
		(36,613)	(33,219)	(33,488)
INCOME BEFORE INCOME TAX		19,405	12,994	13,110
INCOME TAX EXPENSE	27, 36, 37	3,778	4,523	2,998
NET INCOME		P15,627	P8,471	P10,112
Attributable to:				
Equity holders of the Parent Company	32	P14,752	P8,469	P9,229
Non-controlling interests	12	875	2	883
		P15,627	P8,471	P10,112
BASIC/DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	32	P1.12	P0.30	P0.27

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Million Pesos)

Note	2025	2024	2023
NET INCOME	P15,627	P8,471	P10,112
OTHER COMPREHENSIVE LOSS			
<i>Item that will not be reclassified to profit or loss</i>			
Equity reserve for retirement plan	30 (204)	(1,655)	(38)
Income tax benefit	27 50	409	9
	(154)	(1,246)	(29)
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Loss on cash flow hedges	-	-	(68)
Exchange differences on translation of foreign operations	6,406	4,171	(2,418)
Share in other comprehensive income of an associate and a joint venture	8	1	4
Income tax benefit	27 -	-	18
	6,414	4,172	(2,464)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	6,260	2,926	(2,493)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR - Net of tax	P21,887	P11,397	P7,619
Attributable to:			
Equity holders of the Parent Company	P19,901	P10,765	P7,146
Non-controlling interests	12 1,986	632	473
	P21,887	P11,397	P7,619

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Million Pesos)

	Equity Attributable to Equity Holders of the Parent Company										Total Equity
	Retained Earnings			Equity Reserves			Treasury Stock	Non-controlling Interests	Total	Total Equity	
	Capital Stock	Additional Paid-in Capital	Capital Securities	Appropriated	Unappropriated	Reserve for Retirement Plan					
As of December 31, 2024	P9,502	P57,698	P34,555	P3	P33,712	(P7,670)	(P11,680)	(P21,003)	P95,117	P9,093	P104,210
Exchange differences on translation of foreign operations	-	-	-	-	-	-	5,307	-	5,307	1,099	6,406
Equity reserve for retirement plan - net of tax	-	-	-	-	-	(166)	-	-	(166)	12	(154)
Share in other comprehensive income of an associate and a joint venture	-	-	-	-	-	-	8	-	8	-	8
Other comprehensive income (loss)	-	-	-	-	-	(166)	5,315	-	5,149	1,111	6,260
Net income for the year	-	-	-	-	14,752	-	-	-	14,752	875	15,627
Total comprehensive income (loss) for the year	-	-	-	-	14,752	(166)	5,315	-	19,901	1,986	21,887
Cash dividends	-	-	-	-	(2,894)	-	-	-	(2,894)	(128)	(3,022)
Distributions paid	-	-	-	-	(2,664)	-	-	-	(2,664)	-	(2,664)
Acquisition of common treasury shares	-	-	-	-	-	-	-	(1,130)	-	-	(1,130)
Issuance of capital securities	-	-	26,794	-	-	-	-	-	26,794	-	26,794
Repurchase of capital securities	-	-	(21,028)	-	-	-	-	-	(21,028)	-	(21,028)
Reversal of appropriation	-	-	-	(3)	2	-	-	-	(1)	1	-
Transactions with owners	-	-	5,766	(3)	(5,556)	-	(4,024)	(1,130)	(4,947)	(127)	(5,074)
As of December 31, 2025	P9,502	P57,698	P40,321	P -	P42,908	(P7,836)	(P10,389)	(P22,133)	P110,071	P10,952	P121,023

Forward

	Equity Attributable to Equity Holders of the Parent Company										
	Retained Earnings					Equity Reserves					
	Capital Stock	Additional Paid-in Capital	Capital Securities	Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of December 31, 2023	P8,485	P40,985	P37,529	P3	P31,844	(P6,466)	(P14,794)	(P7,600)	P90,986	P8,674	P99,660
Exchange differences on translation of foreign operations	-	-	-	-	-	-	3,499	-	3,499	672	4,171
Equity reserve for retirement plan - net of tax	-	-	-	-	-	(1,204)	-	-	(1,204)	(42)	(1,246)
Share in other comprehensive income of an associate and a joint venture	-	-	-	-	-	-	1	-	1	-	1
Other comprehensive income (loss)	-	-	-	-	-	(1,204)	3,500	-	2,296	630	2,926
Net income for the year	-	-	-	-	8,469	-	-	-	8,469	2	8,471
Total comprehensive income (loss) for the year	-	-	-	-	8,469	(1,204)	3,500	-	10,765	632	11,397
Cash dividends	12, 21	-	-	-	(3,650)	-	-	-	(3,650)	(213)	(3,863)
Distributions paid	21	-	-	-	(2,951)	-	-	-	(2,951)	-	(2,951)
Issuance of preferred shares	21	17	-	-	16,713	-	-	-	16,730	-	16,730
Redemption of preferred shares	21	-	-	-	-	-	-	(13,403)	(13,403)	-	(13,403)
Repurchase of capital securities	21	-	(2,974)	-	-	(386)	-	-	(3,360)	-	(3,360)
Transactions with owners	17	16,713	(2,974)	-	(6,601)	-	(386)	(13,403)	(6,634)	(213)	(6,847)
As of December 31, 2024	P9,502	P57,698	P34,555	P3	P33,712	(P7,670)	(P11,680)	(P21,003)	P95,117	P9,093	P104,210

Forward

	Equity Attributable to Equity Holders of the Parent Company										
	Retained Earnings					Equity Reserves					
	Capital Stock	Additional Paid-in Capital	Capital Securities	Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of December 31, 2022	P9,485	P37,500	P62,712	P7,003	P23,379	(P6,437)	(P10,454)	(P18,000)	P105,188	P8,413	P113,601
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,008)	-	(2,008)	(410)	(2,418)
Net loss on cash flow hedges - net of tax	-	-	-	-	-	-	(50)	-	(50)	-	(50)
Equity reserve for retirement plan - net of tax	-	-	-	-	-	(29)	-	-	(29)	-	(29)
Share in other comprehensive income of an associate and a joint venture	-	-	-	-	-	-	4	-	4	-	4
Other comprehensive loss	-	-	-	-	-	(29)	(2,054)	-	(2,083)	(410)	(2,493)
Net income for the year	-	-	-	-	9,229	-	-	-	9,229	883	10,112
Total comprehensive income (loss) for the year	-	-	-	-	9,229	(29)	(2,054)	-	7,146	473	7,619
Cash dividends	21	-	-	-	(3,053)	-	-	-	(3,053)	(212)	(3,265)
Distributions paid	21	-	-	-	(4,569)	-	-	-	(4,569)	-	(4,569)
Reissuance of preferred shares	21	3,485	-	-	-	-	-	10,400	13,885	-	13,885
Redemption of capital securities	21	-	(25,183)	-	-	-	(2,286)	-	(27,469)	-	(27,469)
Share issuance cost of a subsidiary	-	-	-	-	(142)	-	-	-	(142)	-	(142)
Reversal of retained earnings appropriation	21	-	-	(7,000)	7,000	-	-	-	-	-	-
Transactions with owners	-	3,485	(25,183)	(7,000)	(764)	-	(2,286)	10,400	(21,348)	(212)	(21,560)
As of December 31, 2023	P9,485	P40,985	P37,529	P3	P31,844	(P6,466)	(P14,794)	(P7,600)	P90,986	P8,674	P99,660

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Million Pesos)

Note	2025	2024 As Reclassified (Note 33)	2023 As Reclassified (Note 33)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P19,405	P12,994	P13,110
Adjustments for:			
Interest expense and other financing charges	26, 37 18,708	20,961	19,095
Depreciation and amortization	25, 37 14,509	13,456	13,292
Unrealized foreign exchange losses (gains) - net	824	2,043	(327)
Impairment loss (reversal of impairment) of receivables and inventories - net	7, 8 647	(341)	36
Retirement benefits costs	30 356	270	257
Interest income	26 (1,182)	(1,201)	(1,284)
Share in net income of an associate and a joint venture	13 (167)	(114)	(89)
Gain on lease termination	26 -	(3,509)	-
Other losses - net	9, 11, 26 406	592	154
Operating income before working capital changes	53,506	45,151	44,244
Changes in noncash assets, certain current liabilities and others	33 32,675	(13,094)	(6,140)
Cash generated from operations	86,181	32,057	38,104
Contribution to retirement fund	30 (850)	(1,023)	(1,015)
Interest paid	(16,432)	(18,594)	(17,117)
Income taxes paid	(1,445)	(413)	(948)
Interest received	1,291	1,181	1,292
Net cash flows provided by operating activities	68,745	13,208	20,316

Forward

Note	2025	2024 As Reclassified (Note 33)	2023 As Reclassified (Note 33)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	9 (P7,111)	(P9,960)	(P7,047)
Proceeds from sale of property and equipment	20	12	49
Acquisition of investment property	11 (259)	(376)	(244)
Proceeds from sale of investment property	210	-	1
Dividend received from an associate	13 113	108	-
Increase in other noncurrent assets	(37)	-	(9)
Payment for acquisition of a subsidiary	12 -	-	(300)
Net cash flows used in investing activities	(7,064)	(10,216)	(7,550)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans, bonds and advances	28, 33 398,298	385,910	289,660
Payments of:			
Loans, bonds and advances	33 (440,479)	(377,659)	(287,868)
Lease liabilities	29, 33 (2,592)	(2,780)	(2,463)
Cash dividends and distributions	21, 33 (6,320)	(6,723)	(7,356)
Repurchase of common treasury shares	21 (1,130)	-	-
Issuance/reissuance of preferred shares	21 -	16,730	13,885
Redemption of preferred shares	21 -	(13,403)	-
Issuance of capital securities	21 26,794	-	-
Repurchase of capital securities	21 (25,052)	(3,360)	(27,469)
Share issuance cost of a subsidiary	-	-	(142)
Net cash flows used in financing activities	(50,481)	(1,285)	(21,753)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	470	1,163	(677)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,670	2,870	(9,664)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30,389	27,519	37,183
CASH AND CASH EQUIVALENTS AT END OF YEAR	5 P42,059	P30,389	P27,519

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

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

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

Petron operates the modern refinery in Bataan, with a rated capacity of 180,000 barrels a day. Petron's refinery processes crude oil into a full range of world-class petroleum products including diesel, gasoline, jet fuel, liquefied petroleum gas (LPG), kerosene, and petrochemicals. From the refinery, Petron moves its products mainly by sea to nearly 40 terminals and airport installations strategically located across the country. Through this network, Petron supplies fuels to its service stations and various essential industries such as power-generation, transportation, manufacturing, agriculture, etc. Petron also supplies jet fuel at key airports to international and domestic carriers.

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

Petron also has a facility in Mariveles, Bataan where the refinery's propylene production is converted into higher-value polypropylene resin.

Today, Petron is one of the leading oil companies in Malaysia with an integrated business which includes an 88,000 barrel-per-day refinery, 10 product terminals and facilities, and a network of more than 800 service stations.

The Parent Company is a public company under Section 17.2 of Securities Regulation Code (SRC) and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE). As of December 31, 2025, the Parent Company's public float stood at 28.04%.

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

As of December 31, 2025, the three (3) principal common shareholders of the Company holding at least 5% of its common stock are SEA Refinery Corporation ("SEA Refinery") (52.71%), PCD Nominee Corporation - Filipino (21.28%), and SMC (19.11%). SEA Refinery is a wholly-owned subsidiary of SMC. SMC thus holds an aggregate 71.82% ownership of the common shares of the Company.

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries and the Group's interests in associate and joint venture (collectively referred to as the Group).

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 3, 2026.

Basis of Measurement

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

Items	Measurement Bases
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

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

Basis of Consolidation

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

Name of Subsidiary	Percentage of Ownership		Country of Incorporation
	2025	2024	
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	100.00	100.00	Bermuda
Petron Freeport Corporation (PFC)	100.00	100.00	Philippines
Petron Singapore Trading Pte. Ltd. (PSTPL)	100.00	100.00	Singapore
Petron Marketing Corporation (PMC)	100.00	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	85.55	85.55	Philippines
Petron Global Limited (PGL)	100.00	100.00	British Virgin Islands
Petron Finance (Labuan) Limited (PFL)	-	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd (POGM) and Subsidiaries	100.00	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	100.00	100.00	Hong Kong
Mema Holdings Inc. (Mema) and Subsidiaries	100.00	100.00	Philippines

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

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

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

NVRC's primary purpose is to acquire real estate and derive income from its sale or lease. As of December 31, 2025 and 2024, NVRC owns 100% of Las Lucas Construction and Development Corporation (LLCDC), South Luzon Prime Holdings, Inc. (SLPHI), and 60% of Mariveles Landco Corporation (MLC). On August 5, 2025, the SEC approved the merger of LLCDC, Abreco Realty Corporation (ARC), and Parkville Estates and Development Corporation (PEDC), with LLCDC as the surviving entity. Both ARC and PEDC were 100% owned by NVRC prior to the merger.

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

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

As of December 31, 2025 and 2024, POGI owns 73.4% of Petron Malaysia Refining & Marketing Bhd. (PMRMB) and 100% of both Petron Fuel International Sdn Bhd (PFISB) and Petron Oil (M) Sdn. Bhd. (POMSB), collectively hereinafter referred to as "Petron Malaysia". Petron Malaysia is involved in the refining and marketing of petroleum products in Malaysia.

PFL is a holding company incorporated under the laws of Labuan, Malaysia. On July 18, 2025, PFL has completed its dissolution and liquidation.

PAHL is a holding company incorporated in Hong Kong in March 2008. As of December 31, 2025 and 2024, PAHL owns 100% of Robinsons International Holdings Limited (RIHL) which owns 100% of Philippine Polypropylene, Inc. (PPI) and 40% of MLC.

Mema is a holding company acquired by the Parent Company on June 30, 2022. As of December 31, 2025 and 2024, Mema owns 100% of Weldon Offshore Strategic Limited Incorporated which owns 100% of Petrofuel Logistics, Inc. (PLI). PLI provides logistics and freight forwarding services for the hauling, carriage, transportation, forwarding, and/or storage, and into-plane operation requirements mainly of the Group.

Non-controlling interests represent the interests not held by the Parent Company in NVRC and PMRMB in 2025 and 2024.

3. Summary of Material Accounting Policies

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

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS Accounting Standards.

Adoption of Amendments to Standards

The Group has adopted the Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*) effective January 1, 2025. The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

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

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

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

New and Amended Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2025, and have not been applied in preparing the consolidated financial statements.

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

- *Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures)*. The amendments relate to the date of recognition and derecognition, classification of financial assets, contractually linked instruments and non-recourse features, and disclosures on investments in equity instruments.

Date of Recognition and Derecognition. The amendments clarified that:

- a financial asset or financial liability is recognized on the date on which the entity becomes party to the contractual provisions of the instrument unless the regular way exemption applies;
- a financial asset is derecognized on the date on which the contractual rights to cash flows expire or the asset is transferred; and
- a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires or the liability otherwise qualifies for derecognition.

However, the amendments provide an exception for the derecognition of financial liabilities where an entity may choose to derecognize a financial liability that is settled using an electronic payment system before the settlement date if, and only if, the entity has initiated the payment instruction that resulted in:

- the entity having no practical ability to withdraw, stop or cancel the payment instruction;
- the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- settlement risk associated with the electronic payment system is insignificant.

Entities may choose to apply the exception on a system-by-system basis.

Classification of Financial Assets. The amendments related to classification of financial assets introduced an additional test to assess whether the solely payments of principal and interest (SPPI) criterion is met for financial assets with contingent features that are not related directly to a change in basic lending risks or costs.

The amendments clarified that when a contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs, the financial asset has contractual cash flows that are SPPI if, and only if, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.

Additional disclosures are required for all financial assets and financial liabilities that have certain contingent features that are not related directly to a change in basic lending risks or costs and are not measured at fair value through profit or loss.

Contractually Linked Instruments and Non-recourse Features. The amendments clarify the key characteristics of contractually linked instruments (CLIs) and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test). For example, it clarifies that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets; that CLIs have non-recourse features, but not all financial assets with non-recourse features are CLIs; and that the underlying pool of instruments of CLIs may include financial assets outside the scope of PFRS 9.

Disclosures on Investments in Equity Instruments. The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI). The entity discloses for each class of investment the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognized during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period. It also discloses any transfers of the cumulative gain or loss within equity during the reporting period related to investments derecognized during that reporting period.

The amendments apply for reporting periods beginning on or after January 1, 2026. Earlier application is permitted. Entities may choose to early-adopt the amendments for the recognition and derecognition of financial assets and financial liabilities separately from the other amendments.

- *Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and 7)*. The amendments clarify the application of the own-use exemption for contracts referencing electricity from nature-dependent renewable energy sources, amend the hedge accounting requirements to allow these contracts to be designated as hedging instruments if certain conditions are met, and introduce additional disclosure requirements on the impact of these contracts on the financial performance and future cash flow.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

- *Annual Improvements to PFRS Accounting Standards - Volume 11*. This cycle of improvements contains amendments to five standards, of which the following amendments are relevant to the Group:
 - *Gain or Loss on Derecognition (Amendments to PFRS 7)*. The amendments replaced the reference to 'inputs that were not based on observable market data' in the obsolete paragraph 27A of PFRS 7, with reference to 'unobservable inputs' in paragraphs 72-73 of PFRS 13, *Fair Value Measurement*.

- Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9). The amendments:
 - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in statement of income; and
 - replaced the term 'their transaction price (as defined in PFRS 15, *Revenue from Contracts with Customers*)' with 'the amount determined by applying PFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

The amendments apply for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The amendment on derecognition of lease liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, will replace PAS 1, *Presentation of Financial Statements* and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.
 - *A more structured income statement.* PFRS 18 promotes a more structured income statement. It introduces a newly defined 'operating profit or loss' and 'profit or loss before financing and income tax' subtotals, and a requirement for all income and expenses to be classified into three new distinct categories - operating, investing, and financing - based on a company's main business activities. PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis. Companies need to choose the presentation method that provides the 'most useful structured summary' of those expenses. New disclosures apply if any operating expenses are presented by function.
 - *Management-defined performance measures.* PFRS 18 provides a definition for management-defined performance measures (MPMs) and introduces specific disclosure requirements. MPMs are subtotals of income and expenses that are used in public communications outside the financial statements, communicate management's view of an aspect of the financial performance of the entity as a whole and are not a required subtotal or a common income and expense subtotal listed in PFRS 18. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRS Accounting Standards.

- 7 -

- *Greater disaggregation of information.* PFRS 18 provides enhanced guidance on how companies group information in the financial statements, including newly defined roles of the primary financial statements and the notes, principles of aggregation and disaggregation based on shared and non-shared characteristics, and specific guidance for labelling and describing items in a way that faithfully represents an item's characteristics.

PFRS 18 also now requires goodwill to be presented as a line item in the statement of financial position.

Consequential amendments to PAS 7 *Statement of Cash Flows* require the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

PFRS 18 also amends PAS 33 *Earnings per Share* to permit companies to disclose additional amounts per share using as numerator a required income and expenses total or subtotal, a common subtotal listed in PFRS 18 or an MPM disclosed by the entity.

PFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. It applies retrospectively in accordance with PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Specific reconciliations are required to be disclosed. Eligible entities including venture capital organizations, mutual funds and some insurers will be allowed to change their election for measuring investments in associates and joint ventures from equity method to fair value through profit or loss.

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

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

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

On February 14, 2025, the FSRSC further deferred the date of initial application by two years, making PFRS 17 effective for annual reporting periods beginning on or after January 1, 2027, with comparative figures required. Early adoption is permitted. The Insurance Commission issued CL No. 2025-04, aligning with this deferral.

- 8 -

The Group continues to assess the impact of the above new and amendments to standards effective subsequent to 2025 on the consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no right at the end of the reporting period to defer the settlement of the liability for at least 12 months after the reporting period.

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

Financial Instruments

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

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

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

Financial Assets

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

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

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

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

The Group's cash and cash equivalents, trade and other receivables, noncurrent receivables and deposits are included under this category.

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

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

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

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

Financial Liabilities

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

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

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the "Other reserves" account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

The Group has no outstanding derivatives accounted for as cash flow hedge as at December 31, 2025 and 2024 (Note 35).

Inventories

Inventories are carried at the lower of cost and net realizable value (NRV). For petroleum products and crude oil, the NRV is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

For financial reporting purposes, the Group uses the first-in, first-out method in costing petroleum products and crude oil. Cost is determined using the moving-average method in costing lubes and greases, blending components, polypropylene, materials and supplies inventories. For income tax reporting purposes, cost of all inventories is determined using the moving-average method.

