

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended
Dec 31, 2018
2. SEC Identification Number
31171
3. BIR Tax Identification No.
000-168-801
4. Exact name of issuer as specified in its charter
PETRON CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
San Miguel Head Office Complex, 40 San Miguel Avenue, Mandaluyong City
Postal Code
1550
8. Issuer's telephone number, including area code
(63 2) 886-3888, 884-9200
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON (PCOR)	9,375,104,497
PREFERRED SERIES 2A (PRF2A)	7,122,320
PREFERRED SERIES 2B (PRF2B)	2,877,670
PCOR SERIES A BONDS DUE 2021 (IN MIL PESO)	13,000
PCOR SERIES B BONDS DUE 2023 (IN MIL PESO)	7,000
PCOR SERIES C BONDS DUE 2024 (IN MIL PESO)	13,200

PCOR SERIES D BONDS DUE 2025 (IN MIL PESO)	6,800
TOTAL DEBT AS OF DEC. 31, 2018 (IN MIL PESO-CONSO)	271,968

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

☒ Yes ☐ No

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

Philippine Stock Exchange - Common and Preferred Series 2 Shares, Philippine Dealing & Exchange Corp - Series A, B, C and D Bonds

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☒ Yes ☐ No

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

☒ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

As of February 28, 2019 (total of 2,514,490,887 common shares at P6.67 per share):P16,771,654,216.29

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☒ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

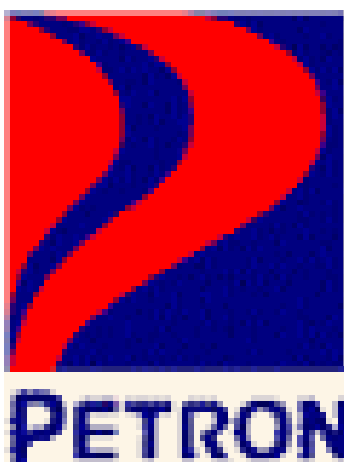
(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

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



Petron Corporation
PCOR

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2018
Currency	Peso (In Millions)

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2018	Dec 31, 2017
Current Assets	162,022	145,490
Total Assets	358,154	338,030
Current Liabilities	156,018	124,495
Total Liabilities	271,968	238,411

Retained Earnings/(Deficit)	49,491	49,142
Stockholders' Equity	86,186	99,619
Stockholders' Equity - Parent	79,479	93,655
Book Value Per Share	7.37	8.88

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2018	Dec 31, 2017
Gross Revenue	557,386	434,624
Gross Expense	538,465	406,986
Non-Operating Income	1,223	598
Non-Operating Expense	9,689	9,394
Income/(Loss) Before Tax	10,455	18,842
Income Tax Expense	3,386	4,755
Net Income/(Loss) After Tax	7,069	14,087
Net Income/(Loss) Attributable to Parent Equity Holder	6,218	12,739
Earnings/(Loss) Per Share (Basic)	0.28	0.86
Earnings/(Loss) Per Share (Diluted)	-	-

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2018	Dec 31, 2017
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.04	1.17
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.39	0.45
; ; Solvency Ratio	Total Assets / Total Liabilities	1.32	1.42
Financial Leverage Ratios			
; ; Debt Ratio	Total Debt/Total Assets	0.56	0.51
; ; Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	2.33	1.72
; ; Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	2.08	3.22
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	4.16	3.39
Profitability Ratios			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.06	0.1
; ; Net Profit Margin	Net Profit / Sales	0.01	0.03
; ; Return on Assets	Net Income / Total Assets	0.02	0.04
; ; Return on Equity	Net Income / Total Stockholders' Equity	0.08	0.15
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	27.54	10.66

Other Relevant Information

Please see attached Annual Report (SEC Form 17-A) of the Company for 2018 submitted to the Securities and Exchange Commission today, April 12, 2019.

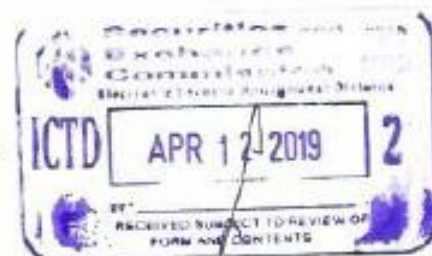
For purposed of computing the "debt-to-equity ratio" as set out in this PSE EDGE template for SEC Form 17-A, "debt" covers interest-bearing debt.

Filed on behalf by:

Name	Joel Angelo Cruz
Designation	Vice President - General Counsel and Corp. Sec.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A



ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND
THE REVISED CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2018
Date of Report (Date of earliest event reported)
2. SEC Identification Number 31171 3. BIR Tax Identification No. 000-168-801
4. PETRON CORPORATION ("Petron" or the "Company")
Exact name of issuer as specified in its charter
5. Philippines 6. (SEC Use Only)
Province, country or other jurisdiction of Industry Classification Code:
Incorporation
7. SMC Head Office Complex, #40 San Miguel Avenue, Mandaluyong City 1550
Address of principal office Postal Code
8. (0632) 886-3888; 884-9200
Issuer's telephone number, including area code
9. None
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Number of Shares of Stock Outstanding and
Amount of Debt Outstanding
(as of December 31, 2018)

Common Stock	9,375,104,497 shares
Preferred Series 2A	7,122,320 shares
Preferred Series 2B	2,877,680 shares
Total Liabilities (consolidated as of December 31, 2018)	P 271,968 million
Series A Bonds due 2021	P13.0 billion
Series B Bonds due 2023	P 7.0 billion
Series C Bonds due 2024	P13.2 billion
Series D Bonds due 2025	P 6.8 billion

11. Are any or all of these securities listed on any Philippine stock exchange?

Yes ☒ No ☐

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

Philippine Stock Exchange

Common Shares
Series 2A Preferred Shares
Series 2B Preferred Shares

Philippine Dealing & Exchange Corp.

Series A Bonds due 2021
Series B Bonds due 2023
Series C Bonds due 2024
Series D Bonds due 2025

12. Check whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

13. The aggregate market value of the voting stock held by non-affiliates of the Company (*i.e.*, other than San Miguel Corporation, SEA Refinery Corporation, Petron Corporation Employees' Retirement Plan and the directors and executive officers of Petron Corporation) as of December 31, 2018 totaling 2,514,330,887 common shares was ₱19,385,491,138.77 based on the price of ₱7.71 per share as of December 28, 2018, the last trading day of 2018. The aggregate market value of the voting stock held by non-affiliates of the Company as of February 28, 2019 totaling 2,514,490,887 common shares was ₱16,771,654,216.29 based on the price of ₱6.67 per share as of February 28, 2019, the last trading day of February 2019. Petron had a public ownership of 26.74% as of February 28, 2019. Attached hereto as Annexes A and B are the public ownership reports of the Company as of December 31, 2018 and February 28, 2019, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

N o n e

PART I - BUSINESS AND GENERAL INFORMATION

(A) Description of Business

(1) Business Development

(i) The Company

Petron was incorporated in the Philippines on December 22, 1966 as “Esso Philippines Inc.” Petron was renamed “Petrophil Corporation” in 1974 when the Philippine National Oil Company (“PNOC”) acquired it. In 1985, Petrophil and Bataan Refinery Corporation (formerly, the “Standard Vacuum Refining Corporation”) were merged with Petrophil Corporation as the surviving corporation. The Company changed its corporate name to “Petron Corporation” in 1988. On September 13, 2013, the SEC approved the amendment of the Company’s Articles by extending the corporate term of the Company for another 50 years from and after December 22, 2016. However, as a general rule under the Revised Corporation Code of the Philippines (“Revised Corporation Code”), which took effect on February 23, 2019, corporations with certificates of incorporation prior to the effectivity of the Revised Corporation Code, and which continue to exist, shall have perpetual existence. By operation of law, therefore, the Company shall now have perpetual existence.

As of February 28, 2019, the three (3) principal common shareholders of the Company holding at least 5% of its common stock were SEA Refinery Corporation (“SEA Refinery”) (50.10%), PCD Nominee Corporation - Filipino (18.63%) and San Miguel Corporation (“SMC”) (18.16%). SEA Refinery is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

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

(ii) Subsidiaries

The direct subsidiaries of the Company as of December 31, 2018 are listed below:

- **New Ventures Realty Corporation (“NVRC”)** is a realty firm established on August 24, 1995. NVRC is authorized to acquire and develop land but it does not engage in the subdivision business. Land suitable for use as service station sites, bulk plants or sales offices are purchased by NVRC, which are then leased to Petron for use in the latter’s operation. NVRC’s wholly-owned subsidiary, Las Lucas Development Corporation, which was acquired in 2003, was later renamed “Las Lucas Construction and Development Corporation” upon approval by the SEC in September 2009 (“LLCDC”). In 2012, NVRC acquired 100% of Parkville Estates and Development Corporation and 60% of Mariveles Landco Corporation. In 2013, NVRC further acquired 100% of South Luzon Prime Holdings Incorporated, MRGVeloso Holdings, Inc. (which was merged into LLCDC effective June 1, 2018) and Abreco Realty Corp.
- **Petrogen Insurance Corporation (“Petrogen”)** is a wholly-owned subsidiary of Petron incorporated on August 23, 1996. It serves the insurance requirements of Petron and its allied business partners such as contractors, suppliers and dealers.

- **Overseas Ventures Insurance Corporation Ltd. (“Ovincor”)** was incorporated on November 16, 1995 under the laws of Bermuda for the purpose of expediting the reinsurance of Petron’s insurable interests as covered by Petrogen. Reinsurance includes the insurance cover for the refinery of Petron in Bataan (the “Petron Bataan Refinery”), the bulk plants and service station properties, petroleum and cargo insurance and performance bonds for Petron contractors and haulers as well.
- **Petron Freeport Corporation (“PFC”;** formerly, “Petron Treats Subic, Inc.”) was incorporated on November 6, 2003. The company is registered with the Subic Bay Metropolitan Authority (“SBMA”) as a Subic Bay Freeport (“SBF”) enterprise. PFC is engaged in the business of importing, transporting, trading and retailing petroleum products and related products. As a registered SBF enterprise, PFC is entitled to tax-free and duty-free importation of raw materials and capital equipment for use solely within SBF. PFC has two (2) divisions - retail and manufacturing. The retail division handles the service station operations (*i.e.*, forecourt, quick-service restaurant, and locators). The manufacturing division is engaged in refining, distilling and manufacturing any and all kinds of petroleum products, oil, gas and other vehicle substances. Direct operations of the retail facilities and the manufacturing plant of PFC allows Petron to deal in the business of purchasing, marketing, distributing and trading petroleum, oil, gas, and related products.
- **Petron Marketing Corporation (“PMC”)** was incorporated on January 27, 2004 with the same business purpose as PFC but operated outside the SBF. PMC is a wholly-owned subsidiary of Petron. PMC turned over to Petron the operation of service stations that PMC held and the operation of Treats stores, effective August 1, 2016 and November 30, 2016, respectively. PMC also terminated its franchises to the fastfood stores.
- **Limay Energen Corporation (“LEC”)** was incorporated on August 23, 2010. LEC became wholly owned by Petron in January 2012. The primary purpose of LEC is to build, operate, maintain, sell and lease power generation plants, facilities, equipment and other related assets and generally engage in the business of power generation and sale of electricity generated by its facilities.
- **Petron Singapore Trading Pte. Ltd. (“PSTPL”)** was established in 2010 as Petron’s trading subsidiary in Singapore. The subsidiary aims to optimize crude procurement and participate in Singapore’s Global Trader Program, which allows the Company access to a wider selection of crude alternatives, resulting in further optimization of Petron’s crude selection.
- **Petron Global Limited (“Petron Global”)** is a holding company incorporated under the laws of the British Virgin Islands acquired by the Company on February 24, 2012.
- **Petron Finance (Labuan) Limited (“Petron Finance”)** is a holding company incorporated under the laws of Labuan, Malaysia acquired by the Company on March 2, 2012.
- **Petrochemical Asia (HK) Limited (“PAHL”)** is a holding company incorporated under the laws of Hong Kong over which the Company obtained control in January 2013 and 100% ownership in July 2016.

- **Petron Oil & Gas Mauritius Ltd. (“POGM”)** is a holding company incorporated under the laws of Mauritius acquired by the Company on February 8, 2012.

Petron Oil & Gas International Sdn. Bhd. (“POGI”) is a subsidiary of POGM incorporated under the laws of Malaysia, which, on March 30, 2012, acquired 65% of the issued and outstanding share capital of Esso Malaysia Berhad (“EMB”), a publicly-listed company in Malaysia, and 100% of the issued and outstanding share capital of ExxonMobil Malaysia Sdn. Bhd. and ExxonMobil Borneo Sdn. Bhd. POGI subsequently acquired an additional 8.4% of the voting shares of EMB in May 2012 pursuant to a mandatory takeover offer. On April 23, 2012, the Companies Commission of Malaysia (“CCM”) issued a certificate for the change of name of ExxonMobil Malaysia Sdn. Bhd. to “Petron Fuel International Sdn. Bhd.” (“PFISB”) and of ExxonMobil Borneo Sdn Bhd. to “Petron Oil (M) Sdn. Bhd.” (“POMSB”). Thereafter, on July 10, 2012, the CCM issued a certificate for the change of name of EMB to “Petron Malaysia Refining & Marketing Bhd.” (“PMRMB”).

PMRMB, PFISB and POMSB (collectively, the “Petron Malaysia Companies”) are companies incorporated under the laws of Malaysia and are engaged in the downstream oil business in Malaysia. The Petron Malaysia Companies distribution network (including in the state of Sabah) is comprised of 11 product terminals and facilities. The Petron Malaysia Companies has a network of about 646 retail service stations in the country. PMRMB owns and operates the 88,000 bpd Port Dickson Refinery (“PDR”). The PDR produces a range of products, including LPG, naphtha, gasoline, diesel, jet fuel, and low sulfur waxy residue (“LSWR”).

The Petron Malaysia Companies’ fuels marketing business in Malaysia is divided into retail business and commercial sales. The retail business markets fuels and other retail products through its network of service stations located throughout Peninsular and East Malaysia. In December 2016, the Petron Malaysia Companies launched its downstream business in the state of Sarawak-East Malaysia and, as of December 31, 2018, 10 service stations have commenced operations. The Petron Malaysia Companies’ commercial sales are divided into four (4) segments: industrial and wholesale, aviation fuels, LPG and lubricants/specialties. The industrial segment sells diesel and gasoline fuels to mini-stations and power plants, as well as to the manufacturing, plantation, transportation and construction sectors while the Malaysian wholesale segment consists of sales, primarily of diesel and gasoline, to company-appointed resellers, which sell the Company’s products to industrial customers. The aviation group mainly sells to key airline customers which operate at the Kuala Lumpur International Airport where the product is supplied through the pipeline connected to the Port Dickson Terminal. PMRMB markets LPG in 12-kg and 14-kg cylinders for domestic use and 50-kg and bulk for commercial use. In April 2012, the Petron Malaysia Companies established a lubricants and specialties segment to introduce Petron lubricants and greases into the Malaysian market. Automotive lubricants are sold through the service stations and vehicle workshops by appointed distributors in Malaysia. PMRMB exports LSWR and naphtha from the PDR.

The above-listed subsidiaries of the Company have no plans of engaging in lines of products or services other than those provided in connection with the promotion and enhancement of the business of the Company.

The Company and its subsidiaries are not subject of any bankruptcy, receivership or similar proceedings.

Operating Highlights

Sales

The consolidated sales volume of Petron's Philippine and Malaysian operations totaled 108.5 million barrels for 2018, slightly higher than the 107.8 million barrels sold in 2017. Total service station count is more than 3,000, with the Philippines accounting for about 2,400 stations.

Refining

The Petron Bataan Refinery Master Plan Phase-2 Upgrade ("RMP-2") is Petron's biggest project to date. RMP-2 upgraded the Petron Bataan Refinery to a full conversion refining complex, where all fuel oil is converted to higher value products - gasoline, diesel, and petrochemicals. This makes the Petron Bataan Refinery comparable to highly complex refineries worldwide. RMP-2 started its full commercial operation in January 2016 after the completion of the test run and stabilization of process units.

Product Supply and Distribution

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

Human Resources

Management recognizes that the right mix of characteristics and skills is key to an organization's progress and success. With this in mind, the Company implements various human resource programs responsive to the evolving needs of an expanding organization. The Company implements various training and development programs, continues to strengthen the leadership and management succession program to retain and develop critical talents and ensure operational continuity, develops organizational structures that will adapt to expansion initiatives and maximize workforce productivity and cultivates greater employee commitment through optimal rewards for employees' performance, work-life integration programs, and safe working conditions.

To accelerate the development of younger members of our workforce, Petron dedicated an average of 31 hours of training per employee. Focusing on career advancement and competency training, our general management and leadership development programs were constantly updated to identify, hone, and retain key talents as well as prepare our next generation of leaders. Fifty-nine (59) HR programs were implemented with the introduction of new programs such as *Strategic Management and Innovation*, *Leadership for New Managers*, *Executive Presence* and *Labor Relations*. Development of future leaders was also accelerated through Mentoring and Coaching programs for 60 mentees/coachees and 37 employees who served as their mentors/coaches yielding a total of 482 coaching hours and 27 mentoring hours to further strengthen our leadership pipeline.

Health, Safety and Environment ("HSE")

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

The Petron Bataan Refinery passed the Repeat Audit for the Integrated Management System (IMS) Certification to Quality Management System (QMS) ISO-9001 Version 2015 and Occupational Health & Safety Assessment Series OHSAS-18001 Version 2007, and also sustained Surveillance Audit to Environmental Management System (EMS) ISO-14001 Version 2015. Twenty nine (29) terminals, airport installations and sales offices are certified under the new ISO 9001:2015 (QMS) and ISO 14001:2015 (EMS) standards and the Manila manufacturing facility is certified under ISO 9001:2015.

Furthermore, all 15 pier facilities are currently compliant with the International Ship and Port Facility Security Code ("ISPS Code") and certified by the Office of the Transport Security under the Department of Transportation ("DOTr") (then "Department of Transportation and Communication). The ISPS certification is a requirement by the International Maritime Organization for all international vessels calling on international ports and for all ports accepting international vessels.

From January to December 2018, a total of 12,121,674 safe man hours were achieved by the Head Office, the Petron Bataan Refinery and the terminals.

Corporate Social Responsibility ("CSR")

As Petron strives to meet its business agenda, it also remains conscious of its social responsibility. Thus, through its Petron Foundation, the Company invests significantly on programs that promote the well-being of its fenceline communities, particularly in the areas of education, environment, health and human services, and stakeholder engagement. Under the banner of Fueling HOPE, these initiatives contribute to the sustainability of Petron.

Among the CSR and sustainability activities of Petron in 2018 were the following:

- **Tulong Aral ng Petron.** In partnership with the Department of Social Welfare and Development ("DSWD"), the Department of Education ("DepEd") the Philippine Business for Social Progress and the World Vision Development Foundation, the Company continued its *Tulong Aral ng Petron* ("Tulong Aral") program for elementary, high school and college students.

By year-end 2018, *Tulong Aral* had a total of 3,334 scholars from elementary to college in partner schools in the National Capitol Region and in some provinces where our terminals are located.

About 432 *Tulong Aral* scholars graduated, with one college graduate hired for Petron's Pandacan operations.

- **Brigada Eskwela.** In 2018, nearly 2,700 employee volunteers and partners nationwide helped refurbish 88 classrooms from public schools in various parts of the country.
- **Youth Entrepreneurship.** In the 13th year of the Youth in Entrepreneurship and Leadership Development Program, 40 Grade 10 students of the Muntinlupa Business High School spent their summer at select Petron stations to learn about back office operations and the rudiments of food service.

- **Bataan Integrated Coastal Management Program (“BICMP”)**. In 2018, Petron sustained its leadership role in the implementation of the Bataan Integrated Coastal Management Program, with completion of the draft of the State of the Coasts (“SoC”) Report for the province of Bataan. The SoC is a tool that local governments can use in the monitoring, evaluation and reporting of their integrated coastal management programs.

Petron also scaled up its advocacy for a cleaner environment by sponsoring the 2018 Pawikan Festival, which raises awareness on the protection of the threatened marine turtle species which nest in the town of Morong, Bataan.

