

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☐ Preliminary Information Statement

☒ Definitive Information Statement

2. Name of Registrant as specified in its charter

PETRON CORPORATION

3. Province, country or other jurisdiction of incorporation or organization

Philippines

4. SEC Identification Number

31171

5. BIR Tax Identification Code

000-168-801

6. Address of principal office

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

Postal Code

1550

7. Registrant's telephone number, including area code

(63 2) 886-3888, 884-9200

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

May 17, 2016, 2:00 p.m., Valle Verde Country Club, Capt. Henry P. Javier St., Brgy.

Oranbo, Pasig City

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

Apr 8, 2016

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON (PCOR)	9,375,104,497
PREFERRED SERIES 2A (PRF2A)	7,122,320
PREFERRED SEREIS 2B (PRF2B)	2,877,680
TOTAL DEBT AS OF DECEMBER 31, 2015 (IN MILLIONS)	211,167

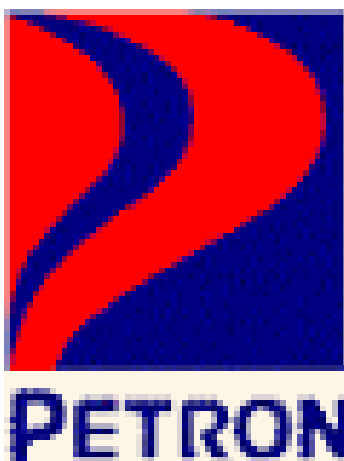
13. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

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

Philippine Stock Exchange - Common and Series 2 Preferred Shares

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



Petron Corporation
PCOR

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

Date of Stockholders' Meeting	May 17, 2016
Type (Annual or Special)	Annual
Time	2:00 p.m.
Venue	Valle Verde Country Club, Capt. Henry P. Javier St., Brgy. Oranbo, Pasig City
Record Date	Mar 31, 2016

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Apr 1, 2016
End date	Apr 7, 2016

Other Relevant Information

Please see attached Definitive Information Statement (SEC Form 20-IS) of the Company for the 2016 Annual Stockholders' Meeting scheduled on May 17, 2016 (with the notice, agenda and the rationale for each agenda item) filed with the Securities and Exchange Commission ("SEC") on April 4, 2016 and cleared for release by the SEC on April 7, 2016.

Filed on behalf by:

Name	Jhoanna Jasmine Javier-Elacio
Designation	Legal Manager and Assistant Corporate Secretary



April 1, 2016

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City



Attention: Director Vicente Graciano P. Felizmenio, Jr.
Markets and Securities Regulation Department

Re: Definitive Information Statement (SEC Form 20-IS)

Gentlemen:

We refer to your letter dated March 17, 2016 which we received on March 21, 2016 (the "Letter").

Please find enclosed the Definitive Information Statement for the annual stockholders' meeting of the Company scheduled on May 17, 2016 incorporating the information required in the Letter.

For your convenience, we enclose as Annex A to this letter the checklist set out in the Letter indicating our reply to the items noted.

We look forward to your clearance to distribute the Definitive Information Statement.

Very truly yours,


JOEL ANGELO C. CRUZ
VP - General Counsel &
Corporate Secretary

PETRON CORPORATION			
SEC Form 20-IS Preliminary filed on March 16, 2016.			
Checklist of Requirements	Page No.	Remarks	Petron reply/comment
If yes, disclose the name of such Stock Exchange and the class of securities listed therein			
ITEM 5: DIRECTORS AND EXECUTIVE OFFICERS		Submit a certification that none of directors and officers works in government and if there is, submit a letter consent from the head of agency.	Please find attached as Appendix 1 to this checklist the certification from the Company accompanied by the certification from the College of Law of the University of the Philippines allowing Atty. Virgilio S. Jacinto, a director of the Company, to practice his profession.
<i>Information required by Part IV paragraph (A), (D)(1) and (D)(3) of Annex "C"</i>			
(A)(1) Identify Directors, including Independent Directors and Executive Officers		(1) Submit updated Certification on the Qualifications and Disqualification of Independent Directors (2) The company is reminded of SEC Memorandum Circular No. 9, Series of 2011 re Term Limits for Independent Directors.	(1) The certifications of the independent directors will be filed no later than 30 days after their election on May 17, 2016 pursuant to the SEC Notice to Independent Directors dated October 20, 2006. (2) The Company notes the term limits of independent director(s) under SEC MC No. 9, Series of 2011, which shall be reckoned from January 3, 2012, as provided in such circular.
MANAGEMENT REPORT			
Audited Financial Statements		Submit 2015 Audited Consolidated Financial Statements.	Please refer to Annex C (2015 Audited Financial Statements of Petron and its Subsidiaries) beginning on page 92 of the Definitive Information Statement

Checklist of Requirements	Page No.	Remarks	Petron reply/comment
Management's Discussion and Analysis (MD&A) or Plan of Operation (Required by Part III(A) of Annex "C")			
All other registrants shall provide the following information:			
For both full fiscal years and interim periods, disclose the company's and its majority-owned subsidiaries' top five (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.		Not complied with.	Please refer to pages 47-48 of Annex B (<i>Management Discussion and Analysis of the Financial Conditions and Other Information</i>) of the enclosed Definitive Information Statement presented on a comparable basis for years 2012, 2013, 2014 and 2015.
(a) Full fiscal years			
(1) Discussion of the Registrant's Financial Condition, Changes in Financial Condition and Results of Operations for each of the last 3 fiscal years.		Not complied with.	Please refer to Annex B (<i>Management Discussion and Analysis of the Financial Conditions and Other Information</i>) beginning on page 40 of the enclosed Definitive Information Statement presented on a comparable basis for years 2012, 2013, 2014 and 2015.
If Material:			
(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)		Disclose, if any	Please refer to pages 50-55 of the enclosed Definitive Information Statement.
(ii) <i>Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation</i>			
(iii) <i>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.</i>			
(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures			
(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)			
(vi) Any Significant Elements of Income or Loss (from continuing operations)			
(vii) Causes for Any Material Changes from Period to Period of FS <i>which shall include vertical and horizontal analyses of any material item (5%)</i>			
The term "material" in this section shall refer to changes on items amounting to at least five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.			

Checklist of Requirements	Page No.	Remarks	Petron reply/comment	
AUDITED FINANCIAL STATEMENTS				
Statement of Management Responsibility on the Financial Statements (as prescribed by SRC Rule 68, As Amended) (Financial Reporting Bulletin No. 1)		Not submitted.	Please refer to Annex C (2015 Audited Financial Statements of Petron and its Subsidiaries) beginning on page 92 of the Definitive Information Statement	
ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS (SRC Rule 68, as amended October 2011)				
Legal matter paragraph in the Auditor’s Report on each components:		Not submitted	Please refer to Annex C (2015 Audited Financial Statements of Petron and its Subsidiaries) beginning on page 92 of the Definitive Information Statement	
Tabular schedule of standards and interpretation as of reporting date (Par 4(J))				
A reconciliation of Retained Earnings available for dividend declaration which shall present the prescribed adjustments as indicated in Annex 68-C				
A map of the conglomerate or group of companies showing the relationships between and among the company its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates (Par 4(h))				
A schedule showing financial soundness indicators in two comparative period as follows: 1) current/liquidity ratios; 2) solvency ratios, debt-to-equity ratio; 3) assets-to-equity ratio; 4) interest rate coverage ratio; 5) profitability ratio; and 6) other relevant ratio as the Commission may prescribe.				
Listed companies that recently offered securities to the public (either as IPO or additional offering)				
This schedule shall be submitted with the annual audited financial statements and if applicable, with the company’s interim financial statements		Not complied with		
A schedule showing the following amount:				
(i) Gross and net proceeds as disclosed in the final prospectus				
(ii) Actual gross and net proceeds;				
(iii) Each expenditure items where the proceeds was used; and				
(iv) Balance of the proceeds as of the end of the reporting period				
Additional disclosures set forth in <u>Annex 68-D</u> shall appear on the face of the balance sheets or related notes and in the Statement of comprehensive income or related notes filed and on the face of the financial statement		Not submitted		
Disclosures of receivable/payables with related parties eliminated during consolidation (Annex 68-D)				



APPENDIX 1

CERTIFICATION

I, **JOEL ANGELO C. CRUZ**, of legal age, married, Filipino, with office address at the SMC Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila, Philippines, after having been duly sworn in accordance with law, do hereby depose and state that:

1. I am the Vice President - General Counsel and Corporate Secretary of **PETRON CORPORATION** (the "Corporation"), a corporation duly organized and registered in accordance with the laws of the Republic of the Philippines with principal office at the SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City.

2. I hereby certify that Atty. Virgilio S. Jacinto is the only director who works in the government. No one of the executive officers of the Company works in the government. Please find attached certification issued by Ms. Ma. Gisella N. Dizon-Reyes, College Secretary of the University of the Philippines College of Law dated November 21, 2013 allowing Atty. Jacinto to practice his profession.

3. This Certification is hereby executed to attest to the truth of the foregoing and for whatever legal purpose it may serve.

DONE this 1st day of April 2016 at Mandaluyong City.


JOEL ANGELO C. CRUZ
VP – General Counsel &
Corporate Secretary



UNIVERSITY of the PHILIPPINES

COLLEGE OF LAW

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

This is to certify that Professor **VIRGILIO S. JACINTO** is a part-time member of the faculty of the University of the Philippines College of Law, holding the position of Associate Professor 5 and is allowed to practice his profession.

This certification is issued upon the request of Prof. Jacinto for whatever legal purposes it may serve him.

Done this 21st day of November 2013 at Quezon City, Metro Manila, Philippines.

MA. GISELLA N. DIZON-REYES
College Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

Information Statement Pursuant to Section 20
of the Securities Regulation Code



1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter **PETRON CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**
4. SEC Identification Number **31171**
5. BIR Tax Identification Code **000-168-801**
6. Address of principal office
SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City
Postal Code **1550**
7. Registrant's telephone number, including area code **(632) 886-3888**
8. Date, time and place of the meeting of security holders

Date	-	May 17, 2016, Tuesday
Time	-	2:00 p.m.
Place	-	Valle Verde Country Club Capt. Henry P. Javier St., Bgy. Oranbo Pasig City, Metro Manila
9. Approximate date on which the Information Statement is first to be sent or given to security holders
April 8, 2016
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares Outstanding
Common Stock	9,375,104,497 shares
Series 2A Preferred Shares	7,122,320 shares
Series 2B Preferred Shares	2,877,680 shares
Total Liabilities (as of December 31, 2015)	₱ 211,167 million

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

Yes X No _____

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange

Common Shares

Series 2A Preferred Shares

Series 2B Preferred Shares



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 17, 2016

The annual meeting of the stockholders of Petron Corporation (the "Company") will be held on May 17, 2016, Tuesday, at 2:00 p.m. at the Valle Verde Country Club, Pasig City.

The agenda of the meeting are as follows:

- 1) Call to Order
- 2) Report on Attendance and Quorum
- 3) Review and Approval of the Minutes of the Previous Annual Stockholders' Meeting
- 4) Management Report and Submission to the Stockholders of the 2015 Financial Statements
- 5) Ratification of All Acts of the Board of Directors and Management Since the 2015 Stockholders' Meeting
- 6) Appointment of an External Auditor
- 7) Election of the Board of Directors for the Ensuing Term
- 8) Other Matters
- 9) Adjournment



Rationale for Agenda and Dividend Policy

Please refer to Appendix 1 of this notice for a brief discussion of and the rationale for the above agenda items.

The dividend policy of the Company is discussed in the Definitive Information Statement (SEC Form 20-IS) issued by the Company for this meeting.

Draft Minutes and Proxy

The draft of the minutes of the annual stockholders' meeting held in 2015 has been posted on the company website www.petron.com since May 22, 2015, five (5) days after such meeting. A printed copy of the minutes will also be available at the registration on the day of this year's meeting.

The deadline for submission of proxies is on May 2, 2016. For your convenience, a sample of a proxy is attached to the Definitive Information Statement. For a corporation, its proxy must be accompanied by its Corporate Secretary's sworn certification setting the corporate officer's authority to represent the corporation in the meeting. Proxies need not be notarized. Validation of proxies will be on May 12, 2016 at 2:00 p.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City.

At the meeting, please present some form of identification, such as passport, driver's license, or company I.D. Registration booths will open at 11:30 am and promptly close at 2:00 p.m.

Mandaluyong, March 16, 2016.


JOEL ANGELO C. CRUZ
VP - General Counsel &
Corporate Secretary

RATIONALE AND BRIEF DISCUSSION OF THE AGENDA
OF THE 2016 ANNUAL STOCKHOLDERS' MEETING
(THE "ANNUAL STOCKHOLDERS' MEETING")

1. Call to Order

The Chairman of the Board of Directors (or the Chairman of the meeting, as the case may be) (the "Chairman") will call the meeting to order.

2. Report on Attendance and Quorum

Notice and Quorum

The Corporate Secretary (or the Secretary of the meeting, as the case may be) (the "Secretary") will certify the date when the written notice of the Annual Stockholders' Meeting was sent to the stockholders as of record date of March 31, 2016 and the date of publication of the notice in newspapers of general circulation.

The Secretary will likewise certify the presence of a quorum. Under the by-laws of the Company (the "Company's By-laws"), the holders of a majority of the issued and outstanding capital stock of the Company entitled to vote shall, if present in person or by proxy, constitute a quorum for the transaction of business.

Voting and Voting Procedure

- Each common share is entitled to one vote. Preferred shareholders have no voting rights except under instances provided under The Corporation Code of the Philippines.
- A simple majority vote of the stockholders holding common shares, where a quorum is present, will be needed for the approval of the minutes of the previous stockholders' meeting, the ratification of all acts of the Board of Directors and Management since the last annual stockholder's meeting in 2015, and the appointment of the external auditor of the Company for 2016.
- In the election of directors, the 15 nominees who get the highest votes shall be deemed duly elected as directors. Under the express provisions of the Company's By-Laws, cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his his/her shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.

- As provided in the Company's By-Laws, if at any meeting of the stockholders a vote by ballot shall be taken, a voting committee shall be created to adopt its own rules to govern the voting and take charge of the voting proceedings and the preparation and distribution of the ballots. Each member of the voting committee, who need not be stockholders, is required to subscribe to an oath to faithfully execute his/her duties as an inspector of votes with strict impartiality and according the best of his/her ability.

The external auditor of the Company will be requested to supervise the voting proceedings.

Question and Answer

The Secretary will advise the stockholders of the holding of an open forum after the Management's report and provide the guidelines in the conduct of the open forum.

3. Review and Approval of the Minutes of the Previous Annual Stockholders' Meeting

A draft of the minutes of the annual stockholders' meeting held on May 19, 2015 has been posted on the company website www.petron.com since May 22, 2015. Copies will also be made available to the stockholders at the registration area of the venue of the Annual Stockholders' Meeting.

The stockholders will be requested to approve the draft of the minutes of the 2015 annual stockholders' meeting.

4. Management Report and Submission to the Stockholders of the 2015 Financial Statements

The Management of the Company will deliver the report on the performance of the Company for 2015.

The stockholders will be given the opportunity to ask questions or raise concerns.

The stockholders will then be requested to approve the report and the audited financial statements of the Company for 2015.

Duly authorized representatives of R. G. Manabat & Co./KPMG ("KPMG"), the external auditor for 2015, will be present at the Annual Stockholders' Meeting to respond to appropriate questions concerning the 2015 financial statements of the Company.

5. Ratification of All Acts of the Board of Directors and Management Since the 2015 Stockholders' Meeting

The acts and resolutions of the Board of Directors, including those of the Executive Committee, are reflected in the minutes of meetings, and the material of which are disclosed to the Securities and Exchange Commission ("SEC") and the Philippine Stock Exchange ("PSE") and posted on the company website, www.petron.com. A list of such acts and resolutions are also set out in the Definitive Information Statement for the Annual Stockholders' Meeting.

The acts of Management were taken in furtherance of the conduct of the business of the Company and in the implementation of the matters approved by the Board of Directors or the Executive Committee.

The stockholders will be requested to ratify all acts of the Board of Directors and Management since the last stockholders' meeting in 2015.

6. Appointment of an External Auditor

Pursuant to the Corporate Governance Manual of the Company and the Audit and Risk Management Committee Charter, the Audit and Risk Management Committee recommended to the Board of Directors the appointment of an external auditor which will examine the accounts of the Company for 2016. The Board of Directors, at its meeting held on March 15, 2016, approved the endorsement of the Audit and Risk Management Committee of the re-appointment of R. G. Manabat & Co./KPMG ("KPMG") as external auditor of the Company for 2016. The stockholders will be requested to approve the appointment.

KPMG is further discussed in the Definitive Information Statement for the Annual Stockholders' Meeting.

7. Election of the Board of Directors for the Ensuing Term

At its meeting held on March 15, 2016, the Nomination Committee, as the standing committee of the Board of Directors constituted for the purpose of reviewing and evaluating the qualifications of persons nominated to become members of the Board of Directors (including the independent directors) and pursuant to the provisions of the Corporate Governance Manual of the Company and the Charter of the Nomination Committee, reviewed the candidates for director to ensure that they have all the qualifications and none of the disqualifications for nomination and election as members of the Board of Directors.

The 15 nominees will be submitted for election to the Board of Directors by the stockholders at the Annual Stockholders' Meeting. The profiles of the nominees are provided in the Definitive Information Statement for the Annual Stockholders' Meeting.

8. Other Matters

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

9. Adjournment

Upon determination that there are no other relevant matters to be discussed, the meeting will be adjourned on motion duly made and seconded.

SAMPLE PROXY FORM

The undersigned stockholder of PETRON CORPORATION (the "Company") hereby appoints _____ or, in his/her/its absence, the Chairman of the meeting, as attorney and proxy, to represent and vote all the shares registered in his/her/its name at the annual meeting of the stockholders of the Company scheduled on May 17, 2016, Tuesday, at 2:00 p.m. at the Valle Verde Country Club, Capt. Henry P. Javier St., Bgy. Oranbo, Pasig City, Metro Manila, Philippines, and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below.

PROPOSAL	ACTION			
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION	FULL DISCRETION OF PROXY
1. Election of Directors				
The nominees are: - Eduardo M. Cojuangco, Jr. - Ramon S. Ang - Lubin B. Nepomuceno - Eric O. Recto - Estelito P. Mendoza - Jose P. De Jesus - Ron W. Haddock - Aurora T. Calderon - Mirzan Mahathir - Romela M. Bengzon - Virgilio S. Jacinto - Nelly Favis-Villafuerte - Reynaldo G. David (independent) - Artemio V. Panganiban (independent) - Margarito B. Teves (independent) INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), please mark "Exception" box and list the name(s) under				
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2015 Annual Stockholders' Meeting				
3. Approval of the Annual Report and the Audited Financial Statements of the Company for year ended December 31, 2015				
4. Ratification of all Acts of the Board of Directors and Management since the 2015 Annual Stockholders' Meeting				
5. Appointment of External Auditors of the Company				

Signed this _____ at _____.

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE MAY 2, 2016. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AS RECOMMENDED BY THE MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT EITHER IN AN INSTRUMENT IN WRITING DULY PRESENTED TO AND RECORDED WITH THE CORPORATE SECRETARY AT LEAST FIVE (5) DAYS PRIOR TO THE MEETING OR BY THE PERSONAL PRESENCE OF THE STOCKHOLDER AT THE MEETING. NOTARIZATION OF THIS PROXY IS NOT REQUIRED. FOR A CORPORATION, ITS PROXY MUST BE ACCOMPANIED BY ITS CORPORATE SECRETARY'S SWORN CERTIFICATION SETTING THE CORPORATE OFFICER'S AUTHORITY TO REPRESENT THE CORPORATION IN THE MEETING. VALIDATION OF PROXIES WILL BE ON MAY 12, 2016 AT 2:00 P.M. AT THE SMC STOCK TRANSFER SERVICE CORPORATION OFFICE, 2ND FLOOR, SMC HEAD OFFICE COMPLEX, 40 SAN MIGUEL AVENUE, MANDALUYONG CITY.

INFORMATION STATEMENT

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

However, if you cannot attend and you wish to send a representative/proxy, please send your proxy letter, a sample of which is attached to this Information Statement, to the Office of the Corporate Secretary of the Petron Corporation (“Petron” or the “Company”) on or before May 2, 2016.

On the day of the annual stockholders’ meeting, May 17, 2016, your representative should bring the Stockholder’s Identification Slip, any valid proof of identification (e.g., passport, driver’s license, company I.D., or TIN card) and the proxy letter.

Date, Time and Place of Annual Meeting

The annual stockholders’ meeting of Petron for 2016 has the following details (the “Annual Stockholders’ Meeting”):

Date	-	May 17, 2016, Tuesday
Time	-	2:00 p.m.
Place	-	Valle Verde Country Club Capt. Henry P. Javier St., Bgy. Oranbo Pasig City, Metro Manila

The approximate date on which this Information Statement will be first sent or given to the stockholders is April 8, 2016.

The principal office of the Company is at the SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City.

Dissenters’ Right of Appraisal

As provided in Section 42 and Title X of the Corporation Code of the Philippines (the “Corporation Code”), a dissenting stockholder may demand payment of the fair value of his/her shares in the exercise of his/her appraisal right in the following instances:

- 1) when there is a change or restriction in the rights of any stockholder or class of shares;
- 2) when the corporation authorizes preferences in any respect superior to those of outstanding shares of any class;
- 3) when there is an extension or shortening of the term of corporate existence;
- 4) in case of a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;
- 5) in case of a merger or consolidation; and
- 6) in the event of an investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation is organized.

Section 82 of the Corporation Code provides the following procedure on how the appraisal right may be exercised by any stockholder who shall have voted against a proposed corporate action on any of the above instances:

- 1) A dissenting stockholder files a written demand within 30 days after the date on which the vote was taken. Failure to file the demand within the 30-day period constitutes a waiver of the appraisal right. Within 10 days from demand, the dissenting stockholder shall submit his/her stock certificates to the corporation for notation that such shares are dissenting shares. From the time of demand for payment until either abandonment of the corporate action or purchase of the shares by the corporation, all rights accruing to the shares (including voting and dividend rights) shall be suspended, except the stockholders' right to receive payment of the fair value of his/her shares.
- 2) If corporate action is implemented, the corporation pays the stockholder the fair value of his/her shares upon surrender of the certificate/s of stock. Fair value is the value of shares on the day prior to the date on which the vote was taken, excluding appreciation or depreciation in anticipation of such corporate action.
- 3) If the fair value is not determined within 60 days from date of action, it will be determined by three (3) disinterested persons (one chosen by the stockholder, another chosen by the corporation, and the last one chosen by both). The findings of a majority of the said appraisers will be final and their award will be paid by the corporation within 30 days after such award is made. Upon such payment, the stockholder shall forthwith transfer his/her shares to the corporation. No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings.
- 4) If the stockholder is not paid within 30 days from such award, his/her voting and dividend rights shall be immediately restored.

There is no matter to be voted upon during the Annual Stockholders' Meeting that will trigger the exercise by a stockholder of his/her appraisal rights under the law.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

There is no matter to be acted upon in which any of the current directors and executive officers and those who will be nominated as directors during the meeting is involved or had a direct, indirect, or substantial interest, other than election to office. Likewise, no director has informed the Company in writing of his/her opposition to any matter to be acted upon.

Voting Securities and Principal Holders Thereof

As of the date of this Information Statement, the total number of outstanding shares of the Company is comprised of 9,375,104,497 common shares, 7,122,320 Series 2A preferred shares (the "Series 2A Preferred Shares") and 2,877,680 Series 2B preferred shares (the "Series 2B Preferred Shares"), each with a par value of ₱1.00.

The three (3) principal common shareholders of the Company are SEA Refinery Corporation ("SRC") (50.10%), San Miguel Corporation ("SMC") (18.16%), and the Petron Corporation Employees' Retirement Plan ("PCERP") (7.80%). SRC is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

All stockholders of record holding common shares as of March 31, 2016 are entitled to notice and vote at the Annual Stockholders' Meeting. Each common share is entitled to one vote. Preferred shareholders have no voting rights except under instances provided under the Corporation Code, none of which forms part of the agenda of the Annual Stockholders' Meeting.

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

The Company is not engaged in a business subject to foreign ownership restrictions. The equity ownership of foreigners is nevertheless set out below:

As of February 29, 2016

Class of Shares	Number of shares held by foreigners	Percentage to Total Outstanding Shares
Common shares (PCOR)	64,394,024	1.87%
Series 2A Preferred Shares (PPRF2A)	14,060	0.20%
Series 2A Preferred Shares (PPRF2A)	24,430	0.85%
Combined common and preferred shares	64,432,514	0.69%

Security Ownership of Certain Record and Beneficial Owners and Management

The security ownership of certain record and beneficial owners of more than 5% of the common shares of the Company as of February 29, 2016 is as follows:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common Shares	SEA Refinery Corporation (“SRC”) 19/F Liberty Center Dela Costa St., Salcedo Village, Makati City Major Stockholder	SEA Refinery Corporation	Filipino	4,696,885,564	50.10%
Common Shares	San Miguel Corporation (“SMC”) SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Major Stockholder	San Miguel Corporation	Filipino	1,702,870,560	18.16%
Common Shares	Petron Corporation Employees’ Retirement Plan SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Major Stockholder	Petron Corporation Employees’ Retirement Plan	Filipino	731,156,097	7.80%
Common Shares	PCD Nominee Corporation (Filipino) 37 th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paso de Roxas, Makati City Major Stockholder	PCD Nominee Corporation	Filipino	1,330,160,122 ¹	14.19%

¹ The Company has no beneficial owner under the PCD Nominee Corporation that owns more than 5% shareholdings.

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

In the annual stockholders’ meeting held in 2015, Mr. Ramon S. Ang, the Chairman of the meeting, represented and voted the shares registered in the names of SRC, SMC and PCERP. The representation of the afore-mentioned stockholders for the Annual Stockholders’ Meeting will be based on the proxy that they will file in accordance with this Information Statement and the Company’s By-Laws.

The security ownership of directors and executive officers as of February 29, 2016 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	Eric O. Recto	Filipino	1	D	0.00%
Series 2A Preferred			14,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500 / 100,000	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	Romela M. Bengzon	Filipino	1,000	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.

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	180,000	I	0.00%
Series 2A Preferred			2,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Susan Y. Yu	Filipino	530,000	I	0.00%
Series 2A Preferred			10,500	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Albertito S. Sarte	Filipino	850,000	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	Rodulfo L. Tablante	Filipino	-	-	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 / 94,900	D / I	N.A.
Series 2A Preferred			1,000	-	N.A.
Series 2B Preferred			-	-	N.A.
Directors and Executive Officers as a Group		Common	1,873,345		0.02%
		Series 2A Preferred	39,000		0.55%
		Series 2B Preferred	0		0.00%

As of February 29, 2016, the directors and executive officers of the Company owned 1,873,345 common shares and 39,000 Series 2A Preferred Shares for a total of 1,912,345 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.

Voting Trust Holders of 5% or more

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

Changes in Control

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

Directors and Executive Officers

Listed below are the incumbent directors and 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.

The directorship of the directors in other companies listed in the PSE is also specified.

A. Directors

The following are the incumbent directors of the Company:

Name	Period Served
Eduardo M. Cojuangco, Jr.	January 8, 2009 - present
Ramon S. Ang	January 8, 2009 - present
Lubin B. Nepomuceno	February 19, 2013 - present
Eric O. Recto	July 31, 2008 - present
Estelito P. Mendoza	January 8, 2009 - present ¹
Jose P. de Jesus	May 20, 2014 - present
Ron W. Haddock	December 2, 2008 - present
Aurora T. Calderon	August 13, 2010 - present
Mirzan Mahathir	August 13, 2010 - present
Romela M. Bengzon	August 13, 2010 - present
Virgilio S. Jacinto	August 13, 2010 - present
Nelly Favis-Villafuerte	December 1, 2011 - present
Reynaldo G. David (Independent Director)	May 12, 2009 - present
Artemio V. Panganiban (Independent Director)	October 21, 2010 - present
Margarito B. Teves (Independent Director)	May 20, 2014 - present

¹ Previously served as a Director of the Company from 1974 to 1986.

Set out below are the profiles of the nominees for election as Directors of the Company at the Annual Stockholders' Meeting as of the date of this report.

Eduardo M. Cojuangco, Jr., Filipino, 80 years old, 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 and Compensation Committees of the Company. He holds the following positions, namely: Chairman and Chief Executive Officer of San Miguel Corporation ("SMC"); Ginebra San Miguel, Inc. ("GSMI"); San Miguel Pure Foods Company, Inc. ("SMPFC"); Chairman of ECJ & Sons Agricultural Enterprises Inc., Eduardo Cojuangco Jr. Foundation Inc.; and Director of Caiñaman Farms Inc. Mr. Cojuangco was formerly a director of the Manila Electric Company, member of the Philippine House of Representatives (1970-1972), Governor of Tarlac Province (1967-1979) and Philippine Ambassador-Plenipotentiary. He also served as the President and Chief Executive Officer of United Coconut Planters Bank, President and Director of United Coconut Life Assurance Corporation and Governor of the Development Bank of the Philippines. He attended the College of Agriculture at the University of the Philippines - Los Baños and the California Polytechnic College in San Luis Obispo, U.S.A. and was conferred a post graduate degree in Economics, *honoris causa*, from the University of Mindanao, a post graduate degree in Agri-Business, *honoris causa*, from the Tarlac College of Agriculture, a post graduate degree in Humanities, *honoris causa*, from the University of Negros Occidental-Recoletos, and a post graduate degree in Humanities, *honoris causa*, from the Tarlac State University.

Of the companies in which Mr. Cojuangco currently holds directorships, Petron-affiliates SMC, GSMI and SMPFC are listed with the PSE.

Ramon S. Ang, Filipino, 62 years old, 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 and Compensation Committees. He holds the following positions, among others: Chairman of Petron Malaysia Refining & Marketing Berhad ("PMRMB"), Las Lucas Construction and Development Corporation ("LLCDC"), New Ventures Realty Corporation ("NVRC"), and SEA Refinery Corporation ("SRC"); Chairman and Chief Executive Officer of Petron Marketing Corporation ("PMC") and Petron Freeport Corporation ("PFC"); Chairman and President of Mariveles Landco Corporation, Petrochemical Asia (HK) Ltd. ("PAHL"), Philippine Polypropylene Inc. ("PPI") and Robinson International Holdings Ltd.; Director of Petron Fuel International Sdn. Bhd. ("PFISB"), Petron Oil (M) Sdn. Bhd. ("POMSB"), Petron Oil & Gas Mauritius Ltd. ("POGM") and Petron Oil & Gas International Sdn Bhd. ("POGI"); Vice Chairman, President and Chief Operating Officer of SMC; Chairman of San Miguel Brewery Inc. ("SMB"), San Miguel Foods, Inc., The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Eastern Telecommunications Philippines Inc., Liberty Telecoms Holdings, Inc. ("Liberty Telecoms"), Manila North Harbour Port, Inc. ("MNHPI") and Philippine Diamond Hotel & Resort Inc.; Chairman and Chief Executive Officer of SMC Global Power Holdings Corp.; Chairman and President of San Miguel Properties, Inc., Bell Telecommunication Philippines, Inc., Atea Tierra Corporation, Cyber Bay Corporation and Philippine Oriental Realty Development Inc.; Vice Chairman of GSMI and SMPFC; and President and CEO of Top Frontier Investment Holdings Inc. ("Top Frontier"); Director of other subsidiaries and affiliates of SMC in the Philippines and the Southeast Asia Region. Previously, Mr. Ang was Chief Executive Officer of the Paper Industries Corporation of the Philippines and Executive Managing Director of Northern Cement Corporation, Aquacor Food Marketing, Inc., Marketing Investors Inc., PCY Oil Mills, Metroplex Commodities, Southern Island Oil Mills and Indophil Oil Corporation. Mr. Ang has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University.

Of the companies in which Mr. Ang currently holds directorships, SMC, Liberty Telecoms and Petron-affiliates GSMI, SMPFC and Top Frontier are also listed with the PSE.

Lubin B. Nepomuceno, Filipino, 64 years old, 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, Audit and Risk Management Committee and Compensation 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, POMSB, 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"); Trustee 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.; Director of MNHPI and 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 to February 2013) and the President of the Company (February 2013 to February 2015). 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.

Eric O. Recto, Filipino, 52 years old, has served as a Director of the Company since July 31, 2008. He holds the following positions, among others: Chairman of Philippine Bank of Communications (“PBCom”); Chairman and CEO of ISM Communications Corporation (“ISM”), and Vice Chairman of Atok-Big Wedge Corporation (“Atok”); and President and Director of Q-Tech Alliance Holdings, Inc. Mr. Recto was previously the President and Vice Chairman of the Company, the Chairman and Chief Executive Officer of PFI, and a Director of SMC, PMRMB and MERALCO. He was formerly the Undersecretary of the Philippine Department of Finance, in charge of both the International Finance Group and the Privatization Office from 2002 to 2005. He also served as the President of the Company (2008-2013), Vice Chairman of the Company (2013-2014), Chairman of Petrogen and Senior Vice President and Chief Finance Officer of Alaska Milk Corporation (2000-2002) and Belle Corporation (1994-2000). Mr. Recto has a degree in Industrial Engineering from the University of the Philippines and a master’s degree in Business Administration from the Johnson School, Cornell University.

Of the companies in which Mr. Recto currently holds directorships, PBCom, Atok, and ISM are also listed with the PSE.

Estelito P. Mendoza, Filipino, 86 years old, served as a Director of the Company from 1974 to 1986; thereafter, since January 8, 2009. He is a member of the Nomination Committee and the Audit and Risk Management Committee. He is likewise a member of the Board of Directors of SMC, Philippine National Bank (“PNB”) and Philippine Airlines, Inc. He previously served as a Director of MERALCO. 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.

Jose P. de Jesus, Filipino, 81 years old has served as a Director of the Company since May 20, 2014. He is also the President and Chief Executive Officer of Nationwide Development Corporation from September 2011 to present. He was the President and Chief Operating Officer of MERALCO (February 2009 to June 2010), the Secretary of the Department of Transportation and Communications (July 2010 to June 2011), the President and Chief Executive Officer of Manila North Tollways Corporation (January 2000 to December 2008), Executive Vice President of the Philippine Long Distance Telephone Company (1993 to December 1999) and the Secretary of the Department of Public Works and Highways (January 1990 to February 1993). He was *Lux in Domino Awardee* (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. He is the Chairman of Converge ICT Solutions Inc. and Metroworks ICT Construction Inc., and Director and Vice Chairman of Comclark Network and Technology Corporation. He is also a director of Citra Metro Manila Tollways Corporation, Private Infra Development Corporation, South Luzon Tollway Corporation, Nationwide Development Corporation and KingKing Gold & Copper Mines, Inc. 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.

Aurora T. Calderon, Filipino, 61 years old, has served as a Director of the Company since August 13, 2010. She is a member of the Audit and Risk Management Committee and the Compensation 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 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, Petron-affiliate Top Frontier is also listed with the PSE.

Mirzan Mahathir, Malaysian, 57 years old, 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 also serves as President of the Asian Strategy & Leadership Institute, Chairman of several charitable foundations and a member of the Wharton School Executive Board for Asia and the Business Advisory Council of United Nations ESCAP. 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, U.S.A. (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. Mahathir does not hold any directorship in any other company listed with the PSE.

Ma. Romela M. Bengzon, Filipino, 55 years old, has served as a Director of the Company since August 13, 2010. She holds the following positions, among others: Director of PMC; Managing Partner of the Bengzon Law Firm; and professor at the De La Salle University Graduate School of Business, Far Eastern University Institute of Law MBA-JD Program, the Ateneo Graduate School of Business and Regis University. She was formerly a Philippine government Honorary Trade Ambassador to the European Union, and Chairperson of the Committee on Economic Liberalization and Deputy Secretary General of the Consultative Commission, both under the Philippine Office of the President. A Political Science graduate of the University of the Philippines in 1980 (with honors), she obtained her Bachelor of Laws from the Ateneo de Manila University in 1985.

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

Virgilio S. Jacinto, Filipino, 59 years old, has served as a Director of the Company since August 13, 2010. He is a member of the Governance and Nomination Committees of the Company. 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., 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.

Ron W. Haddock, American, 75 years old, 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.

Nelly F. Villafuerte, Filipino, 79 years old, has served as a Director of the Company since December 1, 2011. She is a member of the Governance Committee of the Company. She is also a Director of Top Frontier. She is 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 an author of business handbooks on microfinance, credit card transactions, exporting and cyberspace and a four (4)-volume series on the laws on banking and financial intermediaries (Philippines). Atty. Villafuerte has served as Governor of the Board of Investments (1998-2005), Undersecretary for the International Sector (Trade Promotion and Marketing Group) of the Department of Trade and Industry (“DTI”) (July 1998-May 2000), and Undersecretary for the Regional Operations Group of the DTI (May 2000-2005). She holds a Masters 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 in the top ten in the bar examinations.