For financial reporting purposes, duties and taxes related to the acquisition of inventories are capitalized as part of inventory cost. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

• *Goodwill in a Business Combination*

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

Investments in Shares of Stock of an Associate and a Joint Venture

The Group's investments in shares of stock of an associate and a joint venture are accounted for using the equity method.

The Group's 25.06% interest in Petrogen, accounted for as an investment in an associate and 50.00% joint venture interest in Terminal Bersama Sdn Bhd (TBSB), included under "Investment in shares of stock of an associate and a joint venture" account in the consolidated statements of financial position, are accounted for under the equity method of accounting. The investment in associate and interest in joint venture are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net income (loss) of the associate and joint venture, less any impairment in value. The consolidated statements of income reflect the Group's share in the results of operations of associate and a joint venture are presented as part of "Share in net income of an associate and a joint venture" account. As of December 31, 2025 and 2024, the Group has capital commitments amounting to P1.7 and P1.6 for TBSB, respectively. The Group has no contingent liabilities in relation to its interest in these associate and joint venture.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

For financial reporting purposes, depreciation for property, plant and equipment other than those assets used in production such as refinery and plant equipment, which commences when the assets are available for its intended use, are computed using the straight-line method. Depreciation of refinery and plant equipment used in production is computed based on the unit of production method (UPM) which considers the expected capacity over the estimated useful lives of these assets. UPM closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets.

The estimated useful lives of the assets are as follows:

	Number of Years
Buildings and improvements and related facilities	7 - 50
Refinery and plant equipment	4 - 30
Service stations and other equipment	3 - 30
LPG cylinders	12 - 15
Computers, office and motor equipment	2 - 20
Land and leasehold improvements	2 - 12 or the term of the lease, whichever is shorter

For financial reporting purposes, duties and taxes related to the acquisition of property, plant and equipment are capitalized. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

In 2024, the Parent Company changed the depreciation method for tax reporting purposes from double-declining balance method to UPM method for production-related assets and straight-line method for all other depreciable assets to align with financial reporting. The alignment of depreciation method aims to simplify the accounting and reporting of depreciation and to eliminate possible discrepancies arising from the use of different methodologies for financial reporting and taxation.

The remaining useful lives, residual values, and depreciation methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and
- the Group has the right to direct the use of the identified asset.

Group as a Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in the consolidated statements of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets, including pallets and computer equipment. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

Group as a Lessor

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

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

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

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

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

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

Investment Property

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

CPIP represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. CPIP is not depreciated until such time that the relevant assets are ready for use.

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

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

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

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

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

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

Intangible Assets

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

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

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and amortization method used for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of the other intangible assets with finite lives:

	Number of Years
Software	5 - 7
Franchise fee	3 - 10
Other intangibles	3 - 16

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

As of December 31, 2025 and 2024, the Group has existing and pending trademark registration for its products for a term of 10 years and renewable every 10 years. It has copyrights for its 7-kg LPG container, Gasulito with stylized letter "P" and two flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs and Malaysian Card Designs, and Petron font. Copyrights endure during the lifetime of the creator and for another 50 years after creator's death. It also has registered industrial designs for its certain lubricant and oil bottles and containers, 2.7kg LPG cylinders, gas cylinder and gas cylinder valve, and pending industrial design registrations for its gas cylinder safety seal and another gas cylinder.

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

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

Impairment of Nonfinancial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Cylinder Deposits

The Group acquires LPG cylinders which are loaned to dealers upon payment by the latter of an amount approximate to the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to the deposit value of the cumulative LPG cylinders held by dealers, contractors, terminals and those estimated to be in circulation.

At the end of each reporting date, cylinder deposits, shown under "Trade and other payables" account in the consolidated statements of financial position, are adjusted for estimated non-returns. The adjustments are recognized directly in the consolidated statements of income.

Fair Value Measurements

The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

The Group recognizes provisions arising from legal and/or constructive obligations associated with the cost of dismantling and removing an item of property, plant and equipment and restoring the site where it is located, the obligation for which the Group incurs either when the asset is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during the year.

Capital Stock

Common Shares. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares. Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Parent Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Capital Securities

Senior Perpetual Capital Securities (SPCS) and Redeemable Perpetual Securities (RPS) are classified as equity instruments in the consolidated financial statements since these securities are perpetual securities in respect of which there is no fixed redemption date and the redemption is at the option of the Parent Company. Also, the Parent Company has the sole and absolute discretion to defer payment of any or all of the distribution (Note 21).

Incremental costs directly attributable to the issuance of capital securities are recognized as a deduction from equity, net of tax. The proceeds received net of any directly attributable transaction costs are credited to capital securities.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Equity Reserve

The equity reserve includes the effect of transactions with non-controlling interests and equity adjustments.

Translation Reserve

The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

Reserve for Retirement Plan

The reserve for retirement plan represents re-measurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest).

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

The hedging reserve also includes cost of hedging which reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts, time value of options and foreign currency basis spread which are initially recorded in other comprehensive income.

Treasury Stock

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue is recognized at the point in time when control of petroleum and related products is transferred to the customer, which is normally upon delivery of the goods. The Group provides trade discounts and volume rebates to certain customers based on the level of their purchases which may be applied against the amount of their existing or future payables to the Group. Trade discounts and volume rebates do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each month. The general payment terms with customers are combination of prepayments and credit terms on an average of 45 days from invoice date.

The Group identified several performance obligations related to the sale of goods and accounted for them separately:

- *Provisions of Technical Support.* The Group provides technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs. Revenue is recognized over time upon rendering of services to the customer. The Group allocates portion of the revenue to the technical support based on expected cost plus a margin approach.

- *Consumer Loyalty Program.* The Group has Consumer Loyalty Programs which allows customers to accumulate points when they purchase products and services at participating service stations. These points can be redeemed for Group's products, services, rewards, discounts and other privileges from partner merchants. Revenue is allocated between the goods sold and the points issued that are expected to be redeemed. This allocation is based on the relative stand-alone selling price of the points. A contract liability account is set up for these points. The liability will be reversed when the Group has fulfilled its obligations to supply the products and services under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The contract liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

Service Income. Revenue is recognized over time when the performance of contractually agreed task has been rendered and control over the services has been transferred to the customer. General payment terms is on an average of 45 days from invoice date.

Other sources of revenue are as follows:

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend Income. Dividend income is recognized when the Group's right to receive the payment is established.

Rent Income. Rent income from operating leases (net of any incentives given to the lessees), other than from the use of loaned equipment, is recognized on a straight-line basis over the lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Other Income. Other income is recognized when there is incidental economic benefit, other than the usual business operations, that will flow to the Group and that can be measured reliably.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Costs and Other Employee Benefit Costs. Petron has a tax qualified and funded defined benefit pension plan covering all permanent, regular, full-time employees administered by trustee banks. Some of its subsidiaries have separate unfunded, noncontributory, retirement plans.

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in OCI. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset;
- Remeasurements of defined benefit retirement liability or asset; and
- Settlement gain or loss, if any.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

Settlement gain or loss pertains to the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement. Any gain or loss on settlement is recognized as income or expense in the consolidated statements of income.

The Group also provides other benefits to its employees as follows:

Corporate Performance Incentive Program. The Group has a corporate performance incentive program that aims to provide financial incentives for the employees, contingent on the achievement of the Group's annual business goals and objectives. The Group recognizes achievement of its business goals through key performance indicators (KPIs) which are used to evaluate performance of the organization. The Group recognizes the related expense when the KPIs are met, that is when the Group is contractually obliged to pay the benefits.

Savings Plan. The Group established a Savings Plan wherein eligible employees may apply for membership and have the option to contribute 5% to 15% of their monthly base pay. The Group, in turn, contributes an amount equivalent to 50% of the employee-member's contribution. However, the Group's 50% share applies only to a maximum of 10% of the employee-member's contribution. The Savings Plan aims to supplement benefits upon employees' retirement and to encourage employee-members to save a portion of their earnings. The Group accounts for this benefit as a defined contribution pension plan and recognizes a liability and an expense for this plan as the expenses for its contribution fall due. The Group has no legal or constructive obligations to pay further contributions after payments of the equivalent employer-share. The accumulated savings of the employees plus the Group's share, including earnings, will be paid in the event of the employee's: (a) retirement, (b) resignation after completing at least five years of continuous services, (c) death, or (d) involuntary separation not for cause.

Land/Home Ownership Plan. The Group established the Land/Home Ownership Plan, an integral part of the Savings Plan, to extend a one-time financial assistance to Savings Plan members in securing housing loans for residential purposes.

Foreign Currency

Foreign Currency Translations. Transactions in foreign currencies are initially recorded in the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of financial assets at FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

Foreign Operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in OCI and presented in the "Other reserves" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in share of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in OCI, and presented in the "Other reserves" account in the consolidated statements of changes in equity.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Trade and other payables" accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of capital securities, by the weighted average number of issued outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 37 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Identification of Distinct Performance Obligation. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of petroleum products such as the provision of technical support and consumer loyalty program and allocates the transaction price into these several performance obligations.

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Determining Whether the Group is acting as a Principal or Agent in a Revenue Transaction. The determination whether the Group is a principal or agent in a contract is made by identifying each specified goods or services promised to the customers in the contract and evaluating whether the Group obtains control of the specified goods and services before it is transferred to the customer.

For the sale of petroleum products to dealers, the Group transfers the control of the goods upon delivery, hence, the Group has determined that it is acting as principal in the sales transactions with dealers. The dealers are likewise acting as principal in the sales transactions to end consumers on the basis of the following: (a) the dealers have the primary responsibility to provide specified goods to the end consumers; (b) the dealers bear inventory risk before the goods are transferred to end consumers; and (c) the dealers have discretion to establish prices for specified goods.

For the Group's consumer loyalty program, the Group has determined that it is acting as principal in relation to the loyalty points and the delivery of goods and services exchanged for those points. The Group establishes and manages the consumer loyalty program, sets the terms and value of points, and funds redemption, thereby bearing primary responsibility for fulfilling the associated goods and services. Points issued by the Group can be redeemed for goods and services provided by the Group or by partner merchants at the customer's discretion.

For the Group's fleet card transactions, the Group has likewise determined that it is acting as principal in the sales transactions with the customers since the Group has the primary responsibility for providing goods purchased through fleet cards and the Group has discretion to establish prices for specified goods in a fleet card transaction.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instruments, or its components parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group use its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 35.

Taxes. Significant judgment is required in determining current and deferred tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax expenses in the year in which such determination is made.

The Group, as a member of the Top Frontier Group, is within the scope of International Tax Reform - Pillar Two Model Rules which has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The Group has applied significant judgment in determining the potential exposure to top-up tax primarily from its operations in Singapore where the legislation is effective beginning January 1, 2025 and the effective tax rate is below the 15% minimum rate (Note 27).

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

Estimates and Assumptions

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

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

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate.

The Group has assessed that the forward-looking default rate component of its ECL on trade and other receivables is not material because substantial amount of receivables are normally collected within one year. Moreover, based on Management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Receivables written-off amounted to P350 and P2 in 2025 and 2024, respectively. The allowance for impairment losses on trade and other receivables amounted to P897 and P1,227 as of December 31, 2025 and 2024, respectively. The carrying amount of trade and other receivables amounted to P81,603 and P82,762 as of December 31, 2025 and 2024, respectively (Note 7).

Assessment for ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks, the Government of the Philippines and companies with good credit standing and relatively low risk of defaults.

Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2025 and 2024. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2025	2024
Cash in banks and cash equivalents	5	P38,995	P28,177
Noncurrent deposits	14	76	141
		P39,071	P28,318

Net Realizable Values of Inventories. In determining the NRV of inventories, management takes into account the most reliable evidence available at the time the estimates are made. Future realization of the carrying amount of inventories of P67,495 and P90,570 as of the end of 2025 and 2024, respectively (Note 8), is affected by price changes in different market segments for crude and petroleum products. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

The Group recognized loss on inventory write-down amounting to P610 in 2025, P107 in 2024, and P363 in 2023 (Note 8).

Allowance for Inventory Obsolescence. The allowance for inventory obsolescence consists of collective and specific valuation allowance. A collective valuation allowance is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for inventory obsolescence is made. Review of allowance is done every quarter, while a revised set-up or booking is posted at the end of the year based on evaluations or recommendations of the proponents. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In 2025, 2024 and 2023, the Group increased/(reduced) the allowance for inventory obsolescence amounting to P126, (P76) and P43, respectively (Note 8).

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 35.

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Asset, Investment Property and Intangible Assets with Finite Useful Lives. The Group estimates the useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives would increase recorded cost of goods sold and selling and administrative expenses and decrease noncurrent assets.

There is no change in estimated useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on management's review at the reporting date. The disclosures of useful lives have been updated to reflect additions and new assets recognized during the year.

The carrying amount of property, plant and equipment amounted to P167,417 and P169,302 as of December 31, 2025 and 2024, respectively. Accumulated depreciation of property, plant and equipment, amounted to P148,732 and P134,309 as of December 31, 2025 and 2024, respectively (Note 9).

Right-of-use assets, net of accumulated depreciation, amounted to P2,315 and P2,925 as of December 31, 2025 and 2024, respectively. Accumulated depreciation of right-of-use asset amounted to P2,043 and P1,679 as of December 31, 2025 and 2024, respectively (Note 10).

The carrying amount of investment property amounted to P30,101 and P28,243 as of December 31, 2025 and 2024, respectively. Accumulated depreciation of investment property amounted to P27,841 and P24,657 as of December 31, 2025 and 2024, respectively (Note 11).

Intangible assets with finite useful lives, net of accumulated amortization, amounted to P124 and P68 as of December 31, 2025 and 2024, respectively (Note 14). Accumulated amortization of intangible assets with finite useful lives amounted to P965 and P861 as of December 31, 2025 and 2024, respectively.

Fair Value of Investment Property. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be sold or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering: (a) the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation; or (b) the depreciated replacement cost of the asset, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Estimated fair values of investment property amounted to P71,747 and P66,809 as of December 31, 2025 and 2024, respectively (Note 11).

Impairment of Goodwill. The Group determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The recoverable amount of goodwill arising from the acquisition of Petron Malaysia has been determined based on the value in use using discounted cash flows (DCF). Assumptions used in the DCF include terminal growth rate of 3% in 2025 and 2024 and discount rates of 7.9% and 7.7% in 2025 and 2024, respectively (Note 12).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

No impairment losses were recognized in 2025, 2024 and 2023 in relation to the goodwill arising from the acquisition of Petron Malaysia which accounts for almost 99% of goodwill in the consolidated statements of financial position as of December 31, 2025 and 2024.

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

Deferred tax assets amounted to P548 and P560 as of December 31, 2025 and 2024, respectively (Note 27).

Impairment of Non-financial Assets. PFRS Accounting Standards require that an impairment review be performed on property, plant and equipment, investment in shares of stock of an associate and interest in a joint venture, investment property, right-of-use assets and intangible assets with finite useful lives when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on financial performance.

Accumulated impairment on property, plant and equipment and investment property amounted to P410 and nil as of December 31, 2025 and 2024, respectively (Notes 9 and 11).

The combined carrying amounts of property, plant and equipment, investment in shares of stock of an associate and interest in a joint venture, investment property, right-of-use assets and intangible assets with finite useful lives amounted to P201,184 and P201,703 as of December 31, 2025 and 2024, respectively (Notes 9, 10, 11, 13 and 14).

Estimating Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgement estimates.

The Group's lease liabilities amounted to P14,085 and P13,415 as of December 31, 2025 and 2024, respectively (Notes 33 and 34).

Present Value of Defined Benefit Retirement Obligation. The present value of defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 30 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liabilities. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement benefits liability.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement benefits liability.

Retirement benefits costs recognized in the consolidated statements of income amounted to P356, P270 and P257 in 2025, 2024 and 2023, respectively. Remeasurement losses of the net defined retirement obligation recognized in OCI amounted to P204, P1,655 and P38 in 2025, 2024 and 2023, respectively. The net retirement benefits liability amounted to P3,794 and P3,785 as of December 31, 2025 and 2024, respectively (Notes 17 and 30).

Asset Retirement Obligation. The Group has ARO arising from the leased service stations, terminals and blending plant. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of ARO based on the dismantling costs as estimated by the operating unit responsible for the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.28% to 7.66% depending on the life of the capitalized costs. The Group also conducts periodic review of the estimates of dismantling costs to consider actual expenses incurred. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P1,451 and P1,379 as of December 31, 2025 and 2024, respectively (Notes 17 and 19).

5. Cash and Cash Equivalents

This account consists of:

	Note	2025	2024
Cash on hand		P3,064	P2,212
Cash in banks		23,976	9,410
Short-term placements		15,019	18,767
	34, 35	P42,059	P30,389

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements include highly liquid investments which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term placement rates ranging from 1.00% to 5.88% in 2025, 1.00% to 6.00% in 2024, and 1.00% to 6.94% in 2023 (Note 26).

6. Financial Assets at Fair Value

This account consists of:

	Note	2025	2024
Derivative assets not designated as cash flow hedge		P1,085	P1,044
Proprietary membership shares		488	458
	34, 35	1,573	1,502
Less: Noncurrent portion	14	493	458
		P1,080	P1,044

The fair values presented have been determined directly by reference to published market prices, except for derivative assets which are based on inputs other than quoted prices that are observable (Note 35).

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

Changes in fair value of assets at FVPL recognized in the consolidated statements of income in 2025, 2024, and 2023 amounted to P30, P70, and P37, respectively (Note 26).

7. Trade and Other Receivables

This account consists of:

	Note	2025	2024
Trade	34	P62,804	P57,652
Related parties - trade	28, 34	3,685	3,782
Allowance for impairment loss on trade receivables		(664)	(690)
		65,825	60,744
Government		14,038	19,968
Related parties - non-trade	28	115	1,049
Others		1,847	1,205
Allowance for impairment loss on non-trade receivables		(222)	(204)
		15,778	22,018
	34, 35	P81,603	P82,762

Trade receivables are non-interest bearing and are generally on a 45-day average term. Penalties are charged when the account becomes overdue.

Government receivables pertain to duty drawback, VAT and specific tax claims as well as subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism. The filing and the collection of claims is a continuous process and is closely monitored.

Related parties - non-trade consists of advances made by the Parent Company to Petron Corporation Employee Retirement Plan (PCERP) and other receivables from SMC and its subsidiaries.

Others mainly consist of receivables from various non-trade customers and counterparties for matured hedging transactions.

A reconciliation of the allowance for impairment losses at the beginning and end of 2025 and 2024 is shown below:

	Note	2025	2024
Balance at beginning of year		P1,227	P1,211
Additions	23	26	8
Write off	4	(350)	(2)
Reversal	23	(8)	(17)
Currency translation adjustment		2	27
Balance at end of year		897	1,227
Less: Noncurrent portion for long-term receivables	34	11	333
		P886	P894

The Group computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience over the past three years. Economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of the impact of future economic conditions, if any, over the expected lives of the trade and other receivables are also considered.

The following table provides information about the exposure to credit risk and ECL of trade and other receivables as of December 31, 2025 and 2024:

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2025			
Retail	1.15%	P9,629	P111
Lubes	0.10%	1,023	1
LPG	4.94%	1,295	64
Industrial	0.63%	26,250	165
Others	1.23%	44,292	545
		P82,489	P886
<hr/>			
	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2024			
Retail	1.03%	P9,123	P94
Lubes	0.05%	2,063	1
LPG	4.05%	1,557	63
Industrial	0.90%	24,437	221
Others	1.11%	46,476	515
		P83,656	P894

8. Inventories

This account consists of:

	2025	2024
Crude oil and others	P27,895	P46,757
Petroleum	30,592	34,947
Materials and supplies	5,325	5,295
Lubes, greases and aftermarket specialties	3,683	3,571
	P67,495	P90,570

The cost of these inventories amounted to P68,881 and P91,288 as of December 31, 2025 and 2024, respectively.

If the Group had used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other products would have increased by P298 and decreased by P130 as of December 31, 2025 and 2024, respectively.

Inventories charged to cost of goods sold amounted to P707,249, P779,724 and P714,535 in 2025, 2024, and 2023, respectively (Note 22).