- **Participation in the National Greening Program**. Petron continues to engage its fenceline communities and stakeholders nationwide in initiatives that support the goals of the National Greening Program. In celebration of Petron’s 85th anniversary in 2018, Petron Foundation and the Operations Division formalized partnerships with Tagbilaran in Bohol, Puerto Prinsesa City in Palawan, and Nasipit in Agusan del Norte to reforest a total of 43 hectares for the next three (3) years. The previously adopted reforestation site in Brgy. Anibong, Tacloban has so far yielded nearly 400 tons of carbon or 40 tons of CO₂/hectare sequestered from the mangroves planted in 2016. Elsewhere in the country, volunteers from the Petron Bataan Refinery and the Operations Division collectively planted some 70,000 mangrove and tree seedlings in their respective communities in activities commemorating Earth Month, Environment Month, and International Coastal Cleanup Day.
- **Scholarship program for marine environment experts**. Together with San Miguel Foundation, Petron continued to sponsor the Professional Masters in Tropical Marine Ecosystems Management (“PM-TMEM”) program of the U.P. Marine Science Institute. Petron’s fifth and last scholar from Bataan was enrolled in the program’s third cycle for School Year 2018-2019. These PM-TMEM scholars serve as scientific and technical experts in the development and implementation of Petron’s environmental programs.
- **Community-Based Programs**. Petron’s community-based programs benefit residents close to Petron facilities. The community-based programs include livelihood programs such as rug/rag making in Bataan and Rosario, Cavite by the Samahang Alangan at Lamao para sa Pag-Unlad, Inc., and mothers of *Tulong Aral* scholars in Rosario, respectively. They now supply the Refinery’s, the Rosario Depot and the local market’s rug/rag requirements. Petron also donated an ambulance to Brgy. Mainaga in Mabini, Batangas to strengthen the emergency response capabilities of the community.
- **Responding to Crises**. In September 2018, Petron conducted the simultaneous distribution of relief goods for residents of the provinces of Cagayan and Ilocos Norte totaling 2,600 displaced families who were severely impacted by super typhoon Ompong.
- **Engaging its employees**. Through its Volunteers in Action program, Petron continued to provide opportunities for its employees to contribute to nation-building. Employees from its Head Office and Refinery and Operations Divisions contributed a total of 21,486 volunteer hours in support of Petron’s various CSR programs as well as activities under the San Miguel Group’s *Team Malasakit* program.

Petron Malaysia

The Petron Malaysia Companies have completed the upgrading of the product terminals to comply with the B10 biodiesel and U97 E4M requirements in line with the Malaysian government's thrust of providing cleaner and more environment-friendly fuels to consumers. As part of the Petron brand enhancement program, three (3) card programs, *Petron Miles* loyalty card, Petron Fleet Card with microchip technology (post-paid and pre-paid), and co-branded Petron Public Bank Visa Card program are in place.

(2) Business of Petron

(i) Principal products or services and their markets

Petron's principal business involves the refining of crude oil and the marketing and distribution of refined petroleum products. It sells a full range of refined petroleum products including gasoline, naphtha, LPG, diesel, jet fuel, kerosene, and petrochemicals (benzene, toluene, mixed xylene, propylene and polypropylene). When necessary, some refined petroleum products are imported.

The major markets in the petroleum industry are the reseller (service station), industrial, LPG and lube trades. Petron sells its products through a nationwide network of service stations, LPG dealerships and lube outlets and to industrial end-users and bulk off-takers.

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

(ii) Percentage of sales or revenues contributed by foreign sales

Below is the summary of the percentage of sales or revenues of domestic and foreign sales of the Company and its subsidiaries from 2016 to 2018:

	Domestic	Exports/International	Total
2016, in million pesos	205,411	138,429	343,840
2016, in percentage	60%	40%	100%
2017, in million pesos	271,319	163,305	434,624
2017, in percentage	62%	38%	100%
2018, in million pesos	313,900	243,477	557,376
2018, in percentage	56%	44%	100%

(iii) Distribution methods of products or services

From the Petron Bataan Refinery, Petron moves its products, mainly by sea, to depots, terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 12 depots and terminals in Luzon, eight (8) in the Visayas and seven (7) in Mindanao, as well as two (2) airport installations in Luzon and two (2) in Mindanao. Through this nationwide network, Petron supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. Petron also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

Through its network of about 2,400 retail service stations in the Philippines as of December 31, 2018, Petron sells gasoline, diesel, kerosene, and auto-LPG (in some stations) to motorists and to the public transport sector. Petron also sells its LPG brands *Gasul* and *Fiesta Gas* to households and other consumers through its extensive dealership network.

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

(iv) New products or services

The Company's new products are described below.

- **New Petron Turbo Diesel**

Petron reformulated its Petron Turbo Diesel with a higher cetane number, far exceeding the Philippine National Standard. The newly formulated technologically-advanced Petron Turbo Diesel is enhanced with high-performance additives which offer better engine response, rapid clean-up of fuel injection system, better fuel efficiency and improved emission.

- **Development of new marine engine oils**

Petron also developed marine lubricants with a low base number, namely, Petromar HF 1030, 1040, and 1540, which are especially designed for the lubrication of high and medium speed trunk piston engines using diesel fuels.

Petromar HF 3030 was also developed with high-quality base oils and leading additive technology suitable for engines using heavy or residual fuel oil with high sulfur content.

- **Development of Scooter Oils**

Petron developed a Sprint 4T product line specific for the lubricant requirements of automatic motor bikes or scooters. Petron Sprint 4T Scooter Oils are premium and quality lubricants that meets the JASO (Japanese Automotive Standards Organization) MB specifications for scooters or four-stroke motorcycles fitted with automatic transmission. The Petron Sprint 4T Scooter Oils are the following:

- a. Petron Sprint 4T Scooter Oil Fully Synthetic
- b. Petron Sprint 4T Scooter Oil Synthetic Blend
- c. Petron Sprint 4T Scooter Oil Premium Multi-grade

- **Development of new automotive lubes**

In addition to the Sprint 4T Scooter Oils, nine (9) new automotive lubricants were developed for 2018 for specific requirements of passenger cars, motorcycles, scooters, and trucks.

- **Development of Engine Oils for Petron Malaysia**

Petron continues to provide R&D support to Petron Malaysia with its fuel and lubricant business. In 2018, Petron also developed the following lubricants for the Malaysian local market and which are ready for commercialization:

- a. Rev-X Synthetic Blend 10W-40
- b. Blaze Racing 5W-30
- c. Hydrotur T68
- d. Petron GX 80W-90 GL-5 LSD
- e. Petron GX 85W-140 GL-5 LSD
- f. Petron GEP 80W-90 GL-4

(v) Competition

Petron operates in a deregulated oil industry along with more than 100 other industry players. With several players sharing in the market, competition is intense. Retail and depot network expansion, pricing, and various marketing programs are being employed to gain a bigger share of the domestic market. However, Petron's wider retail and depot network allows it to expand its reach in the domestic market more effectively. Moreover, with its upgraded refinery, Petron now produces more fuels, namely, gasoline, diesel and jet fuel.

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

In 2018, Petron purchased all its term and spot crude requirements through its wholly-owned subsidiary, PSTPL. Majority of the crude purchases were sourced under term contract with two (2) suppliers and various spot suppliers for the balance of the crude slate. For its 2019 crude requirements, Petron, through PSTPL, renewed its crude oil supply agreements with these suppliers for the period January to December 2019.

Petron purchased its finished product import requirements in 2018 also through PSTPL. For 2019, aviation gas, asphalt, LPG, and base oil contracts were renewed for the period January to December 2019 through PSTPL. Meanwhile, Petron also secured its January to December 2019 diesel import requirements into Cagayan De Oro, likewise through PSTPL.

For its requirements for ethanol, Petron continued to support the directive of the Department of Energy ("DOE") on prioritization of locally-produced ethanol, complying with the required monthly allocation. About 62% of the total ethanol requirement of the Company was sourced from various local ethanol producers.

(vii) Dependence on one or a few major customers and identity of any such major customers

Petron and its subsidiaries do not have a single external customer from which sales revenue generated amounted to 20% or more of the total revenue.

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

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

It is the policy of the Company that transactions with related parties are on an arm's length basis in a manner similar to transactions with non-related parties. Related party transactions are made at normal market prices and terms.

Described below are transactions of Petron with related parties:

1. Petron has existing supply agreements with various SMC subsidiaries. Under these agreements, Petron supplies the diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.
2. Petron purchase goods and services, such as those related to construction, information technology, shipping and terminaling, from various SMC subsidiaries.
3. Petron entered into a lease agreement with San Miguel Properties, Inc. for office space covering 6,802 square meters. The lease, which commenced on June 1, 2014, is for a period of one year and may be renewed in accordance with the written agreement of the parties.
4. Petron also pays SMC for its share in common expenses such as utilities and management fees in relation to the leased office premises.
5. Petron has long-term lease agreements with NVRC covering certain parcels of lands where the Petron Bataan Refinery and some of its depots, terminals and service stations are located.
6. Petron partly retails its fuel products through its subsidiaries, PFC, and PSTPL, as well as lubes through PFSIB.
7. Petron obtains insurance coverage from Petrogen which, in turn, obtains reinsurance coverage from Ovincor and other local reinsurers.
8. Petron made certain advances to PCERP for investment opportunities.
9. Petron has an existing trading agreement with PSTPL for the procurement of crude oil, and trading of finished petroleum products and other materials such as ethanol, coal, and additives.
10. Petron engaged PSTPL to perform the chartering function such as the renewal and negotiation of contract of affreightments and commodity risk management via hedging transactions.
11. Petron provides general management services to PFISB.
12. NVRC and SMC subsidiaries entered into various lease agreements for portion of lands located at Limay, Bataan.

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

The Company's intellectual property registrations and applications as of December 31, 2018 are described below.

Approved Trademark Registrations. Petron has trademark registrations for a term of 20 years for its, Gearkote, Petron Old Logo, Hypex, Petron Old Logo (Tradename), 2T, Turnol, Petromar HD, Spinol, Airlube, Hydrotur, Petromix, Voltran, Stenol, Petrocyl 680, Overglide, Grease Away, Petrokut, Petron Railroad Extra, Rubbex, Petron Dust Stop Oil, Oil Saver, DCL 100, Milrol, Petropen, Petron GST, Petron with XCS, With XCS, Super DC, LPG Gasul Cylinder 2.7 kg. Petromul CSS-1, New Petron Logo, Power Booster, Zerflo, TDH 50, Automatic Transmission Fluid, Petrotherm 32, Petrosine, Petron HDX, Petron TF, Petron, Ropgriz, Ultron and Device, 2T Motorcycle Oil, Lubritop, Antimist, Molygrease, Petron GX and Extra with a car device against a red background.

Petrogrease, Gearfluid, Gasulette, Gasulite, Gasulgrille, Gasul, Marinekote, LPG Gasul Cylinder 50 kg., Gasul and Device, LPG Gasul Cylinder 11 kg., Petron STM, Petron Autokote, GEP, Cablekote, Grease Solve, Petrokote, Petron 2040, Petron XD3, Extra, Petron Gasul 11-kg POL-VALVED Cylinder, Ultron Rallye, Rev-X Trekker, Rev-X Hauler, Rev-X HD, Ultron Extra, Sprint 4T, Xpert Diesel Oils, Penetrating Oil, Solvent 3040, Ultron Race, Ultron Touring, Lakbay Alalay, Blaze, Clean 'n Shine, Fuel Hope, Fuel Success, Fuel X Fuel Customer Experience, Pchem, Petron Farm Trac Oil for Farm Equipment, Petron Freeport Corporation, Petron Marketing Corporation, PetronConnects, Treats (for bottled water), Tulong Aral ng Petron & Device, Ultimate Release from Engine Stress, Xpert sa Makina X-tra ang Kita, "Your friend on the Road", Fuel Trust, Fuel Experience, Fuel Drive, Fuel Excellence, Fuel Efficiency, Xtend, Car Care & Logo, Go for the Xtra Miles, e-fuel, Rider, Enduro, Extra, Fiesta Gas with device, Xtra, Fiesta Gas 2.7kg cylinder, Fiesta Gas 5kg cylinder, Fiesta Gas 5kg POL-VALVED, Fiesta Gas 11kg cylinder, Fiesta Gas 11kg POL-VALVED, Fiesta Gas 22kg POL-VALVED, Fiesta Gas 50kg POL-VALVED, Bulilit Station, Bulilit Station (Gasoline Station), How far can you go on one full tank these days?, Fuel Journeys, Petron Lakbay Pinoy, Petron Pinoy Fuels & Device, Petron Pinoy Diesel & Device, Petron Pinoy Regular & Device, Econo, Elite, Pantra, Limay Energen Corporation, Racer Maximum Performance, Petrolene, Petron Value Card and Device, Pstore, Pmart, Pshop, Go Petron! Get Rewards & Benefits, TSI and Device, Footprints Inside a Sphere & Device, Lakbay Alalay Para sa Kalikasan, Everyone's Vision & device, Petron Super Xtra Gasoline, Petron Ronnie Mascot in Seatbelt & device, Petron Super Driver, Maxi Gas, Xtra Exceed, Xtra Ultra, Xtra Prime, Xtra Miles, Pinoy HP Gasoline, Xtra Excel, UnliPower Saver Gasoline, Ultramax Gasoline, Ecomax Gasoline, PMax Gasoline, Triangle Device, Boomerang Device, Ronnie Mascot, and Seat Belt Lives, Privilege Miles Card & device, Petron Fleet Card & device, Blaze 100 Octane Euro 4 & device, Pay with Points Save your Cash, Road Safety & device, Miles, Petron Chinese Name (flag type), Petron Chinese Name (long type), Super Tsuper Gift and App, Xtra Advance (inside a rectangle device), Petron Blaze 100, Petron XCS3, Champion Gasoline, Gasulito, REV-X, Petron Blaze Spikers, Thermal Stress Stabilizing System, Dynamic Cleaning Technology, Miles Better, Your Feet Your Rules, Xtra Advance Euro 4 & Device, Petron Super Xtra Gasoline Euro 4 & Device, Diesel Max Euro 4 & Device, Turbo Diesel Euro 4 & device, XCS Euro 4 & device and Fast Gas Fast Prize, Carbon Buster, Petron Canopy Fascia, Diesel Max, Petron PMB, Blu & Device, Blu with Gasul Tank, Puno ng Buhay, Tri-Action, Blaze Racing, Tri Plus, Gas Padala, Lakbay Ligas, Petromate, Sagip Alalay, Petron XCS3 Triple Action Premium Unleaded, Accident Insurance & device, Thermal Control System, Tri-Activ Advantage, I Fuel Hope, I Fuel Communities, Rider 4T, Captain Booster, Packaging HTP, Performance Run, Petron Best Day, Fe Dela Fiesta, Rev-X Turbo and Super Saya are registered for a term of 10 years.

Pending Trademark Registration Applications. Petron has pending applications for registration of the following trademarks: Euro 4 (stylized), Resibo Blowout and Petron Motorsports.

Petron also has registered and pending trademarks in Malaysia, Indonesia, Cambodia, Thailand, Myanmar, Australia, China, United Kingdom, India, Japan, Republic of Korea, Singapore, Hong Kong, China and Saudi Arabia. The Company has filed 179 trademark applications in Malaysia relating to its Malaysian operations. It has obtained copyright protection for the stylized letter “P” and has registered trademarks in Malaysia, including the “Petron (Class 9)”, “Petron Logo”, “Gas Miles”, “Gasul”, “Fiesta Gas”, “Energen”, “Petron Plus (Class 9)”, “Perks”, “Miles”, “Propel”, “XCS”, “Petromate”, “Hydrotur”, “Miles with P-Logo”, “MILES with P Logo and ‘Privilege Miles Card’ words”, “Petroil”, “Fuel Journeys”, “Better by Miles”, “Petron Cares”, “DCL 100”, “Petromar”, “Energy”, “Treats with Crocodile Logo”, and “Petron Greenfuel”, “Kedai Mart with P logo”, “Rider”, “Rider 4T”, “Petrolaysia”, “Prime”, “Petron with Canopy Fascia logo”, “Petron Racing”, “Sprint 4T”, “Rev-X Diesel Engine Oils”, “Prestige”, “Xtra Mile”, “Xtra Unleaded”, “Treats & Device”, “Petron Value Card Rewards & Benefits”, “Turbo Diesel”, “Diesel Maz”, “Blaze Gasoline”, “Petron XCS3”, “Powerburn 2T & Device”, “Racing”, “Powerburn”, “Petrogrease”, “Greaseway”, “GEP”, “Gearfluid”, “Clean ‘n Shine”, “ATF”, “Treats & Device”, “Powered by Petron”, “Miles with P Logo & Petrol Word”, “Petromar HD”, “Petrogrease EP”, “Blaze with P Logo and Petrol”, “Fuel Trust”, “Fuel Success”, “Fuel Hope”, “Blaze Racing”, “Fuel Care”, “Treats”, “Petron Motorsports”, “Fuel Life”, “Fueled by Petron”, “Miles Better”, “Your Fleet Your Rules”, “5th year Anniversary Fuel Happy” and “Petron Car Care Center”.

Copyrights. Petron has copyrights for its seven (7)-kg LPG container, Gasulito with stylized letter “P” and two (2) flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs and Malaysian Card Designs, and Petron font. Copyrights are protected during the lifetime of the creator and for 50 years after his death.

Utility Models. Petron has registration for the following utility models: (i) Carbon Buster (process) and (ii) Carbon Buster (composition). The term of the utility model is seven (7) years from date of filing of the application.

(x) Government Approval of Principal Products or Services

Government approval of Petron products and services is not generally required. Petroleum products, both locally refined and imported, however, must conform to specifications under the Philippine National Standards. Importations of petroleum products and additives are reported to the DOE, in accordance with the Downstream Oil Industry Deregulation Act of 1998 and its implementing rules and regulations. Clearances are secured from concerned government authorities for importations of restricted goods. The supply of products or services to government and government agencies undergo a bidding process in accordance with law.

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

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

The TRAIN law also mandates the implementation of a fuel marking program to help curb illicit trading of fuel products. While the program is yet to be implemented, the cost of the program may also lead to possible increase in fuel prices.

- Biofuels Act of 2006 (the “Biofuels Act”). The Biofuels Act and its implementing circulars mandate that gasoline and diesel volumes contain 10% bioethanol and 2% biodiesel/cocomethyl ester (“CME”) components, respectively. To produce compliant fuels, the Company invested in CME injection systems at the Petron Bataan Refinery and the depots. On the bioethanol component, the DOE issued in June 2015 its Circular No. 2015-06-0005 entitled “Amending Department Circular No. 2011-02-0001 entitled Mandatory Use of Biofuel Blend” which currently exempts premium plus gasoline from the 10% blending requirement.
- Renewable Energy Act of 2008 (the “Renewable Energy Act”). The Renewable Energy Act aims to promote development and commercialization of renewable and environment-friendly energy resources (e.g., biomass, solar, wind, hydro, geothermal) through various tax incentives such as seven (7)-year income tax holiday and duty-free importation of renewable energy equipment and machinery. The sale of power generated from these sources is also exempt from value-added tax under the TRAIN Law. The growth in renewable energy may displace or reduce use of oil-based power plants affecting the Company’s sales to the power sector.
- Clean Air Act of 1999 (the “Clean Air Act”). The Clean Air Act established air quality guidelines and emission standards for stationary and mobile equipment. It also included the required specifications for gasoline, diesel and IFO to allow attainment of emission standards. Petron invested in a gasoil hydrotreater plant and an isomerization plant to enable it to produce diesel and gasoline compliant with the standards set by law.
- Laws on Controlled Chemicals (Presidential Decree No. 1866 as amended by Republic Act No. 9516). The implementing rules and regulations for this amended law were approved on June 9, 2016 and listed the chemicals under the control of the Philippine National Police. These rules reduced the controlled list from 101 to 32 chemicals and further classified 15 chemicals as high-risk and 17 as low-risk substances. The rules also outline the procedures for regulating, storing, handling and transporting chemicals.
- Compliance with Euro 4 standards. In September 2010, the DENR issued Administrative Order 2010-23 mandating that, by 2016, all new motor vehicles that would be introduced in the market shall comply with Euro 4 emission limits, subject to Euro 4 fuel availability. In June 2015, the DOE issued Circular 2015 - 06-0004 entitled “Implementing the Corresponding Philippine National Standard Specifications (“PNS”) for the Euro 4/IV PH Fuels Complying with the Euro 4/IV Emissions” directing all oil companies to adopt Euro4-compliant fuels. With its RMP-2, Petron is now producing Euro 4-compliant fuels ahead of the 2016 mandate.
- Department Circular 2014-01-0001. The DOE issued Department Circular 2014-01-0001 directed at ensuring safe and lawful practices by all LPG industry participants as evidenced by standards compliance certificates. The circular also mandates that all persons engaged or intending to engage as a refiller of LPG shall likewise strictly comply with the minimum standards requirements set by the DTI and the DOE. The circular imposes penalties for, among others, underfilling, illegal refilling and adulteration.
- Laws on Oil Pollution. To address issues on marine pollution and oil spillage, the Maritime Industry Authority (“MARINA”) mandated the use of double-hull vessels for transporting black products beginning end-2008 and white products by 2011. Petron has been using double-hull vessels in transporting all its products.

