IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

Important: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN AN OFFERING CIRCULAR THAT WILL BE DISTRIBUTED TO YOU ON OR PRIOR TO THE CLOSING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENTS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of the Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities described herein, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the electronic mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Circular to any other person.

The materials relating to any offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the Joint Lead Managers (as defined in the Offering Circular) or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Company (as defined in the Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers or any person who controls any of the Joint Lead Managers or any director, officer, employee or agent of any of the Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Petron Corporation

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

U.S.$475,000,000 Senior Perpetual Capital Securities

Issue price: 100.00%

The U.S.$475,000,000 senior perpetual capital securities (the "**Securities**") are issued by Petron Corporation ("**Petron**", the "**Issuer**" or the "**Company**"), comprising (i) U.S.$141,810,000 in aggregate principal amount of Securities offered hereunder (the "**New Securities**") and (ii) U.S.$333,190,000 in aggregate principal amount of Securities issued in exchange for the Company's Existing Securities (as defined herein) pursuant to the Exchange Offer (as defined herein).

The Securities will be issued under a trust deed dated on or about September 22, 2025 (the "**Trust Deed**") by and between the Company and Trustee (as defined herein).

The Securities confer a right to receive distributions (each, a "**Distribution**") at the applicable rate described below for the period from and including September 22, 2025 or from and including the most recent Distribution Payment Date (as defined in the Terms and Conditions of the Securities) to, but excluding, the next Distribution Payment Date or any redemption date. Subject to Condition 4.5 (*Optional Deferral of Distributions*), Distributions are payable semi-annually in arrears on the Distribution Payment Dates in each year. "**Distribution Payment Dates**" are defined as March 22 and September 22 of each year, commencing on March 22, 2026. Unless previously redeemed in accordance with the Terms and Conditions of the Securities and subject to Condition 4.4 (*Increase in Rate of Distribution*), Distributions (i) from and including September 22, 2025 to, but excluding, September 22, 2028 (the "**Step Up Date**") shall accrue on the outstanding principal amount of the Securities at 7.35% per annum (the "**Initial Rate of Distribution**") and (ii) from and including each Reset Date (as defined in the Terms and Conditions of the Securities) (including the Step Up Date) to, but excluding, the immediately following Reset Date, shall accrue on the outstanding principal amount of the Securities at the relevant Reset Rate of Distribution (as defined in the Terms and Conditions of the Securities).

The Company may, in its sole and absolute discretion, on any day which is not less than five Business Days (as defined in the Terms and Conditions of the Securities) prior to any Distribution Payment Date, resolve to defer payment of any or all of the Distribution which would otherwise be payable on that Distribution Payment Date unless, during the six months ending on that scheduled Distribution Payment Date (i) a discretionary dividend, distribution, interest or other payment has been paid or declared on or in respect of any Junior Securities or (except on a *pro rata* basis) Parity Securities (each as defined in the Terms and Conditions of the Securities) of the Company, other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Company or (ii) at the discretion of the Company, any Junior Securities or (except on a *pro rata* basis) Parity Securities have been redeemed, repurchased or otherwise acquired by the Company or any of its subsidiaries. Any such deferred Distribution will constitute "**Arrears of Distribution**" and will not be due and payable until the relevant Payment Reference Date (as defined in the Terms and Conditions of the Securities). Distributions will accrue on each Arrears of Distribution for so long as such Arrears of Distribution remains outstanding at the same Rate of Distribution (as defined in the Terms and Conditions of the Securities) as the principal amount of the Securities bears at such time and will be added to such Arrears of Distribution (and thereafter bear Distributions accordingly) on each Distribution Payment Date.