Research and development costs on these products constituted the expenses incurred for internal projects in 2025, 2024 and 2023 (Note 23).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2025 and 2024 are as follows:

	Note	2025	2024
Balance at beginning of year		P718	P1,045
Additions/reductions:			
Inventory obsolescence	4	126	(76)
Inventory write-down	4	610	107
Reversals		(107)	(363)
Translation adjustment		39	5
Balance at end of year		P1,386	P718

The losses and reversals are included as part of "Cost of goods sold" account in the consolidated statements of income. Reversal of write-down corresponds to inventories sold during the year (Note 22).

9. Property, Plant and Equipment

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

Cost	Note	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	CPIP	Total
January 1, 2024		P27,968	P222,890	P22,759	P9,103	P4,741	P5,057	P292,518
Additions	39	264	970	1,783	928	151	5,974	10,070
Disposals/reclassifications		619	3,307	(1,337)	(41)	137	(4,196)	(1,511)
Reclassification to/from investment property	11	(220)	-	-	-	(800)	108	(912)
Currency translation adjustment		331	1,963	725	197	150	80	3,446
December 31, 2024		29,962	229,130	23,930	10,187	4,379	7,023	303,611
Additions		167	754	1,299	1,384	48	3,654	7,307
Disposals/reclassifications		1,122	2,903	77	107	38	(4,523)	(282)
Reclassification to/from investment property	11	(196)	-	-	-	10	356	170
Currency translation adjustment		266	3,351	1,259	342	242	139	5,599
December 31, 2025		30,321	236,138	26,565	12,020	4,718	6,643	316,405
Accumulated Depreciation								
January 1, 2024		16,549	84,168	16,354	5,922	1,538	-	124,531
Depreciation		970	7,926	1,028	412	120	-	10,456
Disposals/reclassifications		(241)	(34)	(1,395)	(54)	1	-	(1,723)
Reclassification to/from investment property	11	437	-	-	-	(774)	-	(637)
Currency translation adjustment		210	920	397	154	1	-	1,682
December 31, 2024		17,625	92,980	16,384	6,434	886	-	134,309
Depreciation		817	9,136	1,085	537	120	-	11,695
Disposals/reclassifications		(40)	9	(141)	(85)	(7)	-	(244)
Reclassification to/from investment property	11	157	-	-	-	10	-	167
Currency translation adjustment		174	1,599	767	255	-	-	2,805
December 31, 2025		18,733	103,724	18,095	7,171	1,009	-	148,732
Accumulated Impairment								
January 1, 2025		-	-	-	-	-	-	-
Impairment	26	-	104	150	-	-	-	255
Currency translation adjustment		-	1	-	-	-	-	1
December 31, 2025		-	105	150	-	-	-	256
Carrying Amount								
December 31, 2024		P11,337	P136,150	P7,546	P3,753	P3,493	P7,023	P169,302
December 31, 2025		P11,588	P132,309	P8,320	P4,849	P3,709	P6,642	P167,417

- 43 -

In 2025 and 2024, certain property, plant and equipment were reclassified to/from investment property due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 11).

In 2025, impairment loss of P255 was recognized for the carrying amount of Petron Malaysia's product jetty facility which was damaged by Tropical Storm Senyar in November 2025, as well as the carrying amount of LPG cylinders in circulation that are not expected to be recovered. The impairment loss is presented under "Other income (expense) - net" in the consolidated statements of income.

The Group's total unpaid acquisitions of property, plant and equipment amounted to P637 and P441 as of December 31, 2025 and 2024, respectively.

Certain fully depreciated property, plant and equipment with aggregate costs of P39,988 and P36,040 as of December 31, 2025 and 2024, respectively, are still being used in the Group's operations.

The Group capitalized interest amounting to P132, P90 and P417 in 2025, 2024, and 2023, respectively (Notes 15, 18, 26 and 29). The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.95% to 8.28% in 2025 and from 2.81% to 9.43% in 2024.

Capital Commitments

As of December 31, 2025 and 2024, the Group has outstanding commitments to acquire property, plant and equipment amounting to P8,605 and P6,880, respectively.

10. Right-of-Use Assets

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

	Note	Land	Buildings and Improvements and Related Facilities	Service Stations and Other Equipment	Total
Cost					
January 1, 2024		P6,623	P1,222	P69	P7,914
Additions		351	6	-	357
Cancellation/termination	39	(3,796)	-	-	(3,796)
Remeasurements/expiration		489	(419)	-	50
Currency translation adjustment		66	9	4	79
December 31, 2024		3,713	818	73	4,604
Additions		79	-	-	79
Remeasurements/expiration		(502)	-	(9)	(511)
Currency translation adjustment		172	8	6	186
December 31, 2025		3,462	826	70	4,358
Accumulated Depreciation					
January 1, 2024		1,900	709	19	2,628
Cancellation/termination	39	(1,184)	-	-	(1,184)
Remeasurements/expiration		(4)	(421)	-	(425)
Depreciation		407	218	6	631
Currency translation adjustment		26	3	-	29
December 31, 2024		1,145	509	25	1,679
Remeasurements/expiration		(34)	-	(10)	(44)
Depreciation		259	89	5	353
Currency translation adjustment		50	4	1	55
December 31, 2025		1,420	602	21	2,043
Carrying Amount					
December 31, 2024		P2,568	P309	P48	P2,925
December 31, 2025		P2,042	P224	P49	P2,315

- 44 -

The Group recognized right-of-use assets for leases of office space, buildings, machinery and equipment, service stations and parcels of land. The leases typically run for a period of two to 999 years. Some leases contain an option to renew the lease at the end of the lease term and are subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group. The Group recognized interest expense related to these leases amounting to P1,046, P1,259 and P1,124 in 2025, 2024 and 2023 respectively (Notes 26 and 29).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P867, P100 and P7, respectively, in 2025, P586, P14 and P6, respectively, in 2024 and P491, P30 and P4, respectively, in 2023 (Note 29).

The Group had total cash outflows for leases of P3,566, P3,386 and P2,988 in 2025, 2024 and 2023, respectively (Note 29).

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

11. Investment Property

The movements and balances of investment property as of and for the years ended December 31 follow:

	Note	Land	Land and Leasehold Improvements	Buildings and Improvements	Right-of-Use	CPIP	Total
Cost							
January 1, 2024		P9,136	P4,133	P18,403	P16,361	P345	P48,378
Additions	39	40	-	169	1,744	200	2,153
Disposals/reclassifications/remeasurements	39	6	-	(2)	(485)	-	(481)
Reclassifications from/to property, plant and equipment	9	-	800	220	-	(108)	812
Currency translation adjustment		299	-	518	806	15	1,938
December 31, 2024		9,481	4,933	19,608	18,426	462	52,900
Additions		-	-	97	2,319	162	2,578
Disposals/reclassifications/remeasurements		(108)	-	(24)	(179)	-	(312)
Reclassifications from/to property, plant and equipment	9	-	(10)	196	-	(358)	(170)
Currency translation adjustment		434	-	1,373	1,285	8	3,100
December 31, 2025		9,806	4,923	21,250	21,851	266	58,096
Accumulated Depreciation							
January 1, 2024		-	843	11,977	8,364	-	21,184
Depreciation		-	13	670	1,354	-	2,037
Disposals/reclassifications/remeasurements	39	-	-	218	(351)	-	(133)
Reclassifications from/to property, plant and equipment	9	-	774	(137)	-	-	637
Currency translation adjustment		-	-	537	385	-	922
December 31, 2024		-	1,630	13,265	9,762	-	24,657
Depreciation		-	9	683	1,483	-	2,175
Disposals/reclassifications/remeasurements		-	-	(24)	(374)	-	(398)
Reclassifications from/to property, plant and equipment	9	-	(10)	(157)	-	-	(167)
Currency translation adjustment		-	-	838	636	-	1,474
December 31, 2025		-	1,629	14,795	11,507	-	27,941
Accumulated Impairment							
January 1, 2025		-	-	-	-	-	-
Impairment	26	-	-	21	108	24	153
Currency translation adjustment		-	-	-	1	-	1
December 31, 2025		-	-	21	109	24	154
Carrying Amount							
December 31, 2024		P9,481	P3,303	P6,343	P8,664	P462	P28,243
December 31, 2025		P9,806	P3,294	P6,524	P10,235	P242	P30,101

- 45 -

In 2025 and 2024, certain investment property were reclassified from/to property, plant and equipment due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 9).

In 2025, an impairment loss of P153 was recognized in relation to three service stations and a leasehold land in Malaysia as their recoverable amounts were lower than their carrying amounts. The total recoverable amounts of investment property related to the three service stations amounted to P267 have been determined based on their value in use. The length of cash flows takes into consideration the finite life of the investment property and are projected based on the long-range plan anchored on the budget approved by the Group. The key assumptions considered in the future cash flows are the estimates of product margin and sales volume. A pre-tax discount rate of 7.56% has been applied which reflects market assessment of time value of money and is derived based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM). The impairment loss is reported under "Other income (expense) - net" in the consolidated statements of income.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2025, 2024 and 2023.

The fair value of investment property amounting to P71,747 and P66,809 as of December 31, 2025 and 2024, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

For properties with available appraisal reports, the fair value of investment property amounting to P38,423 and P34,272 as of December 31, 2025 and 2024, respectively, were determined by Cuervo Appraisers, Inc. and Suleiman & Co. Property Consultants Sdn Bhd, external independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraiser provides the fair value of the Group's investment property on a regular basis. The fair value of investment property amounting to P19,302 and P19,234 as of December 31, 2025 and 2024, respectively, were determined by using the depreciated replacement cost method. The net present value of lease liability recognized in investment property as of December 31, 2025 and 2024 represents the remaining fair value amounting to P14,022 and P13,303, respectively.

Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied the following approaches below:

Sales Comparison Approach. The market value of land was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established through such process of comparing available data. The property being valued is then compared with sales transactions involving similar properties in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Depreciated Replacement Cost Method. The fair value of land and leasehold improvements and buildings and related improvements and facilities were arrived at using the depreciated replacement cost method, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

- 46 -

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the remaining lease payments on the property is first determined followed by the application of the proper capitalization rate is applied to arrive at its net present value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment.

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

Business Combination and Investment in Shares of Stock of Subsidiaries

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

Mema

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

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

On July 19, 2023, the Parent Company and Mema executed Subscription Agreement to subscribe to 2,770,000,000 common shares of Mema for a subscription price of P2,770 or P1.00 per common share, of which P1,305 was paid in 2023, P828 was paid in 2024, and P500 was paid in 2025.

LLCDC, PEDC and ARC

On July 30, 2024, the BOD and Stockholders approved the merger among ARC, PEDC and LLCDC, with LLCDC as the surviving entity, effective (to the extent allowed by applicable law or regulation) on the first day of the month following the issuance by the SEC of the Certificate of Merger.

The merger was approved by the SEC on August 5, 2025. On the effective date of the merger, all the respective rights, businesses, powers, privileges, immunities, franchises, assets and other properties of ARC and PEDC including, but not limited to, all real and personal properties, contractual and property rights, licenses, privileges, property rights, claims, bank deposits, stocks, accounts receivable, retained earnings, credit lines, supplies, equipment, investments of whatever nature, including subscriptions to shares, choses in action, goodwill, intangible assets and such other assets, owned or which may have been acquired by ARC and PEDC shall be conveyed, assigned, and transferred to, possessed and owned by, and vested to LLCDC.

PFL

On July 18, 2025, the Group has completed the dissolution and liquidation of PFL. Consequently, PFL was deconsolidated from the Group upon completion of the liquidation. The impact of the deconsolidation was assessed by management and determined to be not material to the Group's financial position and financial performance as at and for the year ended December 31, 2025, as PFL had no significant assets, liabilities, or results of operations at the date of dissolution.

Goodwill

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

	2025	2024
Cost		
Balance at beginning of year	P8,731	P8,093
Translation adjustments	1,036	638
Net Carrying Amount at End of Year	P9,767	P8,731

Impairment Testing of Goodwill from Petron Malaysia

Goodwill arising from the acquisition of Petron Malaysia, which accounts for 99% of total goodwill in the consolidated statements of financial position as of December 31, 2025 and 2024, is allocated at the POGI Group cash generating unit (CGU) instead of each individual acquiree company's CGU as it is expected that the POGI Group CGU will benefit from the synergies created from the acquiree companies in combination.

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

- Cash flows were projected based on past experience, actual operating results, and reasonable and justifiable assumptions for future business performance but excluding net cash inflows from expansion projects like new stations. The cash flows are based on long range plan anchored on budget prepared by the Management for the first five (5) years.
- A discount rate of 7.9% and 7.7% in 2025 and 2024, respectively, was applied based on the weighted average cost of capital using the CAPM.
- The Group used terminal growth rate of 3% in 2025 and 2024 because it is in the process of increasing its network of service stations and upgrading its facilities and hence foresees growth in cash flows generated perpetually.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on internal sources (historical data).

For purposes of terminal growth rate sensitivity, terminal growth rate scenarios of 2%, 3%, and 4% are applied on the discounted cash flows analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill to exceed its recoverable amount.

No impairment losses related to goodwill were recognized in 2025, 2024 and 2023 in relation to the goodwill arising from the acquisition of Petron Malaysia.

Non-controlling Interests

The following table summarizes the financial information relating to each of the Group's subsidiaries that has material non-controlling interests:

	December 31, 2025		December 31, 2024	
	NVRC	PMRMB	NVRC	PMRMB
Non-controlling Interests Percentage	14.45%	26.60%	14.45%	26.60%
Carrying amount of non-controlling interest	P442	P10,510	P443	P8,650
Current assets	P539	P20,572	P472	P32,022
Noncurrent assets	6,589	32,457	6,678	28,397
Current liabilities	(970)	(9,772)	(962)	(25,347)
Noncurrent liabilities	(1,028)	(5,730)	(1,042)	(4,337)
Net assets	P5,130	P37,527	P5,146	P30,735
Net income (loss) attributable to non-controlling interests	P30	P845	(P29)	P31
Other comprehensive income attributable to non-controlling interests	P -	P1,111	P -	P630
Sales/Revenues	P317	P182,855	P77	P198,763
Net income (loss)	P206	P3,294	(P91)	P219
Other comprehensive income	-	1	-	1
Total comprehensive income (loss)	P206	P3,295	(P91)	P220
Dividends paid to non-controlling interest	P32	P96	P8	P205
Cash flows provided by operating activities	P109	P21,979	P115	P330
Cash flows provided by (used in) investing activities	109	(1,830)	(42)	(1,842)
Cash flows provided by (used in) financing activities	(96)	(17,634)	(107)	1,896
Net increase (decrease) in cash and cash equivalents	P122	P2,515	(P34)	P384

13. Investment in Shares of Stock of an Associate and a Joint Venture

This account consists of:

	2025	2024
Investment in an associate	P1,217	P1,155
Investment in a joint venture	10	10
	P1,227	P1,165

Investment in Shares of Stock of an Associate

As of December 31, 2025 and 2024, the Parent Company owns 25.06% of Petrogen accounted for as an investment in an associate. Petrogen was incorporated and registered with the Philippine SEC on August 23, 1996 primarily to engage in the business of non-life insurance and re-insurance.

Following are the condensed financial information of Petrogen as of and for the years ended December 31, 2025 and 2024:

	2025	2024
Percentage of ownership	25.06%	25.06%
Current assets	P6,791	P6,955
Noncurrent assets	2,312	1,990
Current liabilities	(4,246)	(4,337)
Net assets	P4,857	P4,608
Revenue	P744	P662
Net income	P676	P439
Other comprehensive income	P23	P -
Total comprehensive income	P699	P439
Share in net assets	P1,217	P1,155
Carrying amount of investment in shares of stock of an associate	P1,217	P1,155

The Group recognized P169, P110 and P84 in 2025, 2024 and 2023, respectively, as share in net income of Petrogen and received dividends of P113 in 2025, P108 in 2024 and nil in 2023 accounted for using equity method.

Investment in a Joint Venture

Investment in a joint venture pertains to 50.00% equity interest TBSB. TBSB is a Malaysian company operating as a liquified petroleum gas bottling plant.

The Group recognized (P2), P4, and P5 in 2025, 2024 and 2023, respectively, as share in net income (loss) of a joint venture accounted for using equity method.

14. Other Assets

This account consists of:

	Note	2025	2024
Current			
Prepaid taxes		P40,931	P42,212
Input VAT		3,781	6,946
Prepaid expenses	28	1,369	1,584
Others - net	28	348	366
		P46,429	P51,108
Noncurrent			
Proprietary membership shares	6	P488	P458
Catalyst - net		413	515
Prepaid rent		139	233
Intangibles - net	4	124	68
Noncurrent deposits	34, 35	76	141
Input VAT		28	27
Derivative assets	6	5	-
Others - net	28	648	561
		P1,921	P2,003

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

Input VAT includes taxes paid on purchases of goods and services which can be recovered as tax credit against future output VAT liability of the Group.

The "Others - net" under "Noncurrent" account includes marketing assistance to dealers and other prepayments amounting to P430, P357 and P287 as of December 31, 2025, 2024 and 2023, respectively, net of amortization amounting to P26, P27 and P108 in 2025, 2024 and 2023, respectively.

The amortization of prepaid rent amounted to P20 in 2025, P36 in 2024 and P70 in 2023.

Amortization of intangibles, marketing assistance to dealers, other prepayments included as part of "Depreciation and amortization" under "Selling and administrative expenses" account in the consolidated statements of income amounted to P56, P76 and P130 in 2025, 2024 and 2023, respectively (Notes 23 and 25).

Amortization of catalyst, intangibles and other prepayments included as part of "Depreciation and amortization" under "Cost of goods sold" account in the consolidated statements of income amounted to P230, P256 and P334 in 2025, 2024 and 2023, respectively (Notes 22 and 25).

15. Short-term Loans

This account pertains to unsecured Philippine peso and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 5 to 119 days and annual interest ranging from 4.00% to 7.05% in 2025, from 3 to 178 days and annual interest ranging from 3.96% to 8.00% in 2024, from 4 to 180 days and annual interest ranging from 3.71% to 7.53% in 2023 (Note 26). These loans are intended to fund the importation of crude oil and petroleum products (Note 8) and working capital requirements.

Interest expense on short-term loans amounted to P5,716 in 2025, P8,144 in 2024, P7,835 in 2023 (Note 26). Interest expense amounting to P63 was capitalized as part of property, plant and equipment in 2025 while P42 in 2024 and P176 in 2023 (Note 9).

16. Liabilities for Crude Oil and Petroleum Products

This account pertains to liabilities to suppliers of crude oil, petroleum and other products that are non-interest bearing and generally settled on a 30-day term. Details of the supply agreements in relation to importations of crude oil requirements of the Group are disclosed in Note 31.

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

	Note	2025	2024
Third parties		P51,387	P51,601
Related parties	28	20	24
	34, 35	P51,407	P51,625

- 51 -

17. Trade and Other Payables

This account consists of:

	Note	2025	2024
Trade		P11,173	P8,948
Specific taxes and other taxes payable		5,222	4,468
Due to related parties	28	8,467	7,788
Cylinder deposits		3,819	3,432
Accrued interest		1,270	1,153
Contract liability on consumer loyalty program		1,054	831
Dividends payable	33	405	1,039
Accrued payroll		292	149
Retention payable		165	241
Asset retirement obligation - current	19	67	58
Retirement benefits liability	30	60	124
Accrued rent		54	223
Insurance liabilities		5	3
Others	12, 39	968	555
	34, 35	P33,021	P29,012

Trade payables are liabilities to haulers, contractors and suppliers that are non-interest bearing and are generally settled on a 30-day term.

Cylinder deposits pertain to deposits made by the dealers for the LPG cylinders loaned to them. These deposits are non-interest bearing and are refundable to dealers anytime upon surrender of the LPG cylinders subject to certain conditions.

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

The Group recognized revenue that was included in the contract liability on consumer loyalty program amounting to P1,489 and P1,475 in 2025 and 2024, respectively (Note 37).