- Oil Marine Pollution Circulars. The Philippine Coast Guard has memorandum circulars prescribing the rules and regulations on the prevention, containment, abatement and control of oil marine pollution by all marine vessels, coastal and offshore facilities and other facilities utilizing or storing petroleum products. The circulars identify the prohibited acts and provide the penalties.
- Anti-Competition Law (the “Philippine Competition Act”). The Philippine Competition Act, approved in July 2015, prohibits anti-competitive agreements, abuses of dominant positions, and mergers and acquisitions that limit, prevent, and restrict competition. To implement the national competition policy and attain the objectives and purposes of the law, the Philippine Competition Commission (“PCC”) was created. Among the powers of the PCC is the review of mergers and acquisitions based on factors it may deem relevant. The PCC, after due notice and hearing, may impose administrative fines on any entity found to have violated the provisions of the law on prohibited arrangements or to have failed to provide prior notification to the PCC of certain mergers and acquisitions. The PCC is empowered to impose criminal penalties on an entity that enters into any anti-competitive agreement and, when the entities involved are juridical persons, on its officers, directors, or employees holding managerial positions who are knowingly and willfully responsible for such violation.
- Amended Price Freeze Act of 2013. This law mandates the implementation of a 15-day price freeze of basic necessities, including LPG and kerosene, for areas declared under a state of emergency or calamity.
- Executive Order 890: Removing Import Duties on All Crude and Refined Petroleum Products. After the ASEAN Trade in Goods Agreement was implemented in 2010, the tariff rate structure in the oil industry was distorted with crude and product imports from ASEAN countries enjoying zero tariff while crude and product imports from outside the ASEAN were levied 3% tariff. To level the playing field, Petron filed a petition with the Tariff Commission to apply the same tariff duty on crude and petroleum product imports, regardless of source. In June 2010, the government approved Petron’s petition and issued Executive Order 890 which eliminated import duties on all crude and petroleum products regardless of source. The reduction of duties took effect on July 4, 2010.
- LPG Bill. The LPG Bill, currently pending in the Philippine Congress, will mandate stricter standards on industry practices.

(xii) Estimate of the amount spent during each of the last three fiscal years on research and development activities

The Company’s Research and Development (“R&D”) is responsible for all product development that complies with government laws and regulations such as the Clean Air Act and the Biofuels Act. Other drivers of product innovations are the requirements of original engine manufacturers and the latest technological trends in the industry.

Petron R&D spent a total of P85.57 million in 2018, higher than the P75.57 million in 2017. Expenses in 2016 amounted to P66.24 million.

(xiii) Costs and effects of compliance with environmental laws

Compliance with the various environmental laws like the Renewable Energy Act, the Biofuels Act, the Clean Air Act, and the Clean Water Act entails costs and additional investments on the part of the Company, resulting in higher production costs and operating expenses. In 2018, the Company spent a total of P188.48 million for treatment of wastes, monitoring and compliance, permits, and personnel training at the Petron Bataan Refinery while in 2017, it spent a total of P261.47 million.

(xiv) Total number of employees

As of December 31, 2018, the Company and its subsidiaries had 3,131 employees, with 2,681 in the Company (comprising one president, one general manager, 29 vice presidents and assistant vice presidents, 1,761 managerial, professional and technical employees, and 889 rank-and-file employees); 603 employees of the Company's Malaysian operations; 16 in PSTPL; and 13 in PFC.

Petron has CBAs with its three (3) unions, namely: (i) Bataan Refiners Union of the Philippines ("BRUP"), which is affiliated with the Philippine Transport and General Workers Organization; (ii) Petron Employees Labor Union ("PELU"), affiliated with the Philippine Transport and General Workers Organization and (iii) Petron Employees Association ("PEA"), which is affiliated with the National Association of Trade Unions. The CBAs of BRUP and PELU each covered the period January 1, 2014 to December 31, 2018. These CBAs are presently under negotiations. The PEA's CBA covers the period from January 1, 2015 to December 31, 2019.

In addition to the statutory benefits, the Company provides medical and life insurance, vacation, sick and emergency leaves, and computer and emergency loans to employees. It has a savings plan pursuant to which an eligible employee may contribute 5-15% of his monthly basic salary. The Company, in turn, contributes a corresponding maximum of 10% to the member-employee's account in the savings plan.

(xv) Major Risks Involved

(i) Risk Management Framework and Process

Petron follows an enterprise-wide risk management framework for identifying, mapping and addressing the risk factors that affect or may affect its businesses.

The Company's risk management process is a bottom-up approach, with each division mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks.

As Petron's operation is an integrated value chain, risks emanate from every process and some can cut across divisions. The results of these activities flow up to the Management Committee and eventually the Board through the Company's annual Business Planning process.

Oversight and technical assistance is likewise provided by corporate units with special duties. The Risk and Insurance Management Group is mandated with the overall coordination and development of the enterprise-wide risk management process. The International Trade Finance Section of the Treasurers Department is in charge of foreign exchange hedging transactions. The Transaction Management Unit of the Controller's Department provides backroom support for all financial transactions. The Corporate Technical Services Group oversees compliance with the domestic and international standards set for health, safety and environment. The Internal Audit Department is tasked with the implementation of a risk-based auditing. Commodity price risk is a major area being managed by the Commodity Risk Management Department ("CRMD") of the Supply Division, under the guidance of the Commodity Risk Management Committee ("CRMC") composed of cross-functional senior and middle management. The CRMC oversees the long-term and short-term commodity hedging program which includes risk assessment, authorized hedging instruments and hedging tenor. Hedging strategies are developed by the CRMD which also monitors commodity risks, sets controls, and ensures that risk management activities stay within the board-approved limits and parameters approved by CRMC. PSTPL executes the hedging strategies involving crude and product imports and exports on behalf of the Company.

(ii) Major Risks

The Company classifies a risk as a major risk if it assesses the risk event to both have a relatively high probability of occurring and a substantial adverse impact on the Company if the risk would occur. The major risks that the Company managed in 2018 were substantially the same as those in the previous year since there were no fundamental changes in the nature of the Company's operations. These risks were the following:

- Foreign exchange risk arises from the difference in the denomination of majority of revenues in Philippine Pesos against that for the bulk of costs in US Dollars. In addition, the Group's exposure to foreign exchange risks also arises from US dollar-denominated sales and purchases, principally of crude oil and petroleum products. Further, for the Petron Malaysia Companies, whose transactions are in Malaysian ringgit which is subsequently converted into US dollar before ultimately being translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation, changes in the foreign exchange rates of the Malaysian Ringgit and the US Dollar would result in the revaluation of key assets and liabilities, and could subsequently lead to financial losses for the Company.
- The risk of substantial disruptions in the Company's operations caused by accidents, process or machinery failure, human error or adverse events outside of human control. This risk could also include delays in the implementation of capital expansion activities. These disruptions may result in injury or loss of life, as well as financial losses should these disruptions lead to product run-outs, facility shutdown, equipment repair or replacement, insurance cost escalation and/or unplanned inventory build-up.
- Profit margin and cash flow risk arising from fluctuations in the relative prices of input crude oil and output oil and petrochemical products. Changes in output and input prices, particularly when mismatched, may produce significant cash flow variability and may cause disruptions in the Company's supply chain, as well as higher financing expenses.
- Regulatory risk, arising from changes in national and local government policies and regulations that may result in substantial financial and other costs for the Company, either directly or indirectly.

Except as covered by the above mentioned specific risks, the Company has determined that none of the risk factors faced by any of its subsidiaries would be a major risk. These risk factors either have a low probability of occurring or have an insignificant potential impact. Thus, while subsidiary-specific risks were considered in the risk management process, these are considered relatively minor.

(iii) Management of Major Risks

(a) Foreign exchange risk

- The Company hedges its dollar-denominated liabilities using forwards, other derivative instruments and the generation of dollar-denominated sales. It avoids the creation of risk from derivative speculation by limiting the use of derivative instruments up to 100% of the value of the underlying dollar-denominated liabilities net of dollar-denominated assets.
- Dollar-denominated assets and liabilities and the resulting potential foreign exchange losses are recorded on a daily basis through an enterprise resource planning software that monitors financial transactions. This allows real-time awareness and response to contain losses posed by foreign exchange exposure. Such software is also capable of tracking risk exposures arising from other market sensitive financial variables, such as interest rates and commodity prices.

(b) Risk of operational disruptions

- The risk of operational disruptions is most relevant to the refining unit since disruptions in these units can have severe and rippling effects.
- The Company maintains insurance whose coverage includes property, marine cargo and third party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption. One of the main insurance policies of the Company, the Industrial All Risk policy, covers the Petron Bataan Refinery for material damages, including from machinery breakdown and business interruption.
- The Refinery Division and the Petron Malaysia Companies have been implementing programs designed to directly promote the avoidance of operational disruptions through effective maintenance practices and the inculcation of a culture of safety and continuous process improvement.
- The Company has a corporate-wide health, safety and environment program that likewise addresses the risk of operational disruptions.
- The Company has put together a Corporate Safety Management System, the main reference of all safety management systems in the Company, which is based mainly on OHSAS 18001. In addition, the Petron Bataan Refinery and some of the Company's terminals and service stations have implemented third party-certified management systems. The Petron Bataan Refinery successfully passed recertification audit of the international standard of Quality Management System (ISO 9001 Version 2015) and Occupational Health and Safety Management System (OHSAS - 18001 Version 2007) and surveillance audit of Environmental Management System (ISO-14001 Version 2015) in June 2018. Twenty nine (29) terminals, airport installations and sales offices are certified under the new ISO 9001:2015 (QMS) and ISO 14001:2015 (EMS) standards and the Manila manufacturing facility is certified under ISO 9001:2015.
- Furthermore, all 15 pier facilities are compliant with the International Ship and Port Facility Security ("ISPS") code certified by the Office of the Transportation Security under the Department of Transportation. The ISPS certification is a requirement by the International Maritime Organization of the United Nations for all international vessels calling on international ports and for all ports accepting international vessels. The Company's shipping ports for both domestic and international vessels are ISPS-certified.
- In 2018, the Company's Terminal Operations Department embarked on a new venture with the implementation of the Loss Prevention System (LPS). LPS is a system to prevent or reduce losses using behavior-based tools and proven management techniques. With this new system, the Company aims to improve the over-all safety culture of the department, and eventually apply the same system throughout the organization.

(c) Profit margin and cash flow risk

- Margin hedging strategies are used in order to eliminate the risk of profit margin compression due to changes in crude and product prices. A margin hedge simultaneously fixes the future dollar prices of Dubai crude oil and that of a selected product manufactured from the crude. This partially locks in the refining margin of the Company.
- Price exposures are managed through commodity hedging to counter abrupt and significant drops in prices resulting in inventory losses on both crude and petroleum products. Considering that the Company keeps crude and product inventories, any drop in price affects profit margin.

- The Company endeavors to arrange long-term contracts for some of its fuel and petrochemical products whenever these are financially attractive. Long-term sales contracts provide a partial hedge on future cash flow uncertainty.
- The Company uses cash flow projection software that enables it to proactively respond to potential future cash flow imbalances. It likewise maintains access to credit lines in excess of typical requirements so that funds can be readily tapped in case of a cash flow squeeze.

(d) Regulatory risk

- The Company maintains strong lines of communication with its various counterparties in government and in the public arena, in both local and national levels. The Company uses these lines of communication to identify potential risk factors and respond to these in a proactive manner.
- The Company remains compliant with the various environmental standards set by the government.

(B) Description of Property

Petron owns the largest petroleum refinery complex in the Philippines located in Limay, Bataan, with a crude distillation capacity of 180,000 barrels per day. Its other major process units include: conversion units, -delayed coker and catalytic cracking units, reformers for gasoline production; desulfurization units for naphtha, diesel and jet fuel; petrochemical units for production of benzene, toluene, mixed xylene and propylene; other supporting units like power/steam generation facilities, waste water treatment facilities; and several crude and product storage tanks. It has its own piers and other berthing facilities, one of which can accommodate very large crude carriers.

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

The Company entered into commercial leases with the PNOC for parcels of land occupied by the Petron Bataan Refinery, depots, terminals and some of its service stations. The lease agreements include upward escalation adjustment of the annual rental rates. In 2009, the Company renewed its lease with PNOC (through NVRC) for the continued use of the Petron Bataan Refinery for 30 years starting January 1, 2010 (renewable upon agreement of the parties for another 25 years). In 2015, the Company also entered into another 25-year lease agreement with PNOC effective August 1, 2014 for additional lots near the Petron Bataan Refinery for its expansion projects. Expenses relating to the PNOC leases amounted to ₱352.64 million in 2018.

On October 20, 2017, the Company filed an action against the PNOC in respect of the leased properties to preserve its rights under the relevant agreements. The judicial dispute resolution proceedings before the court were terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case would be remanded to the trial court for pre-trial and trial.

Petron anticipates that it may lease desirable lots from NVRC and third parties for development as service stations and for its refinery expansion projects in the next 12 months.

(C) Contingent Liabilities

Petron is involved in certain cases, the material of which are discussed below:

1. Tax Cases

- **Petron Corporation vs. Commissioner of Internal Revenue**
SC-G.R. SP No. 204119-20
Supreme Court
Date Filed: December 2012

Background: In 1998, the Company contested before the Court of Tax Appeals (“CTA”) the collection by the Bureau of Internal Revenue (“BIR”) of deficiency excise taxes arising from the Company’s acceptance and use of tax credit certificates (“TCCs”) worth ₱659 million from 1993 to 1997. In July 1999, the CTA ruled that, as a fuel supplier of companies registered with the BOI, the Company was a qualified transferee for the TCCs. The CTA ruled that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. The BIR appealed the ruling to the Court of Appeals (“CA”).

On March 21, 2012, the CA rendered a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR for deficiency excise taxes in 1998 based on a finding by the BIR that the TCCs used by Petron as payment were fraudulent. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CA in its resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. The case was resolved in favor of the Company by the Supreme Court in a decision dated July 9, 2018.

Exposure: ₱1,107,542,547.08 plus 20% annual interest and 25% surcharge from April 22, 1998

Relief sought on Appeal: The petition for review on *certiorari* filed by the BIR seeks the reversal of the decision of the CTA in favor of Petron, setting aside the BIR assessment in relation to Petron's payments of excise taxes through TCCs.

Status: No motion for reconsideration was filed by the Commissioner of Internal Revenue in respect of the Supreme Court decision relating to Petron dated July 9, 2018.

2. Pandacan Case

Petron Corporation v. The City of Manila, *et al.*

Civil Case No. 07-116700

RTC Manila Br. 41

Date Filed: February 8, 2007

CA-G.R. CV No. 100218

Court of Appeals

Date Filed: January 23, 2013

Background: The City Council passed the Manila Comprehensive Land Use Plan and Zoning Regulations of 2006 (“Ordinance No. 8119”), which was approved by Mayor Jose L. Atienza on June 16, 2006. Ordinance No. 8119 reclassified the area of the Pandacan depots from Industrial to High Density Residential/Mixed Use Zone. Ordinance No. 8119 gave non-conforming establishments, including the oil depots, seven (7) years to phase out or relocate.

Shell and Chevron filed their complaint questioning Ordinance No. 8119. The Company, which was not allowed to intervene, filed a separate complaint on February 8, 2007, questioning the validity of the Manila City Ordinance No. 8119.

On August 24, 2012, the Regional Trial Court of Manila (“RTC of Manila”) ruled that Section 23 of Ordinance 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC of Manila upheld the validity of all other provisions of Ordinance 8119. On September 25, 2012, Petron sought clarification and partial consideration of the August 24 decision and prayed for the nullification of the entire Ordinance 8119. In an order dated December 18, 2012, the RTC of Manila denied the motion filed by Petron. Petron filed a notice of appeal on January 23, 2013. In a decision dated September 19, 2017, the Court of Appeals denied the appeal of the Company, finding that Manila’s Comprehensive Land Use Plan was valid, except for Section 55 of Ordinance 8119. Section 55, which imposed an easement of 10 meters from the riverbank to serve as a linear park, was struck down as invalid because it violated the Water Code which required only a three-meter easement.

Exposure: No monetary claim. The issue has already become moot following the cessation by the Company of the operations of its petroleum storage facilities in Pandacan in August 2015.

Status: The Company no longer filed a motion for reconsideration or elevated the matter to the Supreme Court since the issue has already become moot following the cessation by the Company of the operations of its petroleum storage facilities in Pandacan in August 2015.

3. Guimaras Oil Spill

a. In the Matter of the Sinking of the MT Solar I
SBMI No. 936-06
Special Board of Marine Inquiry

Background: Petron hired on a “single voyage basis” the vessel MT Solar I owned by Sunshine Maritime Development Corporation (“SMDC”) for the transport of industrial fuel oil from the Petron Bataan Refinery to Zamboanga. Petron, as a shipper of the cargo, conducted inspection of the vessel MT Solar I and likewise, relied on the documents presented by SMDC as carrier. Petron also relied on the implied warranties of SMDC as a carrier with respect to the seaworthiness of the vessel MT Solar I and other statutory/trading certificates issued by MARINA and other pertinent government agencies.

SMDC, taking into consideration the vessel’s trim, stability and draft, declared to Petron that the vessel MT Solar I can safely load approximately 13,500 barrels of cargo as stated in the Fixture Note, Notice of Readiness and Seaworthiness Certificate. On this basis and relying on the declaration of SMDC, Petron loaded the quantity as specified by SMDC. Unfortunately, the vessel MT Solar I sank off Guimaras when it encountered bad weather on or about August 11, 2006.

In September 2006, the Special Board of Marine Inquiry (“SBMI”) was created by the Philippine Coast Guard for the purpose of determining the administrative liability of the crew, owner of the vessel and other involved parties. The SBMI in its initial findings found Petron liable for allegedly overloading the vessel.

On November 21, 2006, Petron filed a memorandum of appeal with the Department of Transportation (“DOTr”) (then “Department Transportation and Communication (“DOTC”), elevating the disputed ruling of the SBMI for review. The appeal to the DOTr of the finding of the SBMI that Petron was negligent and responsible for overloading the MT Solar I remained pending as of December 31, 2018.

Exposure: Considering the nature of this investigation, no potential liability exists for Petron at this point.

Relief sought: Reversal of the SBMI’s initial finding that Petron was liable for allegedly overloading the vessel.

Status: The matter was still pending with the DOTr as of December 31, 2018.

b. Rogelio Arsenal, Jr., et al. v. SMDC, Petron, et al.
Civil Case No. 09-0394;
RTC Br. 65, Jordan, Guimaras

Oliver S. Chavez, et al. v. SMDC, Petron, et al.
Civil Case No. 09-0395;
RTC Br. 65, Jordan, Guimaras

Background: These are complaints for damages filed on August 6, 2009 by a total of 1,063 plaintiffs who allegedly did not receive any payment from the defendants of their claims for damages arising from the oil spill due to the sinking of MT Solar 1 on August 11, 2006. Total claims for both cases amount to ₱291.9 million (₱286.4 million and ₱5.5 m). The reception of plaintiffs’ evidence is on-going.

In the Arsenal case, respondents filed a motion to hear affirmative defenses based on lack of jurisdiction for non-payment of docket fees, prescription and lack of cause of action but it was denied. The respondents went to the CA on a petition for *certiorari*. The respondents filed with the CA a compliance with the resolution requiring submission of pleadings and orders. The complainants filed their comment on the petition and the respondents filed their reply to the said comment. On May 29, 2014, the CA rendered a decision directing the plaintiffs to file their respective affidavits substantiating their claims of indigency. The plaintiffs filed a motion for partial reconsideration of the decision which was denied by the CA on January 30, 2015.

In the Chavez case, the respondents likewise filed the same motion based on the same grounds. The lower court also denied the motion so the respondents went to the CA on a petition for *certiorari*. The CA dismissed the petition for failing to attach the necessary pleadings and orders.

Status: Both the Arsenal and Chavez cases have been remanded to and are now pending with the trial courts.

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"Part II - Securities of the Registrant" follows on next page]*

PART II - SECURITIES OF THE REGISTRANT

(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market Information and Voting Rights of Shares

The common and preferred shares of Petron are traded at the PSE.

Each common share is entitled to one vote.

Preferred shareholders have no voting rights except under instances provided under the Corporation Code (and effective February 23, 2019, under the Revised Corporation Code), including, but not limited to, the following cases: (i) amendment of the articles of incorporation or the by-laws of the Company (the "Company's Articles" and the "Company's By-laws," respectively), (ii) the extension or shortening of Petron's corporate term, (iii) a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets of Petron, (iv) increasing or decreasing capital stock, or (v) a merger or consolidation involving Petron.

As of February 28, 2019, the Company had approximately 145,816 stockholders. As of December 31, 2018, the total number of stockholders of the Company was about 145,961.

Common Shares

The price of the common shares as of February 28, 2019, the last trading day for the shares for the month, was ₱6.67 per share. The price of the common shares as of December 28, 2018, the last trading day of 2018, was ₱7.71 per share. And the price of the common shares of the Company on December 29, 2017, the last trading day of 2017, was ₱9.17 per share.

The high and low prices of the common shares for each quarter of the last two (2) fiscal years and for the period ended February 28, 2019 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2019				
For period ended February 28, 2019	7.89	January 11	6.60	February 15 and 18
2018				
1 st Quarter	9.80	February 2	8.68	March 23
2nd Quarter	9.62	May 15	8.72	June 22
3rd Quarter	9.15	August 8 and 16; September 21	8.60	July 13
4th Quarter	8.69	October 3	7.66	November 19

2017				
1 st Quarter	10.30	January 5	8.57	March 10
2nd Quarter	11.26	May 30	8.62	April 3 & 6
3rd Quarter	10.68	September 18	9.35	August 2
4th Quarter	10.46	October 3	9.16	November 24

Preferred Shares

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

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

The price of the Series 2A Preferred Shares as of February 26, 2019 the last day the shares were traded for the month, was ₱971.00 per share. The price of the Series 2A Preferred Shares as of December 27, 2018, the last trading day of the shares during the year, was ₱980.00 per share. And the price of the Series 2A Preferred Shares as of December 28, 2017, the last trading day of the shares during the year, was ₱1,060.00 per share.