Of the companies in which Atty. Villafuerte currently holds directorships, Petron-affiliate Top Frontier is also listed with the PSE.

Reynaldo G. David, Filipino, 73 years old, has served as an Independent Director of the Company since May 12, 2009. He is the concurrent Chairman of the Audit and Risk Management Committee and the Nomination Committee and likewise a member of the Compensation Committee. He has previously held, among others, the following positions: 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). 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.

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

Artemio V. Panganiban, Filipino, 79 years old, has served as an Independent Director of the Company since October 21, 2010. He is a member of the Audit and Risk Management Committee. He is a columnist for the Philippine Daily Inquirer and officer, adviser or consultant to several business, civic, educational and religious organizations. 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, Bank of the Philippine Islands, 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 Non-Executive Director of Jollibee Foods Corporation.

Margarito B. Teves, Filipino, 72 years old, has served as an Independent Director of the Company since May 20, 2014 and the Chairman of the Governance Committee of the Company since July 3, 2014. 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 from 2005 to 2010, and was previously the President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 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.

The incumbent independent directors of the Company have certified that they possess all qualifications and none of the disqualifications provided under the Securities Regulation Code (the “Code”). The certifications of the incumbent independent directors are attached hereto as Annexes A-1, A-2 and A-3.

The following have been endorsed for election as directors at the Annual Stockholders’ Meeting:

- Eduardo M. Cojuangco, Jr.
- Ramon S. Ang
- Lubin B. Nepomuceno
- Eric O. Recto
- Estelito P. Mendoza
- Jose P. de Jesus
- Ron W. Haddock
- Mirzan Mahathir
- Aurora T. Calderon
- Romela M. Bengzon
- Virgilio S. Jacinto
- Nelly Favis-Villafuerte

The final list of nominees for independent directors names the following:

- Reynaldo G. David
- Artemio V. Panganiban
- Margarito B. Teves

The Nomination Committee created by the Board of Directors to pre-screen and shortlist candidates nominated to become members of the Board of Directors of the Company pursuant to the Corporate Governance Manual of the Company (the “CG Manual”), at its meeting held on March 15, 2016, reviewed the resumès of the above nominees. Upon finding that the candidates had all the qualifications and none of the disqualifications to be elected as directors as set out in applicable laws and regulations, the CG Manual and the Company’s By-Laws, the Nomination Committee endorsed the above nominees for election as directors at the Annual Stockholders’ Meeting. The Chairman of the Committee is Mr. Reynaldo G. David and the members are Atty. Estelito P. Mendoza and Atty. Virgilio S. Jacinto.

Messrs. David, Panganiban and Teves were nominated by Mr. Ramon S. Ang. Mr. Ang is not related to any of such nominees.

The procedure and selection of the independent directors were made in accordance with Section 38 of the Code, the Company’s By-Laws and the CG Manual.

The directors elected at the Annual Stockholders’ Meeting will serve for a term of one year or until their successors have been elected and qualified, subject to the provisions of the Company’s By- Laws.

B. Executive Officers

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

Name	Position	Date of Election
Ramon S. Ang	President and Chief Executive Officer	As President: February 10, 2015 - present; As Chief Executive Officer: January 2009-present
Lubin B. Nepomuceno	General Manager	February 2015-present
Emmanuel E. Eraña	Senior Vice President and Chief Finance Officer	January 2009-present
Susan Y. Yu	Vice President - Procurement	January 2009-present
Albertito S. Sarte	Vice President and Treasurer	August 2009-present
Ma. Rowena Cortez	Vice President - Supply	September 2009-present
Freddie P. Yumang	Vice President - Refinery	September 2009-present
Archie B. Gupalor	Vice President - National Sales	March 2012-present
Joel Angelo C. Cruz	Vice President - General Counsel & Corporate Secretary and Compliance Officer	April 2010-present; as Vice President: March 2013
Rodulfo L. Tablante	Vice President - Operations	November 2013-present
Julieta L. Ventigan	Vice President - Business Planning and Development	September 2015-present
Dennis S. Janson	Assistant Vice President and Controller	September 2015-present

*[Rest of page intentionally left blank;
Profile of Executive Officers follows on next page]*

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

Emmanuel E. Eraña, Filipino, 55 years old, 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, LLCDC and NVRC; President of PFI; Deputy Chairman of Ovincor; and Director of PFC, POGM, PFISB, POMSB and MNHPI. Mr. Eraña held the following positions in the San Miguel Group: as the Vice President and Chief Information Officer (January 2008-December 2009), Executive Assistant to the Chief Financial Officer, Corporate Service Unit (December 2006-January 2008), Chief Finance Officer of SMFBIL/NFL Australia (May 2005-November 2006), Chief Finance Officer of SMPFC (July 2002-May 2005), and Finance Officer (January 2001-June 2002), Finance and Management Services Officer, San Miguel Food Group (2000-2001). Mr. Eraña has a Bachelor of Science degree in Accounting from the Colegio de San Juan de Letran.

Susan Y. Yu, Filipino, 39 years old, has served as the Vice President for Procurement of the Company since January 2009. She is also a Trustee of PFI, Director of Ovincor and Petron Singapore Trading Pte. Ltd. ("PSTPL"). Ms. Yu has served as 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, 49 years old, 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 has attended the Management Development Program of the AIM in 1995.

Ma. Rowena O. Cortez, Filipino, 51 years old, 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 Phil. National Oil Company - Energy Research and Development Center from 1986 to 1993. She holds a Bachelor of Science degree in Industrial Engineering and a master's degree in Business Administration 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.

Freddie P. Yumang, Filipino, 58 years old, has served as the Vice President for Refinery of the Company since September 2009. 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 Operations Manager and Technical Services Manager, and different supervisory and managerial positions at the Petron Bataan Refinery. Mr. Yumang is currently a director of the National Association of Mapua Alumni and was formerly National Director of the Philippine Society for Mechanical Engineers (2006-2007). He is a Mechanical Engineering graduate of 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.

Archie B. Gupalor, Filipino, 48 years old, has served as the Vice President for National Sales of the Company since March 2012. He holds the following positions, among others: President and Chief Executive Officer of PFC and Director of PMC, NVRC and LLCDC. Mr. Eraña served the following positions in the San Miguel Group: He has been with the San Miguel Group since 1991. 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, 55 years old, 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, and PFC; Corporate Secretary of Petron Global Limited; Assistant Corporate Secretary of MNHPI; and Trustee of PFI. 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 1997 as well as numerous local and foreign trainings and seminars.

Rodulfo L. Tablante, Filipino, 63 years old, has served as the Vice President for Operations of the Company since November 2013. He was the Head of Corporate Technical and Engineering Services Group of the Company from 2009 to 2013. Mr. Tablante was College Instructor and Mechanical Engineering Reviewer in the Cebu Institute of Technology (1975-1978 and 1976-1977, respectively), Process Control Engineer, Operations Planning and Control Head and Plant Operation Superintendent of SMC Mandaue Brewery (1976-1979, 1979-1980 and 1980-1984, respectively), Engineering Manager and Project Manager of SMC - Polo Brewery (1984-1989 and 1989-1992, respectively), Assistant Brewery Consultant, Assistant Vice President, Engineering Manager and Vice President and Engineering Manager of SMC - Corporate Technical Services (1992-2001, 2001-2004 and January 2005-2007, respectively). He was a consultant of SMC from 2007 until December 2009. Mr. Tablante has a Bachelor of Science degree in Mechanical Engineering from the Cebu Institute of Technology and earned units for a master's degree in Mechanical Engineering from the same institute.

Julieta S. Ventigan, Filipino, 56 years old, 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 Head of the Business Planning and Development (August 2010 - September 2010), Manager for Corporate Planning/Business Planning and Analysis (January 2010 - July 2010) and Manager for Corporate Planning/Strategic Planning (April 2003 - December 2009). She has a Bachelor of Science degree major in 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.

Dennis S. Janson, Filipino, 56 years old, 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 Accountancy from the University of San Carlos in Cebu.

Identify Significant Employees

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

Family Relationship

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

Involvement in Certain Legal Proceedings

The Company is not aware that any one of the incumbent directors and executive officers and persons nominated to become a director 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 Information Statement.

Certain Relationships and Related Transactions

The major stockholders of the Company are as follows:

- | | | |
|---|---|--------|
| • SEA Refinery Corporation | - | 50.10% |
| • San Miguel Corporation | - | 18.16% |
| • Petron Corporation Employees' Retirement Plan | - | 7.80% |

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

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

*[Rest of page intentionally left blank;
"Compensation of Executive Officers and Directors" follows on next page]*

Compensation of Executive Officers and Directors

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 (in million pesos):

(a) Name & Principal Position		(b) Year	(c) Salary	(d) Bonus	(e) Other Annual Compensation
Ramon S. Ang	President & CEO	2016 (est)	82.10	13.73	-
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	SVP / Chief Finance Officer				
Freddie P. Yumang	Vice President - Refinery				
Archie B. Gupalor	Vice President - National Sales				
Ramon S. Ang	President, effective Feb. 10, 2015 & CEO	2015	79.87	28.56	-
Lubin B. Nepomuceno	General Manager, effective Feb. 10, 2015				
Emmanuel E. Eraña	SVP / Chief Finance Officer				
Freddie P. Yumang	Vice President - Refinery				
Archie B. Gupalor	Vice President - National Sales				
Ramon S. Ang	Chairman	2014	71.86	42.35	-
Lubin B. Nepomuceno	President				
Emmanuel E. Eraña	SVP / Chief Finance Officer				
Freddie P. Yumang	Vice President - Refinery				
Archie B. Gupalor	Vice President - National Sales				
All Other Officers & Directors as a Group Unnamed		2016 (est)	62.70	8.05	-
		2015	58.03	14.87	
		2014	50.81	19.55	-

As of the date of this Information Statement, the Compensation Committee of the Company is composed of Mr. Eduardo M. Cojuangco, Jr. as the non-voting Chairman, Mr. Ramon S. Ang as a non-voting member, and Messrs. Lubin B. Nepomuceno, and Reynaldo G. David and Ms. Aurora T. Calderon as voting members. Mr. Ferdinand K. Constantino acts as advisor to the Compensation Committee. Under the CG Manual, the Chairman of the Board of Directors is the non-voting Chairman of the Compensation Committee and the President of the Company is a non-voting member of such committee.

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.

Employment Contract

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

Warrants or Options

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

External Auditor

The Company's external auditor for the last fiscal year was R. G. Manabat & Co./KPMG ("KPMG"). KPMG was first appointed the external auditor of the Company in 2010. In 2013, Mr. Ador C. Mejia was the engagement partner assigned by KPMG to lead the audit of the Company's financial statements.

The Board of Directors, upon the endorsement of the Audit and Risk Management Committee, nominated KPMG as the external auditor of the Company for fiscal year 2016, with Mr. Darwin P. Virocel as the new engagement partner. The stockholders are requested to approve the re-appointment of KPMG as external auditor of the Company for 2016 at the Annual Stockholders' Meeting.

Among the other functions set out in the CG Manual and the Audit and Risk Management Committee Charter, the Audit and Risk Management Committee primarily recommends to the Board of Directors each year the appointment of the external auditor to examine the accounts of the Company for that year. The Audit and Risk Management Committee of the Company is composed of Mr. Reynaldo G. David as the Chairman and Messrs. Lubin B. Nepomuceno, Estelito P. Mendoza and Artemio V. Panganiban, and Ms. Aurora T. Calderon as members. Mr. Ferdinand K. Constantino acts as advisor to the Audit and Risk Management Committee.

Duly authorized representatives of KPMG will be present at the Annual Stockholders' Meeting to respond to appropriate questions concerning the 2015 financial statements of the Company. KPMG auditors will also be given the opportunity to make a representation or statement in case they decide to do so.

Action with Respect to Reports

2015

At the Annual Stockholders' Meeting held on May 19, 2015, the Management reported on the 2014 performance of the Company, which closed with a net income of ₱3.0 billion as disclosed to the SEC and the PSE on March 17, 2015.

All the actions of the Management and the Board of Directors since the last stockholders' meeting held in 2014 were done in accordance with the general resolutions of the Board of Directors which identify the corporate acts and transactions of the Company, the officer(s) or approving authority(ies) for corporate transactions, and the corresponding approval (amount) limit of such officer(s)/approving authority(ies), and/or the other more specific resolutions of the Board of Directors and the Executive Committee.

Among the significant actions undertaken in 2015 which were endorsed by the Management and approved by the Board of Directors (or approved by the Executive Committee then confirmed and ratified by the Board of Directors) are as follows:

- Approval of items for the 2015 stockholders' meeting such as the date of meeting on May 19, 2015, the record date of April 1, 2015, the agenda of the meeting, and the endorsement of nominees for directors, including the final list of candidates for independent directors;
- Appointments to the Executive, Nomination, Compensation and Audit Committees of the Company;
- Election of directors and the executive officers;
- Approval of the amendment of the Articles of Incorporation of the Company (the "Company's Articles") to expressly provide for a re-issuable feature of the preferred shares of the Company;

- Declarations of (i) cash dividends of ₱0.05 per share to all common shareholders with a record date of April 1, 2015 and a pay-out date of April 16, 2015 and (ii) cash dividends of ₱15.75 per Series 2A Preferred Share and ₱17.14575 per Series 2B Preferred Share to shareholders of such shares for the following periods: (a) second quarter of 2015, both with a record date of April 17, 2015 and a pay-out date of May 4, 2015, (b) third quarter of 2015, both with a record date of July 20, 2015 and a pay-out date of August 3, 2015; (c) fourth quarter of 2015, both with a record date of October 16, 2015 and a pay-out date of November 3, 2015; and (d) first quarter of 2016, both with a record date of January 18, 2016 and a pay-out date of February 3, 2016; and
- Amendment of the Audit Committee Charter to add risk management functions to the Audit Committee and rename the committee to “Audit and Risk Management Committee.”

Amendment of the Company’s Articles

At the regular meeting of the Board of Directors held on March 17, 2015, the Board of Directors approved the proposal to amend Article Seventh of the Company’s Articles to expressly provide for the feature of the re-issuability of the preferred shares of the Company, which was confirmed and ratified by the stockholders at the annual stockholders’ meeting held on May 19, 2015. The amendment would allow the Company to have preferred shares to re-issue from treasury in addition to its unissued preferred shares and thus dispense the need for the amendment of the Company’s Articles for future preferred share issuances. The amendment also aligned the Company’s Articles with those of its parent company, SMC.

On July 6, 2015, the SEC approved the proposed amendment. Article Seventh of the Company’s Articles now reads as follows:

“SEVENTH. - The capital stock of the Corporation is Ten Billion Pesos (₱10,000,000,000.00), Philippine currency, and said capital stock is divided into Nine Billion Three Hundred Seventy Five Million One Hundred Four Thousand Four Hundred Ninety Seven (9,375,104,497) common shares and Six Hundred Twenty Four Million Eight Hundred Ninety Five Thousand Five Hundred Three (624,895,503) preferred shares, all with a par value of One Peso (₱1.00), Philippine currency, each. (As amended on December 22, 1993, as further amended on March 6, 1995 and April 17, 1995 by the Board of Directors and Stockholders, respectively, and as further amended on October 21, 2009 by the Board of Directors and by the Stockholders thru written assent)

The preferred shares shall be non-voting, non-convertible and shall have preference over common shares in case of liquidation or dissolution of the Corporation. Preferred shares may be issued from time to time in one or more series as may be determined by the Board of Directors or the Executive Committee (when so delegated to it by the Board of Directors), which shall likewise be authorized to establish and designate each particular series of preferred shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate, issue price and other features as well as other terms and conditions for each such series of shares. Preferred shares may or may not be cumulative, participating or redeemable as may likewise be determined by the Board of Directors or the Executive Committee (when so delegated to it by the Board of Directors).

Any and all preferred shares of the Corporation (whether unissued, issued, and outstanding, including all existing treasury shares) shall not be retired upon redemption but may be reissued under such terms and conditions and procedure as may be determined by the Board of Directors or the Executive Committee (when so delegated to it by the Board of Directors). Any preferred shares re-issued shall be given a new designation as a subsequent series.

No stockholder of the Corporation shall, because of his/its ownership of stock, have pre-emptive right to purchase, subscribe for or take any part of any stock or of any other securities convertible into or carrying the options or warrants to purchase stock of the Corporation. Any part of such stock or other securities may at any time be issued, optioned for sale, or sold or disposed of by the Corporation pursuant to a resolution of its Board of Directors, to any person, whether or not such person is a stockholder of the Corporation and upon such terms and conditions as such Board may deem proper without first offering such stock or securities or any part thereof to existing or other stockholders.”

2016

At the Annual Stockholders’ Meeting scheduled on May 17, 2016, the Management will report on the 2015 performance of the Company, which closed with a net income of ₱6.27 billion as disclosed to the PSE on March 15, 2016 and the SEC on an SEC Form 17-C dated March 15, 2016.

In its meeting held on March 15, 2015, the Board of Directors approved the following items to be taken up at the Annual Stockholders’ Meeting:

1. Review and approval of the minutes of the previous annual stockholders’ meeting;
2. Management report and submission to the stockholders of the 2015 financial statements;
3. Ratification of all acts of the Board of Directors and Management since the last stockholders’ meeting in the year 2015, including, but not limited to, the matters set out in Annex A-4;
4. Appointment of an external auditor; and
5. Election of the Board of Directors for 2016-2017.

A brief description of and the rationale for the above agenda items are set out in Appendix 1 of the notice of the Annual Stockholders’ Meeting.

Voting Procedure

Each common share is entitled to one vote. A simple majority vote of the stockholders, where a quorum is present at the Annual Stockholders’ Meeting scheduled on May 17, 2016, will be needed for the approval of the minutes of the previous stockholders’ meeting, the ratification of all acts of the Board of Directors and Management since the last annual stockholder’s meeting in 2015, and the appointment of the external auditor of the Company for 2016.

In the election of directors, the 15 nominees who get the highest votes shall be deemed duly elected as directors. Under the express provisions of the Company’s By-Laws, cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his/her shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast

by him/her shall not exceed the number of shares owned by him/her as shown in the books of the corporation multiplied by the whole number of directors to be elected.

As provided in the Company's By-Laws, if at any meeting of the stockholders a vote by ballot shall be taken, a voting committee shall be created to adopt its own rules to govern the voting and take charge of the voting proceedings and the preparation and distribution of the ballots. Each member of the voting committee, who need not be stockholders, is required to subscribe to an oath to faithfully execute his/her duties as an inspector of votes with strict impartiality and according the best of his/her ability.

The external auditor of the Company will supervise the voting proceedings.

Management's Discussion and Analysis or Plan of Operation

The *Management's Discussion and Analysis of the Financial Conditions and Other Information* of the Company as of December 31, 2015 is attached hereto as Annex B.

Financial Statements

The *Statement of Management's Responsibility* and the Consolidated Audited Financial Statements of the Company as of December 31, 2015, including the Index to Financial Statements and the Supplementary Schedules, are attached hereto as Annex C.

[Signature page follows]

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on April 1, 2016.

PETRON CORPORATION

By:


Joel Angelo C. Cruz
VP - General Counsel & 
Corporate Secretary

Upon the written request of a stockholder, the Company undertakes to furnish such stockholder with a copy of this SEC Form 20-IS and/or its SEC Form 17-A free of charge. Such written request shall be directed to the Office of the General Counsel & Corporate Secretary, Petron Corporation, Podium B Level, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City, Philippines.

The Company will post its interim unaudited financial statements for the first quarter of 2016 (on SEC Form 17-Q) on the company website www.petron.com on May 12, 2016. Upon the written request of a stockholder, the Company shall furnish such stockholder with a copy of these interim unaudited financial statements on May 12, 2016 (or as soon as possible if the request is received by the Company at a later date). The written request for a copy of these interim unaudited financial statements shall likewise be directed to the Office of the General Counsel & Corporate Secretary, Petron Corporation, Podium B Level, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City, Philippines.

ANNEX A

CERTIFICATIONS OF THE INDEPENDENT DIRECTORS

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

ANNEX A - 1



CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARTEMIO V. PANGANIBAN**, Filipino, of legal age, and a resident of 1203 Acacia Street, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **Petron Corporation**;
2. I am affiliated with the following listed companies or organizations:

Company/Organization	Position/Relationship	Period of Service
First Philippine Holdings Corp.	Independent Director	2007-Present
Metro Pacific Investments Corp.	Independent Director	2007-Present
GMA Network, Inc.	Independent Director	2007-Present
Manila Electric Company, Inc.	Independent Director	2008-Present
Robinsons Land Corp.	Independent Director	2008-Present
GMA Holdings, Inc.	Independent Director	2009-Present
Bank of the Philippine Islands	Independent Director	2010-Present
Asian Terminals, Inc.	Independent Director	2010-Present
Philippine Long Distance Telephone Co.	Independent Director	2013-Present
Jollibee Foods Corporation	Non-Executive Director	2012-Present
Metropolitan Bank and Trust Co.	Senior Adviser	2007-Present
Double Dragon Properties Corp.	Adviser	2014-Present

(for my complete bio-data, please see my website: cjpanganiban.com)

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Petron Corporation**, as provided for in Section 38 of the Securities Regulation Code and the Amended Implementing Rules and Regulations of the Securities Regulation Code.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the Corporate Secretary of **Petron Corporation** of any changes in the abovementioned information within five (5) days from its occurrence.

DONE this 19th day of May 2015 at Mandaluyong City.


ARTEMIO V. PANGANIBAN
 Independent Director

SUBSCRIBED AND SWORN to before me this MAY 19 2015 at Mandaluyong City, affiant personally appeared before me and exhibited to me his Diplomatic Passport No. DE0000999 issued by the Department of Foreign Affairs, Manila on January 21, 2012.

Doc. No. 241 ;
 Page No. 50 ;
 Book No. III ;
 Series of 2015.


LIAM S. PANGANIBAN
 Notary Public for Mandaluyong City
 40 San Miguel Avenue, 1550 Mandaluyong City
 Appointment No. 0423-14
 Until December 31, 2015
 Attorney's Roll No. 50213
 PTR No. 227800911-5-15/Mandaluyong
 IBP No. 09814141-1-15/Julacan
 MCLE Compliance No. V-00032478-12-14

ANNEX A-2

CERTIFICATION OF INDEPENDENT DIRECTOR



I, **REYNALDO G. DAVID**, Filipino, of legal age, and with mailing address at No. 35 Narra Street, South Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

I am an Independent Director of Petron Corporation.

I am not affiliated with any company or organization that directly or indirectly gives rise to a conflict of interest or violates SRC Rule 38.

I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Petron Corporation as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.

I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

I shall inform the Corporate Secretary of Petron Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 19th day of May 2015 at Mandaluyong City.

REYNALDO G. DAVID
Independent Director

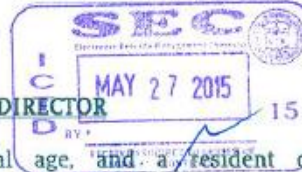
SUBSCRIBED AND SWORN to before me this MAY 19 2015 at Mandaluyong City, affiant exhibiting to me his Passport with No. EB9544614 issued on November 8, 2013 at Manila, Philippines.

Doc. No. 167 ;
Page No. 38 ;
Book No. III ;
Series of 2015.

CHERYLL LEN M. VALENZUELA
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0406-14
Until December 31, 2015
Attorney's Roll No. 54621
PTR No. 2278010/1-5-15/Mandaluyong
IBP No. 0981413/1-5-15/PPLM
MCLE Compliance No. IV-0022510/11-21-13

ANNEX A-3

CERTIFICATION OF INDEPENDENT DIRECTOR



I, **MARGARITO B. TEVES**, Filipino, of legal age, and a resident of 411 Ambuklao Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **Petron Corporation**;
2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
P.J. Lhuillier Group of Companies	Member, Strategic Committee	February 2015 to present
Bank of Communications	Board Adviser	July 26, 2013 to present
Atlantic Aurum Investments Philippines Corporation	Independent Director,	July 19, 2013 to present
AB Capital Investment Corp.	Independent Director	June 29, 2012 to present
San Miguel Corporation	Independent Director	June 14, 2012 to present
The Wallace Business Forum	Managing Director	March 1, 2012 to present
Think Tank	Chairman	1998 to 2000; 2010 to present
Alphaland Balesin Island Club, Inc.	Independent Director	2012 - Present
Alphaland Corporation	Independent Director	May 26 2011 - Present
The City Club at Alphaland Makati Place, Inc.	Independent Director	2011 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Petron Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Petron Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

DONE this 19th day of May 2015 at Mandaluyong City.


MARGARITO B. TEVES
 Independent Director

SUBSCRIBED AND SWORN to before me this MAY 19 2015 at Mandaluyong City, affiant exhibiting to me his Passport Number EC3397199 issued on February 6, 2015 at DFA Manila.

Doc. No. 310 ;
 Page No. 63 ;
 Book No. IV ;
 Series of 2015.


DON-VIC F. QUEZON
 Notary Public for Mandaluyong City
 40 San Miguel Avenue, 1550 Mandaluyong City
 Appointment No. 0382-14
 Until December 31, 2015
 Attorney's Roll No. 36728
 PTR No. 22780081-5-15/Mandaluyong
 Liferule 19F No. 08324
 MCLE Compliance No. 14/9917-182/3-25-13

ANNEX A-4

SOME MATTERS APPROVED BY THE BOARD OF DIRECTORS SINCE THE 2015 ANNUAL STOCKHOLDERS' MEETING UNTIL THE DATE OF THIS REPORT

Disclosure Date	Item Description										
May 19, 2015	Matters approved at the annual stockholders' and organizational meetings held: A. Annual Stockholders' Meeting 1. Amendment of the Articles of Incorporation of the Company (provision of a re-issuability feature of the Company's preferred shares) 2. Appointment of R.G. Manabat & Co. as independent external auditor of the Company for year 2015 3. Election of the following as directors of the Company for 2015-2016: 1. Eduardo M. Cojuangco, Jr. 2. Ramon S. Ang 3. Lubin B. Nepomuceno 4. Estelito P. Mendoza 5. Jose P. De Jesus 6. Eric O. Recto 7. Mirzan Mahathir 8. Ron W. Haddock 9. Romela M. Bengzon 10. Aurora T. Calderon 11. Virgilio S. Jacinto 12. Nelly Favis-Villafuerte Independent Directors 1. Reynaldo G. David 2. Artemio V. Panganiban 3. Margarito B. Teves B. Organizational Meeting 1. Appointment of the following as members of the board committees: (i) Executive Committee <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										

	(ii) Audit Committee <table> <tr><td>Reynaldo G. David</td><td>- Chairman</td></tr> <tr><td>Lubin B. Nepomuceno</td><td>- Member</td></tr> <tr><td>Estelito P. Mendoza</td><td>- Member</td></tr> <tr><td>Artemio V. Panganiban</td><td>- Member</td></tr> <tr><td>Aurora T. Calderon</td><td>- Member</td></tr> <tr><td>Ferdinand K. Constantino</td><td>- Advisor</td></tr> </table> (iii) Compensation Committee <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>Reynaldo G. David</td><td>- Member</td></tr> <tr><td>Aurora T. Calderon</td><td>- Member</td></tr> <tr><td>Ferdinand K. Constantino</td><td>- Advisor</td></tr> </table> (iv) Nomination Committee <table> <tr><td>Reynaldo G. David</td><td>- Chairman</td></tr> <tr><td>Estelito P. Mendoza</td><td>- Member</td></tr> <tr><td>Virgilio S. Jacinto</td><td>- Member</td></tr> </table> (v) Governance Committee <table> <tr><td>Margarito B. Teves</td><td>- Chairman</td></tr> <tr><td>Virgilio S. Jacinto</td><td>- Member</td></tr> <tr><td>Nelly Favis-Villafuerte</td><td>- Member</td></tr> </table> 2. Election of the following as officers of the Company for 2015-2016: <table> <tr><td>Eduardo M. Cojuangco, Jr.</td><td>- Chairman</td></tr> <tr><td>Ramon S. Ang</td><td>- President & Chief Executive Officer</td></tr> <tr><td>Lubin B. Nepomuceno</td><td>- General Manager</td></tr> <tr><td>Emmanuel E. Eraña</td><td>- Senior Vice President & Chief Finance Officer</td></tr> <tr><td>Susan Y. Yu</td><td>- VP, Procurement</td></tr> <tr><td>Maria Rowena O. Cortez</td><td>- VP, Supply</td></tr> <tr><td>Freddie P. Yumang</td><td>- VP, Refinery</td></tr> <tr><td>Archie B. Gupalor</td><td>- VP, National Sales</td></tr> <tr><td>Efren P. Gabrillo</td><td>- VP, Controllers & Controller</td></tr> <tr><td>Albert S. Sarte</td><td>- VP, Treasurers and Treasurer</td></tr> <tr><td>Joel Angelo C. Cruz</td><td>- VP - General Counsel & Corporate Secretary/Compliance Officer</td></tr> <tr><td>Rodolfo L. Tablante</td><td>- VP, Operations</td></tr> <tr><td>Jaime O. Lu</td><td>- VP and Operations Manager, Petron Malaysia</td></tr> </table>	Reynaldo G. David	- Chairman	Lubin B. Nepomuceno	- Member	Estelito P. Mendoza	- Member	Artemio V. Panganiban	- Member	Aurora T. Calderon	- Member	Ferdinand K. Constantino	- Advisor	Eduardo M. Cojuangco, Jr.	- Chairman	Ramon S. Ang	- Member	Lubin B. Nepomuceno	- Member	Reynaldo G. David	- Member	Aurora T. Calderon	- Member	Ferdinand K. Constantino	- Advisor	Reynaldo G. David	- Chairman	Estelito P. Mendoza	- Member	Virgilio S. Jacinto	- Member	Margarito B. Teves	- Chairman	Virgilio S. Jacinto	- Member	Nelly Favis-Villafuerte	- Member	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	Susan Y. Yu	- VP, Procurement	Maria Rowena O. Cortez	- VP, Supply	Freddie P. Yumang	- VP, Refinery	Archie B. Gupalor	- VP, National Sales	Efren P. Gabrillo	- VP, Controllers & Controller	Albert S. Sarte	- VP, Treasurers and Treasurer	Joel Angelo C. Cruz	- VP - General Counsel & Corporate Secretary/Compliance Officer	Rodolfo L. Tablante	- VP, Operations	Jaime O. Lu	- VP and Operations Manager, Petron Malaysia
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	Julieta L. Ventigan - AVP, Business Planning & Development Nathaniel R. Orillos - AVP, Refinery Production Nolan L. Rada - AVP, Reseller Trade David M. Mahilum - AVP, Refinery Production B Rolando R. Evangelista - AVP, Power Plant & Utilities Dennis M. Floro - AVP, Supply Ma. Rosario D. Vergel de Dios - AVP, Human Resources Conrado S. Rivera, Jr. - AVP, Industrial Trade Mary Ann M. Neri - AVP, Marketing Andrew S. Fortuno - AVP, Operations Magnolia Cecilia D. Uy - AVP, Market Planning, Research and Sales Information Charmaine V. Canillas - AVP, Corporate Affairs Department Fernando S. Magnayon - AVP, LPG, Lubes and Greases Samuel S. Candido - AVP, Refinery Technical Services Myrna C. Geronimo - AVP & Chief Finance Officer, Petron Malaysia Jhoanna Jasmine M. Javier-Elacio - Assistant Corporate Secretary 3. Adoption of the General Resolutions of the Company setting out the signing authority for certain corporate transactions (the “General Resolutions”)
August 10, 2015	Matters approved at the board meeting held: 1st Semester 2015 Financial Statements - Cash dividend for preferred shareholders - Appointment of Mr. Dennis S. Janson as Assistant Vice President and Controller and Mr. Rolando B. Salonga as Assistant Vice President - Operations effective September 1, 2015 - Amendment of the General Resolutions Media release on performance also submitted.
October 27, 2015	Matters approved at board meeting held: - Year-to-date September 2015 Financial Statements - Appointment of Ms. Julieta L. Ventigan as Vice President - Business Planning and Development effective September 1, 2015 - Amendment of the General Resolutions
February 9, 2016	Matter approved at the board meeting held: 2016 Operating Budget
March 15, 2016	Matters approved at the board meeting held: 2015 Financial Statements - Endorsement of the Re-Appointment of R.G. Manabat & Co. as external auditor of the Company for year 2016 - Cash dividend for common shareholders - Cash dividends for Series 2 preferred shareholders

	5. Annual Stockholders' Meeting - Date: May 17, 2016 - Record date: March 31, 2016 - Closing of books: April 1-7, 2016 6. Nominees to the Board of Directors and Final List of Candidates for Independent Directors: - Ramon S. Ang - Eduardo M. Cojuangco, Jr. - Lubin B. Nepomuceno - Estelito P. Mendoza - Jose P. De Jesus - Eric O. Recto - Mirzan Mahathir - Ron W. Haddock - Romela M. Bengzon - Aurora T. Calderon - Virgilio S. Jacinto - Nelly Favis-Villafuerte Independent Directors - Reynaldo G. David - Artemio V. Panganiban - Margarito B. Teves
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ANNEX B

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OTHER INFORMATION

Results of Operations

2015 vs 2014

Despite the continued decline in global oil prices, Petron Corporation posted a consolidated net income of **₱ 6.27 billion** in 2015, more than double the previous year's **₱ 3.01 billion** mainly due to surge in sales volumes, improved margins and effective risk management.

Consolidated Sales volume surged by 13% to **98.0 million barrels (MMB)** from previous year's 86.5 MMB. Bulk of the growth came from the Philippine operations where total sales reached 62.0 MMB, 20% ahead of last year. Sales to domestic customers grew by 12%, mainly on account of the 11% growth in the Retail Trade, 16% in the LPG business, and substantial increase in Supply sales. The surge in Exports market also contributed to the growth. On a per product basis, gasoline and diesel sales exhibited the most significant improvement.

Net sales plunged by 25% or **₱ 122.36 billion** to **₱ 360.18 billion** prompted by the drop in selling prices as benchmark regional market prices of finished products fell along with the slump in global crude oil prices. During the year, reference crude Dubai averaged US\$50.9/bbl, almost half of US\$96.6/bbl in 2014. The decline in revenues from the lower selling prices was partially tempered by the increase in sales volume.

Cost of Goods Sold (CGS) fell more by 29% to **₱ 328.44 billion** from last year's **₱ 463.10 billion**, also attributed to the cheaper cost of crude and imported products. Gross margins improved due to lower inventory losses and strong product cracks, specially for gasoline..

Part of the CGS was **refinery expenses and fuel** amounting to **₱ 12.53 billion**. This was 6% or **₱ 858 million** lower than previous year's **₱ 13.39 billion** due to cheaper refinery fuel amid higher production run.

Meanwhile, **Selling and Administrative Expenses (OPEX)** of **₱ 13.61 billion** exceeded the **₱ 11.83 billion** incurred in 2014 due to the accrual of retirement expense, depreciation and real property taxes of depots and new service stations, 3rd party terminalling fees with the move-out from Pandacan, increased promotions/advertising activities, higher LPG cylinder purchases as well as increased CSR projects.

Net Financing Costs and Other Charges significantly increased to **₱ 8.21 billion** from **₱ 3.79 billion** a year ago mainly due to marked-to-market (MTM) losses on outstanding commodity hedge positions during the year versus MTM gains in 2014, coupled with the higher cost of foreign currency swap hedges.

Income tax expense grew four-fold to **₱ 3.66 billion** as against **₱ 804 million** in the previous year resulting from higher taxable income in 2015.

2014 vs 2013

Amid the collapse of crude and finished product prices in the second half of 2014, Petron Corporation posted a better-than-expected **consolidated net income** of **₱ 3.0 billion**, down by 41% or **₱ 2.1 billion** from last year's **₱ 5.1 billion**. Higher sales volume, the completion of strategic projects, and pro-active risk-management cushioned the impact of higher priced inventory being sold at lower prices in the second half of the year. The price of benchmark Dubai crude fell by 44% from an average of US\$108 per barrel in June to an average of only US\$60 per barrel in December. This extraordinary development had a negative effect on oil companies around the world.

Combined sales from both Philippine and Malaysian operations increased by 6% to 86.5 million barrels in 2014 versus 81.7 million the previous year. As a result, **Revenues** grew by 4% from **₱ 463.64 billion** to **₱ 482.54 billion**. In the Philippine market, sales volumes surged by nearly 9% to 51.5 million barrels as the company made headway in major market segments. Backed by the most extensive network in the country, retail volumes rose by 6%. LPG volumes likewise grew by 5% supported by higher retail and industrial sales.

Accordingly, **Cost of Goods Sold (CGS)** climbed to **₱ 463.10 billion** from last year's **₱ 440.48 billion** on account of the 4.8 MMB growth in sales volume tempered by lower cost per liter. The reduction in cost was driven by the cheaper cost of crude and imported products partly offset by the depreciation of the Philippine peso relative to the US dollar from an average of **₱ 42.46** in 2013 to **₱ 44.40** in 2014.