- 52 -

18. Long-term Debt

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

	Note	2025	2024
Unsecured Peso-Denominated (net of debt issue costs)			
Fixed retail bond of 6.5945% due in 2030, 6.9761% due in 2032, and 7.3896% due in 2035	(p)	P31,603	P -
Fixed retail bond of 3.4408% due in 2025 and 4.3368% due in 2027	(d)	8,962	17,917
Term loan of 7.4941% due until 2029	(l)	6,973	6,959
Fixed rate retail bonds of 7.8183% due in 2024 and 8.0551% due in 2025	(a)	-	6,788
Floating rate term loan due until 2029	(m)	4,978	4,969
Floating rate term loan due until 2030	(o)	4,473	-
Term loan of 7.1663% due until 2027	(e)	3,990	4,483
Term loan of 7.4206% due until 2027	(f)	1,871	3,114
Term loan of 7.5496% due until 2027	(g)	1,871	3,114
Term loan of 6.4920% due in 2025	(h)	-	2,371
Term loan of 4.5900% due until 2025	(c)	-	624
Term loan of 6.8672% due in 2025	(i)	-	624
Unsecured Foreign Currency-Denominated (net of debt issue costs)			
Floating rate dollar loan - US\$500 million due until 2029	(n)	28,995	28,347
Floating rate dollar loan - US\$669 million due until 2027	(j)	13,565	27,118
Fixed rate dollar loan of 5.7400% - US\$200 million due until 2030	(q)	11,679	-
Floating rate dollar loan - US\$225 million due in 2028	(k)	5,517	10,227
Floating rate yen loan - JP¥15 billion due until 2025	(b)	-	788
	33, 34, 35	124,477	117,443
Less current portion		13,200	29,418
		P111,277	P88,025

- a. On October 19, 2018, the Parent Company offered P20,000 fixed retail bonds divided into Series C (P13,200) bearing interest at 7.8183% per annum and Series D (P6,800) bearing interest at 8.0551% per annum. The Series C bonds matured on April 19, 2024 (5.5-year term) while the Series D bonds matured on October 19, 2025 (7-year term). Interests are payable quarterly, commencing on January 19, 2019, and thereafter, on April 19, July 19, October 19 and January 19 of each year. The net proceeds were used primarily to settle short-term loans availed by the Parent Company to fund crude oil purchases and redeem a portion of the Parent Company's remaining Undated Subordinated Capital Securities (USCS), and the balance for general corporate purposes. The bonds were listed with the Philippine Dealing & Exchange Corp. on October 19, 2018.

- b. On April 22, 2020, the Parent Company drew JP¥15 billion from a JP¥15 billion term loan facility signed and executed on March 27, 2020. The proceeds were used to partially prepay its US\$1 billion term loan facility. The JP¥ facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 27, 2022. It is subject to a floating interest rate based on JP¥ LIBOR plus a spread, repriced every 1, 3 or 6 months. Due to the global discontinuation of JPY LIBOR by December 31, 2021, an amendment was made to the JPY Facility adopting the Tokyo Overnight Average Rate (TONA) as the new benchmark rate. Beginning December 29, 2021, the floating interest rate on the JP¥15 billion facility is based on TONA plus a spread, repriced every 1, 3 or 6 months. The Parent Company has fully paid the facility as of December 31, 2025.
- c. On April 27, 2020, the Parent Company drew P5,000 from a P5,000 term loan facility which was signed and executed on April 23, 2020. The facility is subject to a fixed interest rate of 4.59% per annum and amortized over 5 years with a 12-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning July 27, 2021. The proceeds were used for general corporate purposes. As of December 31, 2025, the Parent Company has fully paid the term loan facility.
- d. On October 12, 2021, the Parent Company issued P18,000 retail bonds divided into Series E (P9,000) and Series F (P9,000) with interest rates of 3.4408% p.a. and 4.3368% p.a., respectively. The Series E Bonds matured on October 12, 2025 while Series F Bonds is due on October 12, 2027. The Bonds are listed on the Philippine Dealing & Exchange Corp. The proceeds were used for the redemption of the Company's Series A Bonds, the partial financing of a power plant project and payment of existing indebtedness.
- e. On May 19, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on May 17, 2022. The facility is subject to a fixed interest rate of 7.1663% per annum and amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 semi-annual payments beginning May 19, 2024. The proceeds were used for partial financing of a power plant project. The Parent Company has paid principal amortizations of P500 each in 2025 and 2024.
- f. On June 15, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 10, 2022. The facility is subject to a fixed interest rate of 7.4206% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payment beginning September 15, 2023. The proceeds were used to partially pay the US\$1,000 million term loan facility. The Parent Company has paid the principal amortizations amounting to P1,250 each in 2025 and 2024.
- g. On June 16, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 7, 2022. The facility is subject to a fixed interest rate of 7.5496% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 16, 2023. The proceeds were used to pay balances of the US\$1,000 million and various loan facilities. The Parent Company has paid the principal amortizations amounting to P1,250 each in 2025 and 2024.

- h. On September 8, 2022, the Parent Company drew and availed a P2,375 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.4920% per annum and was fully paid on September 8, 2025. The proceeds were used to pay currently maturing indebtedness.
- i. On September 30, 2022, the Parent Company drew and availed a P625 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.8672% per annum and was fully paid on September 8, 2025. The proceeds were used to pay currently maturing indebtedness.
- j. On November 8, 2022, the Parent Company signed and executed a US\$550 million term loan facility. Initial drawdown of US\$117 million was made on November 15, 2022, the proceeds of which were used to partially pay the US\$800 million term loan facility. On November 29, 2022, the Company drew an additional US\$150 million from the facility to fully prepay its US\$150 million term loan facility. Additional US\$228 million was drawn on December 15, 2022 to further partially prepay the US\$800 million term loan facility. The US\$550 million term loan facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning November 8, 2024. The facility is subject to a floating interest rate based on Secured Overnight Financing Rate (SOFR) plus a spread, repriced every 1, 3 or 6 months.

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

On February 17, 2023, Parent Company has upsized its US\$550 million term loan facility to US\$669 million and drew US\$88 million from the additional US\$119 million loan facility on May 15, 2023 to fully pre-terminate the US\$800 million long-term loan facility. On August 14, 2023, the remaining US\$31 million was drawn. Proceeds were used to redeem the Parent Company's P7,000 Series B Bonds on October 27, 2023. The Parent Company has paid portion of the facility amounting to US\$243 million and US\$192 million in 2025 and 2024, respectively.

- k. On July 13, 2023, the Parent Company made a full drawdown of US\$225 million term loan which was used to partially fund the redemption of US\$500 million SPCS. The facility was signed on March 28, 2023, which subsequently increased from US\$150 million to US\$225 million on June 8, 2023. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning on March 28, 2025. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months. The Parent Company has paid portion of the facility amounting to US\$84 million and US\$45 million in 2025 and 2024, respectively.
- l. On March 6, 2024, the Parent Company made a full drawdown of P7,000 unsecured term loan facility signed and executed on January 16, 2024. The facility is amortized over 5 years with 2 years grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 6, 2026. The facility is subject to interest payable in semi-annual amortizations with fixed interest rate of 7.4941% per annum for the first 2 years and will thereafter be repriced to a new fixed rate until maturity on March 6, 2029. The proceeds were used to partially redeem Series C Offer Bonds on April 19, 2024.

- m. On April 18, 2024, the Parent Company made a full drawdown of P5,000 unsecured term loan facility signed and executed on April 15, 2024. The facility is amortized over 5 years with 2.5 years grace period, after which the total principal will be amortized in 6 equal semi-annual installments beginning October 18, 2026. The facility is subject to a floating interest rate payable in semi-annual amortizations. The proceeds were used to partially redeem Series C Offer Bonds on April 19, 2024.
- n. The Parent Company drew US\$133 million, US\$96 million, US\$130 million and US\$141 million on July 23, July 30, September 12 and October 28, 2024, respectively, from a US\$500 million term loan facility signed and executed on July 11, 2024. The facility is amortized over 5 years with 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning July 11, 2026. The facility is subject to a floating interest rate payable monthly based on SOFR plus a spread, repriced every 1, 3 or 6 months. The proceeds were partially used to repay outstanding indebtedness and settle liabilities for crude oil importations.
- o. On February 28, 2025, the Parent Company made a full drawdown of P5,000 unsecured term loan facility signed and executed on February 26, 2025. The facility is amortized over 5 years with the total principal repaid in 10 equal semi-annual installments beginning August 28, 2025. The facility is subject to a floating interest rate payable quarterly. The proceeds were used to refinance the bridge loan availed in 2024. As of December 31, 2025, the Parent Company has paid principal amortization amounting to P500.
- p. On July 7, 2025, the Parent Company issued P32,000 fixed retail bonds divided into Series G (P15,910) bearing interest at 6.5945% per annum, Series H (P4,604) bearing interest at 6.9761% per annum, and Series I (P11,486) bearing interest at 7.3896% per annum. The Series G bonds are due on July 7, 2030 (5-year term), Series H bonds are due on July 7, 2032 (7-year term) while the Series I bonds are due on July 7, 2035 (10-year term). Interests are payable quarterly, commencing on October 7, 2025, and thereafter, on January 7, April 7, July 7, and October 7 of each year. The net proceeds were used primarily for Series D and E bonds settlement, existing debt repayments, and other general corporate purposes. The bonds are listed with the Philippine Dealing & Exchange Corp.
- q. The Parent Company made a full drawdown of US\$200 million term loan facility on August 29, 2025, the same date the agreement was signed and executed. The facility will be amortized over 5 years with a 2-year grace period, after which the total principal will be repaid in 7 equal semi-annual installments beginning August 29, 2027. The facility is subject to a fixed interest rate of 5.74% per annum payable quarterly, beginning on November 29, 2025, and thereafter on February 28, May 29, August 29, and November 29 of each year. The proceeds were partially used for the repayment of outstanding indebtedness and general corporate purposes.

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

The Group has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. The net leverage ratio and consolidated gross debt to consolidated net worth are tested on an incurrence and quarterly basis, respectively.

As of December 31, 2025 and 2024, the Group was in compliance with the financial covenants of its debt agreements.

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P9,640, P9,005 and P8,331 in 2025, 2024, and 2023, respectively (Note 26). Interest amounting to P56 was capitalized in 2025, P38 in 2024 and P187 in 2023 (Note 9).

Movements in debt issue costs follow:

	Note	2025	2024
Balance at beginning of year		P1,449	P1,366
Additions		544	721
Amortization for the year	26	(666)	(638)
Balance at end of year		P1,327	P1,449

Repayment Schedule

The annual maturities of long-term debts as of December 31, 2025 and 2024 are as follows (Note 34):

2025

Year	Gross Amount	Debt Issue Costs	Net
2026	P13,552	P352	P13,200
2027	43,487	429	43,058
2028	18,315	115	18,200
2029	14,591	31	14,560
2030 and beyond	35,859	400	35,459
	P125,804	P1,327	P124,477

2024

Year	Gross Amount	Debt Issue Costs	Net
2025	P29,810	P392	P29,418
2026	24,740	646	24,094
2027	40,456	305	40,151
2028	13,790	88	13,702
2029 and beyond	10,096	18	10,078
	P118,892	P1,449	P117,443

19. Asset Retirement Obligation

Movements in ARO are as follows:

	Note	2025	2024
Balance at beginning of year		P1,379	P3,658
Accretion for the year	26	59	207
Additions		124	75
Effect of change in estimates	4	42	58
Translation adjustment		43	21
Settlement		(1)	(1)
Effect of change in discount rate		(195)	(39)
Derecognition	39	-	(2,600)
Balance at end of year including current portion		P1,451	P1,379

20. Other Noncurrent Liabilities

This account consists of:

	Note	2025	2024
Cash bonds		P427	P426
Derivative liabilities		7	-
Others		49	61
	34, 35	P483	P487

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

Others include liabilities to a contractor and supplier.

21. Equity

a. Capital Stock

Common Shares

Pursuant to the registration statement rendered effective by the SEC on May 18, 1995 and the permit to sell issued by the SEC dated May 30, 1995, 10,000,000,000 common shares of the Parent Company with par value of P1.00 per share were offered for sale at an offer price of P1.00 per share.

On March 18, 2025, the Parent Company repurchased all of the 459,156,097 common shares held by PCERP pursuant to the common share buyback program approved by the BOD on March 4, 2025 via a block sale aggregating to P1,119.

The Parent Company also acquired a total of 4,502,000 of its own common shares aggregating to P11 from July 9, 2025 to August 29, 2025. All repurchased shares are recorded as treasury shares.

As of December 31, 2025 and 2024, the Parent Company had 97,232 and 97,572 stockholders with at least one board lot at the PSE for a total of 8,911,446,400 and 9,375,104,497 (P1.00 per share par value) issued and outstanding common shares, respectively.

Preferred Shares

On January 21, 2010, the SEC approved the Parent Company's amendment to its AOI to reclassify 624,895,503 unissued common shares into preferred shares with a par value of P1.00 per share, as part of its authorized capital stock. On February 12, 2010, the SEC issued an order permitting the Parent Company's offer and sale of 50,000,000 peso-denominated, cumulative, non-participating and non-voting preferred shares, with an oversubscription option of 50,000,000 preferred shares (collectively, the "2010 Preferred Shares") to the public at an issue price of P100.00 per share. Proceeds from issuance in excess of par value less related transaction costs amounting to P9,764 was recognized as additional paid-in capital. Dividend rate of 9.5281% per annum computed in reference to the issue price was payable every March 5, June 5, September 5 and December 5 of each year, as and if declared by the Parent Company's BOD. The 2010 Preferred Shares were listed with PSE on March 5, 2010.

On October 17, 2014, the SEC issued an order permitting the Parent Company's public offering and sale of 7,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 3,000,000 preferred shares (collectively, the "Series 2 Preferred Shares") at an issue price of P1,000.00 per share.

On November 3, 2014, the Parent Company issued and listed in the PSE 10,000,000 Series 2 Preferred Shares at an offer price of P1,000.00 per share. The Series 2 Preferred Shares were issued in two (2) sub-series, (i) 7,122,320 Series 2A preferred shares (the "Series 2A Preferred Shares") and (ii) 2,877,680 Series 2B preferred shares (the "Series 2B Preferred Shares"). Proceeds from issuance in excess of par value less related transaction costs amounting to P9,889 was recognized as additional paid-in capital.

The Series 2A Preferred Shares may be redeemed by the Parent Company starting on the fifth anniversary from the listing date while the Series 2B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date. Series 2A and Series 2B Preferred Shares have dividend rates of 6.3000% and 6.8583%, respectively. Cash dividends are payable quarterly every February 3, May 3, August 3 and November 3 of each year, as and if declared by the Parent Company's BOD.

All shares rank equally as regards to the Parent Company's residual assets, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On March 5, 2015, the Parent Company redeemed the 2010 Preferred Shares at P100.00 per share, which were delisted by the PSE on March 6, 2015 in line with the latter's rule on the delisting of redeemed shares which are not re-issuable at the time of redemption under the issuing Parent Company's AOI. On July 6, 2015, the SEC approved the amendment of the AOI of the Parent Company to provide a re-issuability feature of its preferred shares.

On May 31, 2019, the SEC issued a permit for the Parent Company's public offering and sale of 15,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 5,000,000 preferred shares (collectively, the "Series 3 Preferred Shares") at an issue price of P1,000.00 per share.

On June 25, 2019, the Parent Company issued and listed on the PSE 20,000,000 Series 3 Preferred Shares. The net proceeds from the issuance were used for the repayment of the Parent Company's outstanding short-term loans and for general corporate purposes while the remaining balance was allocated for the redemption of the Series 2A Preferred Shares in November 2019.

The Series 3 Preferred Shares were issued in two (2) sub-series: (i) 13,403,000 Series 3A Preferred Shares with dividend rate of 6.8713% per annum and first optional redemption date on its 5.5th anniversary from the issuance date; and (ii) 6,597,000 Series 3B Preferred Shares with dividend rate of 7.1383% per annum and first optional redemption date on its 7th anniversary from the issuance date. Cash dividends are payable quarterly on March 25, June 25, September 25 and December 25 of each year, as and if declared by the Parent Company's BOD. Proceeds from reissuance of treasury stocks in excess of cost less related transaction costs amounting to P17,847 was recognized as additional paid-in capital.

On November 4, 2019, the Parent Company redeemed its 7,122,320 Series 2A Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 10, 2019. The redemption was approved by the Parent Company's BOD on March 12, 2019.

On November 3, 2021, the Parent Company redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 7, 2021. The redemption was approved by the Parent Company's BOD on March 9, 2021.

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

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

On September 23, 2024, the Parent Company issued and listed in the PSE additional 16,830,000 Series 4 Preferred Shares at an offer price of P1,000.00 per share for a total amount of P16,830. The additional Series 4 Preferred Shares were issued in two (2) sub-series, (i) 8,500,000 Series 4D preferred shares (the "Series 4D Preferred Shares") and (ii) 8,330,000 Series 4E preferred shares (the "Series 4E Preferred Shares"). Proceeds from issuance in excess of par value, less related transaction costs of P100, were recognized as additional paid-in capital amounting to P16,713. The Series 4D and 4E Preferred Shares are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Philippine Peso-denominated perpetual preferred shares with par value of P1.00 per share.

The Parent Company has the redemption option starting on the third and fifth year from the listing date or on any dividend payment date thereafter for Series 4D and Series 4E preferred shares, respectively. Series 4D and Series 4E preferred shares have dividend rates of 6.8364% and 7.1032%, respectively. Cash dividends are payable quarterly every March 23, June 23, September 23 and December 23 of each year, as and if declared by the Parent Company's BOD. The net proceeds were used to fully redeem the Series 3A Preferred Shares on December 26, 2024, refinance maturing obligations, and fund general corporate purposes, including the purchase of crude oil inventory.

On December 26, 2024, the Parent Company redeemed its 13,403,000 Series 3A Preferred Shares issued on June 25, 2019 at a redemption price of P1,000.00 per share, with a record date of November 21, 2024. The redemption was approved by the Parent Company's BOD on June 26, 2024.

As of December 31, 2025 and 2024, the Parent Company had 37,427,000 (P1 par value) issued and outstanding preferred shares. The total number of preferred shareholders with at least one board lot at the PSE as of December 31, 2025 and 2024 are as follows:

	2025	2024
Series 3B Preferred Shares	25	25
Series 4A Preferred Shares	4	4
Series 4B Preferred Shares	13	13
Series 4C Preferred Shares	27	27
Series 4D Preferred Shares	21	22
Series 4E Preferred Shares	26	26
	116	117

b. Retained Earnings

Declaration of Cash Dividends

On various dates in 2025, 2024 and 2023, the Parent Company's BOD approved the declaration of cash dividends for common and preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2025				
Common	P0.10000	March 4, 2025	March 18, 2025	April 2, 2025
Series 3B	17.84575	May 6, 2025	June 2, 2025	June 25, 2025
Series 4A	16.76975	May 6, 2025	June 16, 2025	July 7, 2025
Series 4B	16.99300	May 6, 2025	June 16, 2025	July 7, 2025
Series 4C	17.71525	May 6, 2025	June 16, 2025	July 7, 2025
Series 4D	17.09100	May 6, 2025	May 29, 2025	June 23, 2025
Series 4E	17.75800	May 6, 2025	May 29, 2025	June 23, 2025
Series 3B	17.84575	August 5, 2025	September 4, 2025	September 25, 2025
Series 4A	16.76975	August 5, 2025	September 16, 2025	October 7, 2025
Series 4B	16.99300	August 5, 2025	September 16, 2025	October 7, 2025
Series 4C	17.71525	August 5, 2025	September 16, 2025	October 7, 2025
Series 4D	17.09100	August 5, 2025	September 2, 2025	September 23, 2025
Series 4E	17.75800	August 5, 2025	September 2, 2025	September 23, 2025
Series 3B	17.84575	November 4, 2025	December 1, 2025	December 26, 2025
Series 4A	16.76975	November 4, 2025	December 9, 2025	January 7, 2026
Series 4B	16.99300	November 4, 2025	December 9, 2025	January 7, 2026
Series 4C	17.71525	November 4, 2025	December 9, 2025	January 7, 2026
Series 4D	17.09100	November 4, 2025	November 28, 2025	December 23, 2025
Series 4E	17.75800	November 4, 2025	November 28, 2025	December 23, 2025

Forward

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2024				
Common	P0.10000	March 5, 2024	March 19, 2024	April 4, 2024
Series 3A	17.17825	May 7, 2024	June 3, 2024	June 25, 2024
Series 3B	17.84575	May 7, 2024	June 3, 2024	June 25, 2024
Series 4A	16.76975	May 7, 2024	June 13, 2024	July 8, 2024
Series 4B	16.99300	May 7, 2024	June 13, 2024	July 8, 2024
Series 4C	17.71525	May 7, 2024	June 13, 2024	July 8, 2024
Series 3A	17.17825	August 6, 2024	September 3, 2024	September 25, 2024
Series 3B	17.84575	August 6, 2024	September 3, 2024	September 25, 2024
Series 4A	16.76975	August 6, 2024	September 13, 2024	October 7, 2024
Series 4B	16.99300	August 6, 2024	September 13, 2024	October 7, 2024
Series 4C	17.71525	August 6, 2024	September 13, 2024	October 7, 2024
Series 3A	17.17825	November 5, 2024	November 29, 2024	December 26, 2024
Series 3B	17.84575	November 5, 2024	November 29, 2024	December 26, 2024
Series 3B	17.84575	November 5, 2024	March 3, 2025	March 25, 2025
Series 4A	16.76975	November 5, 2024	December 9, 2024	January 7, 2025
Series 4B	16.99300	November 5, 2024	December 9, 2024	January 7, 2025
Series 4C	17.71525	November 5, 2024	December 9, 2024	January 7, 2025
Series 4A	16.76975	November 5, 2024	March 13, 2025	April 7, 2025
Series 4B	16.99300	November 5, 2024	March 13, 2025	April 7, 2025
Series 4C	17.71525	November 5, 2024	March 13, 2025	April 7, 2025
Series 4D	17.09100	November 5, 2024	November 28, 2024	December 23, 2024
Series 4E	17.75800	November 5, 2024	November 28, 2024	December 23, 2024
Series 4D	17.09100	November 5, 2024	February 28, 2025	March 24, 2025
Series 4E	17.75800	November 5, 2024	February 28, 2025	March 24, 2025
2023				
Common	P0.10000	March 6, 2023	March 20, 2023	April 4, 2023
Series 3A	17.17825	May 10, 2023	May 31, 2023	June 26, 2023
Series 3B	17.84575	May 10, 2023	May 31, 2023	June 26, 2023
Series 3A	17.17825	August 1, 2023	August 31, 2023	September 25, 2023
Series 3B	17.84575	August 1, 2023	August 31, 2023	September 25, 2023
Series 4A	16.76975	August 1, 2023	September 14, 2023	October 9, 2023
Series 4B	16.99300	August 1, 2023	September 14, 2023	October 9, 2023
Series 4C	17.71525	August 1, 2023	September 14, 2023	October 9, 2023
Series 3A	17.17825	November 7, 2023	November 29, 2023	December 26, 2023
Series 3B	17.84575	November 7, 2023	November 29, 2023	December 26, 2023
Series 3A	17.17825	November 7, 2023	March 1, 2024	March 25, 2024
Series 3B	17.84575	November 7, 2023	March 1, 2024	March 25, 2024
Series 4A	16.76975	November 7, 2023	December 13, 2023	January 8, 2024
Series 4B	16.99300	November 7, 2023	December 13, 2023	January 8, 2024
Series 4C	17.71525	November 7, 2023	December 13, 2023	January 8, 2024
Series 4A	16.76975	November 7, 2023	March 13, 2024	April 8, 2024
Series 4B	16.99300	November 7, 2023	March 13, 2024	April 8, 2024
Series 4C	17.71525	November 7, 2023	March 13, 2024	April 8, 2024

Total cash dividends declared by the Parent Company amounted to P2,894 in 2025, P3,650 in 2024, and P3,053 in 2023.