The high and low prices of the Series 2A preferred shares for each quarter of the last two (2) fiscal years and for the period ended February 28, 2019 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2019				
For period ended February 28, 2019	999. 50	January 10, 11, 21, 22,23, 24 & 25	962.00	February 4
2018				
1 st Quarter	1,070.00	January 10 & 11	1,034.00	February 21, 27 & 28; March 5, 7, 14 & 20
2nd Quarter	1,050.00	April 2, 3 & 4	1,020.00	April 30; March 11 & 18
3rd Quarter	1,045.00	August 8	1,000.00	September 16-20
4th Quarter	1,010.00	October 4, 5, 8, 9, 10, 11 & 15-19	932.00	November 4 & 5

2017				
1 st Quarter	1,089.00	March 15	1,045.00	January 9 & 17; February 20 & 24
2nd Quarter	1,075.00	Apr 3, 4, 5, 6, 7, 10, 11, 12, 17, 18, 19 & 20	1,020.00	June 21
3rd Quarter	1,090.00	September 22	1,030.00	July 3&7
4th Quarter	1,070.00	October 3, 4 & 10	1,049.00	November 7, 13, 16, 17, 21, 22, 23, & 24; December 1, 11 & 27

Series 2B Preferred Shares

The price of the Series 2B Preferred Shares as of February 27, 2019, the last day the shares were traded for the month, was ₱1,000.00 per share. The price of the Series 2B Preferred Shares on December 28, 2018, the last day of 2018 the shares were traded, was ₱1,490.00. The price of the Series 2B Preferred Shares on December 28, 2017, the last day of 2017 the shares were traded, was ₱1,140.00.

The high and low prices of the Series 2A preferred shares for each quarter of the last two (2) fiscal years and for the period ended February 28, 2019 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2019				
For period ended February 28, 2019	1,490.00	January 2	990.00	January 3 & 4
2018				
1 st Quarter	1,175.00	February 12	1,066.00	March 23
2nd Quarter	1,164.00	April 2	1,000.00	June 22
3rd Quarter	1,074.00	July 2 & 3	1,010.00	September 11-26
4th Quarter	1,490.00	December 28	950.00	November 26 & 27
2017				
1 st Quarter	1,180.00	January 23 & 26	1,096.00	February 21 & 24
2nd Quarter	1,150.00	April 26	1,000.00	May 10
3rd Quarter	1,129.00	July 7	1,100.00	July 10, 11, 13 & 21
4th Quarter	1,175.00	October 2&3	1,140.00	November 9; December 18, 21 & 28

(2) Holders

The lists of the top 20 stockholders of the common shares and preferred shares of the Company as of December 31, 2018 are set out below.

Common Shares

RANK	STOCKHOLDER NAME	Common	TOTAL SHARES	%
1	SEA REFINERY CORPORATION	4,696,885,564	4,696,885,564	51.000000 %
2	PCD NOMINEE CORP. (FILIPINO)	1,746,778,892	1,746,778,892	18.637500 %
3	SAN MIGUEL CORPORATION	1,702,870,560	1,702,870,560	18.163750 %
4	PCD NOMINEE CORP. (NON-FILIPINO)	401,140,045	401,140,045	4.278779 %
5	PETRON CORPORATION EMPLOYEES RETIREMENT PLAN	378,818,699	378,818,699	4.040688 %
6	F. YAP SECURITIES INC.	12,704,918	12,704,918	0.135518 %
7	ERNESTO CHUA CHIACO &/OR MARGARET SY CHUA CHIACO	6,000,000	6,000,000	0.063999 %
8	SYSMART CORP.	4,000,000	4,000,000	0.042666 %
9	MARGARET S. CHUACHIACO	3,900,000	3,900,000	0.041600 %
10	RAUL TOMAS CONCEPCION	3,504,000	3,504,000	0.037376 %
11	GENEVIEVE S. CHUACHIACO	2,735,000	2,735,000	0.029173 %
12	ERNESSON S. CHUACHIACO	2,732,000	2,732,000	0.029141 %
13	Q - TECH ALLIANCE HOLDINGS, INC.	2,648,500	2,648,500	0.028250 %
14	GENEVIEVE S. CHUA CHIACO	2,490,000	2,490,000	0.026560 %
15	BENEDICT CHUA CHIACO	2,365,000	2,365,000	0.025226 %
16	ANTHONY CHUA CHIACO	2,008,000	2,008,000	0.021418 %
17	SHAHRAH RAHMANIFARD	2,000,000	2,000,000	0.021333 %
18	KRISTINE CHUA CHIACO	1,956,000	1,956,000	0.020864 %
19	CHING HAI GO &/OR MARTINA GO	1,500,000	1,500,000	0.016000 %
20	ERNESSON S. CHUA CHIACO	1,450,000	1,450,000	0.015466 %
		8,978,487,178	8,978,487,178	95.769462 %
TOTAL NO. OF SHARES :		9,375,104,497		

Preferred 2A Shares

RANK	STOCKHOLDER NAME	Preferred 2-A	TOTAL	O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	6,326,795	6,326,795	88.830536 %
2	SAN MIGUEL CORPORATION RETIREMENT PLAN-FIP	400,000	400,000	5.616148 %
3	SAN MIGUEL BREWERY INC. RETIREMENT PLAN	200,000	200,000	2.808074 %
4	SAN MIGUEL CORPORATION RETIREMENT PLAN - STP	60,000	60,000	0.842422 %
5	SAN MIGUEL FOODS INC. RETIREMENT PLAN	50,000	50,000	0.702018 %
6	SAN MIGUEL YAMAMURA PACKAGING CORP. RETIREMENT PLAN	40,470	40,470	0.568214 %
7	PCD NOMINEE CORPORATION (NON-FILIPINO)	33,785	33,785	0.474354 %
8	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS., INC.	3,200	3,200	0.044929 %
9	SYLVIA LOPEZ ALEJANDRO	1,000	1,000	0.014040 %
10	BCS REALTY HOLDINGS & DEVELOPMENT CORPORATION	1,000	1,000	0.014040 %
11	ZENAIDA M. POSTRADO OR RENATO POSTRADO	1,000	1,000	0.014040 %
12	SAMUEL L. SANTOS OR MA. PAULINA ISABEL P. SANTOS	750	750	0.010530 %
13	IRMA T. SAN JUAN	500	500	0.007020 %
14	STA. MARIA DELLA STRADA PARISH GARDEN SANCTUARY	420	420	0.005897 %
15	AGNES L BANIQUED	300	300	0.004212 %
16	EVELYN A GESMUNDO OR DOMINADOR A. GESMUNDO JR.	300	300	0.004212 %
17	RAFAEL C. BUENO, JR.	300	300	0.004212 %
18	ALFRITO D. MAH OR AGUEDA G. MAH	300	300	0.004212 %
19	ARNEL JOSE S. BANAS OR RUFINA S. ELCANO OR MELIZA B. ZULUETA	150	150	0.002106 %
20	MA. TERESA L. YUSINGCO	150	150	0.002106 %
		7,120,420	7,120,420	99.973323 %
TOTAL NO. OF SHARES :		7,122,320		

Preferred 2B Shares

RANK	STOCKHOLDER NAME	Preferred 2-B	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	2,755,415	2,755,415	95.751265 %
2	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS., INC.	45,440	45,440	1.579050 %
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	22,910	22,910	0.796127 %
4	MARCELINO R. TEODORO	12,500	12,500	0.434378 %
5	FIRST LIFE FINANCIAL CO., INC.	7,000	7,000	0.243252 %
6	BEN TIUK SY OR JUDY Y. SY	6,400	6,400	0.222401 %
7	REYNALDO GARCIA ALEJANDRO &/OR SYLVIA L. ALEJANDRO	5,000	5,000	0.173751 %
8	ALEXANDER T. SOLIS &/OR GINA T. SINFUEGO	5,000	5,000	0.173751 %
9	FRANCISCO S. ALEJO &/OR CYNTHIA ALEJO &/OR ANNA MELISSA A. ACOP	3,000	3,000	0.104251 %
10	ANTONIO T. CHUA	2,500	2,500	0.086876 %
11	ENRIQUE DELA LLANA YUSINGCO	2,000	2,000	0.069500 %
12	JUSTINIANO B. PANAMBO, JR.	1,920	1,920	0.066720 %
13	FELIX B. CHAVEZ &/OR AIDA T. CHAVEZ OR IRENE T. CHAVEZ	1,500	1,500	0.052125 %
14	DEWEY T. TAN	1,000	1,000	0.034750 %
15	ROMEO V. JACINTO	1,000	1,000	0.034750 %
16	ZENAIDA M. POSTRADO OR RENATO POSTRADO	1,000	1,000	0.034750 %
17	EVELYN A GESMUNDO OR DOMINADOR A. GESMUNDO JR.	720	720	0.025020 %
18	RONNE T. SY SU OR CHADWICK C. SY SU	700	700	0.024325 %
19	ROBERTO D. DE LEON	650	650	0.022588 %
20	CONCHITA GO TENG OR CHLOE LOUISE C. SAY	350	350	0.012163 %
		2,876,005	2,876,005	99.941793 %
TOTAL NO. OF SHARES :		2,877,680		

(3) Dividends

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

The Company pays out its dividends on common shares within 30 days after the declaration, to the extent practicable.

On November 3, 2014, the Company issued 7,122,320 Series 2A Preferred Shares and 2,877,680 Series 2B Preferred Shares. The dividend on the Series 2A Preferred Shares is at the fixed rate of 6.30% per annum and on the Series 2B Preferred Shares at the fixed rate of 6.8583% per annum, each as calculated based on the offer price of ₱1,000 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 2 Shares in February 2015 since their listing in November 2014.

Dividend Declarations and Payments

2018

On March 13, 2018, the Board of Directors approved a cash dividend of ₱0.15 per share to common shareholders as of the March 27, 2018 record date with a pay-out date of April 18, 2018.

On the same date, the Board of Directors also approved cash dividends of (i) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares for the second and third quarters of 2018 with record dates of April 12, 2018 and July 16, 2018, respectively, and pay-out dates of May 3, 2018 and August 3, 2018, respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second and third quarters of 2018 record dates of April 12, 2018 and July 16, 2018, respectively, and pay-out dates of May 3, 2018 and August 3, 2018, respectively.

On August 7, 2018, the Board of Directors approved cash dividends of (i) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares for the fourth quarter of 2018 and the first quarter of 2019 with record dates of October 10, 2018 and January 11, 2019, respectively, and pay-out dates of November 5, 2018 (with November 3, 2018 being a Saturday) and February 4, 2019 (with February 3, 2018 being a Sunday), respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2018 and the first quarter of 2019 also with record dates of October 10, 2018 and January 11, 2019, respectively, and pay-out dates of November 5, 2018 and February 4, 2019, respectively.

2017

On March 14, 2017, the Board of Directors approved a cash dividend of ₱0.10 per share to common shareholders as of the March 28, 2017 record date with a pay-out date of April 12, 2017.

On the same date, the Board of Directors also approved cash dividends of (i) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares for the second and third quarters of 2017 with record dates of April 12, 2017 and July 18, 2017, respectively, and pay-out dates of May 3, 2017 and August 3, 2017, respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second and third quarters of 2017 record dates of April 12, 2017 and July 18, 2017, respectively, and pay-out dates of May 3, 2017 and August 3, 2017, respectively.

On August 8, 2017, the Board of Directors approved cash dividends of (i) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares for the fourth quarter of 2017 and the first quarter of 2018 with record dates of October 16, 2017 and January 16, 2018, respectively, and pay-out dates of November 3, 2017 and February 5, 2018, respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2017 and the first quarter of 2018 also with record dates of October 16, 2017 and January 16, 2018, respectively, and pay-out dates of November 3, 2017 and February 5, 2018, respectively.

Distributions

Under the terms and conditions of the undated unsubordinated capital securities issued by the Company on January 19, 2018 (collectively, the “Capital Securities”), more particularly described below in *“Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction”*, the Company cannot declare dividends on any Junior Securities (as defined thereunder), which include the common shares of the Company, or (except on a *pro rata* basis) on any Parity Securities (as defined thereunder), which include the outstanding preferred shares of the Company, in case the payment of all distributions scheduled to be made on the Capital Securities is not made in full by reason of the Company deferring such distributions in accordance with the terms of the Capital Securities.

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

Under the Securities and Regulation Code (the “Code”), securities are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are approved for registration by the SEC or are otherwise exempt securities under Section 9 of the Code or sold pursuant to an exempt transaction under Section 10 of the Code.

The securities discussed below were offered and/or sold for the past three (3) years (from 2016) in the Philippines to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers and/or to any number of qualified buyers as defined in the Code. Thus, the offer and sale of the subject securities qualified as exempt transactions pursuant to Sections 10.1 (k) and 10.1(l) of the Code. A confirmation of exemption from the SEC that the offer and sale of the securities in the Philippines qualified as an exempt transaction under the Code was not required to be, and had not been, obtained. In compliance with existing rules, no notice of exemption was filed after the issuance below which qualified as an exempt transaction.

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

US\$500 Million Undated Unsubordinated Capital Securities

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

(B) Description of Petron’s Shares

The Company’s capital stock consists of common shares and preferred shares, all with a par value of ₱1.00 per share.

As of the date of this Annual Report, the outstanding capital stock of the Company is comprised of 9,375,104,497 common shares, 7,122,320 Series 2A Preferred Shares and 2,877,680 Series 2B Preferred Shares. The 100 million PPREF Shares issued by the Company in 2010 were redeemed on March 5, 2015 pursuant to the approval by the Board of Directors on November 7, 2014 and delisted by the PSE on March 6, 2015 consistent with the practice of the PSE in relation to redeemed shares that are not re-issuable at the time of redemption under the issuing company’s articles of incorporation.

The articles of incorporation of Petron were amended effective July 6, 2015 with the addition of a re-issuability feature for all of Petron's preferred shares (including its treasury shares).

The Series 2 Preferred Shares, with an aggregate issue value of ₱10 billion, were offered during the period October 20-24, 2014 pursuant to the order of registration and the permit to sell issued by the SEC on October 17, 2014. The Series 2 Preferred Shares were issued and listed on the PSE on November 3, 2014.

Each common share is entitled to one vote.

Preferred shareholders have no voting rights except under instances provided under the Corporation Code, including, but not limited to, the following cases: (i) amendment of the Company's Articles or the Company's By-laws, (ii) the extension or shortening of Petron's corporate term, (iii) a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets of Petron, (iv) increasing or decreasing capital stock, or (v) a merger or consolidation involving Petron.

(C) Stock Ownership Plan

Petron currently does not have a stock ownership plan or program. In 1994, when Petron's initial public offering was undertaken, a special secondary sale of Petron's shares was offered to its employees. The entitlement of shares at the listing price of ₱9.00 per share was made equivalent to the employee's base pay factored by his/her service years with Petron. Petron's executive officers, except the Chairman, the President and the Vice President for Corporate Planning, were entitled to own Petron shares under this stock ownership plan. Preparatory to the listing of the Company's preferred shares, availment of said shares was offered to employees from February 15 to 19, 2010.

(D) Public Ownership

Based on the report provided by SMC Stock Transfer Services Corporation, the stock transfer agent of the Company, 26.73% of the outstanding common shares of the Company was owned by the public as of December 31, 2018 in compliance with the minimum public ownership set by the PSE and the SEC. Attached as Annex A is the public ownership report of the Company as of December 31, 2018.

*[Rest of page intentionally left blank;
"Part III - Management's Discussion and Analysis of Financial Position
and Financial Performance" follows on next page]*

PART III - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Results of Operations

2018 vs. 2017

The Company posted a 50% drop in its consolidated net income to **₱ 7.07 billion** following a sustained decline in global crude prices that resulted in significant inventory holding losses during the last two months of 2018.

Consolidated Sales volume stood at **108.50 million barrels (MMB)**, slightly better than 107.76 MMB in 2017 primarily due to the growth in Malaysian operations, with its presence in the retail segment continued to gain momentum as it expands its service station network amid aggressive marketing initiatives. In the Philippines, incremental volume was contributed by gasoline, polypropylene, kerojet and LPG.

Net sales rose by 28% to **₱ 557.39 billion** from ₱ 434.62 billion in previous year largely due to the hike in selling prices at the back of higher regional prices of finished petroleum products coupled by the additional excise tax with the implementation of the first tranche of TRAIN law and the ₱ 2.27 average depreciation of the peso against the US dollar.

Cost of Goods Sold (CGS) went up by 33% or ₱ 130.86 billion to **₱ 522.82 billion** brought about by the escalation in price of benchmark Dubai crude oil which averaged US\$69.42/barrel versus US\$53.17/barrel average in 2017 as well as the additional excise tax due to TRAIN law.

The decline in **Gross Margin** from ₱ 42.66 billion to **₱ 34.56 billion** was primarily due to the unanticipated US\$22/barrel drop of Dubai crude prices which peaked at US\$79.39/barrel in October before sharply falling to US\$57.32/barrel in December, thus, resulting in significant inventory holding losses. The Company was also hit by the reduced product cracks prevailing in the region as well as higher crude premium.

Selling and Administrative Expenses (OPEX) grew to **₱ 15.64 billion**, 4% or ₱ 624 million more than previous year traced to higher terminalling fees as well as increases in non-cash items such as depreciation and provision for bad debts partly tempered by lower advertising expenses.

Net Financing Costs and Other Charges slipped by 4%, from ₱ 8.80 billion in previous year to **₱ 8.47 billion in 2018**. The favorable variance was due to the marked-to-market gain (MTM) on outstanding commodity hedges as against loss recognized in 2017 and absence of debt issue costs written-off last year related to the pre-termination of US dollar-denominated loans. However, these were partly offset by higher interest expense and bank charges as well as the absence of gains on asset disposals.

Income tax expense dipped by 29% to **₱ 3.39 billion** from previous year's ₱ 4.76 billion on account of lower pre-tax income, tempered by the tax on dividends received from foreign subsidiaries.

2017 vs. 2016

2017 marked another milestone for Petron Corporation as it posted record high **consolidated net income** of **₱ 14.09 billion**, 30% or **₱ 3.27 billion** higher than previous year's **₱ 10.82 billion** earnings. The company's deliberate thrust to sell higher margin fuels and petrochemicals sourced from its own production and focus to more profitable market segments drove its growth complemented by the strong performance of its Malaysian (PM) operations.

Consolidated Sales volume grew by 2% to **107.76 million barrels (MMB)** from 105.70 MMB in 2016 mainly driven by its PM operations. The Company's operations both in the Philippines and Malaysia continued to grow as its network of service stations increased during the year, further strengthening its presence in the Retail segment. Meanwhile, greater participation in the aviation sector was offset by reduced involvement in the less profitable market segments. On a per product basis, with the exception of Diesel and LPG, sales volume of all products went up led by gasoline and kero/jet.

Net sales surged by 26% or **₱ 90.78 billion** to **₱ 434.62 billion** due to the escalation in selling prices driven by the strengthening regional market prices of finished petroleum products. This was further boosted by the **₱ 2.90** average depreciation of the peso against the US dollar.

Cost of Goods Sold (CGS) rose by 28% to **₱ 391.97 billion** from previous year's **₱ 306.13 billion** prompted by the increase in cost per liter as Dubai crude price averaged US\$53.17/barrel compared to US\$41.27/barrel in 2016. The effect of higher refining cracks coupled by the savings from power cost contributed to the improvement in margin, partly negated by the decline in net inventory gain realized in 2017.

Selling and Administrative Expenses (OPEX) of **₱ 15.02 billion** went up by 8% or **₱ 1.10 billion** owing to the increase in service stations' related expenses, rental of additional storage tanks, higher maintenance and repairs as well as IT-related expenses.

Net Financing Costs and Other Charges slid to **₱ 8.80 billion** from **₱ 9.42 billion** in 2016 largely due to non-recurring gains from the compulsory divestment of service stations that were acquired by the Malaysian government, net forex/hedging gain vs. loss in 2016, decrease in bank charges and lower marked-to-market (MTM) losses on outstanding commodity hedges. Favorable variances were partly offset by higher interest expense and the full amortization of debt issue costs related to the pre-terminated US dollar-denominated loans in June 2017.

Income tax expense climbed by 34% to **₱ 4.75 billion** from previous year's **₱ 3.56 billion** on account of higher pre-tax income.

2016 vs 2015

Petron Corporation sustained strong performance in 2016 with a **consolidated net income** of **₱ 10.82 billion**, 73% or **₱ 4.55 billion** higher than previous year's **₱ 6.27 billion** earnings. The company's improved results was driven by the growth in sales volume, operational efficiency coupled with increased production run resulting in better yields, as well as effective risk management. 2016 also marked the start of RMP2's commercial operations which resulted in the production of higher valued products and the benefit of processing cheaper crudes. However, thinner refining cracks partly toned down the company's margin.

Consolidated Sales volume increased by 6% to a record high of **105.70 million barrels (MMB)** from 99.1 MMB in 2015 with the 7% upsurge from both the Petron Philippine (PP) and Malaysian (PM) operations. The growth was attributable from aggressive service station network expansion, various marketing initiatives and greater participation in key industries such as power generation and aviation. Both markets saw solid growths across key segments such as Reseller, Industrial, LPG and Lubricants. Except for Fuel oil and Naphtha, all products registered volume improvements lead by gasoline and diesel sales.