For the Philippine operations, **Refinery Expenses including Refinery Fuel**, that went into CGS, amounted to **₱ 13.39 billion** exceeding prior year's **₱ 11.34 billion** by 18% or **₱ 2.05 billion** mainly due to increased fuel consumption with the higher production run.

Selling & Administrative Expenses (OPEX) escalated by 3% from **₱ 11.48 billion** to **₱ 11.83 billion** due to increases in rent and insurance expense and higher depreciation due to new stations in the Philippines and Malaysia and rebranded service stations in Malaysia.

Net Financing Costs & Other Income decreased by **₱ 0.95 billion** or 20% to **₱ 3.79 billion** traced primarily to unrealized commodity hedging gain versus loss last year; partly offset by the lower interest income with the partial collection of advances to a related party.

Considering the foregoing, **Income tax expense** was reduced to **₱ 0.80 billion** vis-à-vis last year's **₱ 1.85 billion** due to the significant decline in income before income tax.

2013 vs. 2012

In 2013, Petron registered a **consolidated net income** of **₱ 5.09 billion**, almost three times the **₱ 1.78 billion** restated profit a year before. The significant increase in income was brought about by better margins, and the full consolidation of Petron Malaysia (PM) in 2013 versus nine months in 2012.

Revenues grew by 9% or **₱ 38.84 billion** to **₱ 463.64 billion** from **₱ 424.80 billion** in previous year with the full consolidation of PM. Excluding PM, sales of Petron Philippines (PP) dropped by **₱ 2.11 billion** mainly due to lower volumes of LPG and IFO

Sales volume generated in 2013 aggregated to **81.7 million barrels (MMB)**, up by 10% or 7.4MMB from previous year's 74.3MMB essentially due to the full consolidation of PM's 34.4MMB sales volume.

Cost of Goods Sold (CGS) increased to **₱ 440.48 billion** from 2012's **₱ 406.80 billion** likewise traced to the full consolidation of PM which contributed 40% (**₱ 177.38 billion**) to the total CGS. Meanwhile, CGS of PP dipped by 2% or **₱ 5.49 billion** due to lower sales volume coupled with the drop in crude cost (2013: US\$108.42 vs. 2012: US\$111.88).

Refinery Operating Expenses in PP which formed part of CGS went up by 7% or **₱ 0.48 billion** to **₱ 6.88 billion** in 2013. The increase was attributed to higher employee cost, with the additional manpower and higher purchased services and utilities, tempered by lower maintenance and repairs.

Selling & Administrative Expenses (OPEX) totaled **₱ 11.48 billion** in 2013, **₱ 1.34 billion** more than the **₱ 10.14 billion** expenditures in the preceding year brought about by the full consolidation of PM's expenses which added **₱ 3.55 billion** to the total OPEX. Similarly, PP's expenditures rose by 4% or **₱ 0.30 billion** mainly due to higher employee costs, rental expense, and materials and supplies, partially offset by lower advertising expense and the absence of one-off items in 2013.

Net Financing Costs & Other Charges significantly dropped to **₱ 4.74 billion** from **₱ 5.62 billion** in 2012 largely due to higher capitalized interest of the on-going Refinery Master Plan-2 Project and higher interest income. These were partly negated by higher bank charges and unrealized translation losses on US-dollar denominated transactions in 2013 as opposed to the gains recognized in the previous year as the Philippine Peso gradually depreciated this year versus the US dollar.

With the remarkable upsurge in income before income tax, **Income tax expense** increased to **₱ 1.85 billion** in 2013 from **₱ 0.46 billion** in 2012.

Financial Condition

2015 vs 2014

Petron's consolidated resources as of December 31, 2015 stood at **₱ 294.27 billion**, 25% or **₱ 97.06 billion** lower than end-December 2014 level of **₱ 391.32 billion** primarily due to the reduction in cash and cash equivalents, inventories and trade and other receivables.

Cash and cash equivalents decreased by 79% (**₱ 71.72 billion**) to **₱ 18.88 billion** level traced to the net settlement of loans, payments to vendors, redemption of preferred shares issued by the parent company and a subsidiary, disbursement for interest expense, distributions and dividends.

As the value of outstanding commodity hedges declined amid the slump in global crude oil prices, **financial assets at fair value through profit or loss** also went down by 69% from **₱ 1.63 billion** to **₱ 509 million**.

Trade and other receivables - net fell to **₱ 30.75 billion** or by 36% against end-December 2014 level of **₱ 48.34 billion** due mainly to the collection of value-added tax (VAT) claims.

Inventories-net aggregated **₱ 30.82 billion**, 42% or **₱ 22.36 billion** less than the **₱ 53.18 billion** at the end of 2014 attributed to lower volume and price of crude and finished products.

Other current assets rose from **₱ 24.85 billion** to **₱ 34.53 billion** on account of the collected VAT credit certificates of Petron Philippines (PP), partly offset by the lower input tax on imported crude and finished products due to cheaper prices.

Available-for-sale financial assets (current and non-current) amounted to **₱ 621 million**, 30% lower than the **₱ 881million** balance in December 2014 primarily brought about by the maturity of government securities.

Property, plant and equipment - net went up by 5% or **₱ 7.95 billion** to reach **₱ 161.60 billion** essentially due to the additional spending on the RMP-2 Project.

Investment in an associate increased to **₱ 1.81 billion** or by 56% (**₱ 652 million**) with the Company's additional investment and share in income of its lone associate - Manila North Harbour Port, Inc. (MNHPI).

The unutilized Net Operating Loss Carry-Over (NOLCO) of a subsidiary was reversed during the period which largely contributed to the 13% or **₱ 31 million** drop in **deferred tax assets** from **₱ 242 million** to **₱ 211 million**.

The weakening of the Malaysian Ringgit (MYR) against the Philippine Peso resulted in the decrease in **Goodwill** from **₱ 8.92 billion** to **₱ 7.69 billion**.

Other noncurrent assets - net declined to **₱ 6.73 billion**, 13% or **₱ 1.03 billion** below the December 2014 level of **₱ 7.76 billion** due to the usage of catalysts and amortization of prepayments.

Short-term loans and liabilities for crude oil and petroleum product importation ended lower by 26% or **₱ 41.67 billion** to close at **₱ 115.75 billion** due to settlement of loans coupled with the drop in volume and prices of crude and finished product importations.

Trade and other payables was significantly reduced by 76% (**₱ 29.79 billion**) to **₱ 9.35 billion** resulting from payments made to various contractors and suppliers.

Derivative liabilities climbed to **₱ 603 million** from the **₱ 98 million** level in December 2014 driven by marked-to-market losses on both outstanding commodity hedges and foreign currency forwards.

Income tax payable more than doubled from **₱ 73 million** to **₱ 183 million** due mainly to PM's higher income during the period.

Retirement benefits liability increased to **₱ 5.51 billion** from **₱ 2.27 billion** as the value of plan assets incurred temporary marked-to-market re-measurement losses.

Deferred tax liabilities rose to **₱ 4.64 billion** from **₱ 3.47 billion** largely from recognizing the timing differences of capitalized RMP-2 pre-commissioning expenses.

Asset retirement obligation moved up by 9% to **₱ 1.81 billion** from **₱ 1.66 billion** contributed by provisions for additional RMP2 facilities.

Other noncurrent liabilities were down by **₱ 467 million** or 34% to end at **₱ 906 million** mainly due to the release of a customer's cash bond as settlement to its outstanding trade obligations to the Parent Company.

Reserve for retirement plan's negative balance increased from **₱ 1.02 billion** to **₱ 3.20 billion** due to the MTM re-measurement losses on plan assets.

The negative balance of **other reserves** soared to **₱ 5.56 billion** from end-2014's level of **₱ 2.15 billion** due to the impact of foreign exchange translation loss on investment in foreign subsidiaries.

During the year, the Parent Company redeemed its preferred shares issued in 2010 which resulted in the recognition of **Treasury Stock of ₱ 10.00 billion**.

The redemption of preferred shares issued by a subsidiary resulted to the ₱ 15.89 billion drop in **Non-controlling interests** from end-2014's level of ₱ 16.36 billion to ₱ 471 million.

2014 vs 2013

The **consolidated assets** of Petron by the end of 2014 amounted to **₱ 391.32 billion, 9% or ₱ 33.87 billion higher** than end-December 2013 level of ₱ 357.46 billion mainly due to the increases in cash and cash equivalents and property, plant and equipment partly offset by the reduction in other non-current assets and trade and other receivables.

Cash and cash equivalents increased by 80% or ₱ 40.2 billion to **₱ 90.6 billion** sourced from collection of receivables and proceeds from issuance of preferred shares.

Financial assets at fair value through profit or loss surged by ₱ 826 million to **₱ 1.63 billion**, traced to higher marked-to-market gain on outstanding commodity hedges.

Trade and other receivables-net stood lower at **₱ 48.34 billion** (by ₱ 14.50 billion or 23%), brought about by the collection of receivables from the government of Malaysia and various airline accounts.

Other current assets of **₱ 24.85 billion** registered a 40% hike from December 2013 level emanated from PP's additional excess input VAT on imported raw materials and advance payment of excise taxes.

Property, plant and equipment - net reached **₱ 153.65 billion** in December 2014, ₱ 12.0 billion higher than December 2013's ₱ 141.65 billion mark. The 8% increase was attributed to PP's RMP-2 project and network expansion program as well as the refurbishment and rebranding of service stations in Malaysia.

Investment in associates surged to **₱ 1.16 billion** triggered by the additional investment to Manila North Harbour Port, Inc., and the corresponding share in its net income during the year.

Deferred tax assets escalated by 49% (₱ 80 million) and settled at **₱ 242 million** on account of temporary differences of PM.

Goodwill decreased by 5% (₱ 465 million) to **₱ 8.92 billion** prompted by the depreciation of the ringgit vis-à-vis the US dollar.

Other noncurrent assets-net significantly declined by 63% from ₱ 20.85 billion to **₱ 7.76 billion** driven by the partial collection of advances to Petron Corporation Employees Retirement Plan as well as the remeasurement in pension asset value.

Short-term loans and liabilities for crude oil and petroleum product importation amounted to **₱ 157.42 billion** and posted a 13% increase from ₱ 138.78 billion in December 2013 as a result of the additional loan availed by PP, partly reduced by the decline in prices of crude and finished product importations of both PP and PM.

Trade and other payables of **₱ 39.14 billion** increased by 34% from the ₱ 29.29 billion level as at end of 2013 with the transfer of the maturing retention payable to current liabilities and increased payables to various contractors.

Derivative liabilities of ₱ 98 million went lower from the ₱ 152 million level as at end of 2013 influenced mainly by the lower loss on outstanding transactions with embedded derivatives.

Long-term debt inclusive of current portion increased by 9% (₱ 5.94 billion) principally due to the newly availed loan of PM and PP to refinance maturing and other long-term obligations.

Income taxes payable of ₱ 73 million dipped by 62% from ₱ 194 million in December 2013 traced from lower taxes payable of Petron Malaysia.

Retirement benefits liability substantially increased to **₱ 2.27 billion** as a result of the remeasurement reversal of PP's retirement plan asset into liability.

Deferred tax liabilities-net dropped by ₱ 1.13 billion (25%) to **₱ 3.47 billion** due largely from the reversal of net pension asset into liability in addition to the provision from the resulting net operating loss and payment of minimum corporate income tax.

Asset Retirement Obligation (ARO) moved-up to **₱ 1.66 billion** from ₱ 1.0 billion in December 2013 due to the recognition of ARO of the Refinery.

Other noncurrent liabilities declined by 70% to **₱ 1.37 billion** with the reclassification of maturing retention payable to current liabilities partly offset by the increases in dealers' cash bond and cylinder deposit.

Additional paid-in capital of ₱ 19.65 billion more than doubled the ₱ 9.76 billion in previous year with the issuance of Series 2 preferred shares in November 2014. Net proceeds will be used in March 2015 to redeem the outstanding preferred shares issued in 2010.

Reserve for retirement plan resulted in negative value of **₱ 1.02 billion** due to the recognition of actuarial losses in the remeasurement of PP's plan asset.

The negative ₱ 2.15 billion Other reserves as of end-December 2014 almost tripled the negative ₱ 721 million level as of end December 2013 brought about by the increase in translation loss on equity in foreign subsidiaries.

Non-controlling interests ended lower by ₱ 1.56 billion from ₱ 17.92 billion to **₱ 16.36 billion** prompted by PGL and PMRMB's payment of dividends to preferred and common stockholders, respectively.

2013 vs 2012

Petron's consolidated assets as of December 31, 2013 stood at **₱ 357.46 billion, 28% (₱ 77.13 billion)** higher than the ₱ 280.33 billion restated level as at end of December 2012 largely on account of the increases in property, plant and equipment and cash and cash equivalents.

Cash and cash equivalents rose by 87% or ₱ 23.43 billion to **₱ 50.40 billion** essentially sourced from internally generated funds and proceeds from loans to finance crude and product importations.

Financial assets at fair value through profit or loss of **₱ 806 million** substantially exceeded 2012's ₱ 231 million level brought about by higher marked-to-market gain on outstanding foreign currency forwards.

Trade and other receivables - net climbed by 15% or ₱ 8.35 billion to **₱ 62.84 billion** prompted by the increases in PP's receivables from government and customers.

Other current assets of ₱ 17.74 billion stood higher by 27% from 2012's ₱ 13.95 billion traced to PP's input VAT.

With the sale of the remaining Petron MegaPlaza units and parking spaces in the second quarter, the company has no **Assets held for sale** as of end-December 2013.

Property, plant and equipment - net surged by 36% (₱ 37.54 billion) from ₱ 104.11 billion to **₱ 141.65 billion** attributed to the company's major capital projects such as Refinery Master Plan (RMP)-2 and network expansion, as well as PM's rebranding of service stations.

The reclassification of Petrochemical Asia (HK) Limited (PAHL) from an associate to a subsidiary resulted in the significant reduction of **Investment in associates** from 2012's ₱ 1.64 billion to **₱ 885 million**.

Deferred tax assets of ₱ 162 million more than doubled the end-December 2012 level of ₱ 78 million on account of the temporary differences of PM and PAHL.

Other noncurrent assets-net increased by 12% or ₱ 2.2 billion to **₱ 20.85 billion** basically due to company's higher pension asset since substantial amount of actuarial gain was recorded in 2013.

Short-term loans and liabilities for crude oil and petroleum product importations went up by 11% or ₱ 14.08 billion to **₱ 138.78 billion** owing to both PP and PM's higher liabilities for crude oil and finished product importations.

Trade and other Payables rose by 97% (₱ 14.42 billion) to **₱ 29.29 billion** brought about by higher liabilities to company's contractors and suppliers.

Derivative Liabilities decreased by 38% from ₱ 245 million to **₱ 152 million** due mainly to the company's lower marked-to-market loss on outstanding foreign currency forwards tempered by the decline in fair value of outstanding transaction with embedded derivatives.

Income tax payable of ₱ 194 million went beyond the ₱ 52 million level in 2012 basically on account of the taxes payable of PM.

Long-term debt inclusive of current portion increased by 18% (₱ 10.17 billion) to **₱ 66.19 billion** with the final drawdown of US\$210 million loan in January 2013 to complete the US\$485 million loan secured in 2012.

Retirement benefits liability declined by 17% from ₱ 983 million to **₱ 820 million** mainly from PM's actuarial gain recorded this year.

Deferred tax liabilities moved up by 47% (₱ 1.46 billion) to **₱ 4.61 billion** due to PP's utilization of minimum corporate income tax and net operating loss carried over from previous year as well as the recognition of deferred tax on retirement's actuarial gain.

Other noncurrent liabilities climbed by 86% (₱ 2.10 billion) to **₱ 4.54 billion** principally due to additional retention payable to contractors.

Total equity amounted to **₱ 111.89 billion**, 45% or ₱ 34.99 billion higher than the ₱ 76.90 billion level in 2012 due to the ₱ 30.55 billion undated subordinated capital securities issued during the first quarter of 2013.

Cash Flows

2015 vs 2014

The internally generated cash from operations amounting to P 21.72 billion was more than sufficient to cover working capital requirements, interests and taxes. On the other hand, investing and financing activities used up cash of P 14.59 billion and P 66.34 billion, respectively, reducing the cash balance to P 18.88 billion as of end-December 2015. Capital expenditures on RMP-2 project accounted mostly for the net outflow in investing while financing activities included payment of loans, dividends and distributions and redemption of preferred shares.

In Million Pesos	December 31, 2015	December 31, 2014	Change
Operating inflows (outflows)	8,468	(737)	9,205
Investing (outflows)	(14,592)	(3,659)	(10,933)
Financing inflows (outflows)	(66,343)	44,488	21,855

2014 vs 2013

In 2014, funds generated from operations were not enough to support the company's working capital requirements and interest payments. Meanwhile, net investing outflows were largely due to capital expenditures at the Refinery and in Malaysia tempered by the partial collection of advances to PCERP. On the other hand, financing activities provided cash inflows of P 44.49 billion sourced from proceeds from net availment of loans and issuance of preferred shares partly reduced by the payment of dividends and distributions.

2013 vs 2012

Operating activities contributed P 29.02 billion to the company's cash balance. Meanwhile, proceeds from issuance of undated subordinated capital securities and net availment of loans were used to finance the major capital projects at the Refinery and construction of additional service stations.

Discussion of the Company's key performance indicators:

Ratio	December 31, 2015	December 31, 2014	December 31, 2013
Current Ratio	0.9	1.1	1.0
Debt to Equity Ratio	2.8	2.7	2.4
Return on Equity (%)	6.4	2.7	5.4
Interest Rate Coverage Ratio	4.0	2.8	3.2
Assets to Equity Ratio	3.5	3.4	3.2

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 tangible net worth.

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. (Note: Tangible net worth is computed based on total equity attributable to Parent Company less any amount of goodwill).

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 - EBITDA divided by interest expense and other financing charges.

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

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

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

BUSINESS ENVIRONMENT

Philippine economic growth decelerated in 2015 but remained healthy. The gross domestic product (“GDP”) expanded year-on-year by 5.8% in 2015, slower than the 6.1% growth rate in 2014. The growth was driven by strong domestic demand, led by robust household consumption, and supported by higher level of investments and increase in government expenditure. The growth on the supply side was mainly attributed to the services and industry sectors.

By industrial origin, services (about 57% of GDP) posted the highest growth at 6.7%, driven by real estate, renting and business activities, and trade. Industry, which accounts for 33% of GDP grew by 6.0%. Manufacturing and construction contributed the most to industry sector expansion. Agriculture remained at relatively the same level with a growth rate of 0.2%.

Economic Growth, in %	2014	2015
GDP	6.1	5.8
GNP	5.8	5.4
By Industry		
Agriculture	1.6	0.2
Industry	7.9	6.0
Services	5.9	6.7
By Expenditure Type		
Household Consumption	5.4	6.2
Government Consumption	1.7	9.4
Capital Formation	5.4	13.6
Exports	11.3	5.5
Imports	8.7	11.9

By type of expenditure, capital formation grew the fastest with 13.6% growth supported by investments in durable equipment and construction. Government expenditure follows with 9.4% growth, underpinned by increase in disbursement for social protection programs, infrastructure projects and other capital outlays. Household consumption grew by 6.2% with improved employment, low inflation and continued support from overseas Filipino worker remittances. Total exports declined with mild growth in exports of goods. However, exports in services or the business process outsourcing sector showed a robust performance.

Philippine Peso (“peso” or “Php” or “₱”) - US Dollar (“dollar” or “US\$”) Exchange Rate

The peso weakened by 2.48% to average Php45.50/US\$ in 2015, reaching Php47 levels in mid-November. Major currencies in Asia also showed weakness against the US dollar due to expectations of the Federal Fund interest rate hike and the devaluation of the Chinese yuan.

Inflation

The rate of increase in prices of commodities and services decelerated in 2015, slowing down to an average of 1.4% from 4.2% in 2014. The low inflation was due to lower prices for food (e.g., corn, oil and rice) and fuel and more affordable prices of housing and other utilities.

Industry Demand

Oil demand in 2015 remained robust with low retail oil prices encouraging travel, strong vehicle sales at almost 23% growth for 2015, and favorable business environment contributing to the growth of industrial sectors which are heavy oil users such as manufacturing and construction.

OIL MARKET

Oil prices plummeted in 2015. Crude prices plunged in 2015 with Dubai dropping to a low of about \$31/ barrel (“bbl”) at year-end. This is a drop of about 40% from 2014 year-end price of \$52.9/bbl. Dubai averaged \$50.8/bbl in 2015, 47% lower than 2014 average of \$96.7/bbl. The crude oversupply due to sustained high volume of US shale production, stance of the Organization of the Petroleum Exporting Countries to keep output at 30 million barrels per day, and rising crude inventories, coupled with economic slowdown in Russia, Brazil and China, pulled down prices.

in \$/bbl	2014	2015
Dubai	96.66	50.84
Cracks		
LPG	(25.46)	(14.41)
Mogas 95	14.31	18.33
Kero/Jet	15.85	13.85
Diesel 0.05%S	16.03	13.64
IFO 180	(10.30)	(6.08)

On the other hand, product cracks moved in different directions. Gasoline strengthened as demand was robust due to low retail prices. Liquefied petroleum gas (“LPG”) also gained strength supported by strong demand from residential and petrochemical sectors, an effect of weak LPG prices. Meanwhile, middle distillates kerosene and jet fuel and diesel weakened in 2015 due to lackluster demand in Asia amid higher regional supplies with the coming on-stream of new middle distillate-focused conversion capacities.

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 Bureau of Internal Revenue (“BIR”) issued a deficiency excise tax assessment against the Company relating to the Company’s use of P659 million worth of Tax Credit Certificates (“TCCs”) 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 Court of Tax Appeals (“CTA”). In July 1999, the CTA ruled that, as a fuel supplier of Board of Investments (“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 Court of Appeals (“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 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 petition remains pending.

Pandacan Terminal Operations

In November 2001, the City of Manila enacted Ordinance No. 8027 (“Ordinance 8027”) reclassifying the areas occupied by the oil terminals of the Company, Pilipinas Shell Petroleum Corporation (“Shell”) and Chevron Philippines Inc. (“Chevron”) from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. In December 2002, the Social Justice Society (“SJS”) filed a petition with the Supreme Court against the Mayor of Manila asking that the latter be ordered to enforce Ordinance 8027. In April 2003, the Company filed a petition with the Regional Trial Court (“RTC”) to annul Ordinance 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance (“Ordinance 8119”), which applied to the entire City of Manila. Ordinance 8119 allowed the Company (and other non-conforming establishments) a seven (7)-year grace period to vacate. As a result of the passage of Ordinance 8119, which was thought to effectively repeal Ordinance 8027, in April 2007, the RTC dismissed the petition filed by the Company questioning Ordinance 8027.

However, on March 7, 2007, in the case filed by SJS, the Supreme Court rendered a decision (the “March 7 Decision”) directing the Mayor of Manila to immediately enforce Ordinance 8027. On March 12, 2007, the Company, together with Shell and Chevron, filed motions with the Supreme Court seeking intervention and reconsideration of the March 7 Decision. In the same year, the Company also filed a petition before the RTC of Manila praying for the nullification of Ordinance 8119 on the grounds that the reclassification of the oil terminals was arbitrary, oppressive and confiscatory, and thus unconstitutional, and that the said Ordinance contravened the provisions of the Water Code of the Philippines (the “Water Code”). On February 13, 2008, the Company, Shell and Chevron were allowed by the Supreme Court to intervene in the case filed by SJS but their motions for reconsideration were denied. The Supreme Court declared Ordinance 8027 valid and dissolved all existing injunctions against the implementation of the Ordinance 8027.

In May 2009, Manila City Mayor Alfredo Lim approved Ordinance No. 8187 (“Ordinance 8187”), which amended Ordinance 8027 and Ordinance 8119 and permitted the continued operations of the oil terminals in Pandacan.

On August 24, 2012, the 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 upheld the validity of all other provisions of Ordinance 8119. The Company filed with the RTC a Notice of Appeal to the Court of Appeals on January 23, 2013. The parties have filed their respective briefs. The appeal remains pending.

With regard to Ordinance 8187, petitions were filed before the Supreme Court seeking its nullification and the enjoinder of its implementation. The Company filed a manifestation on November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five (5) years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of the Company and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented the Company from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), the Company reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016. On November 25, 2014, the Supreme Court issued a Decision (“November 25 Decision”) declaring Ordinance 8187 unconstitutional and invalid with respect to the continued stay of the oil terminals in Pandacan. The Company, Shell and Chevron were given 45 days from receipt of the November 25 Decision to submit a comprehensive plan and relocation schedule to the RTC of Manila and implement full relocation of their fuel storage facilities within six (6) months from the submission of the required documents. On March 10, 2015, acting on a Motion for Reconsideration filed by Shell, a Motion for Clarification filed by Chevron, and a Manifestation filed by the Company, the Supreme Court denied Shell’s motion with finality, clarified that relocation and transfer necessarily include removal of the facilities in the Pandacan terminals and should be part of the required comprehensive plan and relocation schedule. On May 14, 2015, the Company filed its submission in compliance with the November 25 Decision.

Guimaras Oil Spill Incident

On August 11, 2006, MT Solar I, a third party vessel contracted by the Company to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Department of Justice (“DOJ”) and the Special Board of Marine Inquiry (“SBMI”), both agencies found the owners of MT Solar I liable. The DOJ found the Company not criminally liable, but the SBMI found the Company to have overloaded the vessel. The Company has appealed the findings of the SBMI to the Department of Transportation and Communication (“DOTC”) 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 are still pending.

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

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

Seasonal aspects that has material effect on the FS

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

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

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

Audit and Audit-Related Fees

For the annual review of the financial statements, consultancy services and other related services, the Company paid KPMG, its external auditor, as well as Uy Singson Abella & Co., Isla Lipana & Co., SGV & Co., and AMC & Associates, the aggregate amount of P9.31 million in 2014 and P16.63 million in 2015. The fees are more particularly set out below:

	2015	2014
Audit fees for professional services - Annual Financial Statement ¹	6,641,400.00	6,324,000.00
Professional fees for due diligence and study on various internal projects	1,794,405.99	694,125.51
Professional fees for tax consulting services	8,190,608.30	2,287,516.99
	16,626,414.29	9,305,642.50

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 in 2010, the current 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.

For years 2010, 2011, 2012, 2013, 2014 and 2015, KPMG was found to have satisfactorily performed its duties as external auditor of the Company and was endorsed by the Audit and Risk Management 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, 2012, 2013, 2014 and 2015. KPMG was appointed as external auditor by the stockholders at each such annual stockholders' meeting.

The Audit and Risk Management Committee further endorsed the re-appointment of KPMG as external auditor for 2016, with Mr. Darwin P. Virocel as the new KPMG partner. At its meeting held on March 15, 2016, the Board of Directors, finding the recommendation to be in order, endorsed the re-appointment of KPMG as external auditor for 2016 for the approval of the stockholders at the Annual Stockholders' Meeting. With the new engagement partner of KPMG assigned to the Company for 2016, the Company is not subject to the rule on rotation for the signing partner every five (5) years under the Amended SRC Rules in respect of its engagement of KPMG.

Set out below is the report of the Audit and Risk Management Committee for the year 2015.

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report of the Audit and Risk Management Committee
for the year 2015 follows on the next page]*

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors
Petron Corporation

The Audit and Risk Management 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 2015:

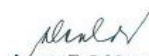
- We reviewed and discussed with Controllers management the quarterly and annual financial statements of Petron Corporation and Subsidiaries and endorsed these for approval by the Board;
- We endorsed the re-appointment of R.G. Manabat & Co./KPMG as the company's independent auditors for 2014;
- We reviewed with R.G. Manabat & Co./KPMG the scope and timing of their annual audit plan, audit methodology, and focus areas related to their review of the financial statements;
- We reviewed with R.G. Manabat & Co./KPMG, the audit observations and recommendations on the Company's internal controls and management's response to the issues raised;
- We reviewed with the Internal Audit Head and approved the annual internal audit plan and satisfied itself as to the independence of the internal audit function;
- 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; and
- We approved Petron's Internal Control Policy which will continuously educate the employees on the importance of internal control systems and procedures for the attainment of their respective business objectives and for its distribution to all offices company-wide, as well as to various Petron Subsidiaries.
- In consideration for good governance, we recognized the need for a change in partner for Petron's external auditors, KPMG, and accepted Darwin P. Virocel as the new KPMG partner for Petron.

The Audit and Risk Management Committee is satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2015.


Reynaldo G. David
Chairperson
Independent Director


Estelito P. Mendoza
Director


Artemio V. Panganiban
Independent Director


Aurora T. Calderon
Director


Lubin B. Nepomuceno
Director

Material Commitments for Capital Expenditure

In 2015, the Company spent P15.2 billion in capital investments, P13.4 billion of which was spent for the expansion of the refinery of the Company in Bataan (the “Petron Bataan Refinery”). In addition, service station-related expenditures totaled P0.9 billion while another P0.9 billion was used for other commercial, maintenance and miscellaneous projects.

In 2014, the Company had spent P14.4 billion in capital investments, including P12.2 billion for the expansion of the Petron Bataan Refinery. Service station-related expenditures totaled P0.6 billion while other commercial, maintenance and miscellaneous projects accounted for P1.6 billion.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Description of the Nature and Business of the Company

(1) Business Development

(i) The Company

Petron was incorporated in the Philippines on December 22, 1966 as “Esso Philippines Inc.” Petron was renamed “Petrophil Corporation” in 1974 when the Philippine National Oil Company (“PNOC”) acquired it. In 1985, Petrophil and Bataan Refinery Corporation (formerly, the “Standard Vacuum Refining Corporation”) were merged with Petrophil Corporation as the surviving corporation. The Company changed its corporate name to “Petron Corporation” in 1988. The Company’s original 50-year corporate term would expire on December 22, 2016. At its meeting held on November 12, 2012, the Board of Directors approved the extension of the corporate term of the Company for another 50 years and the relevant amendment of the Company’s Articles. This proposed amendment was ratified by the stockholders at the annual stockholders’ meeting held on May 21, 2013. 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.

On March 13, 2008, Aramco Overseas Company B.V. (“AOC”), one of the Company’s major shareholders in 1994, entered into a share purchase agreement with Ashmore Investment Management Limited and subsequently issued a transfer notice to PNOC to signify its intent to sell its 40% equity stake in Petron. PNOC, which then held 40% of Petron’s capital stock, waived its right of first offer to purchase AOC’s interest in Petron. Eventually, SEA Refinery Holdings B.V. (“SEA BV”), a company incorporated in the Netherlands and owned by funds managed by the Ashmore Group, acquired AOC’s 40% interest in Petron in July 2008. Ashmore complied with the requirements of mandatory tender offer under the Code.

On October 6, 2008, PNOC informed SEA BV and Petron of its intent to dispose of its 40% stake in the company. In December 2008, the 40% interest of PNOC in Petron was purchased by SEA Refinery Corporation (“SRC”), a domestic corporation wholly-owned by SEA BV. In a related development, SEA BV also sold a portion of its interest in Petron equivalent to 10.1% of the issued shares to SRC.

On December 24, 2008, SMC and SEA BV entered into an Option Agreement (the “Option Agreement”) granting SMC the option to buy the entire ownership interest of SEA BV in its local subsidiary SRC. The option may be exercised by SMC within a period of two (2) years from December 24, 2008. Under the Option Agreement, SMC would have representation in the Board of Directors and the Management of Petron. In the implementation of the Option Agreement, SMC representatives were elected to the Board of Directors and appointed as senior officers on January 8 and February 27, 2009.

At its April 29, 2010 meeting, the Board of Directors endorsed the amendment of the Company’s Articles and the Company’s By-Laws increasing the number of directors from 10 to 15 and quorum from six (6) to eight (8). The same was approved by the stockholders during their annual meeting on July 12, 2010. The amendment was approved by the SEC on August 13, 2010.

On April 30, 2010, SMC notified SEA BV that it would exercise its option to purchase 16,000,000 shares of SRC from SEA BV, which was approximately 40% of the outstanding capital stock of SRC. SRC owned 4,696,885,564 common shares of Petron, representing approximately 50.1% of its issued and outstanding common shares. SMC conducted a tender offer for the common shares of Petron as a result of its intention to exercise the option to acquire 100% of SRC from SEA BV under the Option Agreement. A total of 184,702,538 Petron common shares tendered were crossed at the PSE on June 8, 2010, equivalent to approximately 1.97% of the issued and outstanding common stock of Petron. On June 15, 2010, SMC executed the Deed of Sale for the purchase of the 16,000,000 shares of SRC from SEA BV.

On July 30, 2010, PCERP bought 2,276,456,097 common shares in Petron comprising 24.025% of the total outstanding capital stock thereof from SEA BV. The purchase and sale transaction was executed on the board of the PSE at the price of ₱7.20 per share.

SMC purchased additional 1,517,637,398 common shares of Petron from SEA BV through a special block sale crossed at the PSE on August 31, 2010. Said shares comprise approximately 16% of the outstanding capital stock of Petron.

On October 18, 2010, SMC also acquired from the public a total of 530,624 common shares of Petron, representing approximately 0.006% of the outstanding capital stock of Petron.

On December 15, 2010, SMC exercised its option to acquire the remaining 60% of SRC from SEA B. V. pursuant to the Option Agreement. With the exercise of the option, SMC became beneficial owner of approximately 68% of the outstanding and issued shares of stock of Petron. As such, on that date, SMC obtained control of SRC and Petron.

On January 24, 2012, PCERP sold 695,300,000 of its common shares in the Company through the PSE. On December 5, 2012, March 27, 2014, and August 19, 2014, PCERP further sold 195,000,000 common shares, 470,000,000 common shares, and 380,000 common shares, respectively, through the PSE. On December 5, 2014, PCERP acquired 195,000,000 PCOR shares through the PSE. PCERP to date holds common shares comprising 7.80% of the outstanding common stock 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, 2015 are listed below:

- **New Ventures Realty Corporation** (“NVRC”) is a realty firm established on August 24, 1995. NVRC is authorized to acquire and develop land but it does not engage in the subdivision business. Land suitable for use as service station sites, bulk plants or sales offices are purchased by NVRC, which are then leased to Petron for use in the latter’s operation. NVRC’s wholly-owned subsidiary, Las Lucas Development Corporation, which was acquired in 2003, was later renamed “Las Lucas Construction and Development Corporation” upon approval by the SEC in September 2009. In 2012, NVRC acquired 100% of Parkville Estates and Development Corporation and 60% of Mariveles Landco Corporation. In 2013, NVRC further acquired 100% of South Luzon Prime Holdings Incorporated, MRGVeloso Holdings, Inc. and Abreco Realty Corp.
- **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 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 operates outside the SBF. PMC is a wholly-owned subsidiary of Petron. As of December 31, 2015, PMC operated some service stations of Petron and held the franchise to 11 fastfood stores. PMC launched Treats as the secondary retail store brand found in Petron service stations in 2014.
- **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.
- **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 also incorporated under the laws of Malaysia and are engaged in the downstream oil business in Malaysia. The Petron Malaysia Companies distribution network includes nine (9) product terminals and one depot. The Petron Malaysia Companies has a network of approximately 565 retail service stations in the country. The rebranding and upgrading of the service stations to the Petron brand was completed in 2015. 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 Sabah-East Malaysia. 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, gasoline and kerosene, 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. 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 appointed distributors in Malaysia. PMRMB exports LSWR and naphtha from the PDR.

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

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

(iii) Operating Highlights

Sales

Sales to the Philippine domestic market grew by 12.2%. The retail sector which accounts for 39% of sales, grew by 11.2%

This growth is attributed to new station builds, aggressive dealer account solicitation, and various marketing programs that attracted more motorists to Petron stations, supported by a robust economy. As of year-end 2015, the Company had a total service station count of close to 2,200 stations. The marketing programs of the Company include its cards programs, namely, *Petron Fleet Card*, *Petron Value Card* and the latest *Super Driver Card* that caters specifically to public utility drivers and various promotions such as the Avengers Tumbler, *Free Gas Araw-Araw*, and the Lamborghini Toy Car.

Sales of LPG, which account for about 10% of sales, grew by about 15.6%. The growth was attributable to the expansion of dealer branch stores and retail outlets, increased participation of the Company in the refiller sector, and acquisition of major industrial accounts (e.g., new malls).

Sales to the industrial sector and other oil companies, about 50% of sales, grew by about 12.4% with increased sales of jet fuel and participation in the distributor/wholesale sector.

Sales of lubricants grew by 6.9% due to increased penetration in non-traditional outlets such as auto-supply stores and various marketing support programs for business partnersto promote products at point of sale.

Refining

- **Upgrade to Full Conversion**

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 valued products - gasoline, diesel, and petrochemicals. This makes the Petron Bataan Refinery comparable to highly complex refineries worldwide. In the first quarter of 2015, RMP-2 facility completed its performance guarantee test run, facilitated, together with the process technology licensors, to establish the capabilities of the plant against the guaranteed yields and product qualities. RMP-2 started its full commercial operation in January 2016 after the completion of the test run and stabilization of process units.