Appropriation for Capital Projects

On May 5, 2016, the Parent Company's BOD approved the re-appropriation of retained earnings amounting to P15,000 for capital projects in 2016 and 2017 which are expected to be completed within five years from the date of the approval.

On March 9, 2021, the BOD of the Parent Company approved the reversal of P8,000 of the P15,000 appropriated retained earnings of the Parent Company since majority of the 2016 and 2017 capital projects were already completed while others were deferred. The remaining P7,000 was maintained for the Power Plant project.

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

On October 7, 2021, the BOD of PEDC approved the appropriation of its retained earnings amounting to P3 for acquisition of three lots located in Bulacan. As a result of merger of PEDC to LLCDC in 2025, the appropriation was reverted back to unappropriated retained earnings.

The appropriated retained earnings attributable to the equity holders of the Parent Company amounted to nil and P3 as of December 31, 2025 and 2024, respectively.

- c. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries, a joint venture and an associate amounting to P61,506, P49,533 and P48,107 as of December 31, 2025, 2024 and 2023, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

- d. Equity reserves comprise of the following:

Reserve for retirement plan pertains to the cumulative remeasurements of the Group's defined benefit retirement plan.

Other reserves comprise the net income (loss) on cash flows hedges, unrealized fair value losses on investments in debt instruments, exchange differences on translation of foreign operations, effect of redemption of capital securities and others with details as follows:

	2025	2024	2023
Balance at beginning of year	(P11,680)	(P14,794)	(P10,454)
Net loss on cash flow hedges, net of tax	-	-	(50)
Cumulative translation adjustment	5,307	3,499	(2,008)
Share in other comprehensive income of an associate and a joint venture	8	1	4
Repurchase of capital securities	(4,024)	(386)	(2,286)
Balance at end of year	(P10,389)	(P11,680)	(P14,794)

- e. SPCS

On January 19, 2018, the Parent Company issued US\$500 million (P24,881) SPCS with an issue price of 100% for the partial repurchase and redemption of the Parent Company's existing US\$750 million USCS, the repayment of indebtedness and general corporate purposes including capital expenditures. The SPCS were listed with the Singapore Exchange Securities Trading Ltd. on January 22, 2018.

Holders of the SPCS are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 4.6% per annum, subject to a step-up rate. The Parent Company has the sole and absolute discretion to defer payment of any or all of the distribution.

The SPCS have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Parent Company's option on or after July 19, 2023 or on any distribution payment date thereafter or upon the occurrence of certain other events.

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

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

Payments of distributions pertaining to US\$500 million SPCS were made on the following dates: July 19, 2023 (P797), and January 19, 2023 (P841).

On April 19, 2021, the Parent Company issued US\$550 million (P26,231) SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed in the Singapore Exchange Securities Trading Limited on April 20, 2021. The net proceeds were used for the repayment of indebtedness and for general corporate purposes.

Payments of distributions pertaining to US\$550 million SPCS was made on October 19, 2025 (P375), September 22, 2025 (P746), April 19, 2025 (P1,234), October 18, 2024 (P1,258), April 18, 2024 (P1,246), October 19, 2023 (P1,238), and April 19, 2023 (P1,224).

On September 22, 2025, the Parent Company completed the issuance of US\$475 million (P26,794) SPCS at an issue price of 100% consisting of US\$333.19 million (P18,795) securities pursuant to exchange offer and US\$ 141.81 million (P7,999) new securities issued for cash. The securities were listed on the Singapore Exchange Securities Trading Limited on September 23, 2025. The net proceeds were used to finance costs and expenses relating to both exchange and tender offer, and SPCS issuance, and for general corporate purposes.

Concurrently, the Parent Company has completed the settlement of US\$333.19 million (P15,890) securities tendered for exchange and US\$54.20 million (P2,585) securities tendered for purchase, both of which form part of US\$550 million SPCS issued in 2021.

Holders of the SPCS are conferred a right to receive distribution on a semi-annual basis from their issue date at a rate of 7.35% per annum, subject to a step-up rate. The Company has the sole and absolute discretion to defer payment of any or all of the distribution.

The SPCS have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Company's option on or after September 28, 2028 or on any distribution payment date thereafter or upon the occurrence of certain other events.

These SPCS were offered to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers or to any number of qualified buyers in the Philippines as defined in the SRC and their offer and sale and therefore qualified as exempt transactions pursuant to Sections 10.1(k) and 10.1(l) of the SRC. Hence, no confirmation of exemption from the registration requirements of the SRC was required to be filed with the SEC.

- f. RPS

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

Holder of the RPS is conferred a right to receive distributions on a quarterly basis, every February 27, May 27, August 27 and November 27. The Parent Company has the sole and absolute discretion to defer payment of any or all of the distribution.

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

Distributions to holder of the RPS were made on May 26, 2023 (P3) and February 27, 2023 (P3).

On June 22, 2020, the Parent Company issued US\$130 million (P6,444) RPS to SMC used for general corporate purposes. Holder of the RPS is conferred a right to receive distributions on a quarterly basis every March 22, June 22, September 22 and December 22.

On September 25, 2024 and October 2, 2024, the Parent Company partially repurchased US\$40 million (P1,983) and US\$20 million (P991) RPS. Subsequently, the Parent Company repurchased US\$10 million (P496) and US\$41.5 million (P2,057) on April 4, 2025 and August 14, 2025, respectively.

Payment of distributions pertaining to RPS were made on December 22, 2025 (P10), September 22, 2025 (P10), August 14, 2025 (P13), June 22, 2025 (P31), April 4, 2025 (P1), March 22, 2025 (P36), December 23, 2024 (P37), October 2, 2024 (P1), September 23 and 25, 2024 (P66), June 21, 2024 (P69), and March 22, 2024 (P66), December 22, 2023 (P65), September 22, 2023 (P67), June 22, 2023 (P65), and March 22, 2023 (P64).

On August 10, 2020, the Parent Company issued additional US\$100 million RPS to SMC used for general corporate purposes. Holder of the RPS is conferred a right to receive distributions on a quarterly basis every February 10, May 10, August 10 and November 10.

Holder of the RPS was paid on November 10, 2025 (P53), August 10, 2025 (P52), May 10, 2025 (P50), February 10, 2025 (P53), November 11, 2024 (P53), August 12, 2024 (P52), May 10, 2024 (P52), and February 10, 2024 (P51), November 10, 2023 (P51), August 10, 2023 (P51), May 10, 2023 (P51), and February 10, 2023 (P49).

The RPS have no fixed redemption date and are redeemable in whole, or in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Parent Company's option on any distribution payment date after 90 days from issuance date.

22. Cost of Goods Sold

This account consists of:

	Note	2025	2024	2023
Inventories	8, 37	P707,249	P779,724	P714,535
Distribution or transshipment costs		20,363	18,974	17,113
Depreciation and amortization	25	9,891	8,824	8,420
Materials and supplies		5,417	5,317	6,209
Personnel expenses	24	3,238	2,275	1,839
Purchased services and utilities		2,337	2,204	2,589
Others	29, 31	5,253	4,435	3,724
		P753,748	P821,753	P754,429

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

23. Selling and Administrative Expenses

This account consists of:

	Note	2025	2024	2023
Purchased services and utilities		P5,842	P5,155	P4,309
Personnel expenses	24	5,045	4,378	3,892
Depreciation and amortization	25	4,618	4,632	4,872
Maintenance and repairs		2,147	1,879	1,960
Advertising		841	837	530
Rent	29	806	525	497
Taxes and licenses		759	509	608
Materials and office supplies		449	625	791
Impairment loss (reversal of impairment loss) on trade and other receivables - net	4, 7	18	(9)	(14)
Others	8	138	226	123
		P20,663	P18,757	P17,568

Selling and administrative expenses include research and development costs amounting to P103, P87 and P87 in 2025, 2024 and 2023, respectively (Note 8).

24. Personnel Expenses

This account consists of:

	Note	2025	2024	2023
Salaries, wages and other employee costs	28	P7,830	P6,290	P5,386
Retirement benefits costs - defined benefit plan	28, 30	356	270	257
Retirement benefits costs - defined contribution plan	28	97	93	88
		P8,283	P6,653	P5,731

The above amounts are distributed as follows:

	Note	2025	2024	2023
Costs of goods sold	22	P3,238	P2,275	P1,839
Selling and administrative expenses	23	5,045	4,378	3,892
		P8,283	P6,653	P5,731

25. Depreciation and Amortization

This account consists of:

	Note	2025	2024	2023
Cost of goods sold:				
Property, plant and equipment	9	P9,587	P8,342	P7,957
Right-of-use assets	10	74	226	129
Other assets	14	230	256	334
	22	9,891	8,824	8,420
Selling and administrative expenses:				
Property, plant and equipment	9	2,108	2,114	2,290
Right-of-use assets	10	279	405	510
Investment property	11	2,175	2,037	1,942
Intangible assets and others	14	56	76	130
	23	4,618	4,632	4,872
	37	P14,509	P13,456	P13,292

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

This account consists of:

	Note	2025	2024	2023
Interest expense and other financing charges:				
Long-term debt	18	P8,922	P8,331	P7,574
Short-term loans	15	5,653	8,102	7,659
Bank charges		1,540	1,535	1,470
Accretion on lease liability	29	1,046	1,259	1,124
Amortization of debt issue costs	18	662	636	570
Advances from a related party	28	299	321	167
Defined benefit obligation	30	336	303	303
Accretion on ARO	19	59	207	226
Others	39	191	267	2
	37	P18,708	P20,961	P19,095
Interest income:				
Short-term placements	5	P974	P933	P990
Plan assets	30	143	156	106
Trade receivables	7	45	44	40
Advances to related parties	28	10	53	45
Cash in banks	5	10	10	9
Hedging		-	5	94
	37	P1,182	P1,201	P1,284
Other income (expense) - net:				
Marked-to-market gains (losses) - net	35	(P872)	P986	(P133)
Foreign currency losses - net	34	(152)	(1,771)	(509)
Changes in fair value of financial assets at FVPL	6	30	70	37
Gain on lease termination	39	-	3,509	-
Hedging gains (losses) - net		-	3	(104)
Others - net		435	620	828
		(P559)	P3,417	P119

Bank charges amounting to P7 was capitalized as part of property, plant and equipment in 2025 while P5 in 2024 and P28 in 2023 (Note 9).

Also included in "Others - net" were the following: (i) rental income amounting to P65 in 2025 while P69 in 2024 and P63 in 2023 (Note 29), (ii) gain (loss) on sale of property and equipment amounting to P114 in 2025, (P53) in 2024 and P33 in 2023, (iii) impairment loss on property, plant and equipment and investment property of P255 and P153, respectively, in 2025 and nil for both 2024 and 2023 (Notes 9 and 11), and (iv) write-on of LPG cylinder deposits of P335 in 2025 and nil for both 2024 and 2023. The write on pertains to balances associated with cylinders which are no longer expected to be returned and are therefore not likely to be claimed by the customers.

27. Income Taxes

The components of income tax expense are shown below:

	2025	2024	2023
Current	P2,568	P1,284	P1,513
Deferred	1,210	3,239	1,485
	P3,778	P4,523	P2,998

Deferred tax assets and liabilities are from the following:

2025

	January 1 2025	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31 2025
Net retirement benefits liability	P2,016	(P177)	P50	P -	P1,889
Rental	947	717	-	-	1,664
NOLCO	2,964	(2,545)	-	-	419
Various allowances, accruals and others	307	(32)	-	(50)	225
Inventory differential	(20)	202	-	-	182
MCIT	1,378	918	-	-	2,296
ARO	224	68	-	-	292
Unutilized tax losses	576	40	-	-	616
Unrealized foreign exchange gains - net	294	204	-	-	498
Capitalized taxes and duties on inventories deducted in advance	(1,020)	374	-	-	(646)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,032)	7	-	-	(3,025)
Excess of double-declining over UPM and straight-line method of depreciation and amortization	(10,793)	(986)	-	-	(11,779)
	(P6,159)	(P1,210)	P50	(P50)	(P7,369)

2024

	January 1 2024	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31 2024
Net retirement benefits liability	P1,747	(P140)	P409	P -	P2,016
Rental	1,651	(704)	-	-	947
NOLCO	6,214	(3,250)	-	-	2,964
Various allowances, accruals and others	(2,880)	3,174	-	13	307
Inventory differential	253	(273)	-	-	(20)
MCIT	1,021	357	-	-	1,378
ARO	622	(398)	-	-	224
Unutilized tax losses	626	(50)	-	-	576
Unrealized foreign exchange gains - net	(183)	477	-	-	294
Capitalized taxes and duties on inventories deducted in advance	(958)	(62)	-	-	(1,020)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,359)	327	-	-	(3,032)
Excess of double-declining over UPM and straight-line method of depreciation and amortization	(8,096)	(2,697)	-	-	(10,793)
	(P3,342)	(P3,239)	P409	P13	(P6,159)

2023

	January 1 2023	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31 2023
Net retirement benefits liability	P1,910	(P172)	P9	P -	P1,747
Rental	1,545	106	-	-	1,651
NOLCO	6,654	(440)	-	-	6,214
Various allowances, accruals and others	535	(3,428)	-	13	(2,880)
Inventory differential	651	(398)	-	-	253
MCIT	508	513	-	-	1,021
ARO	519	103	-	-	622
Unutilized tax losses	453	173	-	-	626
Fair market value adjustments on business combination	(27)	27	-	-	-
Unrealized foreign exchange gains - net	22	(223)	18	-	(183)
Capitalized taxes and duties on inventories deducted in advance	(848)	(110)	-	-	(958)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,524)	165	-	-	(3,359)
Excess of double-declining over UPM and straight-line method of depreciation and amortization	(10,295)	2,199	-	-	(8,096)
	(P1,897)	(P1,485)	P27	P13	(P3,342)

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

	2025	2024
Deferred tax assets - net	P548	P560
Deferred tax liabilities - net	(7,917)	(6,719)
	(P7,369)	(P6,159)

Net deferred taxes of individual companies are not allowed to be offset against net deferred tax liabilities of other companies, or vice versa, for purposes of consolidation.

As of December 31, 2025 and 2024, the Group has unrecognized deferred tax assets pertaining to NOLCO and MCIT because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom as follows:

	2025		2024	
	Tax Base	Tax Effect	Tax Base	Tax Effect
NOLCO	P107	P27	P5,393	P1,348
MCIT	-	-	310	310
	P107	P27	P5,703	P1,658

In 2025, the Group subsequently reversed a portion of the previously derecognized deferred tax asset related to NOLCO amounting to P855, following the actual utilization of the related tax losses during the year. The remaining unutilized NOLCO and MCIT previously derecognized in 2024 expired in 2025.

As of December 31, 2025 and 2024, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

As of December 31, 2025			
Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2021	December 31, 2026	P1,678	P -
2023	December 31, 2026	105	513
2024	December 31, 2027	1	865
2025	December 31, 2028	1	918
		P1,785	P2,296

As of December 31, 2024			
Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2020	December 31, 2025	P15,461	P -
2021	December 31, 2026	1,678	-
2022	December 31, 2025	4	310
2023	December 31, 2026	105	513
2024	December 31, 2027	1	865
		P17,249	P1,688

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 (bbb) of Republic Act (RA) No. 11494, otherwise known as the Bayanihan to Recover as One Act, which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five consecutive taxable years following the year such loss was incurred.

A reconciliation of tax on the pretax income computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2025	2024	2023
Statutory income tax rate	25.00%	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to lower final tax	(0.05%)	(0.09%)	(0.16%)
Nontaxable income	(7.00%)	(6.91%)	(4.47%)
Nondeductible expense	0.11%	3.09%	4.33%
Nondeductible interest expense	0.05%	0.08%	0.10%
Recognition of previously derecognized deferred tax asset on NOLCO	(4.36%)	-	-
Unrecognized deferred tax assets on NOLCO and MCIT	-	14.08%	-
Income subject to income tax holiday (ITH)	(0.31%)	(0.30%)	-
Others, mainly income subject to different tax rates	6.03%	(0.14%)	(1.93%)
Effective income tax rate	19.47%	34.81%	22.87%

Optional Standard Deduction (OSD)

In the determination of the Group's current taxable income, entities within the Group has an option to either apply the OSD or continue to claim itemized standard deduction. Entities within the Group, at each taxable year from the effectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year. For 2025, 2024 and 2023, majority of the entities within the Group opted to continue claiming itemized standard deductions except for certain subsidiaries of NVRC such as LLCDC, SLPHI, MLC, ARC and PEDC, as they opted to apply OSD. SLPHI opted to apply itemized standard deductions in 2025.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

The CREATE Act, which seeks to reduce the corporate income tax rates and rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax.

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

International Tax Reform - Pillar Two Model Rules

The Group has adopted the amendments to PAS 12, Income Taxes, relating to the International Tax Reform - Pillar Two Model Rules. These amendments provide a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from Pillar Two income taxes. Accordingly, no deferred tax assets or liabilities have been recognized in respect of Pillar Two legislation.

The Group is a member of the Top Frontier Group. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where the Top Frontier Group operates. The legislation is effective as of January 1, 2025 in Australia, Hong Kong, Indonesia, Japan, Malaysia, Mauritius, Netherlands, New Zealand, Singapore, Thailand, and Vietnam. As of December 31, 2025, such legislation is not yet effective in the Philippines, Bermuda, British Virgin Islands, Cayman Islands, China, and Taiwan.