Net sales declined by 5% or **₱ 16.34 billion** to **₱ 343.84 billion** due to lower average selling prices. The reference market prices of finished products in the region weakened along with the relatively lower crude oil prices in 2016. The benchmark Dubai crude averaged US\$41.27/barrel in 2016, 19% lower than full year 2015 average of US\$50.91/barrel. Meanwhile, the drop in prices was tempered by the **₱ 2.00** average depreciation of the peso vis a vis the US dollar. The effect of lower selling prices was partially offset by the additional revenue from higher sales volume.

Cost of Goods Sold (CGS) dipped more by 7% to **₱ 306.13 billion** from previous year's **₱ 328.73 billion** prompted by lower cost of crude and imported finished products partially countered by the cost of incremental volume sold. The effect of lower product cracks in 2016 was negated by the net inventory gains realized during 2016, a turnaround from the net inventory loss reported in the previous year.

Selling and Administrative Expenses (OPEX) of **₱ 13.92 billion** increased by 5% or **₱ 608 million** traced to higher service stations' related expenses, warehousing and terminalling fees and accrual of retirement benefits.

Net Financing Costs and Other Charges went up to **₱ 9.42 billion** from **₱ 8.21 billion** in 2015 largely due to the absence of capitalized interest from RMP2 project financing. The increase in interest expense was tempered by lower marked-to-market (MTM) losses on outstanding commodity hedge positions, reduced swap costs on foreign currency hedges and lower bank charges.

Despite the increase in income before income tax, **Income tax expense** dropped by 3% to **₱ 3.56 billion** from previous year's **₱ 3.66 billion** upon the availment of the income tax holiday incentive of RMP2.

Financial Position

2018 vs 2017

Petron's consolidated assets as of December 31, 2018 grew 6% (**₱ 20.12 billion**) to **₱ 358.15 billion**, from end-December 2017 level of **₱ 338.03 billion** mainly contributed by higher working capital.

Financial assets at fair value went up from **₱ 336 million** to **₱ 1.13 billion** on account of higher MTM gains on outstanding commodity hedges.

Investment in debt instruments (current and non-current) amounted to **₱ 378 million**, 29% lower than the **₱ 531 million** balance as of end 2017 with the maturity of investment in corporate bonds.

Trade and other receivables - net increased by 11% from **₱ 38.16 billion** to **₱ 42.50 billion** reflecting the increase in fuel prices from a year ago and delayed collection of receivables from the Malaysian government.

Inventories - net surged to **₱ 63.87 billion**, 13% or **₱ 7.27 billion** more than the **₱ 56.60 billion** at end 2017 due to higher volume and prices of finished products.

Other current assets escalated from **₱ 33.18 billion** to **₱ 37.08 billion** on account of higher input VAT and prepaid taxes.

Property, plant and equipment - net dipped by 8% or ₱ 13.71 billion to **₱ 163.98 billion**. Capital expenditures for the refinery, depots and service stations, net of depreciation and disposals during the year was more than offset with the reclassification of leased-out assets that primarily comprised the **₱ 16.54 billion Investment Property**.

Deferred tax assets - net increased from ₱ 207 million to **₱ 257 million** owing to the additional Net Operating Loss Carry-Over (NOLCO) of a subsidiary in Malaysia.

Other noncurrent assets - net climbed to **₱ 6.49 billion**, 9% or ₱ 526 million above the December 2017 level of ₱ 5.96 billion due to higher prepaid rent and the fair value of long-term derivative instruments.

Short-term loans surged to **₱ 83.00 billion** from ₱ 69.58 billion a year ago as additional funds were sourced to support the increase in working capital requirements given higher cost of inventories and receivables.

Liabilities for crude oil and petroleum products dropped by 30% from ₱ 36.92 billion to **₱ 25.99 billion** essentially due to lower volume of crude purchases outstanding as at year-end.

Trade and other payables increased to **₱ 28.47 billion** from ₱ 11.60 billion largely liabilities to various contractors and suppliers.

Derivative liabilities slid to **₱ 614 million** from ₱ 1.79 billion level in December 2017 owing to lower MTM loss on outstanding commodity hedges.

Income tax payable fell to ₱ 146 million from **₱ 808 million** due mainly to Petron Malaysia's lower taxable income in 2018.

Long-term debt (including current portion) went up from ₱ 101.71 billion to **₱ 118.00 billion** with the Parent Company's issuance of ₱ 20.00 billion retail bonds in October 2018.

Retirement benefits liability declined to **₱ 2.43 billion** from ₱ 4.89 billion primarily on account of the partial conversion of the Company's advances to the Retirement plan into contribution as well as the actual contribution made during the year.

Deferred tax liabilities amounted to **₱ 8.45 billion**, 14% higher than the ₱ 7.40 billion level a year ago largely due to the temporary differences arising from the accelerated method of depreciation used for tax reporting purposes.

Asset retirement obligation grew by 34% to **₱ 3.59 billion** from ₱ 2.68 billion attributed to the change in discount rate and lease term of existing leases.

Other noncurrent liabilities increased by 23% to **₱ 1.27 billion** mainly due to the premium costs of derivative instruments and higher cash bond from customers.

Capital Securities decreased by 19% to **₱ 24.88 billion** traced to the redemption of the US\$750 million Undated Subordinated Capital Securities (USCS) partly offset by the issuance of the US\$500 million Senior Perpetual Capital Securities (SPCS).

The negative balance of **Equity reserves** increased to **₱ 14.03 billion** from ₱ 5.17 billion due to currency translation loss on the redemption of USCS, partly tempered by the currency translation gains on investments in foreign subsidiaries as a result of the strengthening of the US dollar versus the Philippine peso.

Non-controlling interests rose by 12% to **₱ 6.71 billion** from the **₱ 5.96 billion** as of end of 2017 corresponding to its proportionate share in net income for the year, net of cash dividends declared to minority shareholders and currency translation adjustment.

2017 vs 2016

The **consolidated assets** of Petron amounted to **₱ 338.03 billion** by the end of 2017, **6% or ₱ 19.14 billion higher** than end-December 2016 balance of **₱ 318.89 billion** mainly due to the increases in inventories and trade receivables.

Financial assets at fair value through profit or loss climbed to **₱ 336 million** from **₱ 221 million** on account of higher MTM gains on outstanding commodity hedges.

Trade and other receivables - net surged to **₱ 38.16 billion**, **21% or ₱ 6.61 billion higher** than end-2016 level of **₱ 31.55 billion** due to the increase in fuel prices.

Inventories - net substantially increased by **28% or ₱ 12.46 billion** to **₱ 56.60 billion** from **₱ 44.15** a year ago brought about by the escalation in cost of crude and finished products due to the strengthening of prices towards end 2017.

Available-for-sale financial assets (current and non-current) went up to **₱ 531 million** from **₱ 479 million** due mainly to Insurance subsidiaries' additional investment in government securities.

On October 30, 2017, the Parent Company consummated the sale of its shares in Manila North Harbour Port Inc. (MNHPI) presented under **Investment in shares of stock of an associate** as of end 2016. The remaining unsold shares amounting to **₱ 9 million** was presented as **Asset held for sale** (included in the Other current asset) as of December 31, 2017.

Investment property - net was reduced to **₱ 75 million** from end-December 2016 level of **₱ 91 million** with the disposal of a parcel of land by a real estate subsidiary.

Deferred tax assets - net which mainly pertains to PM, increased by 7% or **₱ 13 million** to **₱ 207 million** mainly due to the appreciation of the Ringgit versus the US dollar.

Goodwill - net accumulated to **₱ 8.28 billion** from **₱ 7.48 billion** resulting from currency translation gain of PM's goodwill with the appreciation of the Ringgit versus the US dollar.

Other noncurrent assets - net fell from **₱ 6.42 billion** to **₱ 5.96 billion** mainly due to the amortization of catalysts and deferred input vat.

Short-term loans declined to **₱ 69.58 billion** from **₱ 90.37 billion** as the Parent Company's payment exceeded the availment coupled by PM's full settlement of its short-term loans.

Liabilities for crude and petroleum products grew by 23% (**₱ 6.95 billion**) to **₱ 36.92 billion** driven by higher prices of outstanding crude and product purchases.

Trade and other payables dropped by 28% from **₱ 16.16 billion** to **₱ 11.60 billion** mainly due to the settlement of various payables to a related party, contractors and suppliers.

Derivative liabilities grew more than double from **₱ 778 million** to **₱ 1.79 billion** attributed to the increase in MTM losses on outstanding commodity hedges.

Long-term debt (including current portion) increased to **₱ 101.71 billion** from end-2016's balance of **₱ 79.85 billion** owing to the Parent Company's availment of additional loan facilities partly offset by the full settlement of PM's loans.

Income tax payable increased from **₱ 626 million** to **₱ 808 million** owing to PM's higher taxable income.

Retirement benefits liability went up by 47% or **₱ 1.57 billion** to **₱ 4.89 billion** due to the re-measurement losses on plan assets.

Deferred tax liabilities - net rose by 29% from **₱ 5.73 billion** to **₱ 7.40 billion** brought about by the foreign exchange losses realized upon the pre-termination of certain dollar loans coupled by the increase in temporary differences arising from the accelerated depreciation method on fixed assets for tax purpose.

Asset retirement obligation increased to **₱ 2.68 billion** from **₱ 2.32 billion** on account of the recorded accretion expense during the period and the recognition of additional provision for new facilities.

Other noncurrent liabilities amounted to **₱ 1.04 billion**, up by 8% from end-2016 level due to higher LPG cylinder deposit.

Retained earnings (attributable to the Parent Company) grew by 17% or **₱ 7.13 billion** to **₱ 49.14 billion** emanating from the **₱ 12.74 billion** share in net profit recorded during the year, partly reduced by the cash dividends declared and distributions paid of **₱ 5.61 billion**.

The negative balance of **Equity reserves** decreased by 28% or **₱ 2.03 billion** to **₱ 5.17 billion** due to the currency translation gains on investments in foreign operations brought about by the strengthening of the US dollar versus the Philippine peso.

Non-controlling interests increased by 38% to **₱ 5.96 billion** from the **₱ 4.33 billion** as of December 31, 2016 due to the share in net income and currency translation adjustment, reduced by cash dividends paid to minority shareholders.

2016 vs 2015

As of end 2016, **Petron's consolidated assets** grew by 8% or **₱ 24.63 billion** to **₱ 318.89 billion** from previous year's **₱ 294.27 billion** due to additional fixed assets acquired during the year and higher inventories.

Cash and cash equivalents was reduced by 8% (**₱ 1.55 billion**) to close at **₱ 17.33 billion** as funds generated from operations were used to pay both short and long-term loans, interest, dividends and distributions and capital investments.

Financial assets at fair value through profit or loss dropped from **₱ 509 million** to **₱ 221 million**, or by 57% attributed to lower marked-to-market (MTM) gains on outstanding commodity hedges.

The value of **Inventories - net**, grew to **₱ 44.15 billion** from end-2015's **₱ 30.82 billion** due to higher volume and cost of crude oil and finished products by end 2016.

Other current assets decreased by 6% or **₱ 2.03 billion** to **₱ 32.50 billion**, with the utilization of the Parent Company's value-added tax credit certificates in payment of taxes.

Available-for-sale financial assets (current and non-current) of **₱ 479 million** ended lower by 23% than previous year's **₱ 621 million** traced mainly to the maturity of investment in corporate bonds held by an insurance subsidiary.

Property, plant and equipment - net stood at **₱ 176.60 billion**, 9% or **₱ 15.00 billion** more than the **₱ 161.60 billion** level as of end-2015 brought about by the acquisition of the 140-megawatt solid fuel-fired power plant.

The sale of a parcel of land by a real estate subsidiary resulted in the decline in **Investment property - net** from **₱ 112 million** to **₱ 91 million** as of end-2016.

Deferred tax assets decreased by 8% or **₱ 17 million** to **₱ 194 million** essentially on account of Petron Malaysia's (PM) lower deductible temporary differences.

Other noncurrent assets - net fell to **₱ 6.42 billion** from **₱ 6.73 billion** in 2015 primarily due to the collection of advances to Petron Corporation Employee Retirement Plan and amortization of catalysts, prepayments and intangibles, tempered by the recognition of the power plant's deferred input tax.

Short-term loans were lower by 9% or **₱ 9.11 billion** from **₱ 99.48 billion** to **₱ 90.37 billion** with the net payment of loans during the year.

Liabilities for crude oil and petroleum products increased to **₱ 29.97 billion** from **₱ 16.27 billion**, or by 84% on account of higher volume and cost of crude oil and finished products as of end 2016.

Trade and other payables significantly increased by **₱ 6.81 billion** to **₱ 16.16 billion** due to outstanding payables to contractors and suppliers.

Derivative liabilities moved up to **₱ 778 million** or by **₱ 175 million** chiefly due to the increase in MTM commodity hedging losses partly offset by the decline in MTM losses on currency hedges.

Income tax payable ballooned from **₱ 183 million** to **₱ 626 million** due to PM's higher taxes payable on reported taxable earnings in 2016.

Long-term debt - net (including current portion) rose by 10% to **₱ 79.85 billion** with the issuance of the **₱ 20 billion** retail bonds in October 2016 partly offset by the repayment of existing loans.

Retirement benefits liability dipped by 40% (**₱ 2.19 billion**) to **₱ 3.32 billion** mainly caused by the recognition of re-measurement gains on plan assets.

Deferred tax liabilities surged by 23% from **₱ 4.64 billion** to **₱ 5.73 billion** prompted by the timing differences generated by the accelerated depreciation of the Parent company's RMP2 and the re-measurement gains on retirement plan assets as well as utilization of the minimum corporate income tax paid in previous years.

Asset retirement obligation amounted to **₱ 2.32 billion** and registered a 28% or **₱ 515 million** hike from end-December 2015 level on account of the additional provision for the refinery facilities.

Other noncurrent liabilities of **₱ 959 million** climbed by 6% driven by higher LPG cylinder deposits.

The negative balance of **Equity reserves** declined from **₱ 8.77 billion** to **₱ 7.20 billion** triggered by the re-measurement gains on plan assets.

Non-controlling interests (NCI) increased from **₱ 471 million** to **₱ 4.33 billion** essentially due to the reversal of the remaining NCI in foreign subsidiaries to the Parent Company.

Cash Flows

2018 vs 2017

Cash generated from the Company's internal operations of P 32.25 billion were partially used to finance the increase in working capital requirements and settlement of interests and taxes, netting to P 5.05 billion. Excess internally generated funds plus cash sourced from financing activities of P 5.95 billion were used to fund capital expenditure related to network expansion as well as various refinery and terminal projects amounting to P 11.14 billion. Cash position as of end 2018 stood at P 17.41 billion.

In Million Pesos	December 31, 2018	December 31, 2017	Change
Operating inflows	5,047	15,753	(10,706)
Investing outflows	(11,141)	(11,211)	70
Financing inflows (outflows)	5,949	(4,715)	10,664

2017 vs 2016

In 2017, the Company generated P 15.75 billion from its operating activities net of the increase in working capital requirements and payment of interest and taxes. Meantime, excess cash from operations together with the proceeds from sale of MNHPI shares and assets in Malaysia were used to finance various capital projects in the Refinery, terminals and service stations. Likewise, financing activities used up P 4.72 billion mostly to pay cash dividends and distributions.

2016 vs 2015

The Company's operation internally generated cash of P 37.06 billion was partly used to pay for interests and taxes, netting an inflow of P 29.27 billion. The excess cash from operations were used to fund the acquisition of additional property, plant and equipment, and for settling short-term and long-term loans, dividends and distributions. Net decrease in cash and cash equivalents during 2016 amounted to P 1.55 billion.

Discussion of the company's key performance indicators:

Ratio	December 31, 2018	December 31, 2017	December 31, 2016
Current Ratio	1.0	1.2	0.8
Debt to Equity Ratio	3.2	2.4	2.6
Return on Equity (%)	7.6	15.0	12.6
Interest Rate Coverage Ratio	2.1	3.2	2.9
Assets to Equity Ratio	4.2	3.4	3.6

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

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

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

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

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

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

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

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

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

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

Philippine Economy

Gross domestic product expanded year-on-year by 6.2% in 2018, the weakest in three years. The slowdown was mainly due to elevated price level and tighter financing conditions, dampening consumption. However, the Philippines is still one of the fastest growing economies in Asia, after India, Vietnam and China.

The peso weakened by 4.4% to average Php52.7/US\$ in 2018, from Php50.4/US\$ in 2017. Weakness in the Philippine peso was due to the country's widening trade deficit, US Federal interest rate hikes, and relatively weak inflow of remittances from overseas foreign workers.

Inflation averaged 5.2% in 2018, way higher than 2.9% in 2017, and above the 2018 inflation target range of the *Bangko Sentral ng Pilipinas* at 3 ± 1 percentage point. The accelerated inflation was due to the combined effects of peso depreciation, elevated global oil prices, and tighter supply of agricultural products such as rice.

Oil Market

Crude price benchmark, Dubai, averaged US\$69.40 per barrel ("BBL"), higher than 2017 average of US\$53.20/bbl. The increase in price was due to high compliance among Organization of the Petroleum Exporting Countries ("OPEC") and non-OPEC countries with production cut deals.

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

Tax Credit Certificates-Related Matters

In 1998, the BIR issued a deficiency excise tax assessment against the Company relating to the Company's use of P659 million worth of TCC to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to the Company by suppliers as payment for fuel purchases. The Company contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that, as a fuel supplier of BOI-registered companies, the Company was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the CA promulgated a decision in favor of the Company and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR for deficiency excise taxes in 1998 which assessment was based on a finding by the BIR that the TCCs used by the Company as payment were fraudulent. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CA in a resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. On June 17, 2013, the Company filed its comment on the petition for review filed by the BIR. The case was resolved in favor of the Company by the Supreme Court in a decision dated July 9, 2018. No motion for reconsideration was filed by the Commissioner of Internal Revenue in respect of the decision in favor of the Company.

Guimaras Oil Spill Incident

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

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims for both cases amount to P292 million. The cases were still pending as of December 31, 2018.

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

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

Seasonal aspects that has material effect on the financial statement

There were no seasonal items that have material effect on the financial statement.

All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

Financial Statements

The 2018 audited financial statements of Petron and its subsidiaries and the Statement of Management Responsibility are attached hereto as Annex C.

Audit and Audit-Related Fees

The Company paid its external auditor KPMG the fees set out below for 2018 and 2017:

	2018 (in Pesos)	2017 (in Pesos)
Audit fees for professional services - Annual Financial Statement ¹	7,000,000	6,819,400
Professional fees for due diligence and study on various internal projects	4,500,00	4,500,00
Professional fees for tax consulting services	-	-

¹ Audit fees are tax-exempt and exclusive of out-of-pocket expenses

In 2010, after the three (3)-year contract with its previous external auditor, the Company appointed KPMG, the external auditor of SMC. With a common external auditor, the consolidation of results of operations and account balances among the subsidiaries of SMC using a uniform audit approach was facilitated.

From 2010 to 2018, KPMG was found to have satisfactorily performed its duties as external auditor of the Company and was endorsed by the Audit Committee for the approval by the Board of Directors. The Board of Directors, finding the recommendation to be in order, endorsed the appointment of KPMG as external auditor for the approval of the stockholders during the annual stockholders' meeting for years 2011 to 2018. KPMG was appointed as external auditor by the stockholders at each such annual stockholders' meeting.

Mr. Darwin P. Virocel was first assigned by KPMG to lead the audit of the Company for its 2015 financial statements.

The Audit Committee endorsed the re-appointment of KPMG as external auditor for 2019. The Audit Committee also earlier endorsed the approval of the fees proposed by KPMG for the review of the financial statements of the Company and its subsidiaries for 2018. At its meetings held on March 12, 2019 and August 7, 2018, the Board of Directors, finding the recommendations to be in order, endorsed the re-appointment of KPMG as external auditor of the Company for 2019 and the approval of its fees for the 2018 audited financial statements, respectively, for the approval and ratification of the stockholders at the Annual Stockholders' Meeting.

With the engagement partner of KPMG assigned to the Company only beginning 2015, the Company is not yet subject to the rule on rotation for the signing partner every five (5) years under the 2015 SRC Rules in respect of its engagement of KPMG.

Set out below is the report of the Audit Committee for the year 2018.

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2018 Audit Committee Report follows on next page]*

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.

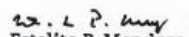
In the performance of our responsibilities, we report that in 2018:

- 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 2018;
- We reviewed with R.G. Manabat & Co./KPMG the scope and timing of their annual audit plan, audit methodology, and focus areas related to their review of the financial statements;
- We reviewed with R.G. Manabat & Co./KPMG, the audit observations and recommendations on the Company's internal controls and management's response to the issues raised;
- We reviewed with the Internal Audit Asst. Vice President the annual internal audit plan, approved the same, and satisfied ourselves on the independence of the internal audit function; and
- We reviewed on a quarterly basis Internal Audit's report on the adequacy and effectiveness of the internal control environment in the areas covered during the period.

The Board Audit Committee is satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2018.