- **Seventh Consecutive Integrated Management System (“IMS”) Certification**

The Petron Bataan Refinery sustained its IMS certification for the seventh straight year. It passed the Quality Management System (“QMS”) and Occupational Health/Safety Management System (“OHSMS”) recertification audits and the Environmental Management System (“EMS”) surveillance audit conducted on April 28-30, 2015. TUV SUD PSB Philippines

Inc. granted the Petron Bataan Refinery a recertification of its QMS and OHSMS for the period June 5, 2015 to June 4, 2018 following compliance by the refinery with the international standards ISO 9001:2008 and BS OHSAS 18001:2007. The body also recertified the compliance by the Petron Bataan Refinery with the international standard ISO 14001:2004 for its EMS certificate valid until July 31, 2017.

Product Supply and Distribution

The Company continues to implement programs to ensure product availability and timely supply such as the program managing station inventory, adequate number of tank trucks and marine vessels and a system that allows nearby depots to support requirements of other depots in case of calamities.

Human Resources

Management recognizes that the right mix of characteristics and skills is the key to an organization's progress and successes. 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 program, and safe working conditions.

Health, Safety and Environment ("HSE")

The Company's HSE programs continue to be an important element in the operations of its facilities. HSE programs of the Company include the following:

- **Inspection/Audit/Training.** To ensure safety and emergency preparedness of its various facilities, the Company conducts multifunctional audits and safety inspections of the depots/terminals, service stations and third party LPG filling plants. The Company participates in industry-wide oil spill response exercises through service provider WISE Philippines. Periodic inspections of firefighting equipment, emergency drills and exercises are conducted at the Petron Bataan Refinery and the depots/terminals nationwide to enhance competency and responsiveness in addressing emergencies and disasters. A review of the different depot/terminal operations and procedures is conducted to ensure that safety is always inculcated in these activities. Safety seminars/trainings are also continuously being conducted for various stakeholders in the Company's operations to ensure that all imbibe a safety mindset.
- **HSE Systems**
 - a. **Stations.** The Safety Management System for service stations was launched in 2014 with the objective of elevating the level of safety awareness among the service station dealers and their employees and workers.
 - b. **Depot/Terminals.** Twenty-nine (29) locations had been certified to the IMS that includes ISO 9001:2008, ISO 14001:2004, and ISO18001:2007. Furthermore, all 17 depots with pier facilities are currently compliant with the International Ship and Port Facility Security Code ("ISPS Code") as certified by the Office of the Transport Security under the DOTC. 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. Petron's shipping ports for both domestic and international vessels are ISPS-certified.

- c. Refinery. The Petron Bataan Refinery continues to conform with the international standard of Quality (ISO-9001:2008), Environment (ISO-14001:2004), and Health and Safety (OHSAS-18001:2004).

With its annual safety programs, the Company achieved several milestones and recognitions from various government agencies and organizations for the year 2015. From January to December 2015, a total of about 12,406,307 safe man hours were achieved by the Head Office, the Petron Bataan Refinery and the depots and terminals. In October 2015, the World Safety Organization recognized the Company as one of the Concerned Company/Corporation Awardees at its 28th Annual International Environmental and Occupational Safety and Health Professional Development Symposium.

Corporate Social Responsibility ("CSR")

Alongside the attainment of business goals, the Company also puts equal importance to meeting its social and environmental agenda. Fueling HOPE (Helping Filipino Children Overcome Poverty Through Education) is its main guidepost and *Tulong Aral* its flagship program. The Company also implements programs on environmental sustainability and those that cater to communities near Company facilities.

Among the CSR and sustainability activities of Petron in 2015 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"), a long-term, strategic initiative that helps send poor children to school, keep them there and make sure they learn. Tulong Aral has scholarship programs for elementary, high school and college students.

At the end of 2015, Tulong Aral ng Petron had a total of 2,238 scholars: 944 elementary scholars in 25 partner schools in the National Capitol Region (Caloocan, Malabon, Navotas, Valenzuela, Manila, Pasay, Mandaluyong, Quezon City, Parañaque, Taguig, Pateros, Pasig and Las Piñas) and 504 scholars in eight (8) partner schools in Mindanao (Davao, South Cotabato, Iligan, Jimenez, Misamis Oriental and Zamboanga). In 2015, TAP program was extended to Petron's major facilities with 442 elementary scholars in the Visayas (Bacolod City, Iloilo, Roxas and Tagbilaran) and 348 in Rosario, Cavite and Mabini, Batangas.

The scholars continued to enjoy the benefits of Petron's send-a-child to school program, including the provision of books, school supplies, shoes and uniforms; daily meal allowances for children, as well as capability building and livelihood programs for parents.

Three hundred seventy (379) elementary and 76 high school scholars graduated in March 2015. A total of 470 children received scholarships to go to high school in 22 public schools in Metro Manila. For the school year 2015-2016, Petron sponsored additional 20 college scholars bringing the total number to 61 scholars pursuing different degrees in various academic institutions. Once they graduate, they will have an opportunity to join the Petron family.

- **Other Education-Related Programs**

1. **Petron Schools**. In 2015, Petron built and turned over a two-classroom Petron School facility at Anibong Elementary School in Tacloban City, which was badly hit by Typhoon Yolanda in 2013. This brings the total number of Petron Schools constructed to 81 since 2002.

Petron also turned over three (3) Silid Pangarap school buildings for the pre-school and kindergarten levels in partnership with AGAPP (Aklat, Gabay, Aruga Tungo sa Pag-angat at Pag-asa) Foundation and San Miguel Foundation. These classrooms also serve as mini-libraries. Since 2011, Petron has so far funded and turned over 22 schools or 44 classrooms in Bataan, Samar, Cavite, Cebu, Negros Oriental, Leyte, Roxas and some parts of Mindanao.

2. **Youth Entrepreneurship**. In the tenth year of the Youth in Entrepreneurship and Leadership Development (“YIELD”) Program, 100 third year students of the Muntinlupa Business High School (“MBHS”) spent their summer at select Petron stations to learn about back office operations and the rudiments of food service. This brings the total number of YIELD graduates since 2005 to 1,100.
3. **Petron ACES**. The Petron Automotive Care Education (“ACE”) program, which was launched in 2015, provides free automotive servicing NC-II technical-vocational education to deserving scholars at the Guzman College of Science and Technology. Once they graduate and get TESDA-certified, they may be hired to work in Petron Car Care Centers. An initial batch of 15 scholars qualified for the first year of the program.
4. **Reading Program**. In 2015, Petron, through its Petron Foundation, continued its partnership with the DepEd and the United States Agency for International Development (“USAID”) in improving basic education. Petron continued to make significant investments through its support to Basa Pilipinas (Read Philippines) which aims to improve the reading skills of 1 million early grades students and provide technical assistance to the DepEd on the language and literacy component for Grades 1 to 3 in Ilocos and Central Visayas.

- **Promotion of Environmental Sustainability**

1. **Bataan Integrated Coastal Management Program (“BICMP”)**. In 2015, Petron sustained its leadership role in the implementation of the Bataan Integrated Coastal Management Program (“BICMP”), a partnership with the Provincial Government of Bataan and the United Nations Development Programme’s Partnerships on Environmental Management for the Seas of East Asia (“PEMSEA”). Its activities included guiding Bataan’s local government units in developing and implementing their respective zoning plans in accordance with the Bataan Coastal Land and Sea Use Zoning Plan and the Bataan Sustainable Development Strategy. One of the highlights for this year was the completion of the State of the Coasts (“SoC”) Report for the province of Bataan, with the support of the PEMSEA Resource Facility. The SoC reporting system is a tool that local governments can use in the monitoring, evaluation and reporting of their integrated coastal management (“ICM”) programs. This provides baseline conditions and priorities to be addressed in an ICM program and helps LGUs to measure and report progress and impacts of their ICM implementation.

2. **Participation in the National Greening Program.** Also in Bataan, Petron partnered with the Provincial Government, Municipal Government of Limay, PENRO-Bataan, and People's Organizations SAMASAKA (Samahang Magsasaka Sa Kagubatan Ng Limay, Bataan, Inc.) and AFPAL (Alangan Farmers Producers Association, Inc.) to reforest a total of 300 hectares to protect the watershed of Limay. Through this and along with other tree and mangrove planting activities conducted by Petron Operations personnel nationwide throughout 2015, Petron remained active in its support of DENR's goal of planting 1.5 billion trees from 2011 to 2016 under the National Greening Program.
- **Community-Based Programs.** Petron's community-based programs benefit residents close to Petron facilities. The community-based programs include:
 1. **Sulong KaBarangay Program in Bataan.** The *Sulong KaBarangay* program, a public-private partnership among the local government of Limay, DSWD and Petron. The Samahang Alangan at Lamao para sa Pag-Unlad, Inc. (SALAPI), a group formed through the *Sulong Pangkabuhayan* (livelihood assistance project) in 2012, continued to supply the Petron Bataan Refinery's rug requirements and has been producing doormats for local markets.
 2. **Livelihood Programs.** A donation of seed money to the Municipality of Rosario in Cavite allowed a total of more than 800 residents to secure loans to start or enhance their livelihood activities.

Petron and the Municipality of Rosario also established the *Tulong Aral* Livelihood Program with 27 mothers of *Tulong Aral* scholars as its first beneficiaries. They were given skills training in rag making and have set-up a cooperative with the help of the Municipality of Rosario. They now supply Petron Rosario depot and the local market with rags.

- **Responding to Crises.** While the country was fortunately spared from any major natural calamity in 2015, Petron continued to live up to its commitment of helping families affected by previous disasters. In partnership with SMC Foundation and Habitat for Humanity Philippines, Petron supported the building of houses to help 85 families devastated in 2013 by super typhoon Yolanda and the Visayas earthquake.

Petron Malaysia

The Petron Malaysia Companies have completed the upgrading of the product terminals to comply with the B7 biodiesel and U97 E4M requirements. This is in line with the government's thrust of providing cleaner and more environment friendly fuels to the consumers. The Petron Malaysia Companies also completed the rebranding and modernization of more than 100 road tankers which transport products throughout the country. As part of the rebranding program, three (3) card programs, *Petron Miles* loyalty card, Petron Fleet Card with microchip technology and co-branded Petron and Public Bank Visa Card program, were launched.

(2) Business of the Company

(i) Principal products or services and their markets

Petron's principal business involves the refining of crude oil and the marketing and distribution of refined petroleum products. It sells a full range of refined petroleum products including gasoline, LPG, diesel, jet fuel, kerosene, asphalts and petrochemicals (benzene, toluene, mixed xylene, propylene and polypropylene). Exports include naphtha and petrochemicals. 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. It holds franchises of major local food chains, leases space to other consumer services, food kiosks and restaurants to give its customers a one-stop full service experience at the service station. It continues to have a tie-up with the San Miguel Group for the San Mig Avenue convenience stores at the stations. In 2014, it re-launched the *Treats* store as the secondary retail store brand found in Petron service stations.

(ii) Percentage of sales or revenues by foreign sales

Below is the summary of the percentage of sales or revenues of domestic and foreign sales of the Company and its subsidiaries from 2013 to 2015:

	Domestic	Exports/International	Total
2013, in million pesos	264,445	199,193	463,638
2013, in percentage	57%	43%	100%
2014, in million pesos	276,731	205,804	482,535
2014, in percentage	57%	43%	100%
2015, in million pesos	213,634	146,544	360,178
2015, in percentage	59%	41%	100%

(iii) Distribution methods of products or services

Petron's bulk petroleum products are refined from crude oil at the Petron Bataan Refinery in Limay, Bataan. From the Petron Bataan Refinery, products are distributed to the various bulk storage terminals and direct consumer accounts nationwide using a fleet of barges and tankers. From the storage depots, bulk products are hauled by tank trucks to service stations and to direct consumer accounts. Products may also be sourced from depots operated by other oil companies with whom Petron has joint operations, rationalization and/or product supply agreements.

Lubes and greases in various packages are transported via container vans to bulk plants and terminals outside Metro Manila. Petron lube distributors are also established to sell these products.

Petron has a nationwide network of LPG retail dealerships and outlets. Service stations also carry *Gasul* products and accessories and lube products.

(iv) New products or services

The Company's new products are described below.

- **Euro IV Gasoline and Diesel Fuels**

Petron upgraded its gasoline products to meet Euro emission standards and Euro IV-PH fuel limits of PNS QS 008:2012. Its gasoline brands (Super Xtra, Xtra Advance, XCS, and Blaze 100 Euro 4) exceed the Euro IV-PH fuel specifications under the Philippine National Standards ("PNS") for sulfur and benzene.

In October 2015, the Company also implemented Euro IV in Diesel Max and Turbo Diesel. All the diesel brands of the Company meet the stringent requirements of Euro IV emission limits and Euro-IV specifications of PNS QS 004:2012.

- **Development of Petron Brake Fluid DOT 4**

The Company developed a special formulation of brake fluid to meet the performance requirements of the Federal Motor Vehicle Safety Standard No. 116 DOT Specification. Petron Brake Fluid DOT 4 is formulated to provide optimum performance and maximum safety.

- **Engine Oils for Petron Malaysia**

- a. Rev-X Multi-grade 20W-50 API CF
- b. Blaze Racing Multi-grade 20W-50 API SL

- **Development of Engine Oils and Transmission Fluids**

The Company developed the following specially formulated products to cater the requirements of different automotive original equipment manufacturers:

- a. Petron Fully Synthetic 5W-40 API CJ-4/SN
- b. Petron premium Multi-grade 15W-40 API SN/CF
- c. Petron Fully Synthetic 5W-30 API SN/CF
- d. Petron Dual Clutch Transmission Fluid

(v) Competition

Petron operates in a deregulated oil industry along with more than 90 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. The Company's major competitors in the retail, industrial and lube trades are Shell and Chevron and, in the LPG trade, Liquigaz. 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 2015, Petron purchased all its term and spot crude requirements through its wholly-owned subsidiary, PSTPL. Majority of the crude purchase was sourced from Saudi Arabian Oil Company ("Saudi Aramco") under a term contract. Another crude, Kuwait export crude, was sourced from Kuwait Petroleum Corp also under a term contract. For its 2016 crude requirements, Petron, through PSTPL, renewed its Crude Oil Supply Agreements with Saudi Aramco and Kuwait Petroleum Corp for the period January to December 2016.

Petron purchased its finished product import requirements in 2015 also through PSTPL. Local spot and term purchase contracts for finished products were also secured from several oil companies. For 2016, aviation gas, asphalt and baseoil contracts were renewed for the period January to December 2016 likewise through PSTPL.

On its requirements for ethanol, the Company continued to support the directive of the Department of energy (“DOE”) on prioritization of locally-produced ethanol, complying with the required monthly allocation. Around 43% 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 10% or more of the total revenue.

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

Petron, certain of its subsidiaries, associates, and joint venture and 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. To ensure that this policy is implemented, the Company undertakes an assessment at each financial year by examining the final position of the related party and the market in which the related party operates.

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 bunker, 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 power, 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 some of its depots, terminals and service stations are located.
6. Petron partly retails its fuel products through its subsidiaries, PMC, 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 Powergen Inc. ("SMC Powergen") entered into a sublease agreement for a portion of the lands on which the Petron Bataan Refinery and SMC Powergen's power plant is located.
13. 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, 2015 are described below.

Approved Trademark Registrations. Petron has trademark registrations for a term of 20 years for its 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, Gearkote, Cablekote, REV-X superdiesel Multigrade, "AS" Petron, Grease Solve, Petrokote, Petron 2040, Petron XD3, Petron Old Logo, Hypex, Extra, Petron Old Logo (Tradename), 2T, Turnol, Petromar HD, Spinol, Airlube, Hydrotur, Petromix, Voltran, Stemol, 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.

Petron Gasul 11-kg POL-VALVED Cylinder, Ultron Rallye, Rev-X Trekker, Rev-X Hauler, Rev-X HD, Bull's Eye, 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, Xtra Advance, 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, Pharmacy Plus, Triangle Device, Boomerang Device, Ronnie Mascot, and AR Scan, View it & device, Seat Belt

Lives, See It & device, Privilege Miles Card & device, Petron Fleet Card & device, Blaze 100 Octane Euro 4 & device, Aim here & device, Focus here & device, AR View & device, AR Focus & device, Pay with Points Save your Cash, AR Spot & device, Scan It & device, 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, Everyone's Shop & Device, 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 are registered for a term of 10 years.

Pending Trademark Registration Applications. Petron has pending applications for registration of the following trademarks: Sagip Alalay, Petron Canopy Fascia, Petron XCS3 Triple Action Premium Unleaded, Euro 4 (stylized), Mix & Treats device, Treats Plus & device, Everyone's Treats, Super Treats & device, Accident Insurance & device, Stylized P & device, Towing & Roadside Assistance device, Thermal Control System, Carbon Buster, Diesel Max, Petron PMB, Blu & Device, Blu with Gasul Tank, Puno ng Buhay, Tri-Action, Triple Action Fuel, Blaze Racing, Tri Plus, Tri Activ, Gas Padala and Lakbay Ligtas.

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 176 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" and "Your Fleet Your Rules".

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

- 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.
- 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) through various tax incentives. Renewable energy developers will be given a seven (7)-year income tax holiday. The power generated from these sources will be VAT-exempt and facilities to be used or imported will also have tax incentives.
- 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.
- LPG Bill. The LPG Bill, currently pending in the Philippine Congress, will mandate stricter standards on industry practices.
- 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.

- 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.

- 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.

- Cabotage Law

Republic Act No. 10668, approved in July 2015, amended the decades-old Cabotage Law and now allows foreign ships carrying imported cargoes and cargoes to be exported out of the country to dock in multiple ports. Foreign vessels will be allowed to transport and co-load foreign cargoes for domestic trans-shipment. This seeks to lower the cost of shipping export cargoes from Philippine ports to international ports and import cargoes from international ports.

(xii) Estimate of the amount spent during each of the last three (3) fiscal years on research and development activities:

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

R&D spent a total of ₱65.21 million in 2015, slightly lower than the previous year’s expense of ₱66.22 million. Expenses in 2013 amounted to ₱59.80 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 2015, the Company spent a total of ₱193.90 million for treatment of wastes, monitoring and compliance, permits and personnel training at the Petron Bataan Refinery.

(xiv) Total number of employees

As of December 31, 2015, the Company had 2,995 employees, with 2,355 employees in the Company (comprising one president, one general manager, 25 vice presidents and assistant vice presidents, 1,494 managerial, professional and technical employees, and 834 rank-and-file employees); 498 employees of the Company’s Malaysian operations; eight (8) in PSTPL; and 134

in PMC and PFC. The workforce may further increase in the ensuing 12 months due to the Petron Bataan Refinery expansion project.

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”), and (iii) Petron Employees Association, which is affiliated with the National Association of Trade Unions (“PEA-NATU”). BRUP’s CBA covers the period January 1, 2014 to December 31, 2018. PELU’s CBA is in effect from January 1, 2014 to December 31, 2018. The PEA-NATU’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 5% to the member-employee’s account in the savings plan.

(xv) Description of Property

Petron owns the largest petroleum refinery complex in the Philippines located in Limay, Bataan. This refinery has a crude distillation capacity of 180,000 barrels per day (“BPD”). It has three (3) crude distillation units, (2) vacuum pipestill units, a delayed coker unit, two (2) catalytic cracking units, a continuous catalyst regeneration reformer unit, a semi-regenerative reformer unit, three (3) naphtha hydrotreaters, two (2) kerosene mercox treater, three (3) gas oil hydrotreater units, coker gas oil hydrotreater, four (4) LPG treaters, two (2) selective hydroprocessing units, an isomerization unit, benzene, toluene and mixed xylene recovery units, two (2) propylene recovery unit, four (4) sulfur recovery unit, a hydrogen production unit and hydrogen recovery facility, a nitrogen plant, two (2) waste water treatment facilities, four (4) sour water facilities, a desalination facility, eight (8) steam generators, five (5) turbo generators, four (4) cooling towers, a reverse osmosis unit, flare facilities, bulk asphalt receiving facilities, several crude storage tanks, as well as a number of refined petroleum products 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, LPG and aviation plants which are located in Luzon, Visayas and Mindanao. Its terminals are in Limay, Bataan; Mabini, Batangas; and Mandaue City, Cebu. Its depots are located at Aparri, Cagayan; Poro Point, San Fernando, La Union; Navotas, Metro Manila; Rosario, Cavite; Pasacao, Camarines Sur; Puerto Princesa, Palawan; Culasi, Roxas City; Lapuz, Iloilo City; Bacolod City, Negros Occidental; Linao, Tagbilaran City, Bohol; 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; Masbate; Bicol; and Amlan, Negros Oriental. Petron has an LPG terminal in Ugong, Pasig City and LPG depots in 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 and Davao City; and an additive plant in Subic, Zambales.

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 ₱161 million in 2015.

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.

(3) 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 Financial Risk Management Unit 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 & Engineering 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 major if it assesses the risk event to have both a relatively high probability of occurring and if it will have a substantial adverse impact on the Company if the risk would occur. The major risks that the Company managed in 2015 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 arising 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 arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of the Petron Malaysia Companies whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation. Changes in the foreign exchange rate 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 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 complied with and has been certified to be compliant with the strictest international standards for quality management system under ISO 9002:1994 in August 1998; and for environmental management system under ISO 14001:1996 in September 2004 and was upgraded and certified to ISO 14001:2004 in October 2006 up to present for its refinery operations. The refining division is currently implementing and maintaining an IMS composed of Quality Management System (ISO 9001:2008); Occupational Health and Safety Management System (OHSAS or ISO 18001:2007);

Environmental Management System (ISO-14001:2004), certified and recertified since July, June and May 2009, respectively, up to present.

- A total of 29 locations currently employ the Integrated Management System that encompasses three (3) major management systems on product quality under ISO 9001:2008, environmental performance under ISO14001:2004 and safety performance under OHSAS 18001:2007.
- Furthermore, a total of 17 locations with pier facilities are currently compliant with the ISPS code certified by the Office of the Transport Security under the DOTC. 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. Petron's shipping ports for both domestic and international vessels are ISPS-certified.

(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.

(4) Contingent Liabilities

Petron is involved in certain cases, the material of which are discussed below based on information available to the Company as of the date of this information statement:

- **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 CTA the collection by the BIR of deficiency excise taxes arising from the Company's acceptance and use of TCCs worth P659 million from 1993 to 1997. The BIR claimed that the TCCs used by Petron as payment were fraudulent. 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 CA.

On March 21, 2012, the CA promulgated 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. 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. On June 17, 2013, the Company filed its comment on BIR's petition.

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: The petition for review on *certiorari* filed by the BIR is pending.

- **Pandacan Cases**

- **Petron Corporation v. The City of Manila, et al.**
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. Petron filed a notice of appeal on January 23, 2013. In compliance with the order of the CA dated April 15, 2013, Petron submitted its appellant’s brief on July 29, 2013. On December 19, 2013, Petron, through its counsel, received the City of Manila’s appellee’s brief dated December 12, 2013. Petron filed its appellant’s reply brief on February 11, 2014.

Exposure: No monetary claim. An adverse decision would mean closure of the terminals at Pandacan. However, this case apparently has been rendered moot by the Supreme Court’s decision in G.R. Nos. 187836 and 187916 discussed below.

Relief sought: Nullification of Ordinance No. 8119

Status: Petron has filed its appellant’s brief and reply brief in response to the City of Manila’s appellee’s brief. The appeal remains pending.

- **Social Justice Society (“SJS”) v. Alfredo S. Lim**
SC G.R. No. 187836 Supreme Court

Background: This is a petition for prohibition by SJS against Mayor Alfredo S. Lim for nullification of Ordinance No. 8187 which repealed both City Ordinance Nos. 8027 and 8119, effectively allowing the continued operation of the oil depots at Pandacan.

On June 1, 2009, SJS officers filed a petition for prohibition against Mayor Lim before the SC, seeking the nullification of Ordinance 8187. The City filed its Comment on August 13, 2009. Petron filed a motion for leave to intervene dated November 27, 2009 and a comment-in-intervention dated November 27, 2009. The comment-in-intervention was allowed by the SC.

Petron filed a manifestation on November 30, 2010 informing the SC that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five (5) years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of Petron and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented Petron from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), Petron reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

This case is consolidated with SC G.R. No. 187916.

Exposure: No monetary claim. Adverse decision would mean closure of the terminals at Pandacan.

Status: The case was decided together with G.R. No. 187916 discussed below.

- **Jose L. Atienza vs. Mayor Alfredo S. Lim**
SC G.R. No. 187916 Supreme Court

Background: This is the second petition filed against Ordinance 8187. Former Manila Mayor Atienza filed a petition for certiorari for the nullification of Ordinance No. 8187.

On June 5, 2009, former Manila Mayor Lito Atienza, represented by the former City Legal Officer, filed his own petition with the SC seeking to stop the implementation of Ordinance 8187. The City of Manila filed its Comment on August 13, 2009.

Petron filed a manifestation on November 30, 2010 informing the SC that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five (5) years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of Petron and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented Petron from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), Petron reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

On November 25, 2014, the SC issued a decision (“November 25 Decision”) declaring Ordinance No. 8187 unconstitutional and invalid with respect to the continued stay of the oil terminals in Pandacan. Petron, Shell and Chevron were given 45 days from receipt of the November 25 Decision to submit a comprehensive plan and relocation schedule to the RTC of Manila. On March 10, 2015, acting on a Motion for Reconsideration filed by Shell, a Motion for Clarification filed by Chevron, and a Manifestation filed by the Company the Supreme Court denied Shell’s motion with finality and clarified that “relocation and transfer necessarily include removal of the facilities in the Pandacan terminals and should be part of the required comprehensive plan and relocation schedule.”

On May 14, 2015, the Company filed its submission in compliance with the November 25 Decision.

Exposure: No monetary claim. Adverse decision would mean closure of the terminals at Pandacan.

Status: The Resolution dated March 10, 2015 was declared by the SC as final.

- **Guimaras Oil Spill**

- **In the Matter of the Sinking of the MT Solar I**
SBMI No. 936-06
Special Board of Marine Inquiry (“SBMI”)

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

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

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

On November 21, 2006, Petron filed a Memorandum of Appeal with the DOTC, elevating the disputed ruling of the SBMI for review.

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

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

Status: The appeal to the DOTC of the finding of the SBMI that Petron was negligent and responsible for overloading the MT Solar I remained pending as of December 31, 2015.

- **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 Million). The reception of plaintiffs' evidence is on-going.

In the Arsenal case, respondents filed a motion to hear affirmative defenses based on lack of jurisdiction for non-payment of docket fees, prescription and lack of cause of action but it was denied. The respondents went to the 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.

(5) Securities of the Company

(a) Market Price of and Dividends on Company's Common Equity and Related Stockholder Matters

- **Market Information**

The Company's common shares and preferred shares are traded at the PSE.

As of February 29, 2016, the Company had approximately 149,487 stockholders. As of December 31, 2015, the total number of stockholders of the Company was 149,601. As of December 31, 2014, the total number of stockholders of the Company was 151,182.

On March 5, 2015, the preferred shares of the Company issued in 2010, were redeemed by the Company in accordance with the approval by the Board of Directors on November 10, 2014. Consistent with the practice and procedure at the PSE and due to the lack of the feature of re-issuability of the preferred shares of the Company at the time of redemption, the PPREF Shares were delisted by the PSE on March 6, 2015.

Common Shares

The price of the common shares of the Company as of February 29, 2016, the last trading day of February 2016, was ₱9.05 per share. The price of the common shares of the Company on December 29, 2015, the last trading day of 2015, was ₱6.99 per share. The price of the common shares of the Company on December 29, 2014, the last trading day of 2014, was ₱10.60 per share.

*[Rest of page intentionally left blank;
High and low prices of the common shares follow on next page]*

The high and low prices of the common shares for each quarter of the last two (2) fiscal years and for February 2016 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2016				
For period ended February 29, 2016	9.49	February 22	5.36	January 21
2015				
1 st Quarter	10.62	February 20	9.04	January 29
2nd Quarter	10.02	May 15	8.45	June 17
3rd Quarter	10.00	July 31	6.86	September 18
4th Quarter	8.36	November 05	6.75	October 06
2014				
1 st Quarter	14.30	January 24	11.70	March 27 & 28
2nd Quarter	12.82	June 27	11.78	June 10
3rd Quarter	12.80	August 11 & 12	11.60	August 26 September 10, 15, & 16
4th Quarter	12.04	October 09	9.60	December 18

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 29, 2016, the last trading day of the shares during the month, was ₱1,084.00 per share. The price of the Series 2A Preferred Shares on December 29, 2015, the last day of 2015 the shares were traded, was ₱1,070.00. The price of the Series 2A Preferred Shares on December 18, 2014, the last day of 2014 the shares were traded, was ₱1,020.00.

The high and low prices of Series 2A Preferred Shares for the last quarter of 2014 beginning their listing on November 3, 2014, each of the quarters of 2015 and for the period ended February 2016 are indicated below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2016				
For period ended February 29, 2016	1,084.00	February 29	1,020.00	January 22
2015				
1 st Quarter	1,085.00	March 26	1,005.00	January 19
2nd Quarter	1,160.00	April 27	1,050.00	May 8
3rd Quarter	1,120.00	July 15	1,040.00	August 27
4th Quarter	1,080.00	October 1	1,050.00	November 11 & 20; December 2, 4, 7, 9, 10, 14 & 15
2014				
4 th Quarter since listing on November 3, 2014	1,048.00	November 3	1,016.00	November 20

Series 2B Preferred Shares

The price of the Series 2B Preferred Shares as of February 29, 2016, the last trading day of the shares during the month, was ₱1,100.00 per share. The price of the Series 2B Preferred Shares on December 21, 2015, the last day of 2015 the shares were traded, was ₱1,065.00. The price of the Series 2B Preferred Shares on December 18, 2014, the last day of 2014 the shares were traded, was ₱1,030.00.

The high and low prices of Series 2B Preferred Shares for the last quarter of 2014 beginning their listing on November 3, 2014, each of the quarters of 2015 and for the period ended February 2016 are indicated below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2016				
For period ended February 29, 2016	1,100.00	February 29	1,056.00	February 9
2015				
1 st Quarter	1,100.00	March 27	1,016.00	January 30
2nd Quarter	1,170.00	March 15	1,070.00	April 16
3rd Quarter	1,149.00	July 1, 13 & 15	1,075.00	August 26
4th Quarter	1,141.00	October 9	1,050.00	October 22
2014				
4 th Quarter since listing on November 3, 2014	1,050.00	December 3	1,012.00	November 3

- Holders

The lists of the top 20 stockholders of the common shares and preferred shares of the Company as of February 29, 2016 are as follows:

Common Shares

RANK	STOCKHOLDER NAME	Common	TOTAL SHARES	% OF C/S
1	SEA REFINERY CORPORATION	4,696,885,564	4,696,885,564	50.099554 %
2	SAN MIGUEL CORPORATION	1,702,870,560	1,702,870,560	18.163750 %
3	PCD NOMINEE CORP. (FILIPINO)	1,330,160,122	1,330,160,122	14.188216 %
4	PETRON CORPORATION EMPLOYEES RETIREMENT PLAN	731,156,097	731,156,097	7.798911 %
5	PCD NOMINEE CORP. (NON-FILIPINO)	457,012,172	457,012,172	4.874742 %
6	ERNESTO CHUA CHIACO &/OR MARGARET SY CHUA CHIACO	6,000,000	6,000,000	0.063999 %
7	ANGALDO GODINEZ & CO. INC. FAO MARK V. PANGILINAN	5,000,000	5,000,000	0.053333 %
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	SHAHRAD 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 %
		8,962,373,015	8,962,373,015	95.597580 %
		=====	=====	=====
TOTAL NO. OF SHARES :		9,375,104,497		
TOTAL NO. OF DISTINCT STOCKHOLDERS :		149,414		
TOTAL NO. OF ACCOUNTS :		149,414		

Series 2A and Series 2B Shares

RANK	STOCKHOLDER NAME	Preferred 2-A	Preferred 2-B	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	7,095,040	2,748,895	9,843,935	98.439350 %
2	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS., INC.	3,200	45,440	48,640	0.486400 %
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	14,010	24,430	38,440	0.384400 %
4	MARCELINO R. TEODORO	0	12,500	12,500	0.125000 %
5	FIRST LIFE FINANCIAL CO., INC.	0	7,000	7,000	0.070000 %
6	BEN TIUK SY OR JUDY Y. SY	0	6,400	6,400	0.064000 %
7	REYNALDO GARCIA ALEJANDRO &/OR SYLVIA L. ALEJANDRO	0	5,000	5,000	0.050000 %
8	ALEXANDER T. SOLIS &/OR GINA T. SINFUEGO	0	5,000	5,000	0.050000 %
9	FRANCISCO S. ALEJO &/OR CYNTHIA ALEJO &/OR ANNA MELISSA A. ACOP	0	3,000	3,000	0.030000 %
10	ANTONIO T. CHUA	0	2,500	2,500	0.025000 %
11	R. M. TIONGCO HOLDINGS, INC.	0	2,100	2,100	0.021000 %
12	ENRIQUE DELA LLANA YUSINGCO	0	2,000	2,000	0.020000 %
13	ZENaida M. POSTRADO OR RENATO POSTRADO	1,000	1,000	2,000	0.020000 %
14	LORD ALLAN JAY Q. VELASCO	2,000	0	2,000	0.020000 %
15	JUSTINIANO B. PANAMBO, JR.	0	1,920	1,920	0.019200 %
16	RICHARD C. OLETA OR HELEN G. OLETA	0	1,700	1,700	0.017000 %
17	FELIX B. CHAVEZ &/OR AIDA T. CHAVEZ OR IRENE T. CHAVEZ	0	1,500	1,500	0.015000 %
18	MELCHOR T. MACABUHAY	0	1,200	1,200	0.012000 %
19	EVELYN A GESMUNDO OR DOMINADOR A. GESMUNDO JR.	300	720	1,020	0.010200 %
20	BCS REALTY HOLDINGS & DEVELOPMENT CORPORATION	1,000	0	1,000	0.010000 %
		7,116,550	2,872,305	9,988,855	99.888550 %
TOTAL NO. OF SHARES :		10,000,000			
TOTAL NO. OF DISTINCT STOCKHOLDERS :		67			
TOTAL NO. OF ACCOUNTS :		67			

- Dividends

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

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 ₱1,000.00 per share on a 30/360-day basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 2 Shares since their listing in November 2014.

Dividend Declarations and Payments

2016

On March 15, 2016, the Board of Directors approved a cash dividend of ₱0.10 per share to common shareholders as of the March 31, 2016 record date with a pay-out date of April 14, 2016.

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 2016 with record dates of April 15, 2016 and July 15, 2016, respectively, and pay-out dates of May 3, 2016 and August 3, 2016, respectively, and (ii) ₱17.14575 per share to the

shareholders of the Series 2B Preferred Shares for the second and third quarters of 2016 also with record dates of April 15, 2016 and July 15, 2016, respectively, and pay-out dates of May 3, 2016 and August 3, 2016, respectively.

2015

On March 17, 2015, the Board of Directors approved a cash dividend of ₱0.05 per share to common shareholders as of the April 1, 2015 record date with a pay-out date of April 16, 2015.

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 2015 with record dates of April 17, 2015 and July 20, 2015, respectively, and pay-out dates of May 4, 2015 and August 3, 2015, respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second and third quarters of 2015 with record dates of April 17, 2015 and July 20, 2015, respectively, and pay-out dates of May 4, 2015 and August 3, 2015, respectively.

On August 10, 2015, 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 2015 and the first quarter of 2016 with record dates of October 16, 2015 and January 18, 2016, respectively, and pay-out dates of November 3, 2015 and February 3, 2016, respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2015 and the first quarter of 2016 with record dates of October 16, 2015 and January 18, 2016, respectively, and pay-out dates of November 3, 2015 and February 3, 2016, respectively.

2014

In 2014, the Board of Directors approved on March 24, 2014 a cash dividend of ₱0.05 per share to common shareholders as of the April 8, 2014 record date with a pay-out date of April 23, 2014. On May 6, 2014, the Company declared cash dividends of ₱2.82 per share to shareholders of the PPREF Shares as of the record date of May 21, 2014 with a pay-out date of June 5, 2014. On August 6, 2014, the Company declared cash dividends of ₱2.82 per share to shareholders of the PPREF Shares as of the record date of August 22, 2014 with a pay-out date of September 5, 2014.

On November 7, 2014, the Board of Directors approved cash dividends of (i) ₱2.82 per share to the shareholders of the PPREF Shares for the fourth quarter of 2014 and the first quarter of 2015, with respective record dates of November 24, 2014 and February 18, 2015 and pay-out dates of December 5, 2014 and March 5, 2015, (ii) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares as of record date of January 20, 2015 with a pay-out date of February 3, 2015, and (iii) ₱17.14 per share to the shareholders of the Series 2B Preferred Shares as of the record date of January 20, 2015 with a pay-out date of February 3, 2015.