The Top Frontier Group is within the scope of the enacted or substantively enacted legislation and has performed a Transitional Country-by-Country Reporting (CbCR) Safe Harbor (TCSH) assessment to identify jurisdictions that may be excluded from detailed Pillar Two computations. The assessment was based on the most recent tax filings, CbCR reports, and financial statements of the relevant entities. All jurisdictions met the TCSH criteria, except for Bermuda, Hong Kong and Singapore. Full Pillar Two computations are currently being undertaken for Bermuda, Hong Kong, and Singapore.

The Top Frontier Group is evaluating the application of the Undertaxed Profits Rule (UTPR) Safe Harbor, subject to compliance with the relevant requirements under applicable rules.

Based on the Top Frontier Group's assessment, the Group has recognized a Pillar Two top-up tax expense of approximately P253 for the year, primarily arising from operations in Singapore where the effective tax rate is below the 15% minimum. The computation of the top-up tax is still for refinement as the Top Frontier Group finalizes its detailed calculations and to consider further guidance or clarifications that may be issued by relevant tax authorities.

28. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint venture and SMC and its subsidiaries in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the years ended December 31 follow:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	7, 30, a	2025	P10	P -	P -	P -	On demand;	Unsecured;
		2024	45	-	894	-	interest bearing	no impairment
		2023	45	-	894	-		
	a	2025	-	1,119	-	-	On demand;	Unsecured;
		2024	-	-	88	-	non-interest bearing	no impairment
		2023	-	-	43	-		
Intermediate Parent	b, e, f, h, i	2025	25	296	31	473	On demand;	Unsecured;
		2024	18	235	15	418	non-interest bearing	no impairment
		2023	29	221	18	461		
Under Common Control	14, b, c, d, h, i, j, k	2025	9,674	7,155	3,990	2,816	On demand;	Unsecured;
		2024	9,513	6,654	3,982	2,767	non-interest bearing	no impairment
		2023	15,949	5,808	3,801	2,638		
		2025	-	299	-	5,879	On demand;	Unsecured;
		2024	-	321	-	5,785	interest bearing	no impairment
2023	-	167	-	3,322				
Associate	b, h	2025	308	343	57	300	On demand;	Unsecured;
		2024	280	296	81	203	non-interest bearing	no impairment
		2023	240	210	54	73		
Joint Venture	c, g, h	2025	-	83	3	-	On demand;	Unsecured;
		2024	-	74	-	4	non-interest bearing	no impairment
		2023	-	85	1	-		
Associate and Joint Venture under Common Control	b, h, i, f	2025	371	210	51	225	On demand;	Unsecured;
		2024	331	-	54	1	non-interest bearing	no impairment
		2023	326	-	87	1		
		2025	-	32	-	-	Short-term;	Unsecured;
		2024	-	41	-	1,100	interest bearing	no impairment
2023	-	112	-	1,100				
		2025	P10,388	P9,537	P4,132	P9,693		
		2024	P10,187	P7,631	P5,124	P10,278		
		2023	P16,589	P6,583	P4,898	P7,595		

- As of December 31, 2024 and 2023, the Parent Company has interest bearing advances to PCERP, included as part of "Trade and other receivables - net" in the consolidated statements of financial position, for some investment opportunities (Notes 7 and 30). These advances have been fully settled in 2025.
- Sales relate to the Parent Company's supply agreements with the Intermediate Parent, various SMC subsidiaries, and an associate. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.
- Purchases relate to purchase of goods and services such as power, construction, information technology, shipping and terminalling from a joint venture and various SMC subsidiaries.
- The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for office space and certain parcels of land where service stations are located.
- The Parent Company has existing lease agreements with SMC covering certain parcels of land where service stations are located.
- The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.
- TBSB provides bottling services to PFISB and another venturer.
- 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. NVRC leased 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.
- m. The compensation and benefits of key management personnel of the Group, by benefit type, included in the "Personnel expenses" account as follows (Note 24):

	2025	2024	2023
Salaries and other short-term employee benefits	P1,116	P1,010	P906
Retirement benefits costs - defined benefit plan	136	123	116
Retirement benefits costs - defined contribution plan	24	24	37
	P1,276	P1,157	P1,059

29. Lease Commitments

Group as Lessee

The Group entered into commercial leases on office space, buildings, machinery and equipment, service stations and certain parcels of land for its refinery and service stations (Notes 10 and 31). These leases' life ranges from one to 999 years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The lease agreements include upward escalation adjustments of the annual rental rates.

Amounts recognized in profit or loss:

	Note	2025	2024	2023
Interest on lease liabilities	10	P1,046	P1,259	P1,124
Income from sub-leasing		(1,867)	(1,696)	(1,608)
Expenses relating to short-term leases	10	867	586	491
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	10	100	14	30
Expenses relating to the variable portion of lease payments	10	7	6	4
		P153	P169	P41

Rent expense amounting to P168 is included in "Cost of goods sold - others" account in 2025, P81 in 2024 and P28 in 2023 (Note 22). Interest expense amounting to P6 was capitalized as part of property, plant and equipment in 2025, P5 in 2024 while P26 in 2023 (Note 9).

- 75 -

Amounts recognized in the consolidated statements of cashflows:

	Note	2025	2024	2023
Interest paid under operating activities	33	P1,052	P1,264	P1,150
Cash outflows for short term, low value leases and variable portion of lease payments		974	606	525
Principal lease payments under financing activities	33	1,540	1,516	1,313
	10	P3,566	P3,386	P2,988

Group as Lessor - Operating Lease

The Group has entered into lease agreements on its service stations and other related structures. The non-cancellable leases have remaining terms of between three to ten years. All leases include a clause to enable upward escalation adjustment of the annual rental rates.

The following table sets out a maturity analysis of lease payments, showing undiscounted lease payments to be received after the reporting period.

	2025	2024
Less than one year	P2,502	P1,421
One to two years	833	628
Two to three years	607	378
Three to four years	350	474
Four to five years	469	330
More than five years	1,613	2,415
	P6,374	P5,646

Rent income recognized in profit or loss amounted to:

	Note	2025	2024	2023
Other operating income		P1,968	P1,767	P1,683
Others - net	26	65	69	63
		P2,033	P1,836	P1,746

- 76 -

30. Retirement Plan

The succeeding tables summarize the components of net retirement benefits costs (income) under defined benefit retirement plans recognized in the consolidated statements of income and the funding status and amounts of retirement plans recognized in the consolidated statements of financial position. The Parent Company has a funded, noncontributory, defined benefit retirement plan while several subsidiaries have unfunded, noncontributory, defined benefit retirement plans. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is as of December 31, 2025. Valuations are obtained on a periodic basis.

The Parent Company's Retirement Plan is registered with the BIR as a tax-qualified plan under Republic Act (RA) No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT), as appointed by the BOD of the Parent Company. The BOT of the retirement plan, who exercise voting rights over the shares and approve material transactions, are also officers of the Parent Company, while two of the BOT are also BOD. The retirement plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Present Value of Defined Benefit Obligation			Fair Value of Plan Assets			Net Defined Benefit Retirement Asset (Liability)		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Balance at beginning of year	(P5,940)	(P4,815)	(P4,500)	P2,155	P2,131	P1,173	(P3,785)	(P2,684)	(P3,327)
Recognized in Profit or Loss									
Current service cost	(358)	(270)	(257)	-	-	-	(358)	(270)	(257)
Past service cost - curtailment	2	-	-	-	-	-	2	-	-
Interest expense	(336)	(303)	(303)	-	-	-	(336)	(303)	(303)
Interest income	-	-	-	143	156	106	143	156	106
	(692)	(573)	(560)	143	156	106	(549)	(417)	(454)
Recognized in Other Comprehensive Income									
Remeasurements:									
Actuarial gains (losses) arising from:									
Experience adjustments	129	(729)	(233)	-	-	-	129	(729)	(233)
Changes in financial assumptions	36	(209)	(162)	-	-	-	36	(209)	(162)
Changes in demographic assumptions	(7)	(88)	22	-	-	-	(7)	(88)	22
Return on plan asset excluding interest	-	-	-	(362)	(629)	335	(362)	(629)	335
	158	(1,026)	(373)	(362)	(629)	335	(204)	(1,655)	(38)
Others									
Benefits paid	530	563	565	(412)	(526)	(498)	118	37	67
Contributions	-	-	-	850	1,023	1,015	850	1,023	1,015
Translation adjustment	(224)	(89)	53	-	-	-	(224)	(89)	53
	306	474	618	438	497	517	744	971	1,135
Balance at end of year	(P6,168)	(P5,940)	(P4,815)	P2,374	P2,155	P2,131	(P3,794)	(P3,785)	(P2,684)

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

	Note	2025	2024
Trade and other payables	17	P60	P124
Retirement benefits liability (noncurrent portion)		3,734	3,661
		P3,794	P3,785

Retirement benefits costs (income) recognized in the consolidated statements of income by the Parent Company amounted to P231, P194, and P181 in 2025, 2024 and 2023, respectively.

Retirement benefits costs recognized in the consolidated statements of income by the subsidiaries amounted to P125, P76 and P76, in 2025, 2024 and 2023, respectively, including negative past service cost - curtailment of PFC in 2025.

The carrying amounts of the Parent Company's retirement fund approximate fair values as of December 31, 2025 and 2024.

Plan assets consist of the following:

	2025	2024
Shares of stock:		
Quoted	46%	60%
Unquoted	20%	15%
Government securities	28%	19%
Cash and cash equivalents	5%	5%
Others	1%	1%
	100%	100%

Investment in Shares of Stock. As of December 31, 2025, the Parent Company's plan assets include 14,250,900 common shares of SMC with fair market value per share of P82. As of December 31, 2024, the Parent Company's plan assets include 459,156,097 common shares of Petron with fair market value per share of P2.43 and 14,250,900 common shares of SMC with fair market value per share of P86 (Note 21).

The Parent Company's plan recognized a gain (loss) on the investment in marketable securities of Petron and SMC amounting to (P57), (P744) and P658 in 2025, 2024 and 2023, respectively, mainly as a result of marked-to-market remeasurements.

Dividend income from the investment in shares of stock of Petron and SMC amounted to P71 in 2025, P66 in 2024 and P66 in 2023.

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

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

The BO reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Parent Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Parent Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Parent Company expects to contribute P508 to its defined benefit retirement plan in 2026.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

The retirement plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risk. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2025	2024	2023
Discount rate	4.19% to 6.40%	4.34% to 6.15%	5.00% to 6.58%
Future salary increases	5.00% to 7.00%	5.00% to 7.00%	5.00% to 8.00%

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

The weighted average duration of defined benefit obligation is from 6.60 to 14.00 years as of December 31, 2025 and 6.60 to 12.30 years as of December 31, 2024.

The reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit assets/liabilities by the amounts below:

2025	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P54)	P121
Salary increase rate	506	(447)

2024	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P95)	P155
Salary increase rate	461	(408)

The Parent Company has advances to PCERP amounting to nil and P982 as of December 31, 2025 and 2024, respectively, included as part of "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 7 and 28). The advances are subject to interest of 5% in 2025 and 2024 (Note 28). In 2025, Parent Company's interest-bearing advances to PCERP were fully settled (Note 28).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2025 and 2024 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Parent Company has not recognized any impairment losses relating to the receivables from retirement plan for the years ended December 31, 2025, 2024 and 2023.

31. Significant Agreements

Supply Agreements. The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase the Company's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), Kuwait Petroleum Corporation (KPC), Chevron USA Inc. Singapore Branch (Chevron) and Shell International Eastern Trading Company (SIETCO). The contract with Saudi Aramco is from January 1, 2025 to December 31, 2025 with an automatic annual extension thereafter, unless terminated at the option of either party, upon at least 60 days written notice. The contract with Saudi Aramco has been extended for another year. The contract with KPC from January 1, 2025 to December 31, 2025 was renewed from January 1, 2026 to December 31, 2026. The contract with Chevron is from December 1, 2024 to November 30, 2025 and was renewed from February 1, 2026 to January 31, 2027. The contract with SIETCO is for three (3) years from November 6, 2023.

PMRMB acquires crude oil and condensate for the Port Dickson Refinery from various sources through a combination of term purchase contracts and spot market purchases. PMRMB has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobile Exploration and Production Malaysia Inc. ("EMEPMI") for a period of 2 years until March 2026 supplemented by other short-term supply contracts and spot crude purchases. As of December 31, 2025, about 45% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. PMRMB also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

Outstanding liabilities of the Group for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the consolidated statements of financial position as of December 31, 2025 and 2024 (Note 16).

Toll Service Agreement with Innospec Limited (Innospec). PFC entered into an agreement with Innospec, a leading global fuel additives supplier, in December 2006. Under the agreement, PFC shall be the exclusive toll blender of Innospec's fuel additives sold in the Asia-Pacific region consisting of the following territories: South Korea, China, Taiwan, Singapore, Cambodia, Japan and Malaysia.

PFC provides tolling services which include storage, blending, filing and logistics management. In consideration of these services, Innospec pays PFC a service fee based on the total volume of products blended at PFC Fuel Additives Blending facility. In 2025, the tolling services operations of PFC ceased following the non-renewal of agreement with Innospec.

Tolling services started in 2008 on which PFC recognized revenue amounting to nil, P49 and P76 in 2025, 2024 and 2023, respectively.

Lease Agreements with Philippine National Oil Company (PNOC). On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest valuation of the property conducted by a third-party appraiser acceptable to both parties, the annual rental shall be P238 retroactive to year 2022, payable on the 15th day of January each year without the necessity of demand. This 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. As of December 31, 2025 and 2024, said lease contract along with the lease contracts for its bulk plants and service stations which are the subject landholdings of the rescinded deeds of conveyance were considered deemed canceled with the Supreme Court's ruling in favor of Petron (Note 39). As of December 31, 2025 and 2024, Petron leases other parcels of land from PNOC for its pipeline right-of-way and service stations.

32. Basic and Diluted Earnings Per Share

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

	2025	2024	2023
Net income attributable to equity holders of the Parent Company	P14,752	P8,469	P9,229
Dividends on preferred shares for the year	(1,956)	(2,713)	(2,115)
Distributions to the holders of capital securities	(2,664)	(2,951)	(4,569)
Net income attributable to common shareholders of the Parent Company (a)	P10,132	P2,805	P2,545
Weighted average number of common shares outstanding (in millions) (b)	9,008	9,375	9,375
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	P1.12	P0.30	P0.27

As of December 31, 2025, 2024 and 2023, the Parent Company has no potential dilutive debt or equity instruments.

33. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

- a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2025	2024	2023
Decrease (increase) in assets:			
Trade and other receivables	P1,481	P5,106	(P5,082)
Inventories	22,584	(12,391)	7,946
Other assets	2,813	(9,482)	(2,516)
Increase (decrease) in liabilities:			
Liabilities for crude oil and petroleum products	(652)	5,117	(5,696)
Trade and other payables and others	6,449	(1,444)	(792)
	P32,675	(P13,094)	(P6,140)

- b. Changes in liabilities arising from financing activities:

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2025	P1,039	P13,415	P5,785	P138,906	P117,443	P276,588
Changes from financing cash flows:						
Payment of principal	-	(1,540)	-	-	-	(1,540)
Interest paid	-	(1,052)	-	-	-	(1,052)
Proceeds from availment of loans/advances	-	-	3,410	347,023	47,865	398,298
Payments of loans/advances	-	-	(3,410)	(394,384)	(42,685)	(440,479)
Dividends and distributions paid	(6,320)	-	-	-	-	(6,320)
Total changes from financing cash flows	(6,320)	(2,592)	-	(47,361)	5,180	(51,093)
Dividends and distributions declared	5,686	-	-	-	-	5,686
New leases	-	2,210	-	-	-	2,210
Interest expense	-	1,052	-	-	-	1,052
Effects of changes in foreign exchange rates	-	-	94	355	1,188	1,637
Amortization of debt issue costs	-	-	-	-	666	666
Balance as of December 31, 2025	P405	P14,085	P5,879	P91,900	P124,477	P236,746

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2024	P948	P15,944	P3,322	P137,910	P108,896	P267,020
Changes from financing cash flows:						
Payment of principal	-	(1,516)	-	-	-	(1,516)
Interest paid	-	(1,264)	-	-	-	(1,264)
Proceeds from availment of loans/advances	-	-	2,243	343,474	40,193	385,910
Payments of loans	-	-	-	(343,142)	(34,517)	(377,659)
Dividends and distributions paid	(6,723)	-	-	-	-	(6,723)
Total changes from financing cash flows	(6,723)	(2,780)	2,243	332	5,676	(1,252)
Dividends and distributions declared	6,814	-	-	-	-	6,814
New leases	-	2,492	-	-	-	2,492
Interest expense	-	1,264	-	-	-	1,264
Effects of changes in foreign exchange rates	-	124	220	664	2,233	3,241
Lease termination	-	(3,629)	-	-	-	(3,629)
Amortization of debt issue costs	-	-	-	-	638	638
Balance as of December 31, 2024	P1,039	P13,415	P5,785	P138,906	P117,443	P276,588

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2023	P470	P15,094	P3,362	P137,886	P107,061	P263,873
Changes from financing cash flows:						
Payment of principal	-	(1,313)	-	-	-	(1,313)
Interest paid	-	(1,150)	-	-	-	(1,150)
Proceeds from avallment of loans/advances	-	-	-	268,329	21,331	289,660
Payments of loans	-	-	-	(268,078)	(19,790)	(287,868)
Dividends and distributions paid	(7,356)	-	-	-	-	(7,356)
Total changes from financing cash flows	(7,356)	(2,463)	-	251	1,541	(8,027)
Dividends and distributions declared	7,834	-	-	-	-	7,834
New leases	-	2,234	-	-	-	2,234
Interest expense	-	1,150	-	-	-	1,150
Effects of changes in foreign exchange rates	-	(71)	(40)	(227)	(291)	(629)
Amortization of debt issue costs	-	-	-	-	585	585
Balance as of December 31, 2023	P948	P15,944	P3,322	P137,910	P108,896	P267,020

c. Reclassifications in the consolidated statements of cash flows

In 2025, the Group refined the presentation of interest paid on lease liabilities in the consolidated statements of cash flows. Accordingly, comparative information for 2024 and 2023 amounting to P1,264 and P1,150, respectively, has been reclassified to exclude such amounts as "Interest paid" from operating activities in order to consistently align its presentation as "Payments of lease liabilities" within financing activities.

Other reclassifications amounting to P72 and P4 in 2024 and 2023, respectively, pertain to cash flow items within the operating activities.

The reclassifications have no impact on the Group's consolidated statements of cashflows for the year ended December 31, 2024 and 2023.

The effects of the reclassifications are as follows:

	2024 As Previously Reported	Adjustments	2024 As Reclassified
<i>Net Cash Flows Provided by Operating Activities</i>			
Impairment loss (reversal of impairment) of receivables and inventories - net	(P343)	P2	(P341)
Changes in noncash assets, certain current liabilities and others	(11,758)	(1,336)	(13,094)
Interest paid	(19,928)	1,334	(18,594)

	2023 As Previously Reported	Adjustments	2023 As Reclassified
<i>Net Cash Flows Provided by Operating Activities</i>			
Impairment loss (reversal of impairment) of receivables and inventories - net	P29	P7	P36
Changes in noncash assets, certain current liabilities and others	(4,986)	(1,154)	(6,140)
Interest paid	(18,264)	1,147	(17,117)

34. Financial Risk Management Objectives and Policies

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

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

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The BOD regularly reviews and approves the policies for managing these financial risks. Details of each of these risks are discussed below, together with the related risk management structure.

Risk Management Structure

The Group follows an enterprise-wide risk management framework for identifying, assessing and addressing the risk factors that affect or may affect its businesses.

The Group's risk management process is a bottom-up approach, with each risk owner mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As the Group's operation is an integrated value chain, risks emanate from every process, while some could cut across groups. The results of these activities flow up to the Management Committee and, eventually, the BOD through the Group's annual business planning process.

Oversight and technical assistance is likewise provided by corporate units and committees with special duties. These groups and their functions are:

- The Enterprise-Wide Risk Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.
- The Risk and Insurance Management Group, which is assigned to identify, assess, manage, and mitigate risks, while ensuring adequate insurance coverage across the Group.

- c. The Treasurers Department, which is in charge of foreign currency hedging transactions.
- d. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.
- e. The Corporate Technical and Engineering Services Group, which oversees strict adherence to safety and environmental mandates across all facilities.
- f. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.
- g. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the BOD, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.
- h. PSTPL executes the hedging transactions involving crude and product imports on behalf of the Group.