Reynaldo G. David
Chairperson
Independent Director



Estelito P. Mendoza
Director



Artemio V. Panganiban
Independent Director



Aurora T. Calderon
Director



Margarito B. Teves
Independent Director

Commitments for Capital Expenditure

In 2018, Petron spent ₱7.6 billion in capital projects, ₱2.8 billion of which were spent for Petron Bataan Refinery-related projects, ₱2.2 billion for the construction of new lube oil blending processing plant and other depot projects, ₱2.0 billion for service station-related expenditures, and ₱0.6 billion for other commercial, maintenance and miscellaneous projects.

In 2017, Petron allocated ₱7.9 billion in capital projects, including ₱3.2 billion for the Petron Bataan Refinery turnaround and other refinery projects, ₱2.4 billion for the lube oil processing plant and other depot projects, ₱1.8 billion for service station-related expenditures, and ₱0.5 billion for other commercial, maintenance and miscellaneous projects.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

*[Rest of page intentionally left blank;
“Part IV - Management and Certain Security Holders” follows on next page]*

PART IV - MANAGEMENT AND CERTAIN SECURITY HOLDERS

(A) Directors, Executive Officers and Board Committees of the Registrant

(i) Director and Executive Officers

Listed below are the current directors and executive officers of the Company with their respective ages, citizenships, and current and past positions held and business experience for at least the past five (5) years until the date of this Annual Report.

Name	Age	Position	Year Appointed as Director
Eduardo M. Cojuangco, Jr.	83	Chairman	2009
Ramon S. Ang	65	President and Chief Executive Officer	2009
Lubin B. Nepomuceno	67	Director and General Manager	2013
Ron W. Haddock	78	Director	2008
Estelito P. Mendoza*	89	Director	2009
Aurora T. Calderon	64	Director	2010
Mirzan Mahathir	60	Director	2010
Virgilio S. Jacinto	62	Director	2010
Nelly F. Villafuerte	82	Director	2011
Jose P. de Jesus	84	Director	2014
Horacio C. Ramos	73	Director	2018
Reynaldo G. David	76	Lead Independent Director	2009
Artemio V. Panganiban	82	Independent Director	2010
Margarito B. Teves	75	Independent Director	2014
Carlos Jericho L. Petilla	55	Independent Director	2018

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

Set out below are the profiles of the Directors of the Company.

Eduardo M. Cojuangco, Jr., Filipino, born 1935, has served as the Chairman of the Company since February 10, 2015 and a Director since January 8, 2009. He is also the Chairman of the Executive Committee of the Company. He is also the Chairman of ECJ & Sons Agricultural Enterprises Inc., Eduardo Cojuangco Jr. Foundation Inc., Northern Cement Corporation and San Miguel Northern Cement, Inc., and a Director of Caiñaman Farms Inc. He attended the University of the Philippines Los Baños College of Agriculture and the California Polytechnic College in San Luis, Obispo, United States of America.

Mr. Cojuangco also holds the following positions in other publicly listed companies: Chairman and Chief Executive Officer of San Miguel Corporation (“SMC”) and Ginebra San Miguel, Inc. (“GSMI”), and Chairman of San Miguel Food and Beverage, Inc. (“SMFB”).

Ramon S. Ang, Filipino, born 1954, has served as the Chief Executive Officer and an Executive Director of the Company since January 8, 2009 and the President of the Company since February 10, 2015. He is also a member of the Company’s Executive Committee. In relation to the oil and gas industry, Mr. Ang holds the following positions, among others: Chairman and President of SEA Refinery Corporation (“SRC”), Mariveles Landco Corporation, Petrochemical Asia (HK) Ltd. (“PAHL”), and Robinson International Holdings Ltd. (Cayman Islands); Chairman of Petron Marketing Corporation (“PMC”), New Ventures Realty Corporation (“NVRC”), Petron Freeport Corporation, Petron Fuel International Sdn. Bhd. (Malaysia) (“PFISB”), Petron Malaysia Refining & Marketing Bhd. (Malaysia), and Petron Oil (M) Sdn. Bhd. (“POMSB”) (Malaysia), Philippine Polypropylene Inc. (“PPI”); Director of Las

Lucas Construction and Development Corporation (“LLCDC”), Petron Oil & Gas Mauritius Ltd. (“POGM”) and Petron Oil & Gas International Sdn Bhd. (“POGI”). He also holds the following positions, among others: Chairman and President of SMC Global Power Holdings Corp., San Miguel Holdings Corp., San Miguel Equity Investments Inc., and San Miguel Properties, Inc.; Chairman of San Miguel Brewery Inc. (“SMB”), San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation and Philippine Diamond Hotel and Resort, Inc.; President and Chief Executive Officer of Northern Cement Corporation; and President of Ginebra San Miguel, Inc., and San Miguel Northern Cement, Inc. He is also the sole director and shareholder of Master Year Limited and the Chairman of Privado Holdings, Corp. Previously, Mr. Ang formerly held the following positions, among others: Chairman of Liberty Telecoms Holdings, Inc.; President and Chief Operating Officer of PAL Holdings, Inc., and Philippine Airlines, Inc.; Director of Air Philippines Corporation; Chairman of Cyber Bay Corporation; Vice Chairman of MERALCO; and Chairman of Manila North Harbour Port Inc. (“MNHPI”). 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.

Mr. Ang also holds the following positions in other publicly listed companies: Vice Chairman, President and Chief Operating Officer of SMC, President and Chief Executive Officer of Top Frontier Investment Holdings Inc. (“Top Frontier”), San Miguel Brewery Hong Kong Limited (a company publicly listed in Hong Kong), Chairman of Petron Malaysia Refining & Marketing Berhad (“PMRMB”) (a company publicly listed in Malaysia), and Eagle Cement Corporation, and Vice Chairman of SMFB.

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

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

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

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

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

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

Aurora T. Calderon, Filipino, born 1954, has served as a Director of the Company since August 13, 2010. She is a member of the Audit Committee, Risk Oversight Committee and the Related Party Transaction Committee. She holds the following positions, among others: Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of SMC; Director of SMC, PMRMB, POGM, POGI, PMC, PFC, PSTPL, SRC, NVRC, LLCDC, Thai San Miguel Liquor Co., Ltd., SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., Trans Aire Development Holdings Corp., Vega Telecom, Inc., Bell Telecommunications Company, Inc., A.G.N. Philippines, Inc. and various subsidiaries of SMC; and Director and Treasurer of Petron-affiliate Top Frontier. She has served as a Director of MERALCO (January 2009 - May 2009), Senior Vice President of Guoco Holdings (1994 - 1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981 - 1989). A certified public accountant, 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. She is a member of the Financial Executives and the Philippine Institute of Certified Public Accountants.

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

Mirzan Mahathir, Malaysian, born 1958, has served as a Director of the Company since August 13, 2010. He is the Chairman and Chief Executive Officer of Crescent Capital Sdn. Bhd., an investment holding and independent strategic and financial advisory firm based in Malaysia. He currently manages his investments in Malaysia and overseas while facilitating business collaboration in the region. He holds directorships in several public and private companies in South East Asia. He is the Chairman of several charitable foundations, a member of the Wharton School Executive Board for Asia and the Business Advisory Council of United Nations ESCAP, and President of the Lawn Tennis Association of Malaysia. He was formerly the Executive Chairman and President of Konsortium Logistik Berhad (1992 - 2007), Executive Chairman of Sabit Sdn. Bhd. (1990 - 1992), Associate of Salomon Brothers in New York, USA (1986 - 1990) and Systems Engineer at IBM World Trade Corporation (1982 - 1985). Mirzan graduated with a Bachelor of Science (Honours) degree in Computer Science from Brighton Polytechnic, United Kingdom and obtained his master’s degree in Business Administration from the Wharton School, University of Pennsylvania, USA.

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

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

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

Nelly F. Villafuerte, Filipino, born 1937, has served as a Director of the Company since December 1, 2011. She is also a columnist for the Manila Bulletin and was 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). 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), Undersecretary for the Regional Operations Group of the DTI (May 2000 - 2005), and a Director of Top Frontier (2013 - February 2019). She holds a master’s degree in Business Management from the Asian Institute of Management (“AIM”) and was a professor of international law/trade/marketing at the graduate schools of AIM, Ateneo Graduate School of Business and De La Salle Graduate School of Business and Economics. Atty. Villafuerte obtained her Associate in Arts and law degrees from the University of the Philippines and ranked within the top 10 in the bar examinations.

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

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

Mr. de Jesus does not hold a directorship in any other company listed with the PSE.

Horacio C. Ramos, Filipino, born 1945, has served as a Director of the Company since May 15, 2018. He is the President of Clariden Holdings, Inc. (2012 - present). He was a Director of SMC (2014 - 2016), the Secretary of the Department of Environment and Natural Resources (February 12 - June 30, 2010), the Director of Mines and Geosciences Bureau (June 1996 - February 2010). He holds a degree of Bachelor of Science in Mining Engineering from the Mapua Institute of Technology obtained in 1967, a Graduate Diploma in Mining and Mineral Engineering from the University of New South Wales, Australia in 1976, and a Master of Engineering in Mining Engineering also from the University of New South Wales, Australia in 1978.

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

Reynaldo G. David, Filipino, born 1942, has served as an Independent Director of the Company since May 12, 2009. He is the Chairman of the Audit Committee and likewise a member of the Risk Oversight Committee, Corporate Governance Committee and the Related Party Transaction Committee. He is also an Independent Director and a member of the Audit Committee, Nomination and Compensation Committee of SMC. He has previously held, among others, the following positions: Philippine Special Trade Representative with the rank of Special Envoy, President and Chief Executive Officer of the Development Bank of the Philippines; Chairman of NDC Maritime Leasing Corporation; and Director of DBP Data Center, Inc. and Al-Amanah Islamic Bank of the Philippines. Other past positions include: Independent Director of ISM and ATOK, Chairman of LGU Guarantee Corporation, Vice Chairman, Chief Executive Officer and Executive Committee Chairman of Export and Industry Bank (September 1997 - September 2004), Director and Chief Executive Officer of Unicorp Finance Limited and Consultant of PT United City Bank (concurrently held from 1993 - 1997), Director of Megalink Inc., Vice President and FX Manager of the Bank of Hawaii (April 1984 - August 1986), various directorships and/or executive positions with The Pratt Group (September 1986 - December 1992), President and Chief Operating Officer of Producers Bank of the Philippines (October 1982 - November 1983), President and Chief Operation Officer of International Corporation Bank (March 1979 - September 1982), and Vice President and Treasurer of Citibank N. A. (November 1964 - February 1979). He was conferred with the Presidential Medal of Merit in 2010. A Ten Outstanding Young Men awardee for Offshore Banking in 1977, he was also awarded by the Association of Development Financing Institutions in Asia & the Pacific as the Outstanding Chief Executive Officer in 2007. A certified public accountant since 1964, he graduated from the De La Salle University with a combined Bachelor of Arts and Bachelor of Science in Commerce degrees in 1963 and attended the Advanced Management Program of the University of Hawaii (1974). He was conferred with the title Doctor of Laws, honoris causa, by the Palawan State University in 2005 and the title Doctor of Humanities, honoris causa, by the West Visayas State University in 2009.

Other than Petron and SMC, Mr. David does not hold any directorship in any other company listed with the PSE.

Artemio V. Panganiban, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is the Chairman of the Risk Oversight Committee and a member of the Audit and Corporate Governance Committees. He is a columnist for the Philippine Daily Inquirer and officer, adviser or consultant to several business, civic, educational and religious organizations. He is an adviser of Metropolitan Bank and Trust Company and Bank of the Philippine Islands. He was formerly the Chief Justice of the Supreme Court of the Philippines (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 is an author of over ten books and has received various awards for his numerous accomplishments, most notably the "Renaissance Jurist of the 21st Century" conferred by the Supreme Court in 2006 and the "Outstanding Manilan" for 1991 by the City of Manila. Chief Justice Panganiban earned his Bachelor of Laws degree (cum laude) from the

Far Eastern University in 1960, placed sixth in the bar exam that same year, and holds honorary doctoral degrees in law from several universities.

Apart from Petron, he is an Independent Director of the following listed companies: MERALCO, First Philippine Holdings Corp., Philippine Long Distance Telephone Co., Metro Pacific Investment Corp., Robinsons Land Corp., GMA Network, Inc., GMA Holdings, Inc., Asian Terminals, Inc. and 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. He is the Chairman of the Corporate Governance and the Related Party Transaction Committees and a member of the Audit Committee of the Company. He is also an Independent Director of SMC and Atok, as well as Alphaland Corporation, Alphaland Balesin Island Club, Inc., AB Capital Investment Corp. and Atlantic Atrium Investments Philippines Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of Think Tank Inc. He was the Secretary of the Department of Finance of the Philippine government (2005 - 2010), and was previously the President and Chief Executive Officer of the Land Bank of the Philippines (2000 - 2005), among others. He was awarded as “2009 Finance Minister of Year/Asia” by the London-based The Banker Magazine. He holds a Master of Arts degree in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

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

Carlos Jericho L. Petilla, Filipino, born 1963, has served as Independent Director of the Company since May 15, 2018. He has served as an Independent Director of MRC Allied, Inc. since 2017 to present. He is the founder in 2001, and President and Chief Executive Officer of International Data Conversion Solutions, Inc. (2015 - present; 2001 - 2004); the President and Chief Executive Officer of Freight Process Outsourcing, Inc. (2015 - present), and a co-founder in 1989 and a Director of DDC Group of Companies (2015 - present; 1989 - 2004). He was previously the Secretary of the Department of Energy (2012 - 2015), the Provincial Governor of the Province of Leyte (2004 - 2012), and an Independent Director of MRC Allied, Inc. (2017 - 2018). Mr. Petilla has a Bachelor of Science degree in Management Engineering from the Ateneo De Manila University.

Other than Petron, Mr. Petilla does not hold any directorship in any other company listed with the PSE.

Board Attendance and Trainings/Corporate Governance Seminars in 2018

The schedule of the meetings for any given year is presented to the directors the year before.

The Board of Directors was therefore advised of the schedule of the board meetings for 2018 at the board meeting held on November 10, 2017. Similarly for 2019, the schedules of the meetings for this year was approved by the Board of Directors on November 6, 2018. Should any matter requiring immediate approval by the Board of Directors arise in between meetings, 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 (including all its executive officers, the Assistant Corporate Secretary and the Internal Auditor) attended a corporate governance seminar in 2018 conducted by providers duly accredited by the SEC and conducted in accordance with SEC Memorandum Circular No. 20, Series of 2013.

The list of the directors of the Company and the directors' attendance at meetings held in 2018 are set out below.

Director's Name	February 13 Special Board Meeting	March 13 Regular Board Meeting	May 8 Regular Board Meeting	May 15 Annual Stockholders' Meeting	May 15 Organizational Board Meeting	August 7 Regular Board Meeting	November 6 Regular Board Meeting	Attendance at Corporate Governance Seminar in 2018
Eduardo M. Cojuangco, Jr.	✓	✓	✓	✓	✓	✓	✓	Yes
Ramon S. Ang	✓	✓	✓	✓	✓	✓	✓	Yes
Estelito P. Mendoza	✓	✓	✓	✓	✓	✓	✓	Yes
Lubin B. Nepomuceno	✓	✓	✓	✓	✓	✓	✓	Yes
Eric O. Recto*	✓	✗	✗	N/A	N/A	N/A	N/A	N/A
Jose P. De Jesus	✓	✓	✓	✓	✓	✓	✓	Yes
Ron W. Haddock	✓	✓	✓	✓	✓	✓	✓	Yes
Mirzan Mahathir	✓	✓	✗	✓	✓	✓	✓	Yes
Romela M. Bengzon*	✓	✓	✓	N/A	N/A	N/A	N/A	N/A
Aurora T. Calderon	✓	✓	✓	✓	✓	✓	✓	Yes
Virgilio S. Jacinto	✓	✓	✓	✓	✓	✓	✓	Yes
Nelly Favis-Villafuerte	✓	✓	✓	✓	✓	✓	✗	Yes
Artemio V. Panganiban	✓	✓	✓	✓	✓	✓	✓	Yes
Reynaldo G. David	✓	✓	✓	✓	✓	✓	✓	Yes
Margarito B. Teves	✓	✓	✓	✓	✓	✓	✓	Yes
Horacio C. Ramos**	N/A	N/A	N/A	✓	✓	✓	✓	Yes
Carlos Jericho L. Petilla***	N/A	N/A	N/A	✓	✓	✓	✓	Yes

Legend: ✓ - Present

✗ - Absent

* - Ceased to be a director on May 15, 2018

** - New director elected at the May 15, 2018 Annual Stockholders' Meeting

*** - New Independent Director elected at the May 15, 2018 Annual Stockholders' Meeting

Executive Officers

The following are the current key executive officers of the Company:

Name	Age	Position	Year Appointed as Officer
Ramon S. Ang	65	President and Chief Executive Officer	as President: 2015; as Chief Executive Officer: 2009
Lubin B. Nepomuceno	67	General Manager	2015
Emmanuel E. Eraña	58	Senior Vice President and Chief Finance Officer	2009
Freddie P. Yumang	61	Senior Vice President - Operations for Refinery Division	2018
Susan Y. Yu	42	Vice President - Procurement	2009
Albertito S. Sarte	52	Vice President and Treasurer	2009
Maria Rowena Cortez	54	Vice President - Supply	2009
Archie B. Gupalor	50	Vice President - Retail Sales	2018
Joel Angelo C. Cruz	58	Vice President - General Counsel & Corporate Secretary and Compliance Officer	as General Counsel, Corporate Secretary and Compliance Officer: 2010; as Vice President: 2013

Julietta L. Ventigan	59	Vice President - Business Planning and Development	2015
Rolando B. Salonga	57	Vice President - Operations and Technical Services Group	2017
Fernando S. Magnayon	59	Vice President - Commercial Sales	2018
Maria Rosario D. Vergel de Dios	55	Vice President - Human Resources	2018
Dennis S. Janson	59	Assistant Vice President and Controller	2015

Set out below are the profiles of the executive officers of the Company who are not nominees for directors.

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

Freddie P. Yumang, Filipino, born 1958, has served as the Senior Vice President for Refinery Operations of the Company since February 1, 2018. He is also a Director of PPI, Mariveles Landco Corporation, Robinson International Holdings Ltd. and PAHL. He is the lead of the Company's Refinery Master Plan - Phase 2 project and has held various positions in the Company, including Vice President for Refinery (September 2009 - January 2018), Operations Manager and Technical Services Manager, and different supervisory and managerial positions at the Petron Bataan Refinery. Mr. Yumang was the former President and is a current advisor of the National Association of Mapua Alumni, the current President of the Foundation of Outstanding Mapuans and a present National Director of the Philippine Society for Mechanical Engineers. He is a professional Mechanical Engineer who graduated from the Mapua Institute of Technology and earned units for a master's degree in Business Administration from the De La Salle University. He also attended the Basic Management and Management Development Programs of the AIM in 1992 and 2002, respectively, in which he received separate awards for superior performance.

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

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

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

Archie B. Gupalor, Filipino, born 1968, has served as the Vice President for Retail Sales of the Company since June 2018. He holds the following positions, among others: President and Chief Executive Officer of PFC and Director of PMC, NVRC and LLCDC. He has been with the San Miguel Group since 1991. He was previously the Vice President for National Sales. Prior to his appointment in the Company, he held the position of Vice President and General Manager of San Miguel Integrated Sales of San Miguel Foods, Inc. He earned his Bachelor of Science degree in Industrial Psychology at the University of San Carlos and attended several programs here and abroad, including the Executive Management Development Program of the Harvard Business Publishing.

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

Julieta L. Ventigan, Filipino, born 1959, has served as the Vice President for Business Planning and Development of the Company since September 2015. She previously held the position of Assistant Vice President for Business Planning and Development from October 2010 until August 2015. The various positions she has held in the Company include Manager for Business Planning and Development (April 2003 - September 2010) and Manager for Market Planning (October 1999 - March 2003). She has a Bachelor of Science degree major in Agricultural Economics from the University of the Philippines in Los Baños and a master's degree in Business Administration from the Ateneo Graduate School of Business.

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

Fernando S. Magnayon, Filipino, born 1959, has served as the Vice President for Commercial Sales since November 16, 2018. Other positions he held include Assistant Vice President for Industrial Trade (September 2016 - November 15, 2018), Assistant Vice President for LPG, Lubes and Greases (July 2014 - August 2016), Visayas-Mindanao Regional Sales Manager for Reseller Trade (July 2013 - June 2014), Luzon Regional Sales Manager for Reseller Trade (July 2012 - June 2013), Luzon Provincial Area Manager for Industrial Trade (July 2010 - June 2012), North Luzon Area Manager for Industrial Trade (July 2009 - June 2010), Market Development Manager for Industrial Trade (September 2006 - June 2009), Industrial Brand Coordinator for Lube Trade (September 2002 - August 2006), Area Sales Executive for Lube Trade (September 2001 - August 2002), Field Technical Services Engineer for Technical Department (September 1992 - August 2001), and Research Engineer for PNOC-Energy Research and Development Center (August 1982 - August 1992). He has a Bachelor of Science degree in Mechanical Engineering from Adamson University.