Under the terms and conditions of the undated subordinated capital securities issued by the Company on February 11 and March 6, 2013 (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 - US\$750 Million Undated Subordinated Capital Securities,"* 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.

- 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 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 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.

Common shares of the Company are voting shares while preferred shares are generally non-voting, except in cases provided by law.

- Stock Ownership Plan

Petron currently does not have a stock ownership plan or program. In 1994, when Petron's initial public offering was undertaken, a special secondary sale of Petron's shares was offered to its employees. The entitlement of shares at the listing price of ₱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.

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

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

The securities discussed below were offered in the Philippines to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers or to any number of qualified buyers as defined in the Code. Thus, the offer and sale of the subject securities qualified as an exempt transaction pursuant to Sections 10.1 (k) and 10.1(l) of the Code and Rule 10.1 of the Amended SRC Rules. 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 the Amended SRC Rules, notices of exemption were filed after the issuance of the securities qualifying as exempt transactions.

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.

1. ₱20 Billion 7.0% PHP-Denominated Notes Due 2017 Payable in U.S. Dollars

- a. On November 10, 2010, the Company issued the ₱20 Billion 7.0% PHP-Denominated Notes Due 2017 Payable in U.S. Dollars.
- b. The arrangers were Credit Suisse, Deutsche Bank, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank. The notes were sold to various investors.
- c. The offer price was at 100%.
- d. As the notes described herein were offered to not more than 19 non-qualified buyers and to any number of qualified buyers in the Philippines, the issuance of such notes was considered an exempt transaction and no confirmation of exemption from the registration requirements of the Code was required to be filed with the SEC. But, in compliance with the requirements of the Amended SRC Rules, a notice of exemption for the transaction was filed on November 22, 2010. The subject notes were listed on the Singapore Exchange on November 11, 2010.

2. Fixed Rate Corporate Notes

- a. On October 25, 2011, the Company issued Fixed Rate Corporate Notes totaling ₱3.6 billion, broken down into the following series:
 - i. Series A Notes amounting to ₱0.69 billion and having a maturity of seven (7) years from the Issue Date; and
 - ii. Series B Notes amounting to ₱2.91 billion and having a maturity of 10 years from the Issue Date
- b. The arranger was ING Bank NV Manila Branch. The notes were sold to primary institutional lenders not exceeding 19.
- c. The offer price was at 100%.
- d. As the notes described herein were offered to not more than 19 non-qualified buyers and to any number of qualified buyers in the Philippines, the issuance of such notes was considered as an exempt transaction and no confirmation of exemption from the registration requirements of the Code was required to be filed with the SEC.

3. US\$750 Million Undated Subordinated Capital Securities

- a. On February 6, 2013, the Company issued US\$500 million undated subordinated capital securities (the "February 6 Issuance"). On March 11, 2013, the Company further issued US\$250 million undated subordinated capital securities, which were consolidated and formed a single series with, the February 6 Issuance (the "March 11 Issuance").
- b. The joint lead managers were Deutsche Bank AG, Singapore Branch, Standard Chartered Bank, The Hongkong and Shanghai Banking Corporation Limited, and UBS AG, Hong Kong Branch.
- c. The offer price for the February 6 Issuance was at 100% and for the March 11 Issuance was at 104.25% plus an amount corresponding to accrued distributions on the capital securities from, and including, February 6, 2013 to, but excluding, March 11, 2013.

- d. 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 of exemption from the registration requirements of the Code was required to be filed with the SEC. In compliance with the requirements of the Amended SRC Rules, however, notices of exemption for the transactions were filed on February 12, 2013 for the February 6 Issuance and on March 19, 2013 for the March 11 Issuance. The capital securities were listed at the Stock Exchange of Hong Kong Limited on February 7, 2013 in relation to the February 6 Issuance and on March 12, 2013 in connection with the March 11 Issuance.

(6) Corporate Governance

Corporate Governance Manual

The Company adopted its CG 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 CG Manual which were approved by the Board of Directors on October 21, 2010. Further revisions to the CG Manual were also undertaken and approved by the Board of Directors on March 2, 2011.

The latest revisions to the CG Manual were approved by the Board of Directors on July 3, 2014 to make the CG Manual compliant with SEC Memorandum Circular No. 9, Series of 2014, which requires a specific reference in the corporate governance manuals of listed companies on the promotion of the interests of “stakeholders” other than the stockholders of the corporation. The latest version of the CG Manual also created the Governance Committee that will assist the Board of Directors in the development and implementation of the corporate governance policies, structures and systems of the Company, including the review of their adequacy and effectiveness, and oversee the adoption and implementation of systems or mechanisms for the assessment and improvement of the performance of the Board of Directors, the directors and the board committees, and the evaluation of the compliance by the Company with the CG Manual.

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

The Board of Directors and the Management of the Company should exercise sound judgment in reviewing and directing how the Company implements the requirements of good corporate governance. Pursuant to this mandate, the Board of Directors appointed Atty. Joel Angelo C. Cruz, Vice President - Office of the General Counsel and Corporate Secretary, as the Compliance Officer of the Company tasked to monitor compliance with the CG Manual and applicable laws, rules and regulations.

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 (“SRC”). The policy sets out the conditions and rules under which the directors, officers and employees of the Company should deal in securities of the Company.

Board Assessment

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 CG Manual

The Company is in compliance with the provisions of the CG Manual.

- Its directors possess all the qualifications and none of the disqualifications of a director under the CG Manual, the Company's By-laws and applicable laws and regulations.
- The Company has three (3) independent directors (Mr. Reynaldo G. David, Retired Supreme Court Chief Justice Artemio V. Panganiban and Mr. Margarito B. Teves) and a Compliance Officer (Atty. Joel Angelo C. Cruz).
- The Chairmen and the members of the Audit and Risk Management, Compensation, Nomination, Executive and Governance Committees were elected pursuant to the requirements of the CG 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 2015.
- 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,

In the Top 50 of the Philippine Publicly-Listed Companies

From 2005 until 2011, the Institute of Corporate Directors ("ICD"), in collaboration with the SEC, the PSE, and the Ateneo School of Law, consistently recognized the Company as among the top publicly-listed companies with good corporate governance.

Beginning 2012, Philippine publicly-listed companies have been evaluated using the ASEAN Corporate Governance Scorecard ("ACGS") developed by the ASEAN Capital Markets Forum in preparation for the ASEAN integration in 2015. The ACGS, which is based on international best practices in corporate governance, assesses publicly-listed companies using publicly available information.

The Company has consistently placed in the top 50 Philippine publicly-listed companies with good corporate governance since the launch of the use of the ACGS in 2012.

Pursuit of Corporate Governance

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, including through the attendance at briefings conducted by the ICD for the new ASEAN Corporate Governance Scorecard. 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.

Annual Corporate Governance Report (“ACGR”)

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

(7) List of Directors

Meeting Attendance

The list of the directors of the Company and the directors’ attendance at meetings held in 2015 are set out below.

Corporate Governance Seminar

All the directors of the Company (including all its executive officers, the Assistant Corporate Secretary and the Internal Auditor) completed a corporate governance seminar for year 2015 conducted in accordance with SEC Memorandum Circular No. 20, Series of 2013.

Director's Name	February 10 Special Board Meeting	March 17 Regular Board Meeting	May 11 Regular Board Meeting	May 19 Annual Stockholders' Meeting	May 19 Organizational Meeting	August 10 Regular Board Meeting	October 27 Regular Board Meeting	Attendance at Corporate Governance Seminar in 2015 (Yes/No)
Eduardo M. Cojuangco, Jr.	✓	✓	✓	✓	▼	✓	✓	Yes
Ramon S. Ang	✓	✓	✓	✓	✓	✓	✓	Yes
Estelito P. Mendoza	✓	▼	✓	✓	✓	✓	✓	Yes
Lubin B. Nepomuceno	✓	✓	✓	✓	✓	✓	✓	Yes
Eric O. Recto	▼	✓	✓	✓	✓	✓	✓	Yes
Jose P. De Jesus	✓	✓	✓	✓	✓	✓	✓	Yes
Ron W. Haddock	✓	✓	▼	✓	✓	✓	✓	Yes
Mirzan Mahathir	✓	✓	✓	✓	✓	✓	✓	Yes
Romela M. Bengzon	✓	✓	✓	✓	✓	✓	✓	Yes
Aurora T. Calderon	✓	✓	✓	✓	✓	✓	✓	Yes
Virgilio S. Jacinto	✓	✓	✓	✓	✓	✓	✓	Yes
Nelly Favis-Villafuerte	✓	✓	✓	✓	✓	✓	✓	Yes
Artemio V. Panganiban	✓	✓	✓	✓	✓	✓	✓	Yes
Reynaldo G. David	✓	✓	✓	✓	✓	✓	✓	Yes
Margarito B. Teves	✓	✓	✓	✓	✓	✓	✓	Yes

Legend: ✓ - Present ▼ - Absent

ANNEX C

2015 Audited Financial Statements (Petron & Subsidiaries)



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Petron Corporation** (the “Company”) and **Subsidiaries**, is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended **December 31, 2015 and 2014**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

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

EDUARDO M. COJUANGCO, JR.
Chairman

RAMON S. ANG
President and Chief Executive Officer

EMMANUEL E. ERAÑA
Senior Vice President and Chief Finance Officer

Signed this 15th day of March 2016



SUBSCRIBED AND SWORN TO before me, a Notary Public for and in the City of Mandaluyong, Metro Manila, this MAR 18 2016, affiants being personally known to me and signed this instrument in my presence and avowed under penalty of law to the whole truth of contents thereof.

Name	Competent Evidence of Identity	Date/Place of Issue
Eduardo M. Cojuangco, Jr.	Passport No. XX0410612	16 Feb 2012/ DFA Manila
Ramon S. Ang	Passport No. XX0492943	22 Feb 2013/ DFA Manila
Emmanuel E. Eraña	Passport No. EC2176330	23 Sept 2014 / DFA Manila

Doc. No. 441 ;
Page No. 96 ;
Book No. I ;
Series of 2016


LIAM S. PAGDANGANAN
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0423-16
Until December 31, 2017
Attorney's Roll No. 50213
PTR No. 2616740/1-4-16/Mandaluyong
IBP No. 1015956/1-4-16/Bulacan
VICLE Compliance No. V-0003247/8-12-14

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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Branches: Subic - Cebu - Bacolod - Iloilo

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited the accompanying consolidated financial statements of Petron Corporation and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Petron Corporation and Subsidiaries as of December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2015, in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-A, Group A, valid until February 5, 2017

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-31-2013

Issued December 2, 2013; valid until December 1, 2016

PTR No. 5321515MD

Issued January 4, 2016 at Makati City

March 15, 2016

Makati City, Metro Manila

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

		December 31	
	<i>Note</i>	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	6, 34, 35	P18,881	P90,602
Financial assets at fair value through profit or loss	7, 34, 35	509	1,632
Available-for-sale financial assets	4, 8, 34, 35	233	430
Trade and other receivables - net	4, 9, 28, 34, 35	30,749	48,339
Inventories	4, 10	30,823	53,180
Other current assets	15	34,530	24,846
Total Current Assets		115,725	219,029
Noncurrent Assets			
Available-for-sale financial assets	4, 8, 34, 35	388	451
Property, plant and equipment - net	4, 12, 37	161,597	153,650
Investment in shares of stock of an associate	4, 11	1,814	1,162
Investment property - net	4, 13	112	113
Deferred tax assets	4, 27	211	242
Goodwill	4, 14	7,694	8,921
Other noncurrent assets - net	4, 15, 34, 35	6,726	7,756
Total Noncurrent Assets		178,542	172,295
		P294,267	P391,324
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	16, 34, 35	P99,481	P133,388
Liabilities for crude oil and petroleum product importation	34, 35	16,271	24,032
Trade and other payables	17, 28, 34, 35	9,347	39,136
Derivative liabilities	34, 35	603	98
Income tax payable		183	73
Current portion of long-term debt - net	18, 34, 35	694	5,860
Total Current Liabilities		126,579	202,587
Noncurrent Liabilities			
Long-term debt - net of current portion	18, 34, 35	71,726	66,269
Retirement benefits liability	30	5,509	2,273
Deferred tax liabilities	27	4,638	3,471
Asset retirement obligation	4, 19	1,809	1,659
Other noncurrent liabilities	20, 34, 35	906	1,373
Total Noncurrent Liabilities		84,588	75,045
Total Liabilities		211,167	277,632

Forward

		December 31	
	Note	2015	2014
Equity Attributable to Equity Holders of the Parent Company	21		
Capital stock		P9,485	P9,485
Additional paid-in capital		19,653	19,653
Undated subordinated capital securities		30,546	30,546
Retained earnings		41,712	40,815
Reserve for retirement plan		(3,204)	(1,018)
Other reserves		(5,563)	(2,149)
Treasury stock		(10,000)	-
Total Equity Attributable to Equity Holders of the Parent Company		82,629	97,332
Non-controlling Interests		471	16,360
Total Equity		83,100	113,692
		P294,267	P391,324

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Million Pesos, Except Per Share Data)

	<i>Note</i>	2015	2014	2013
SALES	28, 37	P360,178	P482,535	P463,638
COST OF GOODS SOLD	22	328,438	463,100	440,479
GROSS PROFIT		31,740	19,435	23,159
SELLING AND ADMINISTRATIVE EXPENSES	23	(13,606)	(11,830)	(11,475)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	26, 37	(5,533)	(5,528)	(5,462)
INTEREST INCOME	26, 37	686	844	1,285
SHARE IN NET INCOME OF AN ASSOCIATE	11	133	102	110
OTHER INCOME (EXPENSES) - Net	26	(3,495)	790	(675)
		(21,815)	(15,622)	(16,217)
INCOME BEFORE INCOME TAX		9,925	3,813	6,942
INCOME TAX EXPENSE	27, 36, 37	3,655	804	1,850
NET INCOME		P6,270	P3,009	P5,092
Attributable to:				
Equity holders of the Parent Company	32	P5,618	P3,320	P5,247
Non-controlling interests		652	(311)	(155)
		P6,270	P3,009	P5,092
BASIC/DILUTED EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	32	P0.15	(P0.15)	P0.28

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Million Pesos)

	<i>Note</i>	2015	2014	2013
NET INCOME		P6,270	P3,009	P5,092
OTHER COMPREHENSIVE INCOME (LOSS)				
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Equity reserve for retirement plan	30	(3,112)	(4,656)	3,232
Share in other comprehensive loss of an associate	11	(6)	-	-
Income tax benefit (expense)		935	1,396	(957)
		(2,183)	(3,260)	2,275
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
Exchange differences on translation of foreign operations		(3,748)	(1,475)	589
Unrealized fair value losses on available-for-sale financial assets	8	(1)	(25)	(31)
Income tax benefit		-	2	2
		(3,749)	(1,498)	560
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		(5,932)	(4,758)	2,835
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		P338	(P1,749)	P7,927
Attributable to:				
Equity holders of the Parent Company		P390	(P1,368)	P6,971
Non-controlling interests		(52)	(381)	956
		P338	(P1,749)	P7,927

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Million Pesos)

	Equity Attributable to Equity Holders of the Parent Company									
	Undated									
	Capital Stock	Additional Paid-in Capital	Subordinated Capital Securities	Retained Earnings Appropriated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
Note										
As of January 1, 2015	P9,485	P19,653	P30,546	P25,171	P15,644	(P1,018)	P -	P97,332	P16,360	P113,692
Unrealized fair value loss on available-for-sale financial assets - net of tax	-	-	-	-	-	(1)	-	(1)	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	-	(3,041)	-	(3,041)	(707)	(3,748)
Equity reserve for retirement plan - net of tax	-	-	-	-	(2,180)	-	-	(2,180)	3	(2,177)
Share in other comprehensive loss of an associate	-	-	-	-	-	(6)	-	(6)	-	(6)
Other comprehensive loss	-	-	-	-	(2,186)	(3,042)	-	(5,228)	(704)	(5,932)
Net income for the year	-	-	-	-	5,618	-	-	5,618	652	6,270
Total comprehensive income (loss) for the year	-	-	-	-	5,618	(3,042)	-	390	(52)	338
Cash dividends	21	-	-	-	(1,114)	-	-	(1,114)	(567)	(1,681)
Distribution paid	21	-	-	-	(3,607)	-	-	(3,607)	-	(3,607)
Redemption of preferred shares	14, 21	-	-	-	-	-	(10,000)	(10,000)	(15,642)	(25,642)
Reversal of appropriations - net	-	-	-	(89)	89	-	-	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(372)	-	(372)	372	-
Transactions with owners	-	-	-	(89)	(4,632)	(372)	(10,000)	(15,093)	(15,837)	(30,930)
As of December 31, 2015	P9,485	P19,653	P30,546	P25,082	P16,630	(P3,204)	(P10,000)	P82,629	P471	P83,100

Forward

	Equity Attributable to Equity Holders of the Parent Company										
	Note	Undated							Non-controlling Interests	Total Equity	
		Capital Stock	Additional Paid-in Capital	Subordinated Capital Securities	Retained Earnings Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves			Total
As of January 1, 2014		P9,475	P9,764	P30,546	P25,171	P17,487	P2,242	(P721)	P93,964	P17,924	P111,888
Unrealized fair value loss on available-for-sale financial assets - net of tax		-	-	-	-	-	-	(23)	(23)	-	(23)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(1,405)	(1,405)	(70)	(1,475)
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(3,260)	-	(3,260)	-	(3,260)
Other comprehensive loss		-	-	-	-	-	(3,260)	(1,428)	(4,688)	(70)	(4,758)
Net income (loss) for the year		-	-	-	-	3,320	-	-	3,320	(311)	3,009
Total comprehensive income (loss) for the year		-	-	-	-	3,320	(3,260)	(1,428)	(1,368)	(381)	(1,749)
Cash dividends	21	-	-	-	-	(1,583)	-	-	(1,583)	-	(1,583)
Distribution paid	21	-	-	-	-	(3,580)	-	-	(3,580)	-	(3,580)
Issuance of preferred shares	21	10	9,889	-	-	-	-	-	9,899	-	9,899
Deductions from non-controlling interests and others		-	-	-	-	-	-	-	-	(1,183)	(1,183)
Transactions with owners		10	9,889	-	-	(5,163)	-	-	4,736	(1,183)	3,553
As of December 31, 2014		P9,485	P19,653	P30,546	P25,171	P15,644	(P1,018)	(P2,149)	P97,332	P16,360	P113,692

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company									
		Capital Stock	Additional Paid-in Capital	Subordinated Securities	Retained Earnings Appropriated	Unappropriated Earnings	Reserve for Retirement Plan	Other Reserves	Total	Non-controlling Interests	Total Equity
As of January 1, 2013		P9,475	P9,764	P -	P25,171	P15,336	P10	(P201)	P59,555	P17,348	P76,903
Unrealized fair value loss on available-for-sale financial assets - net of tax		-	-	-	-	-	-	(29)	(29)	-	(29)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(479)	(479)	1,068	589
Equity reserve for retirement plan - net of tax		-	-	-	-	-	2,232	-	2,232	43	2,275
Other comprehensive income (loss)		-	-	-	-	-	2,232	(508)	1,724	1,111	2,835
Net income (loss) for the year		-	-	-	-	5,247	-	-	5,247	(155)	5,092
Total comprehensive income (loss) for the year		-	-	-	-	5,247	2,232	(508)	6,971	956	7,927
Cash dividends	21	-	-	-	-	(1,422)	-	-	(1,422)	-	(1,422)
Distribution paid	21	-	-	-	-	(1,674)	-	-	(1,674)	-	(1,674)
Issuance of undated subordinated capital securities	21	-	-	30,546	-	-	-	-	30,546	-	30,546
Net deductions to non-controlling interests and others		-	-	-	-	-	-	(12)	(12)	(380)	(392)
Transactions with owners		-	-	30,546	-	(3,096)	-	(12)	27,438	(380)	27,058
As of December 31, 2013		P9,475	P9,764	P30,546	P25,171	P17,487	P2,242	(P721)	P93,964	P17,924	P111,888

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Million Pesos)

	<i>Note</i>	2015	2014	2013
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Income before income tax		P9,925	P3,813	P6,942
Adjustments for:				
Depreciation and amortization	<i>25</i>	6,272	6,033	5,806
Interest expense and other financing charges	<i>26</i>	5,533	5,528	5,462
Retirement benefits costs	<i>30</i>	419	91	323
Unrealized foreign exchange losses (gains) - net		87	(202)	3,003
Share in net income of an associate	<i>11</i>	(133)	(102)	(110)
Interest income	<i>26</i>	(686)	(844)	(1,285)
Other losses (gains)		304	(1,855)	(1,153)
Operating income before working capital changes		21,721	12,462	18,988
Changes in noncash assets, certain current liabilities and others	<i>33</i>	(5,484)	(6,560)	17,681
Interest paid		(8,020)	(8,061)	(8,370)
Income taxes paid		(513)	(498)	(608)
Interest received		764	1,920	1,332
Net cash flows provided by (used in) operating activities		8,468	(737)	29,023
CASH FLOWS FROM				
INVESTING ACTIVITIES				
Additions to property, plant and equipment	<i>12</i>	(13,474)	(11,892)	(51,585)
Proceeds from sale of property and equipment		106	154	15,185
Proceeds from sale of an investment property previously classified as "held for sale"	<i>5</i>	-	-	1,167
Decrease (increase) in:				
Other receivables		(265)	1,008	(777)
Other noncurrent assets		(694)	7,212	(3,018)
Reductions from (additions to):				
Investment in shares of stock of an associate		(525)	(175)	-
Available-for-sale financial assets		260	34	(4)
Acquisition of subsidiaries, net of cash and cash equivalents acquired		-	-	432
Net cash flows used in investing activities		(14,592)	(3,659)	(38,600)

Forward

	<i>Note</i>	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans		P222,099	P360,309	P349,212
Payments of:				
Loans		(256,732)	(320,949)	(345,180)
Cash dividends and distributions	21	(5,517)	(5,676)	(4,098)
Proceeds from issuance of undated subordinated capital securities	21	-	-	30,546
Proceeds from issuance of Parent Company's preferred shares	21	-	9,899	-
Redemption of preferred shares	14, 21	(25,642)	-	-
Increase (decrease) in other noncurrent liabilities		(551)	905	2,059
Net cash flows provided by (used in) financing activities		(66,343)	44,488	32,539
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		746	112	471
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(71,721)	40,204	23,433
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		90,602	50,398	26,965
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	P18,881	P90,602	P50,398

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

Petron Corporation (the “Parent Company” or “Petron”) was incorporated under the laws of the Republic of the Philippines and is registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. The accompanying consolidated financial statements comprise the financial statements of Petron Corporation and Subsidiaries (collectively referred to as the “Group”) and the Group’s interest in an associate and joint venture.

Petron is the leading oil refining and marketing company in the Philippines supplying nearly 40% of the country’s fuel requirements. Petron is committed to its vision to be the leading provider of total customer solutions in the energy sector and its derivative businesses.

Petron operates a refinery in Limay, Bataan, with a rated capacity of 180,000 barrels a day. Petron’s Integrated Management Systems (IMS) - certified refinery processes crude oil into a full range of world-class petroleum products including liquefied petroleum gas (LPG), gasoline, diesel, jet fuel, kerosene, and petrochemicals. From the refinery, Petron moves its products mainly by sea to Petron’s more than 30 depots and terminals strategically located across the country. Through this network, Petron supplies fuel oil, diesel, and LPG to various industrial customers. The power sector is Petron’s largest customer. Petron also supplies jet fuel at key airports to international and domestic carriers.

With close to 2,200 service stations and various industrial accounts, Petron remains the leader in all the major segments of the market. Petron retails gasoline, diesel, and autoLPG to motorists and public transport operators. Petron also sells its LPG brands “Gasul” and “Fiesta” to households and other industrial consumers through an extensive dealership network.

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

In line with efforts to increase its presence in the regional market, Petron exports various products to Asia-Pacific countries. In March 2012, Petron increased its regional presence when it acquired an integrated refining, distribution and marketing business in Malaysia. Petron Malaysia includes an 88,000 barrel-per-day refinery, 7 storage facilities and network of 570 service stations.

The Parent Company is a public company under Section 17.2 of Securities Regulation Code and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE). As of December 31, 2015, the Parent Company’s public float stood at 23.85%.

The intermediate parent company of Petron is San Miguel Corporation (SMC), a company incorporated in the Philippines and its ultimate parent company is Top Frontier Investments Holdings, Inc. which is incorporated in the Philippines.

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

2. Basis of Preparation

Statement of Compliance

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 15, 2016.

Basis of Measurement

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

<u>Items</u>	<u>Measurement Bases</u>
Derivative financial instruments at fair value through profit or loss	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Available-for-sale (AFS) financial assets	Fair value
Retirement benefits liability	Fair value of plan assets less the present value of the defined benefit obligation

Functional and Presentation Currency

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

Basis of Consolidation

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

Name of Subsidiary	Percentage of Ownership		Country of Incorporation
	2015	2014	
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	100.00	100.00	Bermuda
Petrogen Insurance Corporation (Petrogen)	100.00	100.00	Philippines
Petron Freeport Corporation (PFC)	100.00	100.00	Philippines
Petron Singapore Trading Pte., Ltd. (PSTPL)	100.00	100.00	Singapore
Petron Marketing Corporation (PMC)	100.00	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	40.00	40.00	Philippines
Limay Energen Corporation (LEC)	100.00	100.00	Philippines
Petron Global Limited (PGL)	100.00 ^(a)	100.00 ^(a)	British Virgin Islands
Petron Finance (Labuan) Limited	100.00	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd. (POGM) and Subsidiaries	100.00	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	47.25 ^(b)	45.85	Hong Kong

^(a) Ownership represents 100% of PGL's common shares.

^(b) In November 2015, ownership interest increased by 1.40% (Note 14a).

Petrogen and Ovincor are both engaged in the business of non-life insurance and re-insurance.

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

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

NVRC's primary purpose is to acquire real estate and derive income from its sale or lease.

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 acquired PGL, a company incorporated in the British Virgin Islands.

POGM is a holding company incorporated under the law of Mauritius. POGM owns an offshore subsidiary Petron Oil and Gas International Sdn. Bhd. (POGI). The latter acquired Esso Malaysia Berhad (EMB), ExxonMobil Malaysia Sdn Bhd (EMMSB) and ExxonMobil Borneo Sdn Bhd (EMBSB) (POGI, EMB, EMMSB, and EMBSB are collectively hereinafter referred to as "Petron Malaysia").

As of December 31, 2015, POGI owns 73.4% of EMB and 100% for both EMMSB and EMBSB. EMB, EMMSB and EMBSB were renamed Petron Malaysia Refining & Marketing Bhd (PMRMB), Petron Fuel International Sdn Bhd (PFISB) and Petron Oil (M) Sdn Bhd (POMSB), respectively.

Petron Malaysia is involved in the refining and marketing of petroleum products in Malaysia.

Petron Finance (Labuan) Limited is a holding company incorporated under the laws of Labuan, Malaysia.

PAHL is a company incorporated in Hong Kong in March 2008. PAHL indirectly owns, among other assets, a 160,000 metric ton-polypropylene production plant in Mariveles, Bataan.

A subsidiary is an entity controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights. For NVRC and PAHL, the basis of consolidation is discussed in Note 4.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests represent the interests not held by the Parent Company in NVRC, PMRMB, PGL and PAHL.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and, (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

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

Adoption of New or Revised Standards and Amendments to Standards

The Group has adopted the following amendments to standards starting January 1, 2015 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19, Employee Benefits).* The amendments apply to contributions from employees or third parties to the defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (i.e., employee contributions that are calculated according to a fixed percentage of salary).
- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles -* Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group.
 - *Classification and measurement of contingent consideration (Amendment to PFRS 3).* The amendment clarifies the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to *PAS 32 Financial Instruments: Presentation*, rather than to any other PFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss.

Consequential amendments are also made to *PAS 39 Financial Instruments: Recognition and Measurement* and *PFRS 9 Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, *PAS 37 Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration.

- *Scope exclusion for the formation of joint arrangements (Amendment to PFRS 3).* PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in *PFRS 11 Joint Arrangements* - i.e. including joint operations - in the financial statements of the joint arrangements themselves.

- *Disclosures on the aggregation of operating segments (Amendment to PFRS 8).* PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- *Scope of portfolio exception (Amendment to PFRS 13).* The scope of the PFRS 13 portfolio exception - whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met - has been aligned with the scope of PAS 39 and PFRS 9.

PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under PAS 32 - e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The adoption of the amendment is required to be retrospectively applied for annual periods beginning on or after July 1, 2014.

- *Definition of 'related party' (Amendments to PAS 24, Related Parties).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.
- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40).* PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

New or Revised Standards and Amendments to Standards Not Yet Adopted

A number of new or revised standards and amendments to standards are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the Group's consolidated financial statements.

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

To be Adopted 2016

- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to PFRS 11).* The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Group's consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.
 - *Changes in method for disposal (Amendment to PFRS 5).* PFRS 5 is amended to clarify that:
 - if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and

- if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

The amendment to PFRS 5 is applied prospectively in accordance with PAS 8 to changes in methods of disposal that occur on or after January 1, 2016.

- *'Continuing Involvement' for Servicing Contracts (Amendments to PFRS 7, Financial Instruments: Disclosures)*. PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.' The amendments to PFRS 7 are applied retrospectively, in accordance with PAS 8, except that the PFRS 7 amendments relating to servicing contracts need not be applied for any period presented that begins before the annual period for which the entity first applies those amendments.

The amendment to PFRS 7 is applied retrospectively, in accordance with *PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, except that the PFRS 7 amendment relating to servicing contracts need not be applied for any period presented that begins before the annual period for which the entity first applies this amendment.

- *Discount rate in a regional market sharing the same currency – e.g. the Eurozone (Amendment to PAS 19)*. The amendment to PAS 19 clarifies that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.

The amendment to PAS 19 is applied from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies the amendment, with any initial adjustment recognized in retained earnings at the beginning of that period.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
 - Information should not be obscured by aggregating or by providing immaterial information.
 - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
- An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *PFRS 9 Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

- *PFRS 15 Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *PFRS 16 Leases* supersedes *PAS 17 Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

Financial Assets and Financial Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial Assets

Financial Assets at FVPL. A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;
- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group uses commodity price swaps to protect its margin on petroleum products from potential price volatility of international crude and product prices. It also enters into short-term forward currency contracts to hedge its currency exposure on crude oil importations. In addition, the Parent Company has identified and bifurcated embedded foreign currency derivatives from certain non-financial contracts.

Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are presented in the consolidated statements of financial position as assets when the fair value is positive and as liabilities when the fair value is negative. Unrealized gains and losses from changes in fair value of forward currency contracts and embedded derivatives are recognized under the caption "Marked-to-market gains" included as part of "Other income (expenses)" in the consolidated statements of income. Unrealized gains or losses from changes in fair value of commodity price swaps are recognized under the caption "Hedging gains - net" included as part of "Other income (expenses)" in the consolidated statements of income. Realized gains or losses on the settlement of commodity price swaps are recognized under the caption "Others" included as part of "Cost of goods sold" in the consolidated statements of income.

The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current exchange rates for contracts with similar maturity profiles. The fair values of commodity swaps are determined based on quotes obtained from counterparty banks.

The Group's derivative assets and financial assets at FVPL are classified under this category.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term with varying maturities between one day and three months, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, trade and other receivables, due from related parties, long-term receivables and non-current deposits are included under this category.

HTM Investments. HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial recognition, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments is recognized as part of "Interest income" account in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired.

The Group has no investments accounted for under this category as of December 31, 2015 and 2014.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" account in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group's investments in equity and debt securities included under "Available-for-sale financial assets" account are classified under this category.

Financial Liabilities

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

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss.

The Group's derivative liabilities are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Group's liabilities arising from its short term loans, liabilities for crude oil and petroleum product importation, trade and other payables, long-term debt, cash bonds, cylinder deposits and other noncurrent liabilities are included under this category.

Debt Issue Costs

Debt issue costs are considered as directly attributable transaction cost upon initial measurement of the related debt and subsequently considered in the calculation of amortized cost using the effective interest method.

Derivative Financial Instruments

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group has no derivatives that qualify for hedge accounting as of December 31, 2015 and 2014. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

Impairment of Financial Assets

The Group assesses, at the reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. For equity instruments carried at fair value, the Group assesses at each reporting date whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost. The Group generally regards fair value decline as being significant when decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

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

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Fair Value Measurements

The Group measures a number of financial and non-financial assets and liabilities at fair value.

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

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

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

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

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

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

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

Inventories

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

For financial reporting purposes, Petron uses the first-in, first-out method in costing petroleum products (except lubes and greases, waxes and solvents), crude oil, and other products. Cost is determined using the moving-average method in costing lubes and greases, waxes and solvents, materials and supplies inventories. For income tax reporting purposes, cost of all inventories is determined using the moving-average method.

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

Business Combination

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

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

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

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

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

▪ *Goodwill in a Business Combination*

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

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

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

■ *Intangible Assets Acquired in a Business Combination*

The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in profit or loss.

Transactions under Common Control

Transactions under common control entered into in contemplation of each other, and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

Transfers of assets between commonly controlled entities are accounted for using the book value accounting.

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Investment in Shares of Stock an Associate

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of the investee, but not control over those policies.

The Group's investment in shares of stock of an associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in the profit or loss of the associate is recognized as "Share in net income of an associate" account in the Group's consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's other comprehensive income. The Group's share of those changes is recognized in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Such impairment loss is recognized as part of "Share in net income of an associate" account in the consolidated statements of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in shares of stock of an associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Interest in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's 33.33% joint venture interest in Pandacan Depot Services, Inc. (PDSI), included under "Other noncurrent assets - net" account in the consolidated statements of financial position, is accounted for under the equity method of accounting. The interest in joint venture is carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net income (loss) of the joint venture, less any impairment in value. The consolidated statements of income reflect the Group's share in the results of operations of the joint venture presented as part of "Other income (expenses) - others" account. The Group has no capital commitments or contingent liabilities in relation to its interest in this joint venture.

Results of operations as well as financial position balances of PDSI were less than 1% of the consolidated amounts and as such are assessed as not material; hence, not separately disclosed.

Property, Plant and Equipment

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

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

Construction in progress (CIP) represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are ready for use.

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

For financial reporting purposes, depreciation and amortization, which commences when the assets are available for its intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Buildings and improvements and related facilities	7 - 50
Refinery and plant equipment	5 - 33
Service stations and other equipment	3 - 33
Computers, office and motor equipment	2 - 20
Land and leasehold improvements	10 or the term of the lease, whichever is shorter

For income tax reporting purposes, depreciation and amortization are computed using the double-declining balance method.

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

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

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

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

Investment Property

Investment property consists of land and office units held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property are initially measured at cost and the cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the investment property at the time of its acquisition or construction. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

For financial reporting purposes, depreciation of office units is computed on a straight-line basis over the estimated useful lives of the assets of 20 years. For income tax reporting purposes, depreciation is computed using the double-declining balance method.

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

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

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

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

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

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

	Number of Years
Software	5 - 10
Franchise fee	3 - 10

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

As of December 31, 2015 and 2014, the Group has existing and pending trademark registration for its products for a term of 10 to 20 years. It also has copyrights for its 7-kg LPG container, Gasulito with stylized letter "P" and two flames, for Powerburn 2T, and for Petron New Logo (22 styles). Copyrights endure during the lifetime of the creator and for another 50 years after creator's death.

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

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

Impairment of Nonfinancial Assets

The carrying amounts of property, plant and equipment, investment property, intangible assets with finite useful lives and investment in shares of stock of an associate are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Cylinder Deposits

The Parent Company purchased LPG cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to 80% of the acquisition cost of the cylinders.

The Parent Company maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of its biggest dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under "Other noncurrent liabilities" account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in profit or loss.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Capital Stock

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Preferred Shares

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

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

Undated Subordinated Capital Securities

Undated subordinated capital securities are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that is potentially unfavorable to the issuer.

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

Retained Earnings

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery and the amount of revenue can be measured reliably.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend. Revenue is recognized when the Group's right as a shareholder to receive the payment is established.

Rent. Revenue from operating leases (net of any incentives given to the lessees) is recognized on a straight-line basis over the lease term.

Customer Loyalty Programme. Revenue is allocated between the customer loyalty programme and the other component of the sale. The amount allocated to the customer loyalty programme is deferred, and is recognized as revenue when the Group has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the points under the programme will be redeemed.

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

Cost and Expense Recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b), above.

Group as Lessee. Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Research and Development Costs

Research costs are expensed as incurred. Product development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Costs and Other Employee Benefit Costs

Petron has a tax qualified and funded defined benefit pension plan covering all permanent, regular, full-time employees administered by trustee banks. Some of its subsidiaries have separate unfunded, non-contributory, retirement plans.

The Group's net retirement benefits liability is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit retirement obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of reductions in future contributions to the plan.