The BOD also created separate positions and board-level entities with explicit authority and responsibility in managing and monitoring risks, as follows:

- a. The Audit Committee is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

- b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.
- c. The Compliance Officer, who is a senior officer of the Parent Company reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

Foreign Currency Risk

The Parent Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposures to foreign currency risk arise mainly from US dollar-denominated sales as well as purchases principally of crude oil and petroleum products. As a result of this, the Group maintains a level of US dollar-denominated assets and liabilities during the year. Foreign currency risk occurs due to differences in the levels of US dollar-denominated assets and liabilities.

In addition, starting March 31, 2012, the Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

The Group pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

The Group is allowed to engage in active risk management strategies for a portion of its foreign currency risk exposure. Loss limits are in place, monitored daily and regularly reviewed by management.

The Group assesses the existence of an economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of their respective cash flows. For derivatives designated in a hedging relationship, the Group determines whether the derivatives are expected to be highly effective in offsetting the changes in the cash flows of the hedged item using the cumulative dollar-offset method. The dollar-offset method approximates the changes in the fair value of the hedged item using a hypothetical derivative which mirrors the terms of the derivative used as hedging instrument.

For currency hedges, the Group maintains a 1:1 hedge ratio since a similar amount of hedging instrument is expected to offset the changes in the cash flows of the hedged item. The main sources of ineffectiveness are:

- a. the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the exchange rates; and
- b. changes in the timing of the hedged transactions.

The Group is exposed to foreign currency risk of its short-term loans and US dollar-denominated sales and purchases. On the other hand, both foreign currency and interest rate risks arise in the Group's long-term debts. The Group determined that foreign currency risk is a separately identifiable and measurable risk component eligible for designation since it is caused by fluctuations in US dollar to Philippine peso exchange rates and benchmark closing prices used to measure the fluctuations are available in the market.

Information on the Group's US dollar-denominated financial assets and liabilities and their Philippine peso equivalents are as follows:

	2025		2024	
	US Dollar (in millions)	Phil. Peso Equivalent	US Dollar (in millions)	Phil. Peso Equivalent
Assets				
Cash and cash equivalents	572	33,629	403	23,324
Trade and other receivables	576	33,852	646	37,341
Other assets	20	1,155	20	1,184
	1,168	68,636	1,069	61,849
Liabilities				
Short-term loans	-	-	277	16,006
Liabilities for crude oil and petroleum products	787	46,284	814	47,135
Long-term debts (including current maturities)	1,030	60,554	1,171	67,717
Other liabilities	270	15,816	179	10,340
	2,087	122,654	2,441	141,198
Net Foreign Currency-Denominated Monetary Liabilities	(919)	(54,018)	(1,372)	(79,349)

The Group incurred net foreign currency losses amounting to P152, P1,771, and P509 in 2025, 2024 and 2023, respectively (Note 26), which were mainly countered by marked-to-market and realized hedging gains (losses) (Note 26). The foreign currency rates from Philippine peso (PhP) to US dollar (US\$) as of December 31 are shown in the following table:

	PHP to US\$
December 31, 2025	58.790
December 31, 2024	57.845
December 31, 2023	55.370

Managing of foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings and equity reserves arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of December 31, 2025 and 2024:

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
2025				
Cash and cash equivalents	(P215)	(P518)	P215	P518
Trade and other receivables	(171)	(564)	171	564
Other assets	(7)	(18)	7	18
	(393)	(1,100)	393	1,100
Liabilities for crude oil and petroleum products	267	996	(267)	(996)
Long-term debts (including current maturities)	1,030	772	(1,030)	(772)
Other liabilities	11	266	(11)	(266)
	1,308	2,034	(1,308)	(2,034)
	P915	P934	(P915)	(P934)
2024				
Cash and cash equivalents	(P264)	(P337)	P264	P337
Trade and other receivables	(178)	(639)	178	639
Other assets	(10)	(18)	10	18
	(452)	(994)	452	994
Short-term loans	-	277	-	(277)
Liabilities for crude oil and petroleum products	461	1,161	(461)	(1,161)
Long-term debts (including current maturities)	1,171	878	(1,171)	(878)
Other liabilities	22	173	(22)	(173)
	1,654	2,489	(1,654)	(2,489)
	P1,202	P1,495	(P1,202)	(P1,495)

Exposures to foreign currency rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates mainly to long-term borrowings and investment securities. Investments or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investments or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest costs by using a combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rates and ensures that the marked-up rates levied on its borrowings are most favorable and benchmarked against the interest rates charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings prior to deployment of funds to their intended use in operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term volatility on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated statements of income.

Managing interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity through the retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported consolidated statements of income, if any.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P583 and P727 in 2025 and 2024, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table. As of December 31, 2025 and 2024, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

2025	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated interest rate	P5,000 7.2% - 7.5%	P15,750 4.3% - 7.5%	P2,000 7.5%	P1,000 7.5%	P15,910 6.6%	P16,090 6.9% - 7.4%	P55,750
US\$ denominated (expressed in Php) interest rate	-	P1,680 5.74%	P3,359 5.74%	P3,359 5.74%	P3,359 5.74%	-	11,757
Floating Rate							
Philippine peso denominated interest rate	1,833 3, 6 mos. BVAL + margin	2,667 3, 6 mos. BVAL + margin	2,667 3, 6 mos. BVAL + margin	1,833 3, 6 mos. BVAL + margin	500 3, 6 mos. BVAL + margin	-	9,500
US\$ denominated (expressed in Php) interest rate*	6,719 1, 3, 6 mos. SOFR + margin	23,390 1, 3, 6 mos. SOFR + margin	10,269 1, 3, 6 mos. SOFR + margin	8,399 1, 3, 6 mos. SOFR + margin	-	-	48,797
	P13,552	P43,487	P18,315	P14,591	P19,769	P16,090	P125,804

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

2024	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated interest rate	P22,425 3.4% - 8.1%	P5,000 7.2% - 7.5%	P15,750 4.3% - 7.5%	P2,000 7.5%	P1,000 7.5%	P -	P46,175
Floating Rate							
Philippine peso denominated interest rate	-	833 6 mos. BVAL + margin	1,957 6 mos. BVAL + margin	1,667 6 mos. BVAL + margin	833 6 mos. BVAL + margin	-	5,000
US\$ denominated (expressed in Php) interest rate*	6,595 1, 3, 6 mos. SOFR + margin	18,907 1, 3, 6 mos. SOFR + margin	23,039 1, 3, 6 mos. SOFR + margin	10,123 1, 3, 6 mos. SOFR + margin	8,263 1, 3, 6 mos. SOFR + margin	-	66,927
JPY denominated (expressed in Php) interest rate*	790 1, 3, 6 mos. TONA + margin	-	-	-	-	-	790
	P29,810	P24,740	P40,456	P13,790	P10,096	P -	P118,892

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Group regulates and extends credit only to qualified and credit-worthy customers and counterparties, consistent with established Group credit policies, guidelines and credit verification procedures. Requests for credit facilities from trade customers undergo stages of review by Trade Sales and Finance Divisions. Approvals, which are based on amounts of credit lines requested, are vested among line managers and top management that include the President and the Chairman.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the consolidated statements of financial position or in the notes to the consolidated financial statements, as summarized below:

	Note	2025	2024
Cash in banks and cash equivalents	5	P38,995	P28,177
Derivative assets	6, 14	1,085	1,044
Trade and other receivables - net	7	81,603	82,762
Noncurrent deposits	14	76	141
		P121,759	P112,124

Cash and Cash Equivalents, Derivative Assets and Noncurrent Deposits

Cash and cash equivalents, derivative assets and noncurrent deposits are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash and cash equivalents, derivative assets and noncurrent deposits has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents, derivative assets and noncurrent deposits have low credit risk based on the external credit ratings of its counterparties.

Trade and Other Receivables and Long-term Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 37.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

Class A "High Grade" are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B "Moderate Grade" refers to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Class C "Low Grade" are accounts with high probability of delinquency and default.

Below is the credit quality profile of the Group's trade accounts receivable as of December 31, 2025 and 2024:

Trade Accounts Receivables Per Class				
	Class A	Class B	Class C	Total
December 31, 2025				
Retail	P4,269	P4,463	P896	P9,628
Lubes	463	347	213	1,023
LPG	745	386	164	1,295
Industrial	16,940	577	8,734	26,251
Others	17,841	4,938	5,513	28,292
	P40,258	P10,711	P15,520	P66,489
Trade Accounts Receivables Per Class				
	Class A	Class B	Class C	Total
December 31, 2024				
Retail	P3,437	P4,155	P1,530	P9,122
Lubes	736	323	1,005	2,064
LPG	892	494	170	1,556
Industrial	15,375	3,593	5,469	24,437
Others	15,574	7,732	949	24,255
	P36,014	P16,297	P9,123	P61,434

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables (Note 7). Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P6,021 and P5,669 as of December 31, 2025 and 2024, respectively. These securities may only be called on or applied upon default of customers.

Risk Concentration. The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

2025					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired		
Cash in banks and cash equivalents	P38,995	P -	P -	P -	P38,995
Trade and other receivables	-	81,603	886	-	82,489
Derivative assets not designated as cash flow hedge	-	-	-	1,085	1,085
Long-term receivables	-	-	11	-	11
Noncurrent deposits	76	-	-	-	76
	P39,071	P81,603	P897	P1,085	P122,656

	2024			Financial Assets at FVPL	Total
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired		
Cash in banks and cash equivalents	P28,177	P -	P -	P -	P28,177
Trade and other receivables	-	82,762	894	-	83,656
Derivative assets not designated as cash flow hedge	-	-	-	1,044	1,044
Long-term receivables	-	-	333	-	333
Noncurrent deposits	141	-	-	-	141
	P28,318	P82,762	P1,227	P1,044	P113,351

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of December 31, 2025 and 2024.

2025	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P42,059	P42,059	P42,059	P -	P -	P -
Trade and other receivables	81,603	81,603	81,603	-	-	-
Derivative assets (including non-current portion)	1,085	1,085	1,080	5	-	-
Proprietary membership shares	488	488	-	-	-	488
Noncurrent deposits	76	76	-	-	-	76
Financial Liabilities						
Short-term loans	91,900	92,423	92,423	-	-	-
Liabilities for crude oil and petroleum products	51,407	51,407	51,407	-	-	-
Trade and other payables*	18,531	18,531	18,531	-	-	-
Cylinder deposits	3,819	3,819	3,819	-	-	-
Derivative liabilities	1,729	1,729	1,722	7	-	-
Long-term debts (including current maturities)	124,477	152,328	20,908	49,468	61,268	20,684
Lease liability (including current portion)	14,085	24,202	2,476	2,446	6,179	13,101
Cash bonds	427	427	-	412	15	-
Others under other noncurrent liabilities	49	49	-	37	12	-

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

2024	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P30,389	P30,389	P30,389	P -	P -	P -
Trade and other receivables	82,762	82,762	82,762	-	-	-
Derivative assets (including non-current portion)	1,044	1,044	1,044	-	-	-
Proprietary membership shares	458	458	-	-	-	458
Noncurrent deposits	141	141	-	-	4	137
Financial Liabilities						
Short-term loans	138,908	140,027	140,027	-	-	-
Liabilities for crude oil and petroleum products	51,625	51,625	51,625	-	-	-
Trade and other payables*	17,321	17,321	17,321	-	-	-
Derivative liabilities	1,699	1,699	1,699	-	-	-
Long-term debts (including current maturities)	117,443	135,521	37,024	29,823	68,674	-
Lease liability (including current portion)	13,415	21,215	2,055	2,042	5,529	11,589
Cash bonds	426	426	-	411	15	-
Cylinder deposits	3,432	3,432	3,432	-	-	-
Others under other noncurrent liabilities	61	61	-	25	25	11

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

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the CRMD is in place. Decisions are guided by the conditions set and approved by the Group's management.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group's capital management policies and programs aim to provide an optimal capital structure that would ensure the Group's ability to continue as a going concern while at the same time provide adequate returns to the shareholders. As such, it considers the best trade-off between risks associated with debt financing and relatively higher cost of equity funds.

An enterprise resource planning system is used to monitor and forecast the Group's overall financial position. The Group regularly updates its near-term and long-term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Group monitors capital via carrying amount of equity as shown in the consolidated statements of financial position. The Group's capital for the covered reporting period is summarized below:

	2025	2024
Total assets	P451,962	P468,802
Total liabilities	330,939	364,592
Total equity	121,023	104,210
Debt to equity ratio	2.7:1	3.5:1
Assets to equity ratio	3.7:1	4.5:1

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

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

35. Financial Assets and Financial Liabilities

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

	Note	2025		2024	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	5	P42,059	P42,059	P30,389	P30,389
Trade and other receivables	7	81,603	81,603	82,762	82,762
Noncurrent deposits	14	76	76	141	141
FA at amortized cost		123,738	123,738	113,292	113,292
Proprietary membership shares	6	488	488	458	458
Derivative assets not designated as cash flow hedge	6, 14	1,085	1,085	1,044	1,044
FA at FVPL		1,573	1,573	1,502	1,502
Total financial assets		P125,311	P125,311	P114,794	P114,794

	Note	2025		2024	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities (FL):					
Short-term loans	15	P91,900	P91,900	P138,906	P138,906
Liabilities for crude oil and petroleum products	16	51,407	51,407	51,625	51,625
Trade and other payables*	17	18,531	18,531	17,321	17,321
Long-term debt including current portion	18	124,477	124,477	117,443	117,443
Cash bonds	20	427	427	426	426
Cylinder deposits	17	3,819	3,819	3,432	3,432
*Others" under other noncurrent liabilities	20	49	49	61	61
Other FL		290,610	290,610	329,214	329,214
Derivative liabilities not designated as cash flow hedge		1,729	1,729	1,699	1,699
Total financial liabilities		P292,339	P292,339	P330,913	P330,913

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

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents and Trade and Other Receivables. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments.

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Marked-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties. The fair values of derivative instruments designated as cash flow hedges are computed by discounting the future cash flows and using the valuation model based on applicable market rates of similar instruments.

Financial Assets at FVPL. The fair values of publicly traded instruments and similar investments are based on published market prices.

Long-term Debt - Floating Rate. The carrying amount of floating rate loans with quarterly interest rate repricing approximate their fair value.

Cash Bonds and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rate of 9.24% is used in 2025 and 9.39% in 2024.

Short-term Loans, Liabilities for Crude Oil and Petroleum Products and Trade and Other Payables and Cylinder Deposits. The carrying amount of short-term loans, liabilities for crude oil and petroleum products, trade and other payables and cylinder deposits approximates fair value due to the relatively short-term maturities of these financial instruments.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group has no outstanding derivative instruments accounted for as cash flow hedges as of December 31, 2025 and 2024.

Derivative Instruments not Designated as Hedges

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

Cross Currency Swaps. As of December 31, 2025 and 2024, the Group has no outstanding cross currency swap.

Interest Rate Collar. As of December 31, 2025 and 2024, the Group has no outstanding interest rate collar.

Freestanding Derivatives

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

Currency Forwards. As of December 31, 2025 and 2024, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$1,322 million and US\$1,214 million, respectively, and with various maturities in 2026 and 2025. As of December 31, 2025 and 2024, the net fair value of these currency forwards amounted to (P446) and (P977), respectively.

Commodity Swaps. The Group has outstanding swap agreements covering its oil requirements, with various maturities from 2025 to 2027. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. Total outstanding equivalent notional quantity covered by the commodity swaps were 116.5 million barrels and 100.6 million barrels for 2025 and 2024, respectively. The estimated net (payouts)/receipts for these transactions amounted to (P198) and P322 as of December 31, 2025 and 2024, respectively.

Commodity Options. As of December 31, 2025 and 2024, the Group has no outstanding 3-way options entered as hedge of forecasted purchases of crude oil.

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

Embedded Derivatives

Embedded foreign currency derivatives exist in certain US dollar-denominated sales and purchases contracts for various fuel products of the Parent Company. Under the sales and purchase contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of December 31, 2025 and 2024, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2025 and 2024, the net fair value of these embedded currency forwards is minimal.

For the years ended December 31, 2025, 2024 and 2023, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P872), P986, and (P133) respectively (Note 26).

Fair Value Changes on Derivatives not Designated as Cash Flow Hedge

The net movements in the fair value of derivative transactions in 2025 and 2024 are as follows:

	Note	2025	2024
Fair value at beginning of year		(P655)	P413
Net changes in fair value during the year	26	(872)	986
Fair value of settled instruments		883	(2,054)
Fair value at end of year		(P644)	(P655)

Fair Value Hierarchy

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2025 and 2024. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability are not based on observable market data.

	2025	2024
	Level 2	Level 2
Financial Assets		
Proprietary membership shares	P488	P458
Derivative assets	1,085	1,044
Financial Liabilities		
Derivative liabilities	(1,729)	(1,699)

- 99 -

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2025 and 2024. During the years, there were no transfer out of the Level 2 measurement.

36. Registration with the Authority of the Freeport Area of Bataan (AFAB) and Board of Investments (BOI)**Petron Bataan Refinery**

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

Petron Solid Fuel-Fired Power Plant

On October 11, 2019, the BOI approved the Parent Company's application under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987 as a New Operator of its 44.4 MegaWatt Solid Fuel-Fired Power Plant. The BOI is extending the following major incentives:

- a. Income Tax Holiday (ITH) for four years from January 2024 or actual start of commercial operations, whichever is earlier, but availment shall in no case earlier than the date of registration. Income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from the net capacity of the registered project; with optional bonus year on specific cases provided that the aggregate ITH availment (regular and bonus year) shall not exceed eight years.
- b. Importation of capital equipment, spare parts and accessories at zero duty under Executive No. 85 and its Implementing Rules and Regulations; provided that such capital equipment shall be for the direct and exclusive use of the registered activity.
- c. Importation of consigned equipment for a period of ten years from date of registration subject to posting of the appropriate re-export bond.

The project commenced its commercial operation in January 2023 and the Parent Company availed of the ITH in 2025 and 2024.

Certificate of entitlement has been timely obtained by the Parent Company to support its ITH incentive.

- 100 -

37. Segment Information

Management identifies segments based on business and geographic locations. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The CEO (the chief operating decision maker) reviews management reports on a regular basis.

The Group's major sources of revenues are as follows:

- Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country.
- Sales of fuel, LPG and lubricants to industrial customers including manufacturing, transportation, aviation, and construction sectors.
- Sales of LPG and lubricants through dealers and distribution network.
- Lease of real properties and equipment at the service stations and other related structures.
- Export sales of various petroleum and non-fuel products to other countries such as China, Taiwan, Malaysia, Singapore, Indonesia, Vietnam and India.

Revenues are mainly derived from the sale of petroleum products to retail and commercial customers in various geographical locations.

The Group has no significant remaining performance obligations as it mainly recognized revenues in amounts that correspond directly to the value of completed performance obligations.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the years ended December 31, 2025, 2024 and 2023.