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

Dennis S. Janson, Filipino, born 1959, has served as the Assistant Vice President for Controllers and the Controller of the Company since September 2015. He is a Director of PSTPL and the Controller of various subsidiaries of Petron. Other positions he held include Assistant Controller of the Company (August 2014 - August 2015), Manager for Financial Analysis and Compliance Controller (March 2013 - July 2014; January 2010 - September 2011), Finance Head and Chief Finance Officer of Petron Malaysia (October 2011 - February 2013) and Manager for Financial Analysis Planning and Risk Management (November 2008 - December 2009). He is a certified public accountant with a Bachelor of Science degree in Commerce major in Accounting from the University of San Carlos in Cebu.

Officer Trainings in 2018

All the executive officers of the Company, including the Assistant Corporate Secretary and the Assistant Vice President for Internal Audit, completed a corporate governance seminar for year 2018 conducted in accordance with SEC Memorandum Circular No. 20, Series of 2013.

(ii) Board Committees; Board and Committee Charters

Pursuant to the new Corporate Governance Manual of the Company approved by the Board on May 8, 2017 (the “Corporate Governance Manual”), the Company has Executive, Audit, Corporate Governance, Risk Oversight, and Related Party Transaction Committees constituted in accordance with Corporate Governance Manual and the Company’s By-Laws.

Their respective members were appointed at the organizational meeting held on May 15, 2018.

The Board charter and the charter of each of the board committees were adopted on May 16, 2017.

- **Executive Committee.** The Executive Committee is composed of not less than three (3) members, which shall include the Chairman of the Board of Directors and the President, with two (2) alternate members. The Executive Committee, when the Board of Directors of Directors is not in session, may exercise the powers of the latter in the management of the business and affairs of the Company, except with respect to (a) the approval of any action for which stockholders’ approval is also required, (b) the filling of vacancies in the Board of Directors, (c) the amendment or repeal of the by-laws of 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.

As of the date of this Annual Report, the Executive Committee is chaired by Mr. Eduardo M. Cojuangco, Jr. with Mr. Ramon S. Ang and Mr. Lubin B. Nepomuceno as members. Atty. Virgilio S. Jacinto and Ms. Aurora T. Calderon are the two (2) alternate members of the Executive Committee.

In 2018, the Executive Committee held four (4) meetings, 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 8	June 5	June 19	June 25
Eduardo M. Cojuangco, Jr.	N/A	✓	✓	✓
Ramon S. Ang	N/A	✓	✓	✓
Lubin B. Nepomuceno	✓	✓	✓	✓
Aurora T. Calderon (Alternate Member)	✓	N/A	N/A	N/A
Virgilio S. Jacinto (Alternate Member)	✓	N/A	N/A	N/A

Legend: ✓ - Present – - Absent

- **Corporate Governance Committee.** The Corporate Governance Committee, created on May 8, 2017, is composed of at least three (3) independent directors as members. The Chairperson of the committee is an independent director.

The Corporate Governance Committee is tasked to assist the Board of Directors in the performance of its corporate governance, nomination and remuneration responsibilities and ensure compliance with and proper observance of corporate governance principles and practices.

As of the date of this Annual Report, the Corporate Governance Committee is chaired by Independent Director Mr. Margarito B. Teves, with independent directors former Chief Justice Artemio V. Panganiban and Mr. Reynaldo G. David, Atty. Estelito P. Mendoza and Atty. Virgilio S. Jacinto as members.

In 2018, the Corporate Governance Committee held two (2) meetings on the dates below, with all the members in attendance:

Members	March 13	May 8
Margarito B. Teves (Chairperson)	✓	✓
Reynaldo G. David	✓	✓
Artemio V. Panganiban	✓	✓
Estelito P. Mendoza	✓	✓
Virgilio S. Jacinto	✓	✓

Legend: ✓ - Present – - Absent

- **Audit Committee.** The Audit Committee is composed of at least three (3) appropriately qualified non-executive directors, majority of whom are independent directors. The Chairperson is an independent director and is not the Chairperson of the Board of Directors or of any other board committee. The members of the Audit Committee are required to have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

The Audit Committee is responsible for overseeing the senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. The Audit Committee ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

Among its functions set out in the Corporate Governance Manual and the Audit Committee Charter, the Audit Committee primarily recommends to the Board each year the appointment of the external auditor to examine the accounts of the Company for that year and performs oversight functions over the Company's internal and external auditors to ensure that they act independently from each other or from interference of outside parties and that they are given unrestricted access to all records, properties and personnel necessary in the discharge of their respective audit functions.

The Audit Committee is chaired by Mr. Reynaldo G. David, an independent director of the Company and a certified public accountant, and its members are independent directors former Chief Justice Artemio V. Panganiban and Mr. Margarito B. Teves, Atty. Estelito P. Mendoza, and Ms. Aurora T. Caderon. Mr. Ferdinand K. Constantino acts as advisor to the committee.

In 2018, the Audit Committee held four (4) meetings on March 13, May 8, August 7 and November 6, with attendance as indicated below.

Members	March 13	May 8	August 7	November 6
Reynaldo G. David (Chairperson)	✓	✓	✓	✓
Artemio V. Panganiban	✓	✓	✓	✓
Margarito B. Teves	✓	✓	✓	✓
Estelito P. Mendoza	✓	✓	✓	✓
Aurora T. Calderon	✓	✓	✓	✓

Legend: ✓ - Present – - Absent

- **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.

As of the date of this Annual Report, the Risk Oversight Committee is chaired by Independent Director former Chief Justice Artemio V. Panganiban, with independent director Mr. Reynaldo G. David, and Ms. Aurora T. Calderon as members.

- **Related Party Transaction Committee.** The Related Party Transaction Committee, created on May 8, 2017, is composed of least three (3) non-executive directors, two (2) of whom are independent directors. The Chairperson is an independent director.

The Related Party Transaction Committee is tasked with reviewing all material related party transactions of the Company.

As of the date of this Annual Report, the Related Party Transaction Committee is chaired by Independent Director Mr. Carlos Jericho L. Petilla, with independent director Mr. Reynaldo G. David, and Ms. Aurora T Calderon as members.

(3) Significant Employees

There was no significant employee or personnel who was not an executive officer but was expected to make a significant contribution to the business.

(4) Family Relationships

The Company has no director or executive officer related to any other director or executive officer up to the fourth degree of consanguinity.

(5) Involvement in Certain Legal Proceedings

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

(B) Executive Compensation

Standard Arrangements. Petron's executive officers are also regular employees of the Company and are similarly remunerated with a compensation package comprising of 12 months base pay. They also receive whatever gratuity pay the Board of Directors extends to the managerial, supervisory and technical employees of the Company.

The members of the Board of Directors who are not executive officers are elected for a term of one year. They receive remuneration for 12 months in Director's fees and gas allowance, in addition to compensation on a per meeting participation.

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

Warrants or Options. There are no warrants or options held by directors or officers.

Employment Contract. In lieu of an employment contract, the directors are elected at the annual meeting of stockholders for a one year term until their successors shall have been duly elected and qualified pursuant to the Company's By-Laws. Any director elected in the interim will serve for the remaining term until the next annual meeting of the stockholders.

The aggregate compensation paid or estimated to be paid to the executive officers and directors of the Company during the periods indicated below is as follows (including the estimate for 2019; in millions of pesos):

(a) Name & Principal Position		(b) Year	(c) Salary	(d) Bonus	(e) Other Annual Compensation
Ramon S. Ang	President & Chief Executive Officer	2019 (est)	111.67	27.92	-
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	Senior Vice President & Chief Finance Officer				
Freddie P. Yumang*	Senior Vice President - Refinery				
Archie B. Gupalor	Vice President - Retail Sales	2018	105.42	66.04	-
Ramon S. Ang	President				
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	Senior Vice President & Chief Finance Officer				
Freddie P. Yumang*	Senior Vice President - Refinery	2017	96.32	60.09	-
Archie B. Gupalor	Vice President - Retail Sales				
Ramon S. Ang	President				
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	Senior Vice President & Chief Finance Officer	2019 (est)	91.35	19.28	-
Freddie P. Yumang*	Senior Vice President - Refinery				
Archie B. Gupalor	Vice President - Retail Sales				
All Other Officers & Directors as a Group Unnamed					
		2018	86.59	46.75	
		2017	58.72	50.27	-

*Mr. Yumang was appointed Senior Vice President for Operations of the Refinery Division effective February 1, 2018.

**(C) Security Ownership of Certain Beneficial Owners and Management
as of December 31, 2018**

The security ownership of certain record and beneficial owners of more than 5% of the common shares of the Company as of December 31, 2017 is as follows:

• SEA Refinery Corporation	-	50.10%
• PCD Nominee Corporation (Filipino)	-	18.63%
• San Miguel Corporation	-	18.16%

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

The Company had no beneficial owner under the PCD Nominee Corporation that held no more than 5% of the common shares of the Company.

The security ownership of directors and executive officers as of February 28, 2019 is as follows:

Directors

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Directors					
Common	Eduardo M. Cojuangco, Jr.	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 2A Preferred			2,500	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500 / 225,000	D / I	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Horacio C. Ramos	Filipino	500	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Reynaldo G. David	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Carlos Jericho L. Petilla	Filipino	500	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.

Executive Officers

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Executive Officers					
Common	Emmanuel E. Eraña	Filipino	-	-	0.00%
Series 2A Preferred			2,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Susan Y. Yu	Filipino	591,600	I	0.00%
Series 2A Preferred			10,500	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Albertito S. Sarte	Filipino	765,500	I	0.00%
Series 2A Preferred			5,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 2A Preferred			600	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Freddie P. Yumang	Filipino	73,600	I	0.00%
Series 2A Preferred			3,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Archie B. Gupalor	Filipino	3,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Joel Angelo C. Cruz	Filipino	-	-	N.A.
Series 2A Preferred			400	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Rolando B. Salonga	Filipino	845	D	N.A.
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Dennis S. Janson	Filipino	163 / 15,000	D / I	N.A.
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Julieta L. Ventigan	Filipino	2,100	D	N.A.
Series 2A Preferred			1,000	I	N.A.
Series 2B Preferred			-	-	N.A.
Directors and Executive Officers as a Group		Common	1,701,389		0.00%
		Series 2A Preferred	25,000		0.55%
		Series 2B Preferred	0		0.00%

As of February 28, 2019, the directors and executive officers of the Company owned 1,701,389 common shares and 25,000 Series 2A Preferred Shares for a total of 1,726,389 shares or 0.02% of the Company's total outstanding capital stock. No one of the directors and executive officers of the Company directly owns 5% or more of the outstanding capital stock of the Company.

(2) Voting Trust Holders of 5% or more

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

(3) Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

(D) Certain Relationships and Related Transactions

The major related stockholders of the Company as of December 31, 2018 holding at least 5% of the common stock were as follows:

• SEA Refinery Corporation	-	50.10%
• San Miguel Corporation	-	18.16%

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

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

Related party transactions are discussed under Part I(A)(2)(viii) (*Transactions with and/or dependence on related parties*).

*[Rest of page intentionally left blank;
"Part IV - Corporate Governance" follows on next page]*

PART IV - CORPORATE GOVERNANCE

Corporate Governance Manual

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

The Company first adopted its Corporate Governance Manual on July 1, 2002. In compliance with SEC Memorandum Circular No. 6, Series of 2009, amending SEC Memorandum Circular No. 2, Series of 2002, the Company further adopted revisions to the Corporate Governance Manual which were approved by the Board of Directors on October 21, 2010. The latest revisions to the old Corporate Governance Manual were also undertaken and approved by the Board of Directors on March 2, 2011.

Various Corporate Policies

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

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

Board Assessment

The directors accomplished the annual self-assessment for 2018.

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

The self-assessment forms covers the evaluation of the (i) 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; (ii) relationship between the Board of Directors and the Management of the Company including having a clear understanding of where the role of the Board of Directors ends and where that of Management begins, the participation of the Board of Directors and the board committees in major

business policies or decisions, the continuous interaction with Management for an understanding of the businesses better, and the consideration of the correlation between executive pay and Company performance; (iii) effectiveness of board process and meetings through the adequacy of the frequency, duration and scheduling of board and committee meetings, the ability of the Board of Directors to balance and allocate its time effectively in discussing issues related to the Company's strategy and competitiveness, the attendance at board and committee meetings and the conduct of meetings in a manner that ensures open communication, meaningful participation, and timely resolution of issues, the wide and diverse range of expertise and occupational and personal backgrounds of the directors, and the institutionalization of a formal review process for monitoring the effectiveness of the Board of Directors and the individual directors; and (iv) individual performance of the directors including a director's understanding of the mission, values and strategies of the Company, his/her duties as a director and the Company's Articles, the Company's By-Laws and governing policies and applicable law, rules and regulations, the attendance at meetings and the conscious effort to avoid entering into situations where a director may be placed in a conflict of interest with that of the Company.

Compliance with the Corporate Governance Manual

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

- Its directors possess all the qualifications and none of the disqualifications of a director under the Corporate Governance Manual, the Company's by-laws and applicable laws and regulations.
- The Company has four (4) independent directors (Mr. Reynaldo G. David, Retired Supreme Court Chief Justice Artemio V. Panganiban, Mr. Margarito B. Teves, and Mr. Carlos Jericho L. Petilla) and a Compliance Officer (Atty. Joel Angelo C. Cruz).
- The Chairmen and the members of the Executive, Audit, Corporate Governance, Risk Oversight and Related Party Transaction Committees were elected pursuant to the requirements of the Corporate Governance Manual and the Company's by-laws.
- The Company regularly held board meetings and board committee meetings, at which a quorum was always present.
- The directors properly discharge their duties and responsibilities as directors and attended a corporate governance seminar.
- Each director accomplished a self-assessment form for 2018.
- The Company has an external auditor.
- The Company has an Internal Audit Department.
- The Company respects and observes the rights of its stockholders under applicable law.
- The Company is in material compliance with laws and regulations applicable to its business operations, including applicable accounting standards and disclosure requirements,

Pursuit of Corporate Governance

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

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

To further instill good governance in the Company, the Company will continue to coordinate with accredited providers for the attendance of the directors and officers in more extensive corporate governance programs to keep them updated with the latest developments in and best practices on good corporate governance. The Office of the General Counsel and Corporate Secretary will also continue to periodically release internal memoranda to explain and/or reiterate the Company's corporate governance practices and the latest good corporate governance practices in general.

Integrated Annual Corporate Governance Report ("i-ACGR")

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

*[Rest of page intentionally left blank;
"Part V - Exhibits and Schedules" follows on next page]*

PART V - EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

Below is a list of the annexes to this SEC Form 17-A and the reports on SEC Form 17-C and the press releases submitted to the SEC in 2018 until the date of this report.

Annexes

1. Annex A - Public Ownership Report as of December 31, 2018
2. Annex B - Public Ownership Report as of February 28, 2018
3. Annex C - 2018 Audited Financial Statements, with the Index to Financial Statements and the Supplementary Schedules (Petron and Subsidiaries)

Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed for year 2018 until the date of this Annual Report:

Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed for year 2018 until the date of this Annual Report:

Date of Report	Item Description
January 8, 2018	Approval by the Executive Committee of the authority to issue US Dollar-denominated undated unsubordinated capital securities and conduct a tender offer of its outstanding USD750 million 7.50 per cent, undated subordinated capital securities, under such terms and conditions as Management may determine. Submission of a copy of the preliminary offering circular containing information pertaining to the Company and its subsidiaries material to the contemplated issuance by the Company of US Dollar-denominated undated unsubordinated capital securities. Advice that the Company has made an announcement in The Stock Exchange of Hong Kong Limited on the tender offer for purchase of its outstanding undated subordinated capital securities.
January 12, 2018	Advice that the Company has priced the proposed by the Company of US Dollar-denominated undated unsubordinated capital securities on 4January 11, 2018, with an issue size of US\$500 million and expected issue date of January 19, 2018. Submission of the copy of the final offering circular.
January 17, 2018	Advice that the Company has made an announcement to The Stock Exchange of Hong Kong Limited on January 17, 2018 relating to the results of the tender offer for purchase of its outstanding undated subordinated capital securities.

January 19, 2018	Advice that the Company has completed on January 19, 2018 the issuance of US Dollar undated unsubordinated capital securities with an issue size of US\$500 million (the “Securities”). The Securities have been listed with the Singapore Exchange Securities Trading Limited on January 22, 2018.
February 13, 2018	Matters approved at the special Board meeting held: Appointment of the following officers: <u>Effective February 1, 2018</u> 1. Mr. Freddie P. Yumang - Senior Vice President - Operations for Refinery Division <u>Effective January 1, 2018</u> 1. Mr. Allister J. Go - Assistant Vice President for Petron Bataan Refinery (“PBR”) Production A 2. Mr. Reynaldo V. Velasco, Jr. - Assistant Vice President for PBR Production B 3. Mr. Raymond C. Osmond - Assistant Vice President for Refinery Solid Fuel-Fired Boiler/Thermal Power Plant
March 13, 2018	Matters approved at the Board meeting held: 1. 2017 Audited Financial Statements 2. Cash dividend for common shareholders 3. Cash dividend for the preferred shareholders 4. Endorsement of the re-appointment of R. G. Manabat & Co./KPMG as external auditor of the Company for 2018 at the annual stockholders’ meeting scheduled on May 15, 2018 5. Annual Stockholders’ Meeting a. Date of meeting : May 15, 2018 b. Venue : Valle Verde Country Club, Pasig City c. Record date : March 27, 2018 d. Closing of books : March 28 - April 5, 2018 6. Appointment of Ms. Jacqueline L. Ang-Chai as Assistant Vice President for Procurement effective March 1, 2018. Media release on performance also submitted.
April 16, 2018	Response to the request for clarification by the Philippine Stock Exchange on the news article entitled “Petron Corp net income to reach P18 B this year”
May 2, 2018	Response to the request for clarification by the Philippine Stock Exchange on the news article entitled “Petron eyes building 200 more service stations in 2018”

May 8, 2018	Matters approved at the Board meeting held: 1. Year-to-date March 2018 Financial Performance 2. Adoption of the Code of Conduct and Ethical Business Policy of the Company. Media release on performance also submitted.										
May 15, 2018	Matters approved at the annual stockholders' and organizational meetings held: A. Annual Stockholders' Meeting 1. Appointment of R.G. Manabat & Co. as independent external auditor of the Company for year 2018 and ratification of external auditor fees for 2017 2. Election of the following as directors of the Company for 2018-2019: 1. Eduardo M. Cojuangco, Jr. 2. Ramon S. Ang 3. Lubin B. Nepomuceno 4. Estelito P. Mendoza 5. Jose P. De Jesus 6. Ron W. Haddock 7. Mirzan Mahathir 8. Aurora T. Calderon 9. Virgilio S. Jacinto 10. Nelly Favis-Villafuerte 11. Horacio C. Ramos Independent Directors 1. Reynaldo G. David 2. Artemio V. Panganiban 3. Margarito B. Teves 4. Carlos Jericho L. Petilla B. Organizational Meeting 1. Appointment of the following as members of the board committees and lead independent director: <u>Executive Committee</u> <table> <tr> <td>Eduardo M. Cojuangco, Jr.</td> <td>- Chairman</td> </tr> <tr> <td>Ramon S. Ang</td> <td>- Member</td> </tr> <tr> <td>Lubin B. Nepomuceno</td> <td>- Member</td> </tr> <tr> <td>Aurora T. Calderon</td> <td>- Alternate Member</td> </tr> <tr> <td>Virgilio S. Jacinto</td> <td>- Alternate Member</td> </tr> </table>	Eduardo M. Cojuangco, Jr.	- Chairman	Ramon S. Ang	- Member	Lubin B. Nepomuceno	- Member	Aurora T. Calderon	- Alternate Member	Virgilio S. Jacinto	- Alternate Member
Eduardo M. Cojuangco, Jr.	- Chairman										
Ramon S. Ang	- Member										
Lubin B. Nepomuceno	- Member										
Aurora T. Calderon	- Alternate Member										
Virgilio S. Jacinto	- Alternate Member										

Audit Committee

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

Risk Oversight Committee

Artemio V. Panganiban	- Chairman (Independent Director)
Reynaldo G. David	- Member (Independent Director)
Aurora T. Calderon	- Member

Corporate Governance Committee

Margarito B. Teves	- Chairman (Independent Director)
Reynaldo G. David	- Member (Independent Director)
Artemio V. Panganiban	- Member (Independent Director)
Estelito P. Mendoza	- Member
Virgilio S. Jacinto	- Member

Related Party Transaction Committee

Carlos Jericho L. Petilla	- Chairman (Independent Director)
Reynaldo G. David	- Member (Independent Director)
Aurora T. Calderon	- Member

Lead Independent Director

Reynaldo G. David	- Lead Independent Director
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2. Election of the following as officers of the Company for 2018-2019:

Eduardo M. Cojuangco, Jr.	- Chairman
Ramon S. Ang	- President & Chief Executive Officer
Lubin B. Nepomuceno	- General Manager
Emmanuel E. Eraña	- Senior Vice President & Chief Finance Officer
Freddie P. Yumang	- Senior Vice President, Operations for Refinery Division
Susan Y. Yu	- VP, Procurement
Maria Rowena O. Cortez	- VP, Supply
Archie B. Gupalor	- VP, National Sales
Albertito S. Sarte	- VP & Treasurer
Joel Angelo C. Cruz	- VP - General Counsel & Corporate Secretary/Compliance Officer
Jaime O. Lu	- VP & Operations Manager, Petron Malaysia
Julieta L. Ventigan	- VP, Business Planning & Development
Rolando B. Salonga	- VP, Operations & Corporate Technical Services Group
Dennis S. Janson	- AVP & Controller
Nathaniel R. Orillos	- AVP, Special Assignment Polypropylene Plant, Support Services and Refinery Planning & Statistics
Ma. Rosario D. Vergel de Dios	- AVP, Human Resources Management
Mary Ann M. Neri	- AVP, Marketing
Magnolia Cecilia D. Uy	- AVP, NSD-Market Planning Research, Systems & Information (and concurrent Management Information Systems Head)
Charmaine V. Canillas	- AVP, Corporate Affairs
Fernando S. Magnayon	- AVP, Industrial Trade
Samuel S. Candido	- AVP, Refinery Technical Services
Myrna C. Geronimo	- AVP & Chief Finance Officer, Petron Malaysia
Rommel B. Remulla	- AVP, Reseller Trade
Virgilio V. Centeno	- AVP, LPG, Lubes & Greases
Noel S. Ventigan	- AVP, Metro Manila Operations & Manufacturing
Terelu O. Carrillo	- AVP, Petron Singapore
Ronaldo T. Ferrer	- AVP, Internal Audit
Fe Irma A. Ramirez	- AVP, Supply
Allister J. Go	- AVP, Petron Bataan Refinery Operations Head
Reynaldo V. Velasco	- AVP, Petron Bataan Refinery Production B

	Raymond C. Osmond - AVP, Refinery Solid Fuel-Fired Boiler/Thermal Power Plant Jacqueline A. Chai - AVP, Procurement Jhoanna Jasmine M. Javier-Elacio - Assistant Corporate Secretary
May 16, 2018	Response to the request for clarification by the Philippine Stock Exchange on the news article entitled “Petron allots P15B for network expansion, refinery upgrade”
July 3, 2018	Advice that the Company received from the Philippine Stock Exchange (“PSE”) a letter dated July 3, 2018 imposing a fine of One Hundred Thousand Pesos (Php100,000.00) for the delay in the disclosure of changes in the company shareholdings of one of its principal officers. The Company had five (5) trading days from receipt of the PSE letter to pay the fine.
July 31, 2018	Resignation of Mr. Rommel B. Remulla as Assistant Vice President of the Company effective July 31, 2018.
August 6, 2018	Advice that the Company completed on August 6, 2018 the redemption of its remaining undated subordinated capital securities issued in 2013 with an aggregate amount of USD348,043,000 (the “Securities”). The Company would proceed to undertake the delisting of the Securities from The Stock Exchange of Hong Kong Limited.
August 7, 2018	Matters approved at the board meeting held: 1. First Semester 2018 Financial Statements 2. Cash dividend for preferred shareholders 3. Public offer and issuance of up to P20 billion worth of peso-denominated fixed-rate retail bonds from the Company’s shelf registration approved by the Securities and Exchange Commission in 2016 4. Approval of external auditor’s fees Media release on performance also submitted.