Remeasurements of the net defined retirement obligation or asset, excluding net interest, are recognized immediately in other comprehensive income under "Equity reserve for retirement plan". Such remeasurements are also immediately recognized in equity under "Reserve for retirement plan" and are not reclassified to profit or loss in subsequent period. Net defined retirement benefit obligation or asset comprise actuarial gains and losses, the return on plan assets, excluding interest and the effect of the asset ceiling, if any. The Group determines the net interest expense or income on the net defined retirement obligation or asset for the period by applying the discount rate used to measure the defined benefit retirement obligation at the beginning of the annual period to the then-net defined retirement obligation or asset, taking into account any changes in the net defined benefit retirement obligation or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

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

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

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

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

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting date.

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

Foreign Operations

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

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

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

Taxes

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

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

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

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

Assets Held for Sale

Noncurrent assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment properties or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment losses.

Intangible assets, investment property, and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

When an asset no longer meets the criteria to be classified as held for sale or distribution, the Group shall cease to classify such as held for sale. Transfers from assets held for sale or distribution are measured at the lower of its carrying amount before the asset was classified as held for sale or distribution, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale or distribution, and its recoverable amount at the date of the subsequent decision not to sell.

Related Parties

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

Basic and Diluted Earnings Per Common Share (EPS)

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

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all potential dilutive debt or equity instruments.

Operating Segments

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

The measurement policies the Group used for segment reporting under PFRS 8, are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Functional Currency. The Parent Company has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Parent Company operates.

Operating Lease Commitments - Group as Lessor/Lessee. The Group has entered into various lease agreements either as lessor or a lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent income recognized in the consolidated statements of income amounted to P1,131, P1,145 and P1,155 in 2015, 2014 and 2013, respectively.

Rent expense recognized in the consolidated statements of income amounted to P1,295, P1,248 and P1,149 in 2015, 2014 and 2013, respectively.

Evaluating Control over its Investees. Determining whether the Parent Company has control in an investee requires significant judgment. Although the Parent Company owns less than 50% of the voting rights of NVRC and PAHL, management has determined that the Parent Company controls these entities by virtue of its exposure and rights to variable returns from its involvement in these investees and its ability to affect those returns through its power over the investees.

The Parent Company has the power, in practice, to govern the financial and operating policies of NVRC, to appoint or remove the majority of the members of the BOD of NVRC and to cast majority votes at meetings of the BOD of NVRC. The Parent Company controls NVRC since it is exposed, and has rights, to variable returns from its involvement with NVRC and has the ability to affect those returns through its power over NVRC.

The Parent Company assessed it has control over PAHL by virtue of the extent of the Parent Company's participation in the BOD and management of PAHL, of which the Parent Company established it has: (i) power over PAHL, (ii) it is exposed and has rights to variable returns from its involvement with PAHL, and (iii) it has ability to use its power over PAHL to affect the amount of PAHL's returns. Accordingly, the Parent Company considered PAHL a subsidiary beginning January 1, 2013.

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

Determining Fair Values of Financial Instruments. Where the fair values of financial assets and financial liabilities recognized in the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Group uses judgments to select from a variety of valuation models and make assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

Distinction between Property, Plant and Equipment and Investment Property. The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Determining whether an Arrangement Contains a Lease. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change of contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; and
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

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

Beginning July 2008, in the determination of the Group's current taxable income, the Group has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. The Group, at each taxable year from the effectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year. For 2015, 2014 and 2013, the Group opted to continue claiming itemized standard deductions except for Petrogen and certain subsidiaries of NVRC such as Las Lucas Construction and Development Corporation (LLCDC), Parkville Estates and Development Corporation (PEDC) and South Luzon Prime Holdings, Inc. (SLPHI), as they opted to apply OSD.

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

Estimates and Assumptions

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

Allowance for Impairment Losses on Trade and Other Receivables. Allowance for impairment is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectibility. An evaluation of receivables, designed to identify potential changes to allowance, is performed regularly throughout the year. Specifically, in coordination with the National Sales Division, the Finance Division ascertains customers who are unable to meet their financial obligations. In these cases, the Group's management uses sound judgment based on the best available facts and circumstances included but not limited to, the length of relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The amount of impairment loss differs for each year based on available objective evidence for which the Group may consider that it will not be able to collect some of its accounts. Impaired accounts receivable are written off when identified to be worthless after exhausting all collection efforts. An increase in allowance for impairment of trade and other receivable would increase the Group's recorded selling and administrative expenses and decrease current assets.

Impairment losses on trade and other receivables amounted to P154, P2 and P3 in 2015, 2014 and 2013, respectively (Notes 9 and 23). Receivables written-off amounted to P22 in 2015 and P155 in 2014 (Note 9). In 2015 and 2014, the Group reversed previously recognized impairment losses amounting to P7 and P14, respectively (Note 9).

The carrying amount of receivables amounted to P30,749 and P48,339 as of December 31, 2015 and 2014, respectively (Note 9).

Net Realizable Values of Inventories. In determining the net realizable values of inventories, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amount of inventories of P30,823 and P53,180 as of the end of 2015 and 2014, respectively (Note 10), is affected by price changes in different market segments for crude and petroleum products. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

The Group recognized an inventory write-down amounting to P225, P798 and P702 in 2015, 2014 and 2013, respectively (Note 10).

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

In 2015, 2014 and 2013, the Group provided an additional allowance for inventory obsolescence amounting to P36, P14 and P33, respectively (Note 10).

Fair Values of Financial Assets and Financial Liabilities. The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgments. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in the fair value of these financial assets and financial liabilities would affect profit or loss and equity.

Fair values of financial assets and financial liabilities are discussed in Note 35.

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

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

There is no change in estimated useful lives of property, plant and equipment, intangible assets with finite useful lives and investment property based on management's review at the reporting date.

Accumulated depreciation and amortization of property, plant and equipment, intangible assets with finite useful lives and investment property amounted to P67,715 and P65,236 as of December 31, 2015 and 2014, respectively (Notes 12, 13 and 15). Property, plant and equipment, net of accumulated depreciation and amortization, amounted to P161,597 and P153,650 as of December 31, 2015 and 2014, respectively (Note 12). Investment property, net of accumulated depreciation, amounted to P112 and P113 as of December 31, 2015 and 2014, respectively (Note 13). Intangible assets with finite useful lives, net of accumulated amortization, amounted to P232 and P221 as of December 31, 2015 and 2014, respectively (Note 15).

Impairment of AFS Financial Assets. AFS financial assets are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

There were no impairment losses recognized in 2015, 2014 and 2013.

The carrying amount of AFS financial assets amounted to P621 and P881 as of December 31, 2015 and 2014, respectively (Note 8).

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

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Estimated fair values of investment property amounted to P156 as of December 31, 2015 and 2014 (Note 13).

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

The recoverable amount of goodwill has been determined based on value in use using discounted cash flows (DCF). Assumptions used in the DCF include terminal growth rate of 3.0% in 2015 and 2014 and discount rates of 7.0% and 7.8% in 2015 and 2014, respectively (Note 14).

No impairment losses were recognized in 2015, 2014 and 2013.

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

The calculations of value in use are most sensitive to the projected sales volume, selling price and improvement in the gross profit margin, and discount rate.

Acquisition Accounting. The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired property, plant and equipment at the date of the acquisition. Moreover, the useful lives of the acquired property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group has completed the purchase price allocation exercise on the Group's most recent acquisitions made in 2012 (Note 14). Total combined carrying amounts of goodwill arising from business combinations amounted to P7,694 and P8,921 as of December 31, 2015 and 2014, respectively (Note 14).

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

Deferred tax assets amounted to P211 and P242 as of December 31, 2015 and 2014, respectively (Note 27).

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

There were no impairment losses on other non-financial assets recognized in 2015, 2014 and 2013.

The aggregate carrying amount of investment in shares of stock of an associate, property, plant and equipment, intangible assets with finite useful lives and investment property amounted to P163,755 and P155,146 as of December 31, 2015 and 2014, respectively (Notes 11, 12, 13 and 15).

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

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

Other key assumptions for retirement benefits liability are based in part on current market conditions.

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

Retirement benefits costs recognized in profit or loss amounted to P419, P91 and P323 in 2015, 2014 and 2013, respectively. Remeasurement losses (income) of the net defined retirement obligation amounted to P3,112, P4,656 and (P3,232) in 2015, 2014 and 2013, respectively. The retirement benefits liability amounted to P5,591 and P2,344 as of December 31, 2015 and 2014, respectively (Note 30).

Asset Retirement Obligation. The Group has an ARO arising from the refinery, leased service stations, depots, blending plant and franchised store. Determining ARO requires estimation of the costs of dismantling, installations and restoring leased properties to their original condition. The Group determined the amount of ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 6.23% to 9.81% depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P1,809 and P1,659 as of December 31, 2015 and 2014, respectively (Note 19).

5. Sale of Petron Megaplaza

Petron had properties consisting of office units located at Petron Mega Plaza with a floor area of 19,686 square meters covering the 28th - 31st floors and 33rd - 44th floors and 196 parking spaces amounting to P588. During the latter part of 2012, a prospective buyer tendered an offer to purchase the said properties. The management of Petron made a counter offer in December 2012 effectively rendering the Petron Mega Plaza office units and parking spaces as assets held for sale as of December 31, 2012.

The sale was consummated during the second quarter of 2013. The Group recognized a gain amounting to P580 included as part of "Other income" account in the 2013 consolidated statement of income (Note 26).

6. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	2015	2014
Cash on hand		P2,029	P2,696
Cash in banks		5,153	8,198
Short-term placements		11,699	79,708
	<i>34, 35</i>	P18,881	P90,602

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Group and earn annual interest (Note 26) at the respective short-term placement rates ranging from 0.045% to 5.00% in 2015, 0.01% to 3.50% in 2014 and 0.01% to 5.00% in 2013.

7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	<i>Note</i>	2015	2014
Proprietary membership shares	<i>34, 35</i>	P147	P136
Derivative assets	<i>34, 35</i>	362	1,496
		P509	P1,632

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

Changes in fair value recognized in 2015, 2014 and 2013 amounted to P11, P19 and (P29), respectively (Note 26).

8. Available-for-Sale Financial Assets

This account consists of:

	<i>Note</i>	2015	2014
Government securities		P71	P372
Other debt securities		550	509
	<i>34, 35</i>	621	881
Less: Current portion		233	430
		P388	P451

Petrogen's government securities are deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors. These investments bear fixed annual interest rates ranging from 4.47% to 8.88% in 2015 and 2014 (Note 26).

Ovincor's corporate bonds are maintained at the HSBC Bank Bermuda Limited and carried at fair value with fixed annual interest rates of 6.75% to 7.00%.

The breakdown of investments by contractual maturity dates as of December 31 follows:

	<i>Note</i>	2015	2014
Due in one year or less		P233	P430
Due after one year through six years		388	451
	34, 35	P621	P881

The reconciliation of the carrying amounts of AFS financial assets as of December 31 follows:

	2015	2014
Balance at beginning of year	P881	P915
Additions	163	461
Disposals	(428)	(457)
Amortization of premium	(15)	(17)
Fair value loss	(1)	(23)
Currency translation adjustment	21	2
Balance at end of year	P621	P881

9. Trade and Other Receivables

This account consists of:

	<i>Note</i>	2015	2014
Trade	34	P17,424	P17,927
Related parties - trade	28, 34	877	737
Allowance for impairment loss on trade receivables		(824)	(800)
		17,477	17,864
Government		7,062	19,976
Related parties - non-trade	28	4,913	4,808
Others		1,605	5,985
Allowance for impairment loss on non-trade receivables		(308)	(294)
		13,272	30,475
	34, 35	P30,749	P48,339

Trade receivables are noninterest-bearing and are generally on a 45-day term.

Government receivables pertain to duty drawback, VAT and specific tax claims as well as subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism. The amount includes receivables over 30 days but less than one year amounting to P2,333 and P4,252 as of December 31, 2015 and 2014, respectively. The filing and the collection of claims is a continuous process and is closely monitored.

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

Others mainly include receivables from matured hedging transactions.

A reconciliation of the allowance for impairment losses at the beginning and end of 2015 and 2014 is shown below:

	<i>Note</i>	2015	2014
Balance at beginning of year		P1,109	P1,278
Additions	23	154	2
Write off		(22)	(155)
Currency translation adjustment		(4)	(2)
Reversal of impairment losses		(7)	(14)
Balance at end of year		1,230	1,109
Less noncurrent portion for long-term receivables	15	98	15
		P1,132	P1,094

As of December 31, 2015 and 2014, the age of past due but not impaired trade accounts receivable (TAR) is as follows (Note 34):

	Past Due but not Impaired				Total
	Within 30 days	31 to 60 Days	61 to 90 Days	Over 90 Days	
December 31, 2015					
Reseller	P110	P7	P -	P -	P117
Lubes	2	-	6	-	8
Gasul	41	2	5	-	48
Industrial	19	6	111	231	367
Others	84	17	58	147	306
	P256	P32	P180	P378	P846
December 31, 2014					
Reseller	P103	P29	P3	P9	P144
Lubes	9	17	-	-	26
Gasul	3	33	19	-	55
Industrial	37	1,208	301	568	2,114
Others	97	222	63	780	1,162
	P249	P1,509	P386	P1,357	P3,501

No allowance for impairment losses is necessary as regard to these past due but unimpaired trade receivables based on past collection experience. There are no significant changes in credit quality. As such, these amounts are still considered recoverable.

10. Inventories

This account consists of:

	2015	2014
Crude oil and others - at NRV	P13,383	P28,577
Petroleum - at NRV	14,957	22,675
Materials and supplies and aftermarket specialties - at NRV:		
Materials and supplies	2,454	1,899
Aftermarket specialties	29	29
	P30,823	P53,180

The cost of these inventories amounted to P31,507 and P54,404 as of December 31, 2015 and 2014, respectively.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other products would have increased by P2,798 and P618 as of December 31, 2015 and 2014, respectively.

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P315,676, P456,712 and P432,779 in 2015, 2014 and 2013, respectively (Note 22).

Research and development costs (Note 23) on these products constituted the expenses incurred for internal projects in 2015 and 2014.

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2015 and 2014 follow:

	<i>Note</i>	2015	2014
Balance at beginning of year		P1,224	P1,114
Provisions due to:			
Write-downs	4	225	798
Obsolescence	4	36	14
Reversals		(798)	(702)
Currency translation adjustment		(3)	-
		P684	P1,224

The provisions and reversals are included as part of "Cost of goods sold" account in the consolidated statements of income (Note 22).

Reversal of write-down corresponds to inventories sold during the year.

11. Investment in Shares of Stock of an Associate

This account consists of:

	2015	2014
Acquisition Cost		
Balance at beginning of year	P880	P705
Additions	525	175
Balance at end of year	1,405	880
Share in Total Comprehensive Income		
Balance at beginning of year	282	180
Share in net income during the year	133	102
Share in other comprehensive loss	(6)	-
Balance at end of year	409	282
	P1,814	P1,162

Investment in shares of stock of an associate pertains to investment in Manila North Harbour Port Inc (MNHPI).

On January 3, 2011, Petron entered into a Share Sale and Purchase Agreement with Harbour Centre Port Terminal, Inc. for the purchase of 35% of the outstanding and issued capital stock of MNHPI.

In December 2014 and February 2015, the Parent Company advanced P175 and P525, respectively, as deposit for future subscription of MNHPI's shares.

Following the approval of the increase in the authorized capital stock of MNHPI by the SEC, Petron was issued stock certificate for 7,000,000 shares in December 2015, representing 35% of the increase in the authorized capital stock of MNHPI.

The cost of investment in MNHPI amounted to P1,405 and P880 as of December 31, 2015 and 2014, respectively.

Following are the condensed financial information of MNHPI as of and for the years ended December 31, 2015 and 2014:

	2015	2014
Country of incorporation	Philippines	Philippines
Percentage of ownership	35%	35%
Current assets	P1,654	P1,974
Noncurrent assets	10,743	8,091
Current liabilities	(2,088)	(2,590)
Noncurrent liabilities	(6,135)	(5,508)
Net assets	P4,174	P1,967
Sales	P2,605	P2,115
Net income	P339	P278
Share in net income	P133	P102
Share in net assets	P1,461	P688
Goodwill	353	474
Carrying amount of investment in shares of stock of an associate	P1,814	P1,162

12. Property, Plant and Equipment

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

	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction in-Progress	Total
Cost							
January 1, 2014	P27,862	P49,647	P15,669	P4,157	P12,302	P92,268	P201,905
Additions	161	207	687	219	57	14,591	15,922
Disposals/reclassifications/ acquisition of subsidiaries	695	1,265	179	(8)	2,327	(2,020)	2,438
Currency translation adjustment	(388)	(587)	(393)	(40)	(411)	(110)	(1,929)
December 31, 2014	28,330	50,532	16,142	4,328	14,275	104,729	218,336
Additions	263	592	410	574	211	14,338	16,388
Disposals/reclassifications	726	223	707	(100)	(133)	(2,138)	(715)
Currency translation adjustment	(1,071)	(1,562)	(1,029)	(99)	(1,079)	(344)	(5,184)
December 31, 2015	28,248	49,785	16,230	4,703	13,274	116,585	228,825
Accumulated Depreciation and Amortization							
January 1, 2014	15,803	30,285	9,673	2,897	1,600	-	60,258
Additions	1,331	1,887	1,310	863	103	-	5,494
Disposals/reclassifications/ acquisition of subsidiaries	(49)	(40)	(274)	(47)	422	-	12
Currency translation adjustment	(319)	86	(238)	(578)	(29)	-	(1,078)
December 31, 2014	16,766	32,218	10,471	3,135	2,096	-	64,686
Additions	1,341	1,730	1,287	910	96	-	5,364
Disposals/reclassifications	(39)	(109)	(53)	(85)	-	-	(286)
Currency translation adjustment	(643)	(751)	(565)	(512)	(65)	-	(2,536)
December 31, 2015	17,425	33,088	11,140	3,448	2,127	-	67,228
Carrying Amount							
December 31, 2014	P11,564	P18,314	P5,671	P1,193	P12,179	P104,729	P153,650
December 31, 2015	P10,823	P16,697	P5,090	P1,255	P11,147	P116,585	P161,597

Interest capitalized in 2015 and 2014 amounted to P2,914 and P3,352, respectively. Capitalization rate used for borrowings was at 6.77% and 8.10% in 2015 and 2014, respectively (Note 18).

No impairment loss was required to be recognized in 2015, 2014 and 2013.

Capital Commitments

As of December 31, 2015, the Group has outstanding commitments to acquire property, plant and equipment amounting to P4,594.

13. Investment Property

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

	Land	Office Units	Total
Cost			
December 31, 2015 and 2014	P100	P25	P125
Accumulated Depreciation			
January 1, 2014	-	11	11
Depreciation	-	1	1
December 31, 2014	-	12	12
Depreciation	-	1	1
December 31, 2015	-	13	13
Carrying Amount			
December 31, 2014	P100	P13	P113
December 31, 2015	P100	P12	P112

The Group's investment property pertains to a property located in Tagaytay and parcels of land in various locations.

Estimated fair value of the Tagaytay property based on the appraisal made in 2012 amounted to P22 as of December 31, 2015 and 2014. The fair value was calculated using market approach.

The Group's parcels of land are located in Metro Manila and some major provinces. As of December 31, 2015 and 2014, the aggregate fair market values of the properties amounting to P134, determined by independent appraisers in 2013 using market approach, is higher than their carrying amount, considering recent market transactions and specific conditions related to the parcels of land as determined by NVRC.

The fair market value of investment property has been categorized as Level 2 in the fair value hierarchy.

It is the Group's management assessment that the fair value as of December 31, 2014 remains the same as of December 31, 2015 as there were no significant developments in the area where the property is located.

14. Investment in Shares of Stock of Subsidiaries and Goodwill

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

a. PAHL

Although the Group owns less than half of the voting power of the PAHL, management has assessed, in accordance with PFRS 10, that the Group has control over PAHL on a de facto basis. In accordance with the transitional provision of PFRS 10, the Group applied acquisition accounting on its investment in PAHL beginning 2013.

The following summarizes the recognized amounts of assets acquired and liabilities assumed as of January 1, 2013:

Assets	
Cash and cash equivalents	P432
Trade and other receivables - net	637
Inventories	1,048
Prepaid expenses and other current assets	272
Property, plant and equipment - net	2,863
Deferred tax assets	70
Other noncurrent assets - net	104
Liabilities	
Short-term loans	(1,792)
Liabilities for crude oil and petroleum product importation	(1,524)
Trade and other payables	(869)
Other noncurrent liabilities	(2)
Total Identifiable Net Assets at Fair Value	P1,239

Goodwill was recognized based on the fair value of net assets acquired as follows:

Carrying amount of investments in PAHL at January 1, 2013	P866
Non-controlling interest measured at proportionate interest in identifiable net assets	671
Total identifiable net assets at fair value	(1,239)
Goodwill	P298

On November 17, 2015, the Parent Company subscribed to additional 18,324,889 ordinary shares of PAHL for a total consideration of U\$11,746,724 which effectively increased the Parent Company's ownership interest by 1.40% to 47.25% as of December 31, 2015.

b. PGL

On various dates in 2015, the Parent Company subscribed to additional common shares of PGL as follows:

Date	No. of Shares	Amount Per Share (in US\$)	Total (in US\$)
March 13, 2015	9,354,136	1.00	9,354,136
April 13, 2015	1,710,231	1.00	1,710,231
May 13, 2015	1,067,462	1.00	1,067,462

PGL has issued an aggregate of 49,622,176 common shares with a par value of US\$1.00 per share to Petron and 150,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares series A and 200,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares series B at an issue price equal to the par value of each share of US\$1.00 to a third party investor. The said preferred shares were redeemed on May 13, 2015 at US\$1.00 per share.

As of December 31, 2015, the Parent Company holds a total of 85,691,017 common shares in PGL representing 100% of the voting capital stock of PGL.

c. NVRC

In 2013, NVRC, a subsidiary, acquired 100% interests in South Luzon Prime Holdings Inc. (SLPHI), MRGVeloso Holdings Inc. (MHI), and Abreco Realty Corp. (ARC). These acquisitions were considered as asset deals.

Goodwill

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

	2015	2014
Balance at beginning of year	P8,921	P9,386
Translation adjustments	(1,227)	(465)
Balance at end of year	P7,694	P8,921

Impairment of Goodwill

Goodwill arising from the acquisition of Petron Malaysia is allocated at the POGI Group cash generating unit (CGU) instead of each individual acquiree company's CGU as it is expected that the POGI Group CGU will benefit from the synergies created from the acquiree companies in combination. The remaining goodwill is allocated to each individual acquiree company.

The recoverable amount of goodwill has been determined based on value in use (VIU). The VIU is based on cash flows projections for five (5) years using a terminal growth rate of 3.0% in 2015 and 2014 and discount rates of 7.0% and 7.8% in 2015 and 2014, respectively. The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on internal sources (i.e., historical data). The discount rate is based on the weighted average cost of capital (WACC) using the Capital Asset Pricing Model (CAPM) by taking into consideration the debt equity capital structure and cost of debt of comparable companies and cost of equity based on appropriate market risk premium.

The financial projection used in the VIU calculation is highly dependent on the following underlying key drivers of growth in profitability:

- *Sales Volume.* Majority of the sales volume is generated from the domestic market of the CGU. The growth in projected sales volume would mostly contributed from retail and commercial segments. Retail sales refer to sales of petroleum products through petrol stations. Commercial sales refer to sales to industrial, wholesale, aviation and LPG accounts.
- *Selling Price and Improvement in the Gross Profit Margin.* Management has projected an improvement in selling price in 2016, and thereafter, it is projected to remain constant during the forecast period. Management also expects improvement in gross profit margin to be achieved through overall growth in sales volume along with better sales mix and better cost management.

The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

No impairment losses were recognized in 2015, 2014 and 2013.

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

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

	December 31, 2015				December 31, 2014			
	NVRC	PMRMB	PAHL	PGL	NVRC	PMRMB	PAHL	PGL
Non-controlling Interests Percentage	60.00%	26.60%	52.75%	0.00%	60.00%	26.60%	54.15%	0.00%
Carrying amount of non-controlling interest	P417	P3,280	P898	(P4,030)	P359	P3,074	P625	P12,391
Current assets	P321	P11,836	P261	P -	P194	P16,263	P363	P27
Noncurrent assets	4,861	13,060	2,740	-	4,895	14,997	2,763	15,652
Current liabilities	(3,970)	(10,994)	(1,298)	-	(3,988)	(17,724)	(1,855)	-
Noncurrent liabilities	(43)	(3,141)	-	-	(30)	(3,810)	-	-
Net assets	P1,169	P10,761	P1,703	P -	P1,071	P9,726	P1,271	P15,679
Net income (loss) attributable to non-controlling interests	P58	P689	(P95)	P -	P21	(P230)	(P102)	P -
Other comprehensive income attributable to non-controlling interests	P -	P3	P -	P -	P -	P2	P -	P -
Sales	P542	P95,075	P -	P -	P550	P147,938	P1,772	P -
Net income (loss)	97	2,573	(179)	(1)	36	(875)	(189)	(2)
Other comprehensive income (loss)	-	10	(3)	-	-	7	-	-
Total comprehensive income (loss)	P97	P2,583	(P182)	(P1)	P36	(P868)	(P189)	(P2)
Cash flows provided by (used in) operating activities	P81	P3,956	(P558)	(P1)	P203	P3,849	(P114)	(P2)
Cash flows provided by (used in) investing activities	33	(1,218)	-	16,471	(237)	(1,201)	6	-
Cash flows provided by (used in) financing activities	-	(4,879)	507	(16,499)	51	642	(262)	23
Effects of exchange rate changes on cash and cash equivalents	-	(1)	-	-	-	-	(28)	-
Net increase (decrease) in cash and cash equivalents	P114	(P2,142)	(P51)	(P29)	P17	P3,290	(P398)	P21

15. Other Assets

This account consists of:

	<i>Note</i>	2015	2014
Current:			
Input VAT		P12,093	P13,673
Prepaid taxes		19,429	7,297
Prepaid expenses		2,439	2,731
Special-purpose fund		134	124
Tax recoverable		100	505
Others		335	516
		P34,530	P24,846
Noncurrent:			
Due from related parties	28, 34, 35	P1,816	P1,747
Catalyst - net		947	1,613
Prepaid rent		2,228	2,988
Long-term receivables - net	34, 35	189	43
Noncurrent deposits	34, 35	82	90
Others - net		1,464	1,275
		P6,726	P7,756

The "Noncurrent assets - others" account includes software, marketing assistance to dealers, other prepayments, franchise fees and other intangible assets amounting to P1,112 and P796 in 2015 and 2014, respectively, net of amortization of software, marketing assistance to dealers, franchise fees and other intangible amounting to P285, P295 and P294 in 2015, 2014 and 2013, respectively. The amortization of prepaid rent amounted to P189, P243 and P258 in 2015, 2014 and 2013, respectively. Amortization of software, marketing assistance to dealers, franchise fees, other intangible, prepaid rent and other prepayments is included as part of "Selling and administrative - depreciation and amortization" account in the consolidated statements of income (Notes 23 and 25). Amortization of catalyst amounting to P433 in 2015 is included as part of "Cost of goods sold - depreciation and amortization" account in the consolidated statements of income (Notes 22 and 25).

Included in "Due from related parties" is an advance made by the Parent Company to PCERP (Notes 28 and 30).

16. Short-term Loans

This account pertains to unsecured Philippine peso, US dollar and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 18 to 359 days and annual interest ranging from 2.75% to 6.20% in 2015 and 1.625% to 6.230% in 2014 (Note 26). These loans are intended to fund the importation of crude oil and petroleum products (Note 10) and working capital requirements.

17. Trade and Other Payables

This account consists of:

	<i>Note</i>	2015	2014
Trade		P2,655	P29,496
Specific taxes and other taxes payable		1,865	2,226
Due to related parties	28	1,719	1,148
Accrued rent		938	904
Accrued interest		629	757
Dividends payable		195	423
Insurance liabilities		119	99
Accrued payroll		90	68
Retirement benefits liability	30	81	71
Others		1,056	3,944
	34, 35	P9,347	P39,136

Accounts payable are liabilities to haulers, contractors and suppliers that are noninterest-bearing and are generally settled on a 30-day term.

Others include provisions, retention payable, accruals of selling and administrative expenses and deferred liability on customer loyalty programme which are normally settled within a year.

18. Long-term Debt

This account consists of:

	<i>Note</i>	2015	2014
Unsecured Peso-Denominated			
(net of debt issue cost)			
Fixed rate corporate notes of 7% in 2017	(a)	P19,926	P19,891
Fixed rate corporate notes of 6.3212% and 7.1827%	(c)	3,433	3,466
Term loan of 5.4583% plus GRT	(g)	4,976	-
Unsecured Foreign Currency-Denominated			
(net of debt issue cost)			
Floating rate dollar loan - US\$480 million	(b)	-	9,052
Floating rate dollar loan - US\$485 million	(d)	-	15,094
Floating rate dollar loan - US\$475 million	(e)	15,639	20,821
Floating rate dollar loan - US\$550 million	(f)	25,177	-
Floating rate dollar loan - MYR100 million	(h)	1,089	1,269
Floating rate dollar loan - MYR50 million	(h)	545	634
Floating rate dollar loan - MYR100 million	(h)	1,090	1,268
Floating rate dollar loan - MYR50 million	(h)	545	634
	34, 35	72,420	72,129
Less current portion		694	5,860
		P71,726	P66,269

- a. On November 10, 2010, the Parent Company issued P20,000 Peso-denominated Notes, payable in US dollar. The notes bear interest of 7% per annum, payable semi-annually in arrears on May 10 and November 10 of each year. The notes will mature on November 10, 2017. The principal and interest will be translated into and paid in US dollar based on the average representative market rate at the applicable rate calculation date at the time of each payment.
- b. On September 30, 2011, the Parent Company signed and executed a US\$480 million term loan facility. The facility is amortized over 5 years with a 2-year grace period and is subject to a floating interest rate plus a fixed spread. The loan proceeds were used to finance the capital expenditure requirements of Refinery Master Plan Phase 2 (RMP-2). The first drawdown of US\$80 million was made on November 25, 2011 while the balance of US\$400 million was drawn on February 15, 2012. Partial payments were made by the Parent Company on the following dates: on June 29, 2012 (US\$180 million); on October 30, 2013 (US\$26 million); and on May 28, 2014 (US\$69 million). On July 29, 2015, the Parent Company fully prepaid the remaining balance of about US\$206 million using proceeds from a US\$550 million refinancing facility.
- c. The Parent Company issued Fixed Rate Corporate Notes (FXCN) totaling P3,600 on October 25, 2011. The FXCNs consisted of Series A Notes amounting to P690 having a maturity of up to 7 years from issue date and Series B Notes amounting to P2,910 having a maturity of up to 10 years from issue date. The FXCNs are subject to fixed interest coupons of 6.3212% per annum for the Series A Notes and 7.1827% per annum for the Series B Notes. The net proceeds from the issuance were used for general corporate requirements.
- d. On October 31, 2012, the Parent Company signed and executed a US\$485 million term loan facility. The facility is amortized over 5 years with 2-year grace period and is subject to a floating interest rate plus a fixed spread. The proceeds were used to finance the capital expenditure requirements of RMP-2. An initial drawdown of US\$100 million was made on November 9, 2012. Subsequent drawdowns of US\$35 million and US\$140 million were both made in December 2012. The remaining balance of US\$210 million was drawn in the first quarter of 2013. During 2014, the Parent Company made partial payments on the following dates: June 24 (US\$70 million); and October 24 (US\$70 million). On July 29, 2015, the Parent Company fully prepaid the remaining balance of US\$345 million using the proceeds from a US\$550 million refinancing facility.
- e. On May 14, 2014, the Parent Company signed and executed a US\$300 million term loan facility. The facility is amortized over 5 years with a 2-year grace period and is subject to a floating interest rate plus a fixed spread. Proceeds were used to refinance existing debt and for general corporate purposes. Drawdowns and their respective amounts were made on the following dates: May 27, 2014 (US\$70 million); June 4, 2014 (US\$118 million); June 20, 2014 (US\$70 million) and July 2, 2014 (US\$42 million). On September 29, 2014, the Parent Company completed the syndication of the facility, raising the facility amount to US\$475 million. Drawdowns related to the additional US\$175 million were made as follows: October 24, 2014 (US\$70 million) and November 6, 2014 (US\$105 million). Amortization in seven equal amounts will start in May 2016, with final amortization due in May 2019. In 2015, the Parent Company made partial payments on the following dates: September 29, 2015 (US\$65 million); and November 27, 2015 (US\$70 million).

- f. On July 29, 2015, the Parent Company drew US\$550 million from a US\$550 million refinancing facility which was signed and executed on July 20, 2015. The facility is amortized over 5 years with a 2-year grace period and is subject to a floating interest rate plus a fixed spread. The proceeds were used to pay in full the remaining outstanding balances of about US\$206 million and US\$345 million under the US\$480 million term loan facility and the US\$485 million term loan facility, respectively. On November 11, 2015 the Parent Company completed the syndication of the new facility with 29 banks.
- g. On October 13, 2015, the Parent Company drew P5,000 from a P5,000 term loan which was signed and executed on October 7, 2015. The facility is amortized over 7 years with a 2-year grace period and is subject to a fixed rate of 5.4583% plus GRT.
- h. On March 17, 2014, PMRMB availed of Malaysian ringgit (MYR) 100 million (P1,374) loan and on March 31, 2014, PFISB availed of MYR50 million (P687). Additionally, on June 27, 2014, PMRMB availed of MYR 100 million (P1,359) and on July 25, 2014, PFISB availed of five-year MYR 50 million (P685) loan. Proceeds from the loans were used to finance the refurbishment of the retail stations in Malaysia. All loans bear an interest rate of Cost of Fund (COF) +1.5%.

The above-mentioned loan agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements and restrictions on guarantees.

As of December 31, 2015 and 2014, the Parent Company has complied with the covenants of its debt agreements.

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P1,013, P973 and P458 for the years ended 2015, 2014 and 2013, respectively (Note 26). Capitalized interest in 2015 and 2014 amounted to P2,914 and P3,352, respectively (Note 12).

Movements in debt issue costs follow:

	2015	2014
Balance at beginning of year	P1,073	P858
Additions	610	712
Amortization for the year	(475)	(497)
Balance at end of year	P1,208	P1,073

Repayment Schedule

As of December 31, 2015 and 2014, the annual maturities of long-term debt are as follows:

2015			
Year	Gross Amount	Debt Issue Costs	Net
2016	P708	P14	P694
2017	31,217	669	30,548
2018	16,556	322	16,234
2019	12,075	169	11,906
2020	8,424	29	8,395
2021 and beyond	4,648	5	4,643
	P73,628	P1,208	P72,420

<u>2014</u>			
Year	Gross Amount	Debt Issue Costs	Net
2015	P6,137	P277	P5,860
2016	19,181	462	18,719
2017	33,582	256	33,326
2018	8,027	58	7,969
2019	3,598	13	3,585
2020 and beyond	2,677	7	2,670
	P73,202	P1,073	P72,129

19. Asset Retirement Obligation

Movements in the ARO are as follows:

	<i>Note</i>	2015	2014
Balance at beginning of year		P1,659	P1,004
Additions		310	677
Effect of change in discount rate		(262)	(141)
Effect of change in lease term		(18)	(2)
Accretion for the year	22, 26	156	121
Settlement		(36)	-
Balance at end of year		P1,809	P1,659

20. Other Noncurrent Liabilities

	<i>Note</i>	2015	2014
Cash bonds		P382	P870
Cylinder deposits		454	442
Others		70	61
	34, 35	P906	P1,373

21. Equity

a. Capital Stock

Common Shares

Pursuant to the registration statement rendered effective by the SEC on May 18, 1995 and the permit to sell issued by the SEC dated May 30, 1995, 10,000,000,000 common shares of the Parent Company with par value of P1.00 per share were offered for sale at an offer price of P1.00 per share. As of December 31, 2015 and 2014, the Parent Company had 146,907 and 148,408 stockholders with at least one board lot at the PSE, respectively, for a total of 9,375,104,497 (P1.00 per share par value) issued and outstanding common shares.

Preferred Shares

On January 21, 2010, the SEC approved the Parent Company's amendment to its articles of incorporation to reclassify 624,895,503 unissued common shares into preferred shares with a par value of P1.00 per share, as part of its authorized capital stock. On February 12, 2010, the SEC issued an order permitting the Parent Company's offering and sale of 100,000,000 peso-denominated, cumulative, non-participating and non-voting preferred shares ("2010 Preferred Shares") to the public at an issue price of P100.00 per share. Proceeds from issuance in excess of par value less related transaction costs amounting to P9,764 was recognized as additional paid-in capital. Dividend rate of 9.5281% per annum computed in reference to the issue price was payable every March 5, June 5, September 5 and December 5 of each year, when declared by the BOD. The 2010 Preferred Shares were listed with PSE on March 5, 2010.