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
2025					
Revenue:					
External sales	P806,592	P1,195	P809	P1,170	P809,766
Inter-segment sales	387,255	317	-	(387,572)	-
Operating income	36,637	240	23	423	37,323
Net income	20,101	206	38	(4,718)	15,627
Assets and liabilities:					
Segment assets*	503,715	7,128	686	(60,115)	451,414
Segment liabilities*	350,211	1,906	75	(29,170)	323,022
Other segment information:					
Property, plant and equipment	163,051	-	71	4,295	167,417
Depreciation	14,265	9	2	233	14,509
Impairment loss on property, plant and equipment and investment property	408	-	-	-	408
Interest expense	18,855	74	1	(222)	18,708
Interest income	1,204	6	18	(46)	1,182
Income tax expense	3,641	66	8	63	3,778
Cost of sales - inventories	1,093,361	-	726	(386,838)	707,249

*excluding deferred tax assets and liabilities

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

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
2024					
Revenue:					
External sales	P864,765	P1,229	P1,163	P809	P867,966
Inter-segment sales	373,179	77	-	(373,256)	-
Operating income	29,052	(90)	16	245	29,223
Net income	11,630	(91)	37	(3,105)	8,471
Assets and liabilities:					
Segment assets*	526,717	7,150	678	(66,303)	468,242
Segment liabilities*	391,070	1,919	105	(35,221)	357,873
Other segment information:					
Property, plant and equipment	165,803	-	72	3,427	169,302
Depreciation	13,286	121	12	37	13,456
Interest expense	21,116	320	1	(476)	20,961
Interest income	1,207	281	16	(303)	1,201
Income tax expense	4,449	(33)	8	99	4,523
Cost of sales-inventories	1,164,316	-	1,056	(385,648)	779,724

*excluding deferred tax assets and liabilities

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

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
2023					
Revenue:					
External sales	P798,032	P1,158	P1,143	P694	P801,027
Inter-segment sales	326,025	395	-	(326,420)	-
Operating income	30,486	227	11	(11)	30,713
Net income	11,906	133	20	(1,947)	10,112
Assets and liabilities:					
Segment assets*	495,603	10,025	673	(61,646)	444,655
Segment liabilities*	367,064	4,573	138	(30,122)	341,653
Other segment information:					
Property, plant and equipment	164,951	-	83	2,953	167,987
Depreciation	13,239	85	13	(45)	13,292
Interest expense	19,228	282	2	(417)	19,095
Interest income	1,290	231	15	(252)	1,284
Income tax expense	2,961	42	8	(13)	2,998
Cost of sales-inventories	1,048,562	-	1,019	(335,046)	714,535

*excluding deferred tax assets and liabilities

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

Inter-segment sales transactions amounted to P387,572, P373,256 and P326,420 for the years ended December 31, 2025, 2024 and 2023, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the years ended December 31, 2025, 2024 and 2023:

	Retail	Lube	LPG	Industrial	Others*	Total
2025						
Revenue	P364,341	P7,500	P38,673	P167,151	P228,927	P806,592
Property, plant and equipment	8,569	56	3,108	85	151,233	163,051
Capital expenditures	1,175	10	2	59	5,297	6,543
2024						
Revenue	379,864	7,452	38,568	161,268	277,613	864,765
Property, plant and equipment	8,176	223	2,685	79	154,640	165,803
Capital expenditures	1,086	185	16	56	5,578	6,921
2023						
Revenue	367,013	6,462	33,267	146,980	244,310	798,032
Property, plant and equipment	7,880	62	2,079	62	154,868	164,951
Capital expenditures	1,237	34	10	40	3,645	4,966

*revenues from consumer loyalty program are presented as part of "Others"

Geographical Segments

The following table presents segment assets of the Group as of December 31, 2025 and 2024.

	2025	2024
Local	P336,444	P360,469
International	114,970	107,773
	P451,414	P468,242

Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the years ended December 31, 2025, 2024 and 2023.

	Petroleum	Leasing*	Marketing	Elimination/ Others*	Total
2025					
Local	P451,772	P1,512	P809	(P517)	P453,576
Export/international	742,075	-	-	(385,885)	356,190
2024					
Local	437,246	1,306	1,163	(815)	438,900
Export/international	800,698	-	-	(371,632)	429,066
2023					
Local	411,588	1,553	1,143	(1,109)	413,175
Export/international	712,469	-	-	(324,617)	387,852

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

38. Events After the Reporting Date

- On February 10, 2026, the Parent Company paid distributions amounting to US\$906 thousand (P53) to the holder of the US\$100 million RPS.
- On February 12, 2026, the BOD of the Parent Company approved the declaration of cash dividends for preferred shareholders with the following details:

Type	Per Share	Date of Record	Date of Payment
Series 3B	17.84575	March 4, 2026	March 25, 2026
Series 4A	16.76975	March 16, 2026	April 7, 2026
Series 4B	16.99300	March 16, 2026	April 7, 2026
Series 4C	17.71525	March 16, 2026	April 7, 2026
Series 4D	17.09100	March 2, 2026	March 23, 2026
Series 4E	17.75800	March 2, 2026	March 23, 2026

- On March 3, 2026, the BOD of the Parent Company approved the following:
 - Declaration of P0.15 per share cash dividends to common stockholders to be paid on April 15, 2026.
 - Redemption of the remaining US\$162.61 million (P7,755) SPCS issued in April 2021 on April 19, 2026.

39. Litigations, Contingencies and Other Matters

- Lease Agreements with PNOC

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

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

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

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

The court-mandated mediation in 2018 and the judicial dispute resolution proceedings before the court in 2019 were likewise terminated, after the parties failed to agree to a settlement. The Parent Company filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Parent Company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent Company of all such properties, and (iii) the payment by the Parent Company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent Company all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Parent Company filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Parent Company and PNOC and affirmed the resolution of the trial court as described above. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Parent Company and PNOC. The PNOC filed a petition for review on certiorari with the Supreme Court in December 2022 which the Supreme Court denied on 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 a resolution dated November 25, 2024, the Supreme Court denied with finality the motion for reconsideration and the motion to refer to the Supreme Court *En Banc* that the PNOC filed in December 2023. The November 2024 resolution also ordered the immediate issuance of the entry of judgment and declared that no further pleadings or motions shall be entertained.

On January 21, 2025, PNOC filed a second motion for reconsideration. A second motion for reconsideration is generally prohibited under the Internal Rules of the Supreme Court.

Given the finality of the Supreme Courts' ruling, the Group recognized in its 2024 books the reversal of the conveyance of the land declared as property dividends in 1993 at P143 equivalent to the net book value of the land at the time of dividend declaration and instead recognized a liability for cash dividends to PNOC of the same amount plus legal interest of P267 computed from 1993 to 2024. The landholdings were recognized as part of "Property, plant and equipment" and "Investment property" at P110 and P33, respectively (Notes 9 and 11). Correspondingly, all accruals related to the lease contracts with PNOC on the subject landholdings of the rescinded deeds of conveyance, namely, lease liabilities of P3,629 (Notes 29 and 33), asset retirement obligation (ARO) of P2,600 (Note 19) for the cost of land restoration and remediation at the end of lease term, and the corresponding right of use (ROU) assets of P2,720 (Notes 10 and 11) recognized previously were reversed which resulted in the recognition of gain on lease termination of P3,509 (Note 26).

On December 12, 2025, the trial court issued an order granting the Parent Company's Motion for Issuance of Writ of Execution. On December 23, 2025, PNOC filed a motion for reconsideration with the trial court seeking the reversal of the trial court's order. In an Order dated January 8, 2026, the trial court denied PNOC's Omnibus Motion praying for the reversal of the trial court's December 12, 2025 Order granting the Writ of Execution and for the voluntary inhibition of presiding Judge Ryan Scott F. Robiños.

The Parent Company recognized in its 2025 books additional legal interest amounting to P178 computed up to December 16, 2025 and made a valid tender of payment on December 17, 2025, when it offered to pay PNOC the amount of P588 through a Manager's Check. The Parent Company's judgment debt in favor of PNOC could have been immediately satisfied had PNOC accepted the tender, but PNOC refused to do so. The Parent Company's tender of payment was followed by its attempt to deposit the amount with the Branch Sheriff and the Branch Clerk of Court on January 27, 2026, pursuant to Rule 39 of the Rules of Court. When this was also refused without the payment of various fees, the Parent Company filed a Motion for Consignation with the RTC on February 16, 2026. Also on February 16, 2026, the Parent Company filed an Omnibus Motion seeking the court's order to divest PNOC of its ownership over all subject landholdings covered by the case and to vest ownership in the Parent Company.

On February 19, 2026, the Parent Company received an Order from the RTC divesting PNOC of its title over all the properties covered by the Deeds of Conveyance and vested title over them in the Parent Company and ordered the relevant Registers of Deeds to cancel the transfer certificates of the title in the name of PNOC and to issue new ones in the name of the Parent Company. The trial court also ordered the Parent Company to consign the check that was refused acceptance by PNOC in December 2025.

On March 4, 2026, PNOG accepted the check amounting to P588 in full satisfaction of the Parent Company's monetary obligations, inclusive of legal interest. The liability of the Parent Company to PNOG was derecognized.

b. Oil Spill Incident in Guimaras

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

Complaints for damages for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as of December 31, 2025. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City. On January 9, 2020, the CA issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending as of December 31, 2024. On September 25, 2024, the CA denied the motion for reconsideration of another respondent International Oil Pollution Compensation ("IOPC") Funds and directed IOPC to file its comment. The CA held in abeyance any further action on the petition pending compliance with the directives of the said resolution. In the meantime, proceedings before the trial court continue. In one of the cases, the plaintiffs have already rested its case and trial dates have been set for the presentation of defendants' evidence. In the other case, plaintiffs are already expected to complete the presentation of their evidence testified so far. As of December 31, 2025 and 2024, the Group has not set up any provision related to this case because while the case is still pending, Petron believes the resolution will be in its favor.

c. Other Proceedings

The Group is also a party to certain other proceedings arising out of the ordinary course of its business, including legal proceedings with respect to tax, regulatory and other matters. While the results of litigation cannot be predicted with certainty, management believes that the final outcome of these other proceedings will not have a material adverse effect on the Group's business financial condition or results of operations.

d. Impact of Israel-US-Iran Conflict

The joint attack of the United States and Israel on Iran on February 28, 2026 has resulted in significant volatility in global oil markets. Dubai crude prices increased sharply, surpassing the \$100 per barrel mark within a short period from an average of \$62 per barrel in January 2026. The market reaction was driven by concerns over global oil supply following the closure of the Strait of Hormuz, a key transit route through which about 20% of global oil and a significant share of liquefied natural gas supply pass. As a result, prices have remained volatile, with notable movements observed across refined products, particularly middle distillates such as kerosene/jet fuel and diesel.

The Group sources most of its crude oil requirements from the Middle East under term supply arrangements. The closure of the Strait of Hormuz has affected the movement of crude oil from the region. In response, the Group has undertaken measures to support the continuity of supply, including pursuing alternative sources of crude oil through its network of suppliers and securing imported fuel products to supplement refinery production and maintain product availability.

The increase in oil prices may affect the Group's working capital requirements. This impact may be further influenced by depreciation of the Philippine peso, as crude oil and fuel purchases and a portion of the Group's borrowings are denominated in US dollars. The Group manages its exposure to commodity price and foreign currency fluctuations using derivative instruments under its risk management strategies. The Group also maintains access to funding as part of its ongoing capital management activities.

In a deregulated market environment, the Group generally adjusts product prices in response to changes in prevailing regional prices and related costs, subject to market conditions. Prolonged elevated prices may affect demand levels, while refining margins may be influenced by prevailing market conditions.

The Group remains compliant with all financial covenants as of the reporting date and maintains headroom under its existing debt facilities. In light of the evolving situation, management continues to monitor developments and their potential impact on the Group's financial position and covenant compliance.

These developments represent non-adjusting events after the reporting date, as the conditions arose subsequent to December 31, 2025 and did not exist at the reporting date. Accordingly, these events do not affect the amounts recognized in the consolidated financial statements as of December 31, 2025. Considering the rapidly evolving nature of the situation, volatility in global oil prices, and uncertainty over the duration and extent of supply disruptions, the Group is currently unable to reliably estimate the potential financial impact on its financial position, financial performance, and cash flows for the subsequent reporting periods.

The Group remains focused on ensuring supply chain reliability, pursuing diversification of crude and product sourcing, optimizing inventory levels, and implementing cost management initiatives. The Group continues to adopt prudent risk management to mitigate the adverse effects of the war, and implement appropriate measures to ensure continuity of supply, operations, and cash flows, amid the oil market volatility and disruptions in 2026.

e. The Group has unused letters of credit totaling approximately P35,338 and P41,164 as of December 31, 2025 and 2024, respectively.

Awards and Recognition

TIME's 2025 Top 500 Asia-Pacific Companies

Asean Corporate Governance Scorecard's (AGCS) Golden Arrow Awards 2025

- 3-Arrow Recognition

Plaques of Recognition and Appreciation from Bureau of Customs

- Top Importer for 2024 based on over-all duties and taxes paid
- Top 4 Importer at the Port of Manila for 2024 in terms of revenue contribution
- Top Importer for 2024 in terms of duties and taxes paid in Limay, Bataan
- Top 2 Importer in Region X for Petron Tagoloan Terminal/PHIVIDEC

Sinag ng Bataan

- Top Real Property Taxpayer, Industrial Business Category

Gawad Manileño Award 2025

- Top Real Property Taxpayer

Awards for Petron Corporation US\$475M PerpNC3 Offering and Liability Management

- Best Bond Deal in the Philippines at Finance Asia Achievement Awards 2025
- Best Capital Markets Deal in the Philippines at International Financing Review Asia Awards 2025
- Best Liability Management transaction for the Philippines at Asset's Triple A Awards 2025

Workplace Advocates on Safety in the Philippines, Inc. (WASPI) Safety Excellence Award

- Petron Terminal in Amlan, Bacolod, Batangas, Bawing, Davao, Iligan, Iloilo, Jimenez, JOCASP, Legazpi, Limay, Mactan, Mandaue, Manufacturing Lube Oil Blending Plant, Nasipit, Navotas, New Lube Oil Blending Plant, Ormoc, Palawan, Pasacao, Pasig, Poro, Rosario, Roxas, San Fernando, Tacloban, Tagbilaran, Tagoloan, Zamboanga

Terminals and Airport Installations

TERMINALS

Luzon

BATANGAS

Bo. Mainaga, Mabini, Batangas

LIMAY

Limay, Bataan

NAVOTAS

PFDA CMPD., Navotas, Metro Manila

PALAWAN

Parola, Brgy. Maunlad, Puerto Princesa City

PORO

Poro Pt., San Fernando, La Union

ROSARIO

General Trias, Rosario, Cavite

Visayas

BACOLOD

Bo. San Patricio, Bacolod City

ILOILO

Lapuz, Iloilo City

MANDAUE

Looc, Mandaue City

ORMOC

Bo. Linao, Ormoc City

ROXAS

Arnaldo Blvd., Culasi

TACLOBAN

Anibong, Tacloban City

Mindanao

DAVAO

Km. 9, Bo. Pampanga, Davao City

BAWING

Purok Cabu, Bawing, General Santos City

ILIGAN

Bo. Tuminobo, Iligan City

JIMENEZ

Jimenez, Misamis Occidental

NASIPIT

Talisay, Nasipit, Agusan del Norte

TAGOLOAN

Tagoloan, Misamis Oriental

ZAMBOANGA

Brgy. Campo Islam, Lower Calarian, Zamboanga City

AIRPORT INSTALLATIONS

DAVAO

Davao Airport

LAGUINDINGAN

Misamis Oriental

MACTAN

MEPZ, Lapu-Lapu City

LAOAG

Laoag Airport

NAIA

JOCASP Compound, NAIA, Pasay City

LPG OPERATIONS

PASIG

Bo. Ugong, Pasig, Metro Manila

LEGASPI

Lakandula Drive, Brgy. Bonot, Legaspi City

SAN FERNANDO

San Fernando, Pampanga



Product List

FUELS

Automotive Fuels

Petron Blaze 100
Petron XCS
Petron Xtra Advance
Petron Turbo Diesel
Petron Diesel Max

Aviation Fuels

Aviation Gasoline
Jet A-1

Household Fuels

Petron Gasul
Fiesta Gas
Petron Gaas

AUTOMOTIVE LUBRICATING OILS

Diesel Engine Oils

Rev-X Turbo HTP
Rev-X Fully Synthetic
Rev-X Synthetic Blend
Rev-X Premium Multi-grade
Rev-X Multi-grade series
Rev-X HD4X
Rev-X HD series
Rev-X Hauler series
Petron XD3
Petron Railroad Extra

Gasoline Engine Oils

Blaze Racing HTP
Blaze Racing Fully Synthetic
Blaze Racing Synthetic Blend
Blaze Racing Premium Multi-grade series
Blaze Racing Multi-grade series
Petron MO series

Motorcycle Oils

Petron Sprint Fully Synthetic HTP
Petron Sprint Fully Synthetic
Petron Sprint Premium Multi-grade
Petron Sprint Synthetic Blend
Petron Sprint Multi-grade
Petron Sprint Mono-grade
Petron Sprint Scooter Oil Fully Synthetic
Petron Sprint Scooter Oil Synthetic Blend
Petron Sprint Scooter Oil Premium Multi-grade
2T Powerburn
2T Premium
2T Autolube

Automotive Gear Oils

Petron GHTP Gear Oil
Petron GX
Petron GEP
Perton GST
Petron Scooter Gear Oil

Automotive Transmission Fluids

Petron CVT Fluid
Petron ATF Premium HTP
Petron ATF Premium
Petron TF 38
Petron TDH 50

Other Automotive Oils

STM

INDUSTRIAL LUBRICATING OILS

Turbine, Hydraulic and Circulating Oils

Hydrotur AW 22 / 32 / 46 / 68 / 100
Hydrotur AWX 32 / 46 / 68 / 100
Hydrotur AW GT 32
Hydrotur EP 32 / 46 / 68 / 100
Hydrotur N 100
Hydrotur R 32 / 46 / 68 / 100 / 150 / 185 / 220 / 320
Hydrotur SX 68
Hydrotur T 32 / 46 / 68
Hydrotur TEP 68 / 77

Food Grade Hydraulic Oil

Hydrotur FG H1 - 68

Industrial Gear Oils

Hydrotur SX 220
Hypex EP 68 / 100 / 150 / 220 / 320 / 460 / 570 / 680 / 1000 / 4000 / 25k (Oil-Based)
Hypex EP 2K / 4K (Asphalt-Based)
Milrol 5K
Gearfluid 2K / 5K / 8K
Gearkote 3K / 22K / 68K
Petrocyl S 390 / 700
Petrocyl 680

Food Grade Gear Oils

Hypex FG H1 150 / 220 / 320

Industrial Transmission Oils

Petron Hi-Torq TX 10W / 30 / 40 / 50
Petron Universal Tractor Fluid

Cutting Oils

Turnol 40
Petrokut 10 / 27

Refrigeration Oils

Zerflo 68
Zerflo P68
Zerflo SX

Transformer Oil

Voltran 60

Slideway Oil

Hydrotur SW 68
Hydrotur SW 220

Other Industrial Lubricating Oils

Airlube 100 / 150 / 320
Petrosine 68
Petron Mould Lube

MARINE LUBRICATING OILS

Crosshead Engine Cylinder Oils

Petromar DCL 7050
Petromar DCL 4000 Series

Trunk Piston Engine Oils

Petromar HF 1040 / 1540
Petromar HF 2040
Petromar HF 3000 series
Petromar HF 4000 series
Petromar HF 5040 / 5540
Petron MS 9250 / 9370

Crosshead Engine System Oil

Petromar 65

Marine Outboard Two-Stroke Oil

Petron Regatta

GREASES

Multi-purpose Greases

Petron Grease MP 2 / 3
Molygrease Premium
Petrogrease Premium

Water Resistant Grease

Petrogrease XX

Extreme Pressure Greases

Petrogrease EP 00 / 0 / 1 / 2
Molygrease EP 2
Molygrease EP 2P
Petrogrease EP 375
Petron Moly LX EP 2
Petron OGX Grease HV 0/00

High Temperature Greases

Petrogrease HT

Complex Greases

Petron Grease HTP Lithium Complex
Petron Premium Lithium Complex

Food Grade Grease

Petrogrease EP FG H1 - 2

ASPHALTS

Penetration Asphalt

Petropen

Cutback Asphalt

Petropen CB

Emulsified Asphalt

Petromul SS-1
Petromul CSS -1

Blown Asphalts

Asphaltseal
Asphalt Joint Sealer

Polymer Modified Bitumen

Petron Polymer Modified Bitumen

SPECIAL PRODUCTS

Process Oils

Stemol 68
Petrosine 68
Process Oil series

Heat Transfer Oil

Petrotherm 32

Cleaning Agent

Greaseaway
Greasolve

Protective Coatings

Petrokote 392
Marinekote
Autokote
Cablekote 70

AFTERMARKET SPECIALTIES

PetroMate Oil Saver
PetroMate Diesel Power Booster
PetroMate Engine Flush
PetroMate Super Coolant (Green / Pink)
PetroMate Penetrating Oil
PetroMate Greaseaway
PetroMate Brake and Clutch Fluid DOT 3
Petron Brake Fluid HTP DOT 4

PERFORMANCE ADDITIVES & CHEMICALS

pCHEM DEF (Diesel Exhaust Fluid)
pCHEM 3500
pCHEM 3500F
pCHEM 140M
pCHEM 3500MF
pCHEM 500FS
pCHEM 1000
pCHEM 100X
pCHEM 3500M
pCHEM 3000DP
pCHEM 6000DP
pCHEM BT25

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Shareholder Service and Assistance

For questions and comments regarding dividend payments, change of address, account status, loss or damaged stock certificates, please get in touch with:

SMC Stock Transfer Service Corporation

40 San Miguel Avenue 1550 Mandaluyong City
Trunkline: (632) 8-632-3450 to 52
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Email Address: smc_stsc@sanmiguel.com.ph

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