August 8, 2018	Filing of Certificates of Attendance of the following directors and key officers at the Corporate Governance Seminar held: Date: August 8, 2018 Time: 2:00 p.m. to 6:00 p.m. Venue: Petron Board Room Podium B, SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Provider: SGV & Co. Title: Adapting Changes in the Corporate Governance and Sustainability Reporting Topics: 1. Enhancing Audit Committee Effectiveness 2. Sustainability Reporting <table border="1"> <thead> <tr> <th>Name</th><th>Position</th></tr> </thead> <tbody> <tr><td>1. Lubin B. Nepomuceno</td><td>Director/General Manager</td></tr> <tr><td>2. Mirzan Mahathir</td><td>Director</td></tr> <tr><td>3. Aurora T. Calderon</td><td>Director</td></tr> <tr><td>4. Nelly Favis-Villafuerte</td><td>Director</td></tr> <tr><td>5. Horacio C. Ramos</td><td>Director</td></tr> <tr><td>6. Reynaldo G. David</td><td>Lead Independent Director</td></tr> <tr><td>7. Artemio V. Panganiban</td><td>Independent Director</td></tr> <tr><td>8. Margarito B. Teves</td><td>Independent Director</td></tr> <tr><td>9. Carlos Jericho L. Petilla</td><td>Independent Director</td></tr> <tr><td>10. Emmanuel E. Eraña</td><td>SVP & Chief Finance Officer</td></tr> <tr><td>11. Freddie P. Yumang</td><td>SVP, Operations for Refinery Division</td></tr> <tr><td>12. Albertito S. Sarte</td><td>VP and Treasurer</td></tr> <tr><td>13. Susan Y. Yu</td><td>VP, Procurement</td></tr> <tr><td>14. Maria Rowena O. Cortez</td><td>VP, Supply</td></tr> <tr><td>15. Archie B. Gupalor</td><td>VP & Head, Retail Sales</td></tr> <tr><td>16. Joel Angelo C. Cruz</td><td>VP-General Counsel & Corporate Secretary</td></tr> <tr><td>17. Julieta L. Ventigan</td><td>VP, Business Planning & Development</td></tr> <tr><td>18. Rolando B. Salonga</td><td>VP, Operations & Corporate Technical Services Group</td></tr> <tr><td>19. Dennis S. Janson</td><td>AVP and Controller</td></tr> <tr><td>20. Ronaldo T. Ferrer</td><td>AVP, Internal Audit</td></tr> <tr><td>21. Jhoanna Jasmine M. Javier-Elacio</td><td>Assistant Corporate Secretary</td></tr> </tbody> </table>	Name	Position	1. Lubin B. Nepomuceno	Director/General Manager	2. Mirzan Mahathir	Director	3. Aurora T. Calderon	Director	4. Nelly Favis-Villafuerte	Director	5. Horacio C. Ramos	Director	6. Reynaldo G. David	Lead Independent Director	7. Artemio V. Panganiban	Independent Director	8. Margarito B. Teves	Independent Director	9. Carlos Jericho L. Petilla	Independent Director	10. Emmanuel E. Eraña	SVP & Chief Finance Officer	11. Freddie P. Yumang	SVP, Operations for Refinery Division	12. Albertito S. Sarte	VP and Treasurer	13. Susan Y. Yu	VP, Procurement	14. Maria Rowena O. Cortez	VP, Supply	15. Archie B. Gupalor	VP & Head, Retail Sales	16. Joel Angelo C. Cruz	VP-General Counsel & Corporate Secretary	17. Julieta L. Ventigan	VP, Business Planning & Development	18. Rolando B. Salonga	VP, Operations & Corporate Technical Services Group	19. Dennis S. Janson	AVP and Controller	20. Ronaldo T. Ferrer	AVP, Internal Audit	21. Jhoanna Jasmine M. Javier-Elacio	Assistant Corporate Secretary
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August 13, 2018	Advice that the withdrawal of the listing from The Stock Exchange of Hong Kong Limited of the undated subordinated capital securities issued in 2013 was expected to become effective upon the close of business on August 16, 2018.																																												

August 24, 2018	Advice that the Company filed on August 24, 2018 an application with the Securities and Exchange Commission (“SEC”) for a Permit to Sell peso-denominated fixed rate bonds with an aggregate principal amount of P20 billion, to be taken from the remaining bonds under the shelf registration for peso-denominated fixed rate bonds worth P40 billion, the registration statement for which was rendered effective by the SEC on October 12, 2016 through SEC MSRD Order No. 13 (Series of 2016).						
October 19, 2018	Advice that the Company issued and listed with the Philippine Dealing & Exchange Corp. on October 19, 2018 its peso fixed-rate retail bonds Series C and Series D aggregating P20 billion.						
October 19, 2019	Response to the request for clarification by the Philippine Stock Exchange on the news article entitled “Petron planning new refinery in Bataan”						
November 6, 2018	Filing of Certificates of Attendance of the following directors at the Corporate Governance Seminar held: Date: November 5, 2018 Time: 2:00 p.m. to 6:00 p.m. Venue: Petron Board Room Podium B, SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Provider: Risk, Opportunities, Assessment and Management (ROAM), Inc. Topics: 1. Review of SEC Code of Corporate Governance and Integrated Annual Corporate Governance Report; Highlights of Comprehensive Tax Reform Program Proposed Package 2 2. Corporate Governance Trends for 2018 3. Corporate Governance Cases <table style="margin-left: 40px; width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Name</u></th><th style="text-align: left;"><u>Position</u></th></tr> </thead> <tbody> <tr> <td>1. Jose P. De Jesus</td><td>Director</td></tr> <tr> <td>2. Ron W. Haddock</td><td>Director</td></tr> </tbody> </table>	<u>Name</u>	<u>Position</u>	1. Jose P. De Jesus	Director	2. Ron W. Haddock	Director
<u>Name</u>	<u>Position</u>						
1. Jose P. De Jesus	Director						
2. Ron W. Haddock	Director						

November 6, 2018	Matters approved at the board meeting held: 1. Year-to-date September 2018 Financial Statements 2. Appointment of the following officers effective November 16, 2018: i. Mr. Fernando S. Magnayon - Vice President for Commercial Sales ii. Ms. Ma. Rosario D. Vergel de Dios - Vice President for Human Resources Management iii. Ms. Agnes Grace P. Perez - Assistant Vice President for Mergers & Acquisitions iv. Mr. Leon D. Pausing II - Assistant Vice President for Industrial Sales Media release on performance also submitted.						
November 23, 2018	Filing of Certificates of Attendance of the following officer and director at the Corporate Governance Seminar held: Date: November 21, 2018 Time: 2:00 p.m. to 6:00 p.m. Venue: Executive Dining Room 2nd Floor, SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Provider: Risk, Opportunities, Assessment and Management (ROAM), Inc. Topics: 1. SEC and Some Other Regulatory Updates on Corporate Governance 2. SEC Draft Sustainability Reporting Guidelines and Template for Publicly Listed Companies 3. Audit, Controls and Compliance Functions of the Board 4. Corporate Governance Trends for 2018 4. Corporate Governance Cases <table> <tr> <td><u>Name</u></td><td><u>Position</u></td></tr> <tr> <td>1. Eduardo M. Cojuangco, Jr.</td><td>Chairman</td></tr> <tr> <td>2. Virgilio S. Jacinto</td><td>Director</td></tr> </table>	<u>Name</u>	<u>Position</u>	1. Eduardo M. Cojuangco, Jr.	Chairman	2. Virgilio S. Jacinto	Director
<u>Name</u>	<u>Position</u>						
1. Eduardo M. Cojuangco, Jr.	Chairman						
2. Virgilio S. Jacinto	Director						

December 5, 2018	Filing of Certificates of Attendance of the following officers and directors at the Corporate Governance Seminar held: Date: December 5, 2018 Time: 1:00 p.m. to 5:00 p.m. Venue: New World Makati Hotel Esperanza Street, Makati, Metro Manila Provider: SGV & Co. Title: 2018 Corporate Governance Seminar Series Topics: 1. Overview of Corporate Governance 2. Enhancing Audit Committee Effectiveness 3. Enterprise Risk Management <table> <tr> <th><u>Name</u></th><th><u>Position</u></th></tr> <tr> <td>1. Ma. Rosario D. Vergel de Dios</td><td>VP, Human Resources Management</td></tr> </table> Date: December 6, 2018 Time: 2:00 p.m. to 6:00 p.m. Venue: Executive Dining Room 2nd Floor, San Miguel Head Office Complex 40 San Miguel Avenue, Mandaluyong City Provider: Center for Global Best Practices Title: Corporate Governance and Strategic Management <table> <tr> <th><u>Name</u></th><th><u>Position</u></th></tr> <tr> <td>1. Ramon S. Ang</td><td>President & Chief Executive Officer</td></tr> <tr> <td>2. Estelito P. Mendoza</td><td>Director</td></tr> <tr> <td>3. Fernando S. Magnayon</td><td>VP, Commercial Sales</td></tr> </table>	<u>Name</u>	<u>Position</u>	1. Ma. Rosario D. Vergel de Dios	VP, Human Resources Management	<u>Name</u>	<u>Position</u>	1. Ramon S. Ang	President & Chief Executive Officer	2. Estelito P. Mendoza	Director	3. Fernando S. Magnayon	VP, Commercial Sales
<u>Name</u>	<u>Position</u>												
1. Ma. Rosario D. Vergel de Dios	VP, Human Resources Management												
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1. Ramon S. Ang	President & Chief Executive Officer												
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3. Fernando S. Magnayon	VP, Commercial Sales												
February 12, 2019	Matter approved at the board meeting held was the 2019 operating budget												

March 12, 2019	Matters approved at the board meeting held: 1. 2018 Financial Statements 2. Cash dividend for common shareholders 3. Cash dividends for Series 2 preferred shareholders 4. Public offer and issuance of additional preferred shares, including the conduct of a solicitation for stockholders' written assent therefor 5. Redemption of Series 2A preferred shares 6. Endorsement of the re-appointment of R.G. Manabat & Co. as external auditor of the Company for year 2019 7. Nominees to the Board of Directors and final list of candidates for Independent Directors a. Eduardo M. Cojuangco, Jr. b. Ramon S. Ang c. Lubin B. Nepomuceno d. Estelito P. Mendoza e. Jose P. De Jesus f. Ron W. Haddock g. Mirzan Mahathir h. Aurora T. Calderon i. Virgilio S. Jacinto j. Nelly Favis-Villafuerte k. Horacio C. Ramos <u>Independent Directors</u> l. Reynaldo G. David m. Artemio V. Panganiban n. Margarito B. Teves o. Carlos Jericho L. Petilla 8. Annual Stockholders' Meeting Date : May 21, 2019, Tuesday Time : 2:00 pm Venue : Valle Verde Country Club, Pasig City Record date : March 26, 2019 Closing of books : March 26 - April 2, 2019 Media release on performance also submitted.
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Press Releases

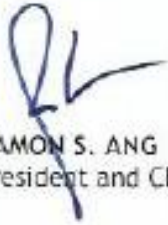
The following press releases were made for year 2018 until the date of this Annual Report:

March 13, 2018	“Petron posts P14.1 Billion net income for 2017 on strong sales”
May 8, 2018	“Petron revenues up 21%; income hits P5.8 billion in first 3 months of 2018
August 7, 2018	“Petron income up 16%, posts P9.5 billion in first half of 2018”
November 6, 2018	“Petron nets P12.1 billion in first nine months of 2018”
March 12, 2019	“Petron net income drops 50% on shrinking crude prices”

[signature page follows on next page]

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 8, 2019.



RAMON S. ANG
President and Chief Executive Officer



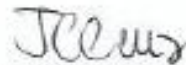
LUBIN B. NEPOMUCENO
General Manager



EMMANUEL E. ERAÑA
Senior Vice President and Chief Finance Officer



DENNIS S. JANSON
Assistant Vice President and Controller



JOEL ANGELO C. CRUZ
Vice President - General Counsel
& Corporate Secretary

APR 08 2019

SUBSCRIBED AND SWORN to before me this ____ of April 2019 at Mandaluyong City, affiants exhibiting to me their Competent Evidence of Identity as follows:

Name	Passport Number	Date of Issue (mm-dd-yy)	Place of Issue
Ramon S. Ang	P4589066A	10-02-2017	DFA, Manila
Lubin B. Nepomuceno	EC7321524	4-6-2016	DFA, NCR East
Emmanuel E. Eraña	P0502156B	2-01-2019	DFA NCR East
Dennis S. Janson	P4720985A	10-14-2017	DFA La Union
Joel Angelo C. Cruz	P3018090A	5-13-2017	DFA, NCR East

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Book No. V ;
Series of 2019.



DON-VIC P. QUEZON

Notary Public for Mandaluyong City

San Miguel Avenue, 1550 Mandaluyong City

Appointment No. 0382-18

Until December 31, 2019

Attorney's Roll No. 56728

PTR No. 3810644/01-04-19/Mandaluyong

Lifetime IBP No. 08324

* E-Compliance No. V-0020700/4-20-2016

ANNEX A

Public Ownership Report as of December 31, 2018



PCOR
PUBLIC OWNERSHIP REPORT

Report Date: December 31, 2018

Computation of Public Ownership

Number of Issued Common Shares	9,375,104,497
Less: Number of Treasury Common Shares, if any	0
Number of Outstanding Common Shares	9,375,104,497

Less:

A. Directors

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Ramon S. Ang	1,000		1,000	0.0000%
Eduardo M. Cojuangco, Jr.	1,000		1,000	0.0000%
Estelito P. Mendoza	1,000		1,000	0.0000%
Jose P. de Jesus	500	225,000	225,500	0.0024%
Aurora T. Calderon	1,000		1,000	0.0000%
Margarito B. Teves	500		500	0.0000%
Horacio C. Ramos	500		500	0.0000%
Ron W. Haddock	1		1	0.0000%
Mirzan Mahathir	1,000		1,000	0.0000%
Reynaldo G. David	1,000		1,000	0.0000%
Carlos Jericho L. Petilla	500		500	0.0000%
Virgilio S. Jacinto	1,000		1,000	0.0000%
Lubin B. Nepomuceno	5,000		5,000	0.0001%
Artemio V. Panganiban	1,000		1,000	0.0000%
Nelly Favis-Villafuerte	1,000		1,000	0.0000%

B. Officers

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Emmanuel E. Erana			0	0.0000%
Rowena O. Cortez	8,580		8,580	0.0001%
Rolando B. Salonga	845		845	0.0000%
Dennis S. Janson	163	15,000	15,163	0.0002%

Archie B. Gupalor	3,000		3,000	0.0000%
Susan Y. Yu		591,600	591,600	0.0063%
Freddie P. Yumang		73,600	73,600	0.0008%
Albertito S. Sarte		925,500	925,500	0.0099%
Joel Angelo C. Cruz			0	0.0000%
Julicta L. Ventigan	2,100		2,100	0.0000%

C. Principal / Substantial Stockholders

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
SEA Refinery Corporation	4,696,885,564		4,696,885,564	50.10%
Petron Corporation Employees' Retirement Fund (PCERP)	378,818,699	80,337,398	459,156,097	4.90%
San Miguel Corporation	1,702,870,560		1,702,870,560	18.16%

D. Affiliates

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
	0	0	0	0

E. Government

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

F. Banks

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

G. Employees

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

H. Lock-Up Shares

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
	7,999,366	0	7,999,366	0.0853%

I. Others

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
0	0	0	0	0

Number of Listed Common Shares *	9,375,104,497
Total Number of Non-Public Shares	6,868,772,976
Total Number of Shares Owned by the Public	2,506,331,521
Public Ownership Percentage	26.73%

* As indicated in the PSE website

ANNEX B

Public Ownership Report as of February 28, 2019



PCOR
PUBLIC OWNERSHIP REPORT

Report Date: February 28, 2019

Computation of Public Ownership

Number of Issued Common Shares	9,375,104,497
Less: Number of Treasury Common Shares, if any	0
Number of Outstanding Common Shares	9,375,104,497

Less:

A. Directors

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Ramon S. Ang	1,000		1,000	0.0000%
Eduardo M. Cojuangco, Jr.	1,000		1,000	0.0000%
Estelito P. Mendoza	1,000		1,000	0.0000%
Jose P. de Jesus	500	225,000	225,500	0.0024%
Aurora T. Calderon	1,000		1,000	0.0000%
Margarito B. Teves	500		500	0.0000%
Horacio C. Ramos	500		500	0.0000%
Ron W. Haddock	1		1	0.0000%
Mirzan Mahathir	1,000		1,000	0.0000%
Reynaldo G. David	1,000		1,000	0.0000%
Carlos Jericho L. Petilla	500		500	0.0000%
Virgilio S. Jacinto	1,000		1,000	0.0000%
Lubin B. Nepomuceno	5,000		5,000	0.0001%
Artemio V. Panganiban	1,000		1,000	0.0000%
Nelly Favis-Villafuerte	1,000		1,000	0.0000%

B. Officers

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Emmanuel E. Erana			0	0.0000%
Rowena O. Cortez	8,580		8,580	0.0001%
Rolando B. Salonga	845		845	0.0000%
Dennis S. Janson	163	15,000	15,163	0.0002%

Archie B. Gupalor	3,000		3,000	0.0000%
Susan Y. Yu		591,600	591,600	0.0063%
Freddie P. Yumang		73,600	73,600	0.0008%
Albertito S. Sarte		765,500	765,500	0.0082%
Joel Angelo C. Cruz			0	0.0000%
Julieta L. Ventigan	2,100		2,100	0.0000%

C. Principal / Substantial Stockholders

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
SEA Refinery Corporation	4,696,885,564		4,696,885,564	50.10%
Petron Corporation Employees' Retirement Fund (PCERP)	378,818,699	80,337,398	459,156,097	4.90%
San Miguel Corporation	1,702,870,560		1,702,870,560	18.16%

D. Affiliates

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
	0	0	0	0

E. Government

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

F. Banks

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

G. Employees

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

H. Lock-Up Shares

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
	7,999,366	0	7,999,366	0.0853%

L. Others

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
0	0	0	0	0

Number of Listed Common Shares *	9,375,104,497
Total Number of Non-Public Shares	6,868,612,976
Total Number of Shares Owned by the Public	2,506,491,521
Public Ownership Percentage	26.74%

* As indicated in the PSE website

ANNEX C

2018 Audited Financial Statements (Petron & Subsidiaries)