On October 17, 2014, the SEC issued an order permitting the Parent Company's public offering and sale of 7,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 3,000,000 preferred shares (collectively, the "Series 2 Preferred Shares") with a P1.00 par value per share.

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

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

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

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

As of December 31, 2015, the Parent Company had 10,000,000 (P1 par value) issued and outstanding preferred shares. The total number of preferred shareholders with at least one board lot at the PSE as of December 31, 2015 and 2014 are as follows:

2015

- Series 2A Preferred Shares - 41
- Series 2B Preferred Shares - 31

2014

- 2010 Preferred Shares - 124
- Series 2A Preferred Shares - 15
- Series 2B Preferred Shares - 13

b. Retained Earnings

i. Declaration of Cash Dividends

On various dates in 2014 and 2015, the BOD approved cash dividends for common and preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
Common	P0.05000	March 24, 2014	April 8, 2014	April 23, 2014
2010 preferred shares	2.38200	May 6, 2014	May 21, 2014	June 5, 2014
2010 preferred shares	2.38200	Aug 6, 2014	August 22, 2014	September 5, 2014
2010 preferred shares	2.38200	November 7, 2014	November 24, 2014	December 5, 2014
2010 preferred shares	2.38200	November 7, 2014	February 18, 2015	March 5, 2015
Series 2A	15.75000	November 7, 2014	January 20, 2015	February 3, 2015
Series 2B	17.14575	November 7, 2014	January 20, 2015	February 3, 2015
Common	0.05000	March 17, 2015	April 1, 2015	April 16, 2015
Series 2A	15.75000	March 17, 2015	April 17, 2015	May 4, 2015
Series 2B	17.14575	March 17, 2015	April 17, 2015	May 4, 2015
Series 2A	15.75000	March 17, 2015	July 20, 2015	August 3, 2015
Series 2B	17.14575	March 17, 2015	July 20, 2015	August 3, 2015
Series 2A	15.75000	August 10, 2015	October 16, 2015	November 3, 2015
Series 2B	17.14575	August 10, 2015	October 16, 2015	November 3, 2015
Series 2A	15.75000	August 10, 2015	January 18, 2016	February 3, 2016
Series 2B	17.14575	August 10, 2015	January 18, 2016	February 3, 2016

ii. Appropriation for Capital Projects

The appropriated retained earnings as of December 31, 2015 amounting to P25,082 were for the Parent Company's RMP-2 project which is expected to start operations in 2016, and for a subsidiary's programmed lot acquisitions.

- c. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries, joint venture and associates amounting to P11,401, P5,181 and P4,960 in 2015, 2014 and 2013, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.
- d. Other reserves pertain to unrealized fair value losses on AFS financial assets, exchange differences on translation of foreign operations and others.
- e. Reserve for retirement plan pertains to the cumulative remeasurements of the Group's defined benefit retirement plan.

f. Undated Subordinated Capital Securities (USCS)

In February 2013, the Parent Company issued US\$500 million USCS at an issue price of 100% ("Original Securities"). In March 2013, the Parent Company issued under the same terms and conditions of the Original Securities an additional US\$250 million at a price of 104.25% ("New Securities"). The New Securities constituted a further issuance of, were fungible with, and were consolidated and formed a single series with the Original Securities (the "Original Securities" and, together with the "New Securities", the "Securities"). Proceeds were applied by the Parent Company for capital and other expenditures of RMP-2 as well as for general corporate purposes.

The Securities were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, each sale of the Securities was considered an exempt transaction for which no confirmation of exemption from the registration requirements of The Securities Regulation Code ("SRC") was required to be filed with the SEC. In compliance with the amended rules of the SRC, notices of exemption for the issuances of the Securities were filed with the SEC on February 12, 2013 for the Original Securities and on March 19, 2013 for the New Securities.

Holders of the Securities are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 7.5% per annum, subject to a step-up rate. The Parent Company has a right to defer this distribution under certain conditions.

The Securities have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid or deferred distributions at the Parent Company's option on or after August 6, 2018 or on any distribution payment date thereafter or upon the occurrence of certain other events.

Payments of distribution pertaining to the Securities amounting to US\$28.125 million were made on each of the following dates: February 6, 2014 (P1,824); August 6, 2014 (P1,756); February 6, 2015 (P1,770); and August 6, 2015 (P1,837).

22. Cost of Goods Sold

This account consists of:

	<i>Note</i>	2015	2014	2013
Inventories	10	P315,676	P456,712	P432,779
Depreciation and amortization	25	2,724	2,654	2,628
Personnel expenses	24	1,565	1,529	1,269
Others	19, 31	8,473	2,205	3,803
		P328,438	P463,100	P440,479

Distribution or transshipment costs included as part of inventories amounted to P11,066, P10,289 and P8,049 in 2015, 2014 and 2013, respectively.

Others include manufacturing and overhead costs such as purchased services and utilities, materials and supplies, and maintenance and repairs.

23. Selling and Administrative Expenses

This account consists of:

	<i>Note</i>	2015	2014	2013
Depreciation and amortization	15, 25	P3,548	P3,379	P3,178
Personnel expenses	24	3,150	2,731	2,815
Purchased services and utilities		2,597	2,333	2,478
Advertising		1,482	985	922
Maintenance and repairs		985	1,160	1,119
Materials and office supplies		603	342	269
Taxes and licenses		314	301	304
Rent - net	29, 31	164	103	(6)
Impairment losses on trade and other receivables	4, 9	154	2	3
Others	10	609	494	393
		P13,606	P11,830	P11,475

Selling and administrative expenses include research and development costs amounting to P65, P66 and P60 in 2015, 2014 and 2013, respectively. Rent is shown net of rental income amounting to P1,131, P1,145 and P1,155 in 2015, 2014 and 2013, respectively.

24. Personnel Expenses

This account consists of:

	<i>Note</i>	2015	2014	2013
Salaries, wages and other employee costs	28	P4,210	P4,089	P3,585
Retirement benefits costs - defined benefit plan	28, 30	419	91	323
Retirement benefits costs - defined contribution plan	28	86	80	176
		P4,715	P4,260	P4,084

The above amounts are distributed as follows:

	<i>Note</i>	2015	2014	2013
Costs of goods sold	22	P1,565	P1,529	P1,269
Selling and administrative expenses	23	3,150	2,731	2,815
		P4,715	P4,260	P4,084

25. Depreciation and Amortization

This account consists of:

	<i>Note</i>	2015	2014	2013
Cost of goods sold:				
Property, plant and equipment	12	P2,291	P2,654	P2,628
Other assets	15	433	-	-
	22	2,724	2,654	2,628
Selling and administrative expenses:				
Property, plant and equipment	12	3,073	2,840	2,625
Investment property	13	1	1	1
Intangible assets and others	15	474	538	552
	23	3,548	3,379	3,178
		P6,272	P6,033	P5,806

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

	<i>Note</i>	2015	2014	2013
Interest expense and other financing charges:				
Long-term debt	18	P869	P858	P406
Short-term loans	16	3,284	3,302	3,351
Bank charges		1,157	1,182	1,579
Amortization of debt issue costs	18	144	115	52
Accretion on ARO	19	66	65	66
Others		13	6	8
		P5,533	P5,528	P5,462
Interest income:				
Advances to related parties	15, 28	P297	P428	P777
Short-term placements	6	313	331	373
AFS financial assets	8	11	10	17
Trade receivables		45	55	88
Cash in banks	6	17	16	14
Others		3	4	16
		P686	P844	P1,285

Forward

	<i>Note</i>	2015	2014	2013
Other income (expenses):				
Foreign currency losses - net	34	(P4,305)	(P1,617)	(P4,109)
Marked-to-market gains - net	35	936	2,153	2,479
Insurance claims		61	33	115
Changes in fair value of financial assets at FVPL	7	11	19	(29)
Gain on settlement of ARO	19	-	-	29
Hedging gains - net		637	140	530
Others - net		(835)	62	310
		(P3,495)	P790	(P675)

The Parent Company recognized its share in the net income (loss) of PDSI amounting to (P3.71), (P0.39) and P0.46 in 2015, 2014 and 2013, respectively, and recorded it as part of "Other income (expenses) - others" account.

27. Income Taxes

Deferred tax assets and liabilities are from the following:

	2015	2014
Net retirement benefits liability	P1,578	P557
Inventory differential	874	305
Unrealized foreign exchange losses - net	673	606
MCIT	474	242
Various allowances, accruals and others	414	400
ARO	295	220
Rental	255	246
Unutilized tax losses	184	275
NOLCO	2	407
Unrealized fair value gains on AFS financial assets	(1)	(1)
Fair market value adjustments on business combination	(32)	(39)
Capitalized taxes and duties on inventories deducted in advance	(245)	(211)
Excess of double-declining over straight-line method of depreciation and amortization	(2,782)	(2,938)
Capitalized interest, duties and taxes on property, plant and equipment deducted in advance and others	(6,116)	(3,298)
	(P4,427)	(P3,229)

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

	2015	2014
Deferred tax assets	P211	P242
Deferred tax liabilities	(4,638)	(3,471)
	(P4,427)	(P3,229)

Net deferred taxes of individual companies are not allowed to be offset against net deferred tax liabilities of other companies, or vice versa, for purposes of consolidation.

The components of income tax expense are shown below:

	2015	2014	2013
Current	P1,448	P569	P1,356
Deferred	2,207	235	494
	P3,655	P804	P1,850

The following are the amounts of deferred tax expense (benefit), for each type of temporary difference, recognized in the consolidated statements of income:

	2015	2014	2013
Capitalized interest, duties and taxes on property, plant and equipment deducted in advance and others	P2,818	P1,261	P940
NOLCO	405	(388)	485
Unutilized tax gains (losses)	91	(151)	(31)
Capitalized taxes and duties on inventories deducted in advance	34	7	100
Rental	(9)	(28)	(22)
Various allowances, accruals and others	(14)	395	(243)
Unrealized foreign exchange losses (gains) - net	(67)	210	(957)
ARO	(75)	22	(32)
Excess of double-declining over straight-line method of depreciation and amortization	(156)	(163)	(106)
MCIT	(232)	(232)	291
Inventory differential	(569)	(743)	112
Others	(19)	45	(43)
	P2,207	P235	P494

A reconciliation of tax on the pretax income computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	<i>Note</i>	2015	2014	2013
Statutory income tax rate		30.00%	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:				
Income subject to Income Tax Holiday (ITH)	36	-	(4.14%)	(2.97%)
Interest income subjected to lower final tax		(0.74%)	(2.20%)	(1.35%)
Nontaxable income		(0.89%)	(1.36%)	(0.81%)
Nondeductible expense		2.40%	5.53%	3.13%
Nondeductible interest expense		0.26%	0.71%	0.49%
Changes in fair value of financial assets at FVPL	26	(0.03%)	(0.16%)	0.12%
Excess of optional standard deduction over deductible expenses		(0.07%)	(0.13%)	(0.03%)
Others, mainly income subject to different tax rates		5.90%	(7.16%)	(1.93%)
Effective income tax rate		36.83%	21.09%	26.65%

Optional Standard Deduction

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made. Petrogen, LLCDC and PEDC opted to apply OSD in 2015, 2014 and 2013, while SLPHI chose to apply OSD for the first time in 2015.

28. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint venture and SMC and its subsidiaries in the normal course of business, purchase products and services from one another. The balances and transactions with related parties as of and for the years ended December 31 follow:

	Note	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	9, 15, 30, a	2015	P297	P -	P6,597	P -	On demand/	Unsecured;
		2014	428	-	6,263	-	long-term;	no impairment
		2013	777	-	16,393	-	interest bearing	
Intermediate Parent	e	2015	9	74	3	35	On demand;	Unsecured;
		2014	5	133	5	46	non-interest	no impairment
		2013	4	167	5	94	bearing	
Under Common Control	b, c, d	2015	3,587	14,504	975	1,682	On demand;	Unsecured;
		2014	7,261	7,298	1,026	1,089	non-interest	no impairment
		2013	16,053	3,444	3,180	924	bearing	
Associate	b	2015	143	-	31	-	On demand;	Unsecured;
		2014	152	-	29	-	non-interest	no impairment
		2013	86	-	21	-	bearing	
Joint Venture	c	2015	-	95	-	2	On demand;	Unsecured;
		2014	-	83	11	12	non-interest	no impairment
		2013	-	137	8	28	bearing	
		2015	P4,036	P14,673	P7,606	P1,719		
		2014	P7,846	P7,514	P7,334	P1,147		
		2013	P16,920	P3,748	P19,607	P1,046		

- As of December 31, 2015 and 2014, the Parent Company has interest bearing advances to PCERP, included as part of "Other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position, for some investment opportunities (Notes 9, 15 and 30).
- Sales relate to the Parent Company's supply agreements with associate and various SMC subsidiaries. Under these agreements, the Parent Company supplies the bunker, diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.
- Purchases relate to purchase of goods and services such as power, construction, information technology and shipping from a joint venture and various SMC subsidiaries.
- Petron entered into a lease agreement with San Miguel Properties, Inc. for its office space covering 6,802 square meters with a monthly rate of P6.91. 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.
- The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.
- Amounts owed by related parties consist of trade, non-trade receivables, advances and security deposits. These are to be settled in cash.
- Amounts owed to related parties consist of trade and non-trade payables. These are to be settled in cash.

- h. The compensation and benefits of key management personnel of the Group, by benefit type, included as part of "Personnel expenses" account follow:

	2015	2014	2013
Salaries and other short-term employee benefits	P659	P690	P536
Retirement benefits costs (income) - defined benefit plan	86	(3)	66
Retirement benefits costs - defined contribution plan	27	25	23
	P772	P712	P625

29. Operating Lease Commitments

Group as Lessee

The Group entered into commercial leases on certain parcels of land for its refinery and service stations (Notes 23 and 31). The leases' life ranges from one to twenty six years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The lease agreements include upward escalation adjustments of the annual rental rates.

Future minimum rental payables under the non-cancellable operating lease agreements as of December 31 are as follows:

	2015	2014	2013
Within one year	P1,269	P1,181	P1,110
After one year but not more than five years	2,982	2,814	3,490
After five years	9,821	9,296	8,554
	P14,072	P13,291	P13,154

Group as Lessor

The Group has entered into lease agreements on its service stations and other related structures (Note 23). The non-cancellable leases have remaining terms of between three to ten years. All leases include a clause to enable upward escalation adjustment of the annual rental rates.

Future minimum rental receivables under the non-cancellable operating lease agreements as of December 31 follow:

	2015	2014	2013
Within one year	P272	P279	P284
After one year but not more than five years	259	322	384
After five years	14	25	43
	P545	P626	P711

30. Retirement Plan

The succeeding tables summarize the components of net retirement benefits costs (income) under a defined benefit retirement plan recognized in profit or loss and the funding status and amounts of retirement plan recognized in the consolidated statements of financial position. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is as of December 31, 2015. Valuations are obtained on a periodic basis.

The Parent Company's Retirement Plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act (RA) No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT), as appointed by the BOD of the Parent Company. The BOT of the retirement plan, who exercise voting rights over the shares and approve material transactions, are also officers of the Parent Company, while one of the BOT is also a BOD. The retirement plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Present Value of Defined Benefit Obligation			Fair Value of Plan Assets			Effect of Asset Ceiling			Net Defined Benefit Retirement Asset (Liability)		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Balance at beginning of year	(P5,947)	(P5,867)	(P5,671)	P3,603	P9,598	P5,021	P -	(P1,448)	(P33)	(P2,344)	P2,283	(P683)
Benefit obligation of a newly acquired subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Recognized in Profit or Loss												
Current service cost	(302)	(302)	(283)	-	-	-	-	-	-	(302)	(302)	(283)
Interest expense	(269)	(311)	(311)	-	-	-	-	-	-	(269)	(311)	(311)
Interest income	-	-	-	152	500	273	-	-	-	152	500	273
Interest on the effect of asset ceiling	-	-	-	-	-	-	-	(77)	(2)	-	(77)	(2)
Settlement gain	-	99	-	-	-	-	-	-	-	-	99	-
	(571)	(514)	(594)	152	500	273	-	(77)	(2)	(419)	(91)	(323)
Recognized in Other Comprehensive Income												
Remeasurements:												
Actuarial (gains) losses arising from:												
Experience adjustments	(163)	(235)	53	-	-	-	-	-	-	(163)	(235)	53
Changes in financial assumptions	151	(331)	(101)	-	-	-	-	-	-	151	(331)	(101)
Changes in demographic assumptions	197	466	42	-	-	-	-	-	-	197	466	42
Return on plan asset excluding interest	-	-	-	(3,297)	(6,081)	4,651	-	-	-	(3,297)	(6,081)	4,651
Changes in the effect of asset ceiling	-	-	-	-	-	-	-	1,525	(1,413)	-	1,525	(1,413)
	185	(100)	(6)	(3,297)	(6,081)	4,651	-	1,525	(1,413)	(3,112)	(4,656)	3,232
Others												
Benefits paid	600	485	413	(546)	(414)	(347)	-	-	-	54	71	66
Contributions	-	-	-	100	-	-	-	-	-	100	-	-
Transfer to other accounts payable	6	-	-	-	-	-	-	-	-	6	-	-
Transfers from other plans/affiliate	-	-	(38)	-	-	-	-	-	-	-	-	(38)
Transfers to other plans/affiliate	-	-	38	-	-	-	-	-	-	-	-	38
Translation adjustment	124	49	(9)	-	-	-	-	-	-	124	49	(9)
	730	534	404	(446)	(414)	(347)	-	-	-	284	120	57
Balance at end of year	(P5,603)	(P5,947)	(P5,867)	P12	P3,603	P9,598	P -	P -	(P1,448)	(P5,591)	(P2,344)	P2,283

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

	<i>Note</i>	2015	2014
Trade and other payables	<i>17</i>	(P82)	(P71)
Retirement benefits liability (noncurrent portion)		(5,509)	(2,273)
		(P5,591)	(P2,344)

Retirement benefits costs (income) recognized in the consolidated statements of income by the Parent Company amounted to P329, (P11) and P205 in 2015, 2014 and 2013, respectively.

Retirement benefits costs recognized in the consolidated statements of income by the subsidiaries amounted to P90, P102 and P118 in 2015, 2014 and 2013, respectively.

The carrying amounts of the Parent Company's retirement fund approximate fair values as of December 31, 2015 and 2014.

Plan assets consist of the following:

	2015	2014
Shares of stock:		
Quoted	74%	78%
Unquoted	4%	5%
Government securities	9%	8%
Cash	3%	2%
Others	10%	7%
	100%	100%

Investment in Shares of Stock

As of December 31, 2015, the Parent Company's plan assets include 731,156,097 common shares of Petron with fair market value per share of P6.99, 2,000,000 Series "2", Subseries "B" preferred shares of SMC with fair market value per share of P77.40, and investment in Petron bonds amounting to P125.

The Group's plan recognized loss on the investment in marketable securities and bonds of the Parent Company and SMC amounting to P2,641 and P4,870 in 2015 and 2014, respectively, mainly as a result of market-to-market remeasurements.

Dividend income from the investment in shares of stock of Petron and SMC amounted to P56, P76, and P99 in 2015, 2014, and 2013, respectively.

The Group plan's investment in shares of stock also includes investment in the common shares of PAHL amounting to P1,472 and P1,553 representing 53% and 54% ownership equity in PAHL as of December 31, 2015 and 2014 respectively.

On September 21, 2015, the plan's 2,000,000 Series "2", Subseries "A" preferred shares of SMC were redeemed at P75.00 per share.

Investment in Trust Account

Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

Others include cash and cash equivalents and receivables which earn interest.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Parent Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Parent Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Parent Company expects to contribute P439 to its defined benefit retirement plan in 2016.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

The retirement plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risk. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Parent company's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2015	2014	2013
Discount rate	4.60% to 5.50%	4.49% to 5.50%	5.00% to 6.26%
Future salary increases	6.00% to 8.00%	6.00% to 8.00%	6.00% to 8.00%

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

The weighted average duration of defined benefit obligation is from 6.78 to 27.78 years and 7.51 to 27.78 years as of December 31, 2015 and 2014, respectively.

The reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit assets/liabilities by the amounts below:

	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
2015		
Discount rate	(P402)	P469
Salary increase rate	436	(382)
	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
2014		
Discount rate	(P461)	P538
Salary increase rate	494	(434)

The Parent Company has advances to PCERP amounting to P6,597 and P6,263 as of December 31, 2015 and 2014, respectively, included as part of "Other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Notes 9, 15 and 28). The advances are subject to interest of 5% in 2015 and 2014 (Note 28).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2015 and 2014 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Parent Company has not recognized any impairment losses relating to the receivables from retirement plan for the years ended December 31, 2015 and 2014.

31. Significant Agreements

Supply Agreement

The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase the Parent Company's crude oil requirements from Saudi Arabian American Oil Company ("Saudi Aramco"), based on the latter's standard Far East selling prices. The contract is for a period of one year from November 1, 2013 to December 31, 2014 with automatic annual extension thereafter unless terminated at the option of either party, within 60 days written notice. Outstanding liabilities of the Parent Company for such purchases are shown as part of "Liabilities for crude oil and petroleum product importation" account in the consolidated statements of financial position as of December 31, 2015 and 2014.

PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with EXTAP, a division of ExxonMobil Asia Pacific Pte. Ltd. On the average, around 65% of crude and condensate volume processed are from EMEPMI with balance of around 35% from spot purchases.

Supply Contract with National Power Corporation (NPC) and Power Sector Assets and Liabilities Management Corporation (PSALM)

The Parent Company entered into various supply contracts with NPC and PSALM. Under these contracts, Petron supplies the bunker fuel, diesel fuel oil and engine lubricating oil requirements of selected NPC and PSALM plants, and NPC-supplied Independent Power Producers (IPP) plants.

As of December 31, 2015, the following are the fuel supply contracts granted to the Parent Company:

NPC

Bid Date	Date of Award	Contract Duration	Volume in KL*			Contract Price		
			DFO*	IFO*	ELO*	DFO*	IFO*	ELO*
Nov. 12, 2013	Jan. 2, 2014	NPC Lubuungan DP & Others 2014 (with 6 months extension)	30,369			1,406		
Jan. 22, 2014	Feb. 21, 2014	NPC Lubuungan DP & Others 2014 (with 6 months extension)		885			33	
Jun 3, 2014	Jul 11, 2014	NPC ELO Patnanungan DP & Others (Jun-Dec. 2014 with 6 months extension)			50			6
Dec. 19, 2014	Jan. 20, 2015	NPC Jomalig DP & Others (Jan.-Dec. 2015 with 6 months extension)	14,264			582		
Dec. 19, 2014	Feb. 2, 2015	NPC Boac DP & Others (Jan.-Dec. 2015 with 6 months extension)	17,294			696		
Feb 23, 2015	Mar 18, 2015	NPC Cagayan De Tawi Tawi DP & Others (Mar-Dec 2015 with 6 months extension)	1,217			35		
Jul. 10, 2015	Aug 7, 2015	NPC ELO Basco DP & Others (Jul-Dec 2015 with 6 months extension)			129			11
Sep 7, 2015	Sep 7, 2015	NPC ELO Jolo DP & Others (Sep.-Dec. 2015 with 6 months extension)			864			85
Sep 7, 2015	Sep 7, 2015	NPC ELO PB 106 DP & Others (Sep.-Dec. 2015 with 6 months extension)			325			30
Dec 8, 2015	Feb 12, 2016	NPC PB 106 DP & Others (Feb.-Dec. 2016 with 6 months extension)	89,280			2,153		
Dec 8, 2015	Jan 6, 2016	NPC Diesel Oil for Western Mindanao (Feb-Dec 2016 with 6 months extension)	34,606			805		

PSALM

Bid Date	Date of Award	Contract Duration	Volume in KL*			Contract Price		
			DFO*	IFO*	ELO*	DFO*	IFO*	ELO*
May 27, 2014	Aug. 12, 2014	Power Barge 101 and 102 (August-December 2014 with 6 months extension)			40			5
Feb. 24, 2014	Aug. 22, 2014	Naga Plant Complex Corporation - Supplemental (August-December 2014 with 6 months extension)	301			13		
Jul. 10, 2014	Aug. 22, 2014	Malaya Thermal (August-December 2014 with 6 months extension)	800			38		
May 19, 2015	June 15, 2015	Malaya Thermal (June-December 2015 with 6 months extension)		35,000			754	
May 19, 2015	June 15, 2015	SPPC (June-December 2015 with 6 months extension)		8,370			178	
May 19, 2015	June 15, 2015	WMPC June-December 2015 with 6 months extension)		40,504			849	
July 2, 2015	Sep 2, 2015	Power Barge 104 (July-December 2015 with 6 months extension)		1,029			21	
July 24, 2015	Sep 2, 2015	Power Barge 104 (August-December 2015 with 6 months extension)			1,501			135

* IFO = Industrial Fuel Oil
DFO = Diesel Fuel Oil
ELO = Engine Lubricating Oil
KL = Kilo Liters

In the bidding for the Supply and Delivery of Oil-Based Fuel to NPC, PSALM, IPPs and Small Power Utilities Group (SPUG) Plants/Barges for the year 2015, Petron was awarded to supply a total of 32,775 kilo-liters (KL) worth P1,313 (2014 - 36,473 KL worth P1,625) of diesel fuel; 84,903 KL worth P1,802 (2014 - 14,595 KL worth P530) of bunker fuel and 2,819 KL worth of P261 of engine lubricating oil (2014 - 330 KL worth P39). Petron was also awarded to supply a total of 123,886 KL worth P2,958 of diesel fuel in 2016 from the bidding made in December 2015.

Toll Service Agreement with Innospec Limited ("Innospec"). PFC entered into an agreement with Innospec, a leading global fuel additives supplier, in December 2006. Under the agreement PFC shall be the exclusive toll blender of Innospec's fuel additives sold in the Asia-Pacific region consisting of the following territories: South Korea, China, Taiwan, Singapore, Cambodia, Japan and Malaysia.

PFC will provide the tolling services which include storage, blending, filing and logistics management. In consideration of these services, Innospec will pay PFC a service fee based on the total volume of products blended at PFC Fuel Additives Blending facility.

Tolling services started in 2008 on which PFC recognized revenue amounting to P48, P49 and P37 in 2015, 2014 and 2013 respectively.

Hungry Juan Outlet Development Agreement with San Miguel Foods, Inc. PFC entered into an agreement with SMFI for a period of three years and paid a one-time franchise fee. The store, which started operating in November 2012, is located at Rizal Blvd. cor. Argonaut Highway, Subic Bay Freeport Zone.

Lease Agreement with Philippine National Oil Company (PNOC). On September 30, 2009, the Parent Company through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P138, starting 2012, payable on the 15th day of January each year without the necessity of demand. This non-cancelable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2013 until the next re-appraisal is conducted. The leased premises shall be reappraised in 2017 and every fifth year thereafter in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as of December 31, 2015 and 2014, Petron leases other parcels of land from PNOC for its bulk plants and service stations.

32. Basic and Diluted Earnings Per Share

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

	2015	2014	2013
Net income attributable to equity holders of the Parent Company	P5,618	P3,320	P5,247
Dividends on preferred shares for the period	(646)	(1,114)	(953)
Distributions to the holders of USCS	(3,607)	(3,580)	(1,674)
Net income (loss) attributable to common shareholders of the Parent Company (a)	P1,365	(P1,374)	P2,620
Weighted average number of common shares outstanding (in millions) (b)	9,375	9,375	9,375
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	P0.15	(P0.15)	P0.28

As of December 31, 2015, 2014 and 2013, the Parent Company has no potential dilutive debt or equity instruments.

33. Supplemental Cash Flow Information

Changes in operating assets and liabilities:

	2015	2014	2013
Decrease (increase) in assets:			
Trade receivables	P18,138	P12,704	(P6,553)
Inventories	22,875	(1,547)	(1,819)
Other current assets	(8,136)	(6,392)	(3,394)
Increase (decrease) in liabilities:			
Liabilities for crude oil and petroleum product importation	(10,030)	(16,122)	9,747
Trade and other payables and others	(27,934)	5,083	19,070
	(5,087)	(6,274)	17,051
Additional allowance for (net reversal of) impairment of receivables, inventory decline and/or obsolescence and others	(397)	(286)	630
	(P5,484)	(P6,560)	P17,681

34. Financial Risk Management Objectives and Policies

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

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

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The BOD regularly reviews and approves the policies for managing these financial risks. Details of each of these risks are discussed below, together with the related risk management structure.

Risk Management Structure

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

The Group's risk management process is a bottom-up approach, with each risk owner mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As the Group's operation is an integrated value chain, risks emanate from every process, while some could cut across groups. The results of these activities flow up to the Management Committee and, eventually, the BOD through the Group's annual business planning process.

Oversight and technical assistance is likewise provided by corporate units and committees with special duties. These groups and their functions are:

- a. The Risk and Insurance Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.
- b. The Financial Risk Management Unit of the Treasurer's Department, which is in charge of foreign currency hedging transactions.
- c. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.
- d. The Corporate Technical and Engineering Services Group, which oversees strict adherence to safety and environmental mandates across all facilities.
- e. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.
- f. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the Board, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.
- g. PSTPL executes the hedging transactions involving crude and product imports on behalf of the Group.

The BOD also created separate board-level entities with explicit authority and responsibility in managing and monitoring risks, as follows:

- a. The Audit and Risk Management Committee ensures the integrity of internal control activities throughout the Group. It develops, oversees, checks and pre-approves financial management functions and systems in the areas of credit, market, liquidity, operational, legal and other risks of the Group, and crisis management. The Internal Audit Department and the External Auditor directly report to the Audit and Risk Management Committee regarding the direction, scope and coordination of audit and any related activities.
- b. The Compliance Officer, who is a senior officer of the Parent Company reports to the BOD through the Audit and Risk Management Committee. He monitors compliance with the provisions and requirements of the Corporate Governance Manual, determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual.

Foreign Currency Risk

The Parent Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposures to foreign currency risk arise mainly from US dollar-denominated sales as well as purchases principally of crude oil and petroleum products. As a result of this, the Group maintains a level of US dollar-denominated assets and liabilities during the period. Foreign currency risk occurs due to differences in the levels of US dollar-denominated assets and liabilities.

In addition, starting March 31, 2012, the Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

The Group pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

The Group is allowed to engage in active risk management strategies for a portion of its foreign currency risk exposure. Loss limits are in place, monitored daily and regularly reviewed by management.

Information on the Group's US dollar-denominated financial assets and liabilities and their Philippine peso equivalents are as follows:

	2015		2014	
	US dollar	Phil. Peso Equivalent	US dollar	Phil. Peso Equivalent
Assets				
Cash and cash equivalents	287	13,510	1,252	56,039
Trade and other receivables	165	7,788	172	7,709
Other assets	46	2,157	79	3,519
	498	23,455	1,503	67,267
Liabilities				
Short-term loans	326	15,351	776	34,713
Liabilities for crude oil and petroleum product importation	284	13,380	532	23,804
Long-term debts (including current maturities)	959	45,153	1,111	49,676
Other liabilities	78	3,658	712	31,869
	1,647	77,542	3,131	140,062
Net foreign currency - denominated monetary liabilities	(1,149)	(54,087)	(1,628)	(72,795)

The Group incurred net foreign currency losses amounting to P4,305, P1,617 and P4,109 in 2015, 2014 and 2013, respectively (Note 26), which were mainly countered by marked-to-market and realized hedging gains (Note 26). The foreign currency rates from Philippine peso (PhP) to US dollar (US\$) as of December 31 are shown in the following table:

	PhP to US\$
December 31, 2013	44.400
December 31, 2014	44.720
December 31, 2015	47.060

Management of foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of December 31, 2015 and 2014:

	P1 Decrease in the US dollar Exchange Rate		P1 Increase in the US dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
2015				
Cash and cash equivalents	(P154)	(P241)	P154	P241
Trade and other receivables	(84)	(140)	84	140
Other assets	(34)	(36)	34	36
	(272)	(417)	272	417
Short-term loans	240	254	(240)	(254)
Liabilities for crude oil and petroleum product importation	130	245	(130)	(245)
Long-term debts (including current maturities)	890	692	(890)	(692)
Other liabilities	12	74	(12)	(74)
	1,272	1,265	(1,272)	(1,265)
	P1,000	P848	(P1,000)	(P848)
	P1 Decrease in the US dollar Exchange Rate		P1 Increase in the US dollar Exchange Rate	
	Effect on Income Before Income Tax	Effect on Equity	Effect on Income Before Income Tax	Effect on Equity
2014				
Cash and cash equivalents	(P882)	(P988)	P882	P988
Trade and other receivables	(51)	(157)	51	157
Other assets	(58)	(62)	58	62
	(991)	(1,207)	991	1,207
Short-term loans	450	641	(450)	(641)
Liabilities for crude oil and petroleum product importation	297	444	(297)	(444)
Long-term debts (including current maturities)	1,025	803	(1,025)	(803)
Other liabilities	636	522	(636)	(522)
	2,408	2,410	(2,408)	(2,410)
	P1,417	P1,203	(P1,417)	(P1,203)

Exposures to foreign currency rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates mainly to long-term borrowings and investment securities. Investments or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investments or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest costs by using a combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rates and ensures that the marked-up rates levied on its borrowings are most favorable and benchmarked against the interest rates charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings prior to deployment of funds to their intended use in operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term volatility on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

Managing interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity through the retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P452 and P497 in 2015 and 2014, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table

As of December 31, 2015 and 2014, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

2015	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P36	P20,036	P1,678	P1,029	P1,029	P4,648	P28,456
Interest rate	6.3% - 7.2%	6.3% - 7.2%	5.5% - 7.2%	5.5% - 7.2%	5.5% - 7.2%	5.5% - 7.2%	
Floating Rate							
Malaysian ringgit denominated (expressed in PhP)	639	1,096	1,096	458	-	-	3,289
Interest rate	1.5%+COF	1.5%+COF	1.5%+COF	1.5%+COF			
US\$ denominated (expressed in PhP)	33	10,085	13,782	10,588	7,395	-	41,883
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin		
	P708	P31,217	P16,556	P12,075	P8,424	P4,648	P73,628

*The Group reprices every 3 months but has been given an option to reprice every 1 or 6 months.

2014	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate Philippine peso denominated Interest rate	P36 6.3% - 7.2%	P36 6.3% - 7.2%	P20,036 6.3% - 7.2%	P678 6.3% - 7.2%	P29 6.3% - 7.2%	P2,677 6.3% - 7.2%	P23,492
Floating Rate Malaysian ringgit denominated (expressed in PhP) Interest rate	-	746 1.5%+COF	1,280 1.5%+COF	1,280 1.5%+COF	534 1.5%+COF	-	3,840
US\$ denominated (expressed in PhP) Interest rate*	6,101 1, 3, 6 mos. Libor + margin	18,399 1, 3, 6 mos. Libor + margin	12,266 1, 3, 6 mos. Libor + margin	6,069 1, 3, 6 mos. Libor + margin	3,035 1, 3, 6 mos. Libor + margin	-	45,870
	P6,137	P19,181	P33,582	P8,027	P3,598	P2,677	P73,202

*The Group reprices every 3 months but has been given an option to reprice every 1 or 6 months.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Group regulates and extends credit only to qualified and credit-worthy customers and counterparties, consistent with established Group credit policies, guidelines and credit verification procedures. Requests for credit facilities from trade customers undergo stages of review by National Sales and Finance Divisions. Approvals, which are based on amounts of credit lines requested, are vested among line managers and top management that include the President and the Chairman.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the consolidated statements of financial position or in the notes to the consolidated financial statements, as summarized below:

	Note	2015	2014
Cash in bank and cash equivalents (net of cash on hand)	6	P16,852	P87,906
Derivative assets	7	362	1,496
Available-for-sale financial assets	8	621	881
Trade and other receivables - net	9	30,749	48,339
Due from related parties	15	1,816	1,747
Long-term receivables - net	15	189	43
Noncurrent deposits	15	82	90
		P50,671	P140,502

The credit risk for cash and cash equivalents and derivative financial instruments is considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

In monitoring trade receivables and credit lines, the Group maintains up-to-date records where daily sales and collection transactions of all customers are recorded in real-time and month-end statements of accounts are forwarded to customers as collection medium. Finance Division's Credit Department regularly reports to management trade receivables balances (monthly), past due accounts (weekly) and credit utilization efficiency (semi-annually).

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables (Note 9). Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P4,070 and P4,653 as of December 31, 2015 and 2014, respectively. These securities may only be called on or applied upon default of customers.

Credit Risk Concentration. The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

The credit risk exposure of the Group based on TAR as of December 31, 2015 and 2014 are shown below (Note 9):

	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
December 31, 2015				
Reseller	P2,806	P117	P71	P2,994
Lubes	341	8	13	362
Gasul	392	48	133	573
Industrial	5,071	367	518	5,956
Others	8,021	306	89	8,416
	P16,631	P846	P824	P18,301
	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
December 31, 2014				
Reseller	P3,586	P144	P35	P3,765
Lubes	250	26	19	295
Gasul	548	55	147	750
Industrial	7,702	2,114	494	10,310
Others	2,277	1,162	105	3,544
	P14,363	P3,501	P800	P18,664

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

Class A "*High Grade*" are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B "*Moderate Grade*" refers to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Class C “*Low Grade*” are accounts with high probability of delinquency and default.

Below is the credit quality profile of the Group’s TAR as of December 31, 2015 and 2014:

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
December 31, 2015				
Reseller	P307	P2,622	P65	P2,994
Lubes	155	194	13	362
Gasul	111	346	116	573
Industrial	1,451	3,031	1,474	5,956
Others	5,664	2,590	162	8,416
	P7,688	P8,783	P1,830	P18,301

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
December 31, 2014				
Reseller	P3,225	P494	P46	P3,765
Lubes	190	84	21	295
Gasul	228	396	126	750
Industrial	2,828	5,848	1,634	10,310
Others	1,271	2,050	223	3,544
	P7,742	P8,872	P2,050	P18,664

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group’s objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of December 31, 2015 and 2014.

2015	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P18,881	P18,881	P18,881	P -	P -	P -
Trade and other receivables	30,749	30,749	30,749	-	-	-
Due from related parties	1,816	1,816	-	1,816	-	-
Derivative assets	362	362	362	-	-	-
Financial assets at FVPL	147	147	147	-	-	-
AFS financial assets	621	657	253	68	209	127
Long-term receivables - net	189	272	-	-	272	-
Noncurrent deposits	82	83	-	5	9	69
Financial Liabilities						
Short-term loans	99,481	100,126	100,126	-	-	-
Liabilities for crude oil and petroleum product importation	16,271	16,271	16,271	-	-	-
Accounts payable and accrued expenses (excluding specific taxes and other taxes payable and retirement benefits liability)	7,401	7,401	7,401	-	-	-
Derivative liabilities	603	603	603	-	-	-
Long-term debts (including current maturities)	72,420	82,675	4,077	34,306	39,324	4,968
Cash bonds	382	388	-	367	4	17
Cylinder deposits	454	454	-	-	-	454
Other noncurrent liabilities	70	70	-	-	-	70
2014	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P90,602	P90,602	P90,602	P -	P -	P -
Trade and other receivables	48,339	48,339	48,339	-	-	-
Due from related parties	1,747	1,747	-	1,747	-	-
Derivative assets	1,496	1,496	1,496	-	-	-
Financial assets at FVPL	136	136	136	-	-	-
AFS financial assets	881	932	475	243	214	-
Long-term receivables - net	43	52	-	14	14	24
Noncurrent deposits	90	91	-	2	9	80
Financial Liabilities						
Short-term loans	133,388	134,232	134,232	-	-	-
Liabilities for crude oil and petroleum product importation	24,032	24,032	24,032	-	-	-
Accounts payable and accrued expenses (excluding specific taxes and other taxes payable and retirement benefits liability)	36,839	36,839	36,839	-	-	-
Derivative liabilities	98	98	98	-	-	-
Long-term debts (including current maturities)	72,129	84,857	6,774	22,656	52,242	3,185
Cash bonds	870	873	-	864	3	6
Cylinder deposits	442	442	-	-	-	442
Other noncurrent liabilities	61	61	-	-	-	61

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the Commodity Risk Management Committee is in place. Decisions are guided by the conditions set and approved by the Group's management.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (FVPL and AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group's capital management policies and programs aim to provide an optimal capital structure that would ensure the Group's ability to continue as a going concern while at the same time provide adequate returns to the shareholders. As such, it considers the best trade-off between risks associated with debt financing and relatively higher cost of equity funds.

An enterprise resource planning system is used to monitor and forecast the Group's overall financial position. The Group regularly updates its near-term and long-term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Group monitors capital via carrying amount of equity as shown in the consolidated statements of financial position. The Group's capital for the covered reporting period is summarized below:

	2015	2014
Total assets	P294,267	P391,324
Total liabilities	211,167	277,632
Total equity	83,100	113,692
Debt to equity ratio	2.5:1	2.4:1
Assets to equity ratio	3.5:1	3.4:1

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

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

35. Financial Assets and Financial Liabilities

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

		2015		2014	
	<i>Note</i>	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	6	P18,881	P18,881	P90,602	P90,602
Trade and other receivables	9	30,749	30,749	48,339	48,339
Due from related parties	15	1,816	1,816	1,747	1,747
Long-term receivables - net	15	189	189	43	43
Noncurrent deposits	15	82	82	90	90
Loans and receivables		51,717	51,717	140,821	140,821
AFS financial assets	8	621	621	881	881
Financial assets at FVPL	7	147	147	136	136
Derivative assets	7	362	362	1,496	1,496
FA at FVPL		509	509	1,632	1,632
Total financial assets		P52,847	P52,847	P143,334	P143,334

		2015		2014	
	<i>Note</i>	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities (FL):					
Short-term loans	16	P99,481	P99,481	P133,388	P133,388
Liabilities for crude oil and petroleum product importation		16,271	16,271	24,032	24,032
Trade and other payables (excluding specific taxes and other taxes payable and retirement benefits liability)	17	7,401	7,401	36,839	36,839
Long-term debt including current portion	18	72,420	72,420	72,129	72,129
Cash bonds	20	382	382	870	870
Cylinder deposits	20	454	454	442	442
Other noncurrent liabilities	20	70	70	61	61
FL at amortized cost		196,479	196,479	267,761	267,761
Derivative liabilities		603	603	98	98
Total financial liabilities		P197,082	P197,082	P267,859	P267,859

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

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

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Marked-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties.

Financial Assets at FVPL and AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on published market prices. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

Long-term Debt - Floating Rate. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Cash Bonds, Cylinder Deposits and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rates used in 2015 and 2014 are 5.84% and 5.69%, respectively.

Short-term Loans, Liabilities for Crude Oil and Petroleum Product Importation and Trade and Other Payables. The carrying amount of short-term loans, liabilities for crude oil and petroleum product importation and trade and other payables approximates fair value primarily due to the relatively short-term maturities of these financial instruments.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group enters into various currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are recognized directly in profit or loss.

Freestanding Derivatives

Freestanding derivatives consist of commodity and currency entered into by the Group.

Currency Forwards

As of December 31, 2015 and 2014, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$1,013 million and US\$1,673 million, respectively, and with various maturities in 2016 and 2015. As of December 31, 2015, the net fair value of these currency forwards amounted to (P202) while the December 31, 2014 figure is minimal.

Commodity Swaps

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2016. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price.

Total outstanding equivalent notional quantity covered by the commodity swaps were 10.9 million barrels and 6.6 million barrels for 2015 and 2014, respectively. The estimated net receipts (payouts) for these transactions amounted to (P39) and P1,398 for 2015 and 2014, respectively.

Commodity Options

As of December 31, 2015 and 2014, the Group has no outstanding 3-way options designated as hedge of forecasted purchases of crude oil.

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

Embedded Derivatives

Embedded foreign currency derivatives exist in certain US dollar-denominated sales and purchases contracts for various fuel products of Petron. Under the sales and purchase contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of December 31, 2015 and 2014, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2015 and 2014, the net negative fair value of these embedded currency forwards is minimal.

For the years ended December 31, 2015, 2014 and 2013, the Group recognized marked-to-market gains from freestanding and embedded derivatives amounting to P936, P2,153 and P2,479, respectively (Note 26).

Fair Value Changes on Derivatives

The net movements in the fair value of all derivative transactions in 2015 and 2014 are as follows:

	<i>Note</i>	2015	2014
Fair value at beginning of year		P1,398	P537
Net changes in fair value during the year	26	936	2,153
Fair value of settled instruments		(2,575)	(1,292)
Fair value at end of year		(P241)	P1,398

Fair Value Hierarchy

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2015 and 2014. The different levels have been defined as follows:

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

2015	Level 1	Level 2	Total
Financial Assets:			
FVPL	P -	P147	P147
Derivative assets	-	362	362
AFS financial assets	71	550	621
Financial Liabilities:			
Derivative liabilities	-	(603)	(603)
2014	Level 1	Level 2	Total
Financial Assets:			
FVPL	P -	P136	P136
Derivative assets	-	1,496	1,496
AFS financial assets	372	509	881
Financial Liabilities:			
Derivative liabilities	-	(98)	(98)

The Group has no financial instruments valued based on Level 3 as of December 31, 2015 and 2014. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

36. Registration with the Board of Investments (BOI)

Benzene, Toluene and Propylene Recovery Units

On October 20, 2005, Petron registered with the BOI under the Omnibus Investments Code of 1987 (Executive Order 226) as: (1) a pioneer, new export producer status of Benzene and Toluene; and (2) a pioneer, new domestic producer status of Propylene. Under the terms of its registration, Petron is subject to certain requirements principally that of exporting at least 50% of the combined production of Benzene and Toluene.

As a registered enterprise, Petron is entitled to the following benefits on its production of petroleum products used as petrochemical feedstock:

- a. Income Tax Holiday (ITH): (1) for six years from May 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Benzene and Toluene; and (2) for six years from December 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Propylene.

- b. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming parts thereof for ten years from start of commercial operations.
- c. Simplification of custom procedures.
- d. Access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations provided firm exports of at least 50% of combined production of Benzene and Toluene.
- e. Exemption from wharfage dues, any export tax, duty, imposts and fees for a ten year period from date of registration.
- f. Importation of consigned equipment for a period of ten years from the date of registration subject to the posting of re-export bond.
- g. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 50% of combined production of Benzene and Toluene.
- h. Petron may qualify to import capital equipment, spare parts, and accessories at zero (one percent for Propylene) duty from date of registration up to June 5, 2006 pursuant to Executive Order (EO) No. 313 and its Implementing Rules and Regulations.

The BOI extended Petron's ITH incentive for its propylene sales from December 2013 to November 2014 and for its benzene and toluene sales from May 2014 to April 2015.

Fluidized Bed Catalytic Cracker (PetroFCC) Unit

On December 20, 2005, the BOI approved Petron's application under RA 8479 for new investment at its Bataan Refinery for the PetroFCC. Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

- a. ITH for five years without extension or bonus year from December 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration subject to a rate of exemption computed based on the % share of product that are subject to retooling.
- b. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.
- c. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment. This shall be equivalent to the difference between the tariff rate and the three percent (3%) duty imposed on the imported counterpart.
- d. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.
- e. Exemption from wharfage dues, any export tax, duty, imposts and fees for a ten year period from date of registration.

- f. Exemption from taxes and duties on imported spare parts for consigned equipment with bonded manufacturing warehouse.
- g. Exemption from real property tax on production equipment or machinery.
- h. Exemption from contractor's tax.

PetroFCC entitlement period ended in February 2013 and registration with BOI was cancelled on July 4, 2013.

70 MW Coal-Fired Power Plant (Limap, Bataan)

On November 3, 2010, Petron registered with the BOI as new operator of a 70 MW Coal-Fired Power Plant on a pioneer status with non-pioneer incentives under the Omnibus Investments Code of 1987 (EO No. 226). Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

- a. ITH for four years from July 2012 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration limited to the revenue generated from the electricity sold to the grid.
- b. Importation of consigned equipment for a period of ten years from the date of registration subject to the posting of re-export bond.
- c. Petron may qualify to import capital equipment, spare parts and accessories at zero percent duty from date of registration up to June 16, 2011 pursuant to EO No. 528 and its Implementing Rules and Regulations.

The power plant started commercial operations on May 10, 2013 and the Parent Company availed ITH from May to September 2013.

On March 4, 2014, the BOI approved the transfer of BOI Certificate of Registration No. 2010-181 covering the 70 MW Coal-Fired Power Plant Project to SMC PowerGen, Inc. as the new owner of the said facility.

RMP-2 Project

On June 3, 2011, the BOI approved Petron's application under RA 8479 as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

- a. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration based on the formula of the ITH rate of exemption.
- b. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.
- c. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.
- d. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.
- e. Exemption from real property tax on production equipment or machinery.

- f. Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operation on January 1, 2016.

70 MW Solid Fuel-Fired Power Plant

On February 14, 2013, Petron registered with the BOI as an expanded operator of a 70 MW Solid Fuel-Fired Power Plant on a pioneer status under the Omnibus Investments Code of 1987 (EO No. 226). Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

- a. ITH for three years from December 2014 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration limited to the revenue generated from the electricity sold to the grid, other entities and/or communities.
- b. Importation of capital equipment, spare parts and accessories at zero (0%) duty from the date of effectivity of Executive Order No. 70 and its Implementing Rules and Regulations for a period of five (5) years reckoned from the date of registration or until the expiration of EO 70, whichever is earlier.
- c. Importation of consigned equipment for a period of ten years from the date of registration subject to the posting of re-export bond.

On March 4, 2014, the BOI approved the transfer of BOI Certificate of Registration No. 2013-047 covering this 70 MW Solid Fuel-Fired Power Plant to SMC PowerGen, Inc., the new owner of the said plant.

Yearly certificates of entitlement have been timely obtained by Petron to support its ITH credits.

37. Segment Information

Management identifies segments based on business and geographic locations. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The CEO (the chief operating decision maker) reviews management reports on a regular basis.

The Group's major sources of revenues are as follows:

- a. Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country.
- b. Insurance premiums from the business and operation of all kinds of insurance and reinsurance, on sea as well as on land, of properties, goods and merchandise, of transportation or conveyance, against fire, earthquake, marine perils, accidents and all others forms and lines of insurance authorized by law, except life insurance.
- c. Lease of acquired real estate properties for petroleum, refining, storage and distribution facilities, gasoline service stations and other related structures.
- d. Sales on wholesale or retail and operation of service stations, retail outlets, restaurants, convenience stores and the like.

- e. Export sales of various petroleum and non-fuel products to other Asian countries such as China, Brunei, Taiwan, Cambodia, Malaysia, Thailand and Singapore.
- f. Sale of polypropylene resins to domestic plastic converters of yarn, film and injection moulding grade plastic products.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the years ended December 31, 2015, 2014 and 2013.

	Petroleum	Insurance	Leasing	Marketing	Elimination/ Others	Total
2015						
Revenue:						
External sales	P357,908	P -	P33	P2,270	(P33)	P360,178
Inter-segment sales	158,171	107	509	55	(158,842)	-
Operating income	17,048	78	256	83	669	18,134
Net income	9,349	103	97	87	(3,366)	6,270
Assets and liabilities:						
Segment assets	333,187	1,097	5,181	904	(46,313)	294,056
Segment liabilities	216,062	178	4,004	313	(14,028)	206,529
Other segment information:						
Property, plant and equipment	156,319	-	-	208	5,070	161,597
Depreciation and amortization	6,164	-	2	39	67	6,272
Interest expense	5,533	-	183	-	(183)	5,533
Interest income	846	15	1	7	(183)	686
Income tax expense	3,479	11	35	21	109	3,655
2014						
Revenue:						
External sales	479,753	-	-	2,782	-	482,535
Inter-segment sales	249,428	82	550	-	(250,060)	-
Operating income	7,154	53	238	59	101	7,605
Net income	3,172	85	36	70	(354)	3,009
Assets and liabilities:						
Segment assets	422,442	1,388	5,090	1,072	(38,910)	391,082
Segment liabilities	292,491	185	4,010	360	(22,885)	274,161
Other segment information:						
Property, plant and equipment	148,256	-	-	232	5,162	153,650
Depreciation and amortization	5,920	-	2	45	66	6,033
Interest expense	5,528	-	189	-	(189)	5,528
Interest income	1,011	14	1	6	(188)	844
Income tax expense	809	11	22	14	(52)	804

Forward

	Petroleum	Insurance	Leasing	Marketing	Elimination/ Others	Total
2013						
Revenue:						
External sales	P461,087	P -	P -	P2,551	P -	P463,638
Inter-segment sales	221,647	74	560	-	(222,281)	-
Operating income	11,019	48	211	68	338	11,684
Net income	5,207	34	40	84	(273)	5,092
Assets and liabilities:						
Segment assets	392,599	1,606	4,933	1,083	(42,925)	357,296
Segment liabilities	264,539	470	3,888	324	(28,256)	240,965
Other segment information:						
Property, plant and equipment	136,249	-	-	251	5,147	141,647
Depreciation and amortization	5,691	-	2	51	62	5,806
Interest expense	5,461	-	189	1	(189)	5,462
Interest income	1,440	21	2	11	(189)	1,285
Income tax expense	1,747	9	14	17	63	1,850

Inter-segment sales transactions amounted to P158,842, P250,060 and P222,281 for the years ended December 31, 2015, 2014 and 2013, respectively.

The following table presents additional information on the petroleum business segment of the Group as at and for the years ended December 31, 2015, 2014 and 2013:

	Reseller	Lube	Gasul	Industrial	Others	Total
2015						
Revenue	P169,179	P4,052	P18,119	P81,587	P84,971	P357,908
Property, plant and equipment	18,682	138	360	200	136,939	156,319
Capital expenditures	1,909	1	61	99	114,515	116,585
2014						
Revenue	241,118	3,677	25,157	138,455	71,346	479,753
Property, plant and equipment	22,167	150	393	161	125,385	148,256
Capital expenditures	2,256	-	41	98	102,333	104,728
2013						
Revenue	245,799	3,086	24,478	132,455	55,269	461,087
Property, plant and equipment	20,708	187	421	207	114,726	136,249
Capital expenditures	2,689	-	68	127	89,382	92,266

Geographical Segments

The following table presents segment assets of the Group as of December 31, 2015 and 2014.

	2015	2014
Local	P242,529	P320,516
International	51,527	70,566
	P294,056	P391,082

The following table presents revenue information regarding the geographical segments of the Group for the years ended December 31, 2015, 2014 and 2013.

	Petroleum	Insurance	Leasing	Marketing	Elimination/ Others	Total
2015						
Revenue:						
Local	P212,724	P57	P542	P2,325	(P2,014)	P213,634
Export/international	303,355	50	-	-	(156,861)	146,544
2014						
Revenue:						
Local	276,885	52	550	2,782	(3,538)	276,731
Export/international	452,296	30	-	-	(246,522)	205,804
2013						
Revenue:						
Local	265,989	21	560	2,551	(4,676)	264,445
Export/international	416,745	53	-	-	(217,605)	199,193

38. Events After the Reporting Date

On February 6, 2016, the Parent Company paid distributions amounting to US\$28.125 million (P1,919) to the holders of USCS.

On March 2, 2016, the Executive Committee approved the Parent Company's subscription to additional ordinary shares of PAHL for a total of P1,291.

On March 15, 2016, the BOD of the Parent Company approved cash dividends for common and Series 2 preferred shareholders with the following details:

Type	Per Share	Record Date	Payment Date
Common	P0.10000	March 31, 2016	April 14, 2016
Series 2A	15.75000	April 15, 2016	May 3, 2016
Series 2B	17.14575	April 15, 2016	May 3, 2016
Series 2A	15.75000	July 15, 2016	August 3, 2016
Series 2B	17.14575	July 15, 2016	August 3, 2016

39. Other Matters

- The Group has unused letters of credit totaling approximately P28,799 and P31,396 as of December 31, 2015 and 2014, respectively.

b. Tax Credit Certificates Related Cases

In 1998, the Bureau of Internal Revenue (BIR) issued a deficiency excise tax assessment against the Parent Company relating to its use of P659 worth of Tax Credit Certificate ("TCCs") to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to the Parent Company by suppliers as payment for fuel purchases. The Parent Company contested the BIR's assessment before the Court of Tax Appeals (CTA). In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, the Parent Company was a qualified transferee of the TCCs and that the collection of the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals (CA) promulgated a decision in favor of the Parent Company and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to the Parent Company. 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. On June 17, 2013, the Parent Company filed its comment on the petition for review filed by the BIR. The petition was still pending as of December 31, 2015.

c. Pandacan Terminal Operations

In November 2001, the City of Manila enacted Ordinance No. 8027 (Ordinance 8027) reclassifying the areas occupied by the oil terminals of the Parent Company, Pilipinas Shell Petroleum Corporation (Shell) and Chevron Philippines Inc. (Chevron) from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. In December 2002, the Social Justice Society (SJS) filed a petition with the Supreme Court against the Mayor of Manila asking that the latter be ordered to enforce Ordinance 8027. In April 2003, the Parent Company filed a petition with the Regional Trial Court (RTC) to annul Ordinance 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance (Ordinance 8119), which applied to the entire City of Manila. Ordinance 8119 allowed the Parent Company (and other non-conforming establishments) a seven-year grace period to vacate. As a result of the passage of Ordinance 8119, which was thought to effectively repeal Ordinance 8027, in April 2007, the RTC dismissed the petition filed by the Parent Company questioning Ordinance 8027.

However, on March 7, 2007, in the case filed by SJS, the Supreme Court rendered a decision (March 7 Decision) directing the Mayor of Manila to immediately enforce Ordinance 8027. On March 12, 2007, the Parent Company, together with Shell and Chevron, filed motions with the Supreme Court seeking intervention and reconsideration of the March 7 Decision. In the same year, the Parent Company also filed a petition before the RTC of Manila praying for the nullification of Ordinance 8119 on the grounds that the reclassification of the oil terminals was arbitrary, oppressive and confiscatory, and thus unconstitutional, and that the said Ordinance contravened the provisions of the Water Code of the Philippines (Presidential Decree No. 1067, the Water Code). On February 13, 2008, the Parent Company, Shell and Chevron were allowed by the Supreme Court to intervene in the case filed by SJS but their motions for reconsideration were denied. The Supreme Court declared Ordinance 8027 valid and dissolved all existing injunctions against the implementation of the Ordinance 8027.

In May 2009, Manila City Mayor Alfredo Lim approved Ordinance No. 8187 (Ordinance 8187), which amended Ordinance 8027 and Ordinance 8119 and permitted the continued operations of the oil terminals in Pandacan.

On August 24, 2012 (August 24 Decision), the 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 upheld the validity of all other provisions of Ordinance 8119. The Parent Company filed with the RTC a Notice of Appeal to the Court of Appeals on January 23, 2013. The parties have filed their respective briefs. As of December 31, 2015, the appeal remained pending.

With regard to Ordinance 8187, petitions were filed before the Supreme Court seeking its nullification and the enjoinder of its implementation. The Parent Company filed a manifestation on November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five (5) years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of the Parent Company and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented the Parent Company from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), the Parent Company reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

On November 25, 2014, the Supreme Court issued a Decision (November 25 Decision) declaring Ordinance 8187 unconstitutional and invalid with respect to the continued stay of the oil terminals in Pandacan. The Parent Company, Shell and Chevron were given 45 days from receipt of the November 25 Decision to submit a comprehensive plan and relocation schedule to the RTC of Manila and implement full relocation of their fuel storage facilities within six (6) months from the submission of the required documents. On March 10, 2015, acting on a Motion for Reconsideration filed by Shell, a Motion for Clarification filed by Chevron, and a Manifestation filed by the Parent Company, the Supreme Court denied Shell's motion with finality and clarified that relocation and transfer necessarily included removal of the facilities in the Pandacan terminals and should be part of the required comprehensive plan and relocation schedule. On May 14, 2015, the Parent Company filed its submission in compliance with the November 25 Decision.

d. Oil Spill Incident in Guimaras

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

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed 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 amount to P292. The cases were pending as of December 31, 2015.

e. Other Proceedings

The Group is also a party to certain other proceedings arising out of the ordinary course of its business, including legal proceedings with respect to tax, regulatory and other matters. While the results of litigation cannot be predicted with certainty, Management believes that the final outcome of these other proceedings will not have a material adverse effect on the Group's business, financial condition or results of operations.



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**REPORT OF INDEPENDENT AUDITORS ON
SUPPLEMENTARY INFORMATION**

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation (the “Company”) and Subsidiaries (the “Group”) as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, and have issued our report thereon dated March 15, 2016.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company’s management.

- Supplementary Schedules of Annex 68-E
- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards and Interpretations

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-A, Group A, valid until February 5, 2017

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-31-2013

Issued December 2, 2013; valid until December 1, 2016

PTR No. 5321515MD

Issued January 4, 2016 at Makati City

March 15, 2016
Makati City, Metro Manila

PETRON CORPORATION AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2015

Statement of Management's Responsibility for the Consolidated Financial Statements

Independent Auditor's Report on the SEC Supplementary Schedules
Filed Separately from the Consolidated Financial Statements

Supplementary Schedules to Consolidated Financial Statements

Supplementary Schedules of Annex 68 - E	Page No.
A. Financial Assets	NA ^(a)
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	NA ^(b)
C. Amounts Receivable and Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements	1 - 2
D. Goodwill and Other Intangible Assets	3
E. Long-term Debt	4
F. Indebtedness to Related Parties	NA ^(c)
G. Guarantees of Securities of Other Issuers	NA
H. Capital Stock	5
Map of the Conglomerate within which the Group belongs	6
Schedule of Philippine Financial Reporting Standards and Interpretations	7

^(a) Balance of Available-for-Sale Financial Assets and Fair Value Through Profit or Loss is less than 5% of total current assets.

^(b) Balance of account is less than 1% of the total assets of the Group and no individually significant advances over P100,000.

^(c) Balance of account is less than 5% of total assets of the Group

Supplementary Schedule to Separate Financial Statements

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration	8
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PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
P	8,963	25,440	P	-	7,242	P	-	7,242
Petron Corporation	1	380	(27,161)	-	126	126	-	126
Petron Marketing Corporation	1	46	(255)	-	1	1	-	1
Petron Freepport Corporation	13,599	139,641	(46)	-	6,373	6,373	-	6,373
Petron Singapore Trading Pte., Ltd.	50	449	(146,867)	-	25	25	-	25
Petrogen Insurance Corporation			(474)	-				
Overseas Ventures Insurance Corporation Ltd.	14	34	(41)	-	7	7	-	7
New Ventures Realty Corporation and Subsidiaries	15	138	(146)	-	7	7	-	7
Petrochemical Asia (HK) Limited and Subsidiaries	79	(9)	-	-	70	70	-	70
Petron Oil and Gas Mauritius Ltd. and Subsidiaries	-	4	-	-	4	4	-	4
TOTAL	22,722	166,123	(174,990)	-	13,855	13,855	-	13,855
P								

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Petron Corporation	P 13,643	P 140,649	(147,776) P	- P	6,516 P	6,516 P	- P	6,516
Petron Marketing Corporation	98	929	(936)	-	91	91	-	91
Petron Freeport Corporation	38	390	(389)	-	39	39	-	39
Petron Singapore Trading Pte., Ltd.	4,331	23,819	(24,852)	-	3,298	3,298	-	3,298
Petrogen Insurance Corporation	16	52	(60)	-	8	8	-	8
Overseas Ventures Insurance Corporation Ltd.	31	(17)	-	-	14	14	-	14
New Ventures Realty Corporation and Subsidiaries	3,772	122	(6)	-	3,888	3,888	-	3,888
Petron Oil and Gas Mauritius Ltd. and Subsidiaries	269	178	(447)	-	-	-	-	-
Petrochemical Asia (HK) Limited and Subsidiaries	524	-	(524)	-	-	-	-	-
Petron Finance (Labuan) Limited	-	1	-	-	1	1	-	1
TOTAL	P 22,722	166,123 P	(174,950) P	- P	13,855 P	13,855 P	- P	13,855

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE D - GOODWILL AND OTHER INTANGIBLE ASSETS
DECEMBER 31, 2015
(Amounts in Millions)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	P 8,921 P	- P	- P	- P	(1,227) P	7,694
Franchise Fee:						
Cost	P 17 P	- P	- P	- P	- P	17
Less amortization for the year	12	-	1	-	-	13
	5 P	- P	(1) P	- P	- P	4
Computer Software:						
Cost	P 600 P	- P	- P	- P	(86) P	514
Less amortization for the year	384	-	76	-	(55)	405
	216 P	- P	(76) P	- P	(31) P	109

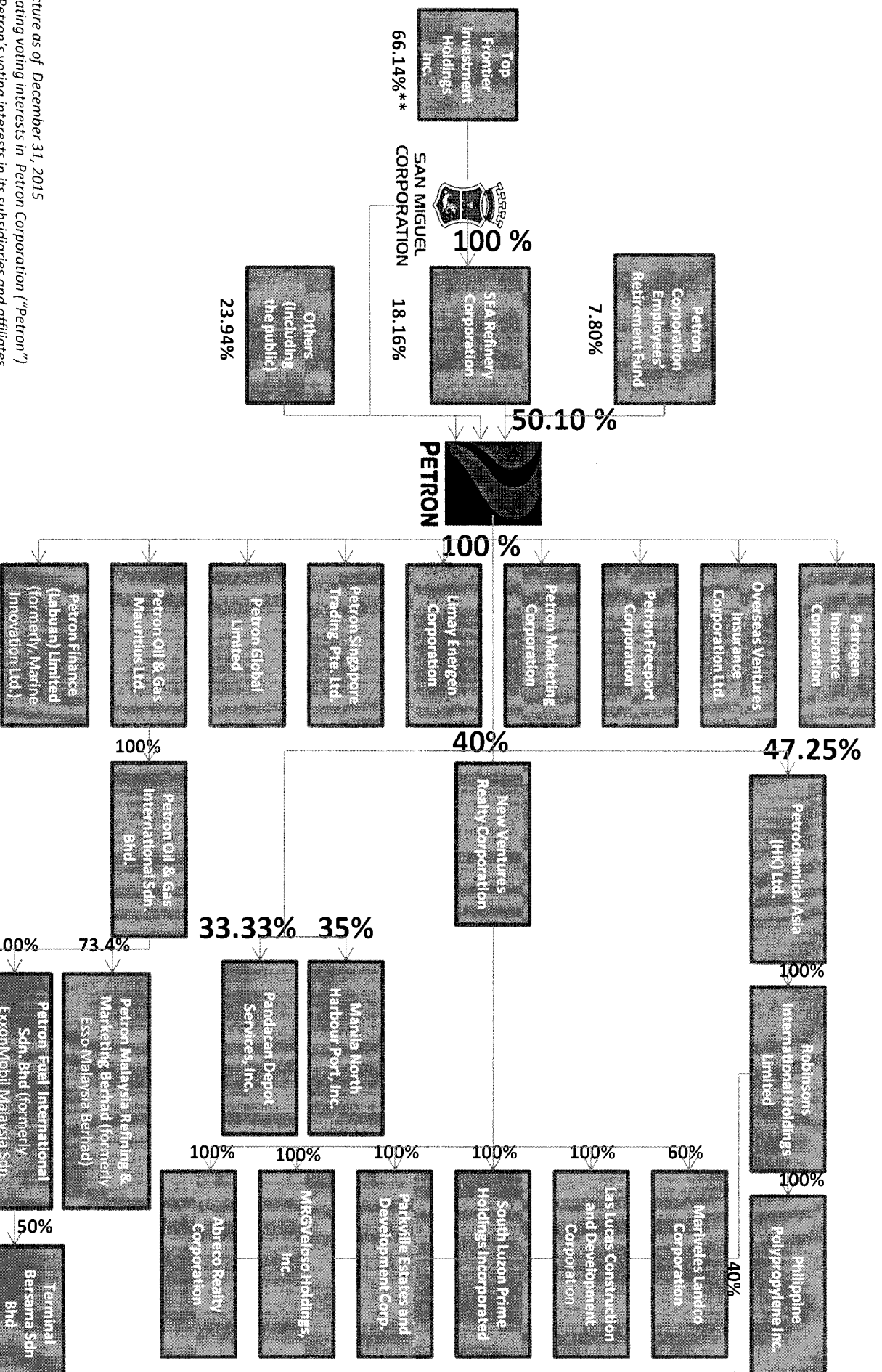
PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2015
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Amount Shown as Current	Current and Long-term	INTEREST RATES	Number of Periodic Installments	Final Maturity
Unsecured term notes:							
<i>Peso denominated:</i>							
Fixed	P	3,456	P	32	P	3,433	
Fixed	Rizal Commercial Banking Corporation	5,000	-	-	6.3212% and 7.1827%	Amortized	October 2021
Fixed	UnionBank of the Philippines	20,000	-	19,926	5.46%	Amortized	October 2022
	Deutsche Bank AG, Hongkong Branch				7.00%	Bullet	November 2017
		28,456		32			
				28,335			
<i>Foreign currency - denominated</i>							
Floating	Standard Chartered Bank (Hong Kong) Limited	16,000	32	15,639	LIBOR + margin	Amortized	May 2019
Floating	Malayan Banking Berhad	1,645	222	1,634	COF + margin	Amortized	July 2019
Floating	CIMB Bank	1,644	408	1,635	COF + margin	Amortized	March 2019
Floating	Standard Chartered Bank (Hong Kong) Limited	25,883	-	25,177	LIBOR + margin	Amortized	July 2020
		45,172		662			
				44,085			
Total Long-term Debt		P	73,628	P	694	P	72,420

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2015

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors and executive officers	Others
Preferred stock	624,895,503	-	Not applicable	-	-	-
Common stock	9,375,104,497	9,375,104,497	Not applicable	7,130,912,221	1,873,345	2,242,318,931
Series 2A Preferred	7,122,320	7,122,320	Not applicable	-	39,000	7,083,320
Series 2B Preferred	2,877,680	2,877,680	Not applicable	-	-	2,877,680

PETRON GROUP STRUCTURE (with Shareholdings in San Miguel Corporation)



* Structure as of December 31, 2015
indicating voting interests in Petron Corporation ("Petron")
and Petron's voting interests in its subsidiaries and affiliates.

** Information on direct and/or indirect interests in San Miguel Corporation ("SMC")
based on the Public Ownership Report of SMC as of December 31, 2015
posted on the EDGE Portal of the Philippine Stock Exchange.

PETRON CORPORATION AND SUBSIDIARIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 -2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards -Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 -2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 -2013 Cycle: PFRS version that a first-time adopter can apply			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 -2012 Cycle: Meaning of 'vesting condition'			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Classification and measurement of contingent consideration	✓		
	Annual Improvements to PFRSs 2011 -2013 Cycle: Scope exclusion for the formation of joint arrangements	✓		
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 -2014 Cycle: Changes in method for disposal		✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Early Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures -Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 -2014 Cycle: 'Continuing involvement' for servicing contracts		✓	
	Annual Improvements to PFRSs 2012 -2014 Cycle: Offsetting disclosures in condensed interim financial statements		✓	
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39		✓	
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities		✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 -2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 -2011 Cycle: Presentation of Financial Statements -Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 -2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Early Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 -2011 Cycle: Property, Plant and Equipment -Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 -2014 Cycle: Discount rate in a regional market sharing the same currency -e.g. the Eurozone		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Early Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 -2011 Cycle: Financial Instruments Presentation -Income Tax Consequences of Distributions			
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 -2011 Cycle: Interim Financial Reporting -Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 -2014 Cycle: Disclosure of information "elsewhere in the interim financial report"		✓	
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 -2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets -Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Early Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 -2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants		✓	
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Early Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 -Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) -Clarification of criteria for exemption from presenting consolidated financial statements	✓		
PIC Q&A 2007-01- Revised	PAS 1.103(a) -Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 -Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 -Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 -Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 -Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 -Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 -Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-01	PAS 39.AG71-72 -Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-02	PAS 1R.16 -Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Early Adopted	Not Applicable
PIC Q&A 2011-01	PAS 1.10(f) -Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 -Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 -Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 -Fair Value or Revaluation as Deemed Cost	✓		
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property -Acquisition of Investment properties -asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 -Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013	✓		
PIC Q&A 2013-03 (Revised)	PAS 19 -Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		



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**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION**

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Petron Corporation (the “Company”), which comprise the separate statements of financial position as at December 31, 2015 and 2014, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and have issued our report thereon dated March 15, 2016.

Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company’s management. This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-A, Group A, valid until February 5, 2017

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-31-2013

Issued December 2, 2013; valid until December 1, 2016

PTR No. 5321515MD

Issued January 4, 2016 at Makati City

March 15, 2016
Makati City, Metro Manila

PETRON CORPORATION
SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2015
(Amounts in Thousand Pesos)

*(Figures base on audited
financial statements)*

Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i>		P5,428,025
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	P5,499,827	
Less: Non-actual/ unrealized income, net of tax:		
Adjustment due to deviation from PFRS/GAAP - gain	3,224	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	20,170	
Sub-total	5,476,433	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/GAAP - loss	20,847	
Net income actually earned during the period	5,497,280	5,497,280
Add (Less):		
Dividend declarations during the period	(1,114,822)	
Distributions paid	(3,607,031)	
	(4,721,853)	(4,721,853)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		P6,203,452

Discussion of the Company's Key Performance Indicators:

Ratio	December 31, 2015	December 31, 2014	December 31, 2013
Current Ratio	0.9	1.1	1.0
Debt to Equity Ratio	2.8	2.7	2.4
Return on Equity (%)	6.4	2.7	5.4
Interest Rate Coverage Ratio	4.0	2.8	3.2
Assets to Equity Ratio	3.5	3.4	3.2

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 tangible net worth.

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. (Note: Tangible net worth is computed based on total equity attributable to Parent Company less any amount of goodwill).

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 - EBITDA 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.