The Securities are undated securities in respect of which there is no fixed redemption date. Subject to applicable law, the Company may redeem the Securities (in whole but not in part) on any Optional Call Date (as defined in the Terms and Conditions of the Securities), the Step Up Date or any subsequent Distribution Payment Date at the Redemption Price (as defined in the Terms and Conditions of the Securities). The Issuer shall give not less than 10 and not more than 60 calendar days' irrevocable notice of redemption prior to the relevant Optional Call Date, Step Up Date or Distribution Payment Date falling after the Step Up Date to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*). The Securities may also be redeemed (in whole but not in part) at the option of the Company at the Redemption Price upon the occurrence of certain changes in Philippine tax law requiring the payment of Additional Amounts (as defined in the Terms and Conditions of the Securities). In addition, the Securities may be redeemed (in whole but not in part) at the option of the Company (A) upon the occurrence of Change of Control Event (as defined in the Terms and Conditions of the Securities) (i) at any time prior to (but excluding) the date that falls one month prior to the Step Up Date at the Special Redemption Price (as defined in the Terms and Conditions of the Securities) or (ii) on or at any time after the date that falls one month prior to the Step Up Date at the Redemption Price, (B) upon the occurrence of a Reference Security Default Event (as defined in the Terms and Conditions of the Securities) at any time at the Redemption Price, (C) upon the occurrence and continuation of an Accounting Event (as defined in the Terms and Conditions of the Securities) at any time at the Redemption Price or (D) in the event less than 25% of the aggregate principal amount of the Securities originally issued remain outstanding at any time at the Redemption Prices on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*).

The Securities are being offered only outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Securities have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. Unless they are so registered, the Securities may be offered only in transactions that are exempt from or not subject to registration under the Securities Act or the securities laws of any other jurisdiction. For further details, see "*Subscription and Sale*."

Investing in the Securities involves certain risks. See "*Risk Factors*" beginning on page 25.

NONE OF THE OFFERING CIRCULAR OR ANY RELATED DOCUMENT HAS BEEN REVIEWED BY THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (THE "PHILIPPINE SEC"), AND NEITHER THE OFFERS NOR THE SECURITIES BEING REFERRED TO HEREIN, HAVE BEEN AND WILL BE REGISTERED WITH THE PHILIPPINE SEC UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES AND ITS IMPLEMENTING RULES AND

REGULATIONS, AS AMENDED (THE "PHILIPPINE SRC"). ANY OFFER OR SALE OF THE SECURITIES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE PHILIPPINE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE PHILIPPINE SRC.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Securities on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Securities to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Company or the Securities. The Securities will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for as long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

The Securities will be evidenced by a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**").

Sole Global Coordinator

HSBC

Joint Lead Managers and Joint Bookrunners
(in alphabetical order)

DBS Bank Ltd. **HSBC** **Mizuho** **MUFG** **SMBC Nikko** **Standard Chartered Bank** **UBS**

Domestic Lead Managers
(in alphabetical order)

BDO Capital & Investment Corporation **China Bank Capital Corporation** **PNB Capital and Investment Corporation**

Offering Circular dated September 15, 2025

In this Offering Circular, unless the context otherwise requires, references to the "**Company**", the "**Issuer**" and "**Petron**" refer to Petron Corporation or Petron Corporation and its consolidated subsidiaries, as the context requires, the "**Sole Global Coordinator**" refers to The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch ("**HSBC**") and the "**Joint Lead Managers**" refers to DBS Bank Ltd., HSBC, Mizuho Securities Asia Limited, MUFG Securities EMEA plc., SMBC Nikko Securities (Hong Kong) Limited, Standard Chartered Bank and UBS AG Singapore Branch in their capacity as Joint Lead Managers and Joint Bookrunners. Selected acronyms, technical terms and other abbreviations used are defined in the "*Glossary*" of this Offering Circular.

The Company, having made all reasonable enquiries, confirms that: (i) this Offering Circular contains all information with respect to the Company and the Securities, which is material in the context of the issue and offering of the Securities; (ii) the statements contained in it relating to the Company are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Company are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Company or the Securities, the omission of which would, in the context of the issue and offering of the Securities, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

Prospective investors should rely only on the information contained in this Offering Circular. The Company and the Joint Lead Managers have not authorized anyone to provide prospective investors with information that is different. The information in this document may only be accurate on the date of this Offering Circular. Nothing in this Offering Circular should be relied upon as a promise or representation as to future results or events, and neither the delivery of this Offering Circular nor any offering or sale of the Securities shall under any circumstances imply that there has been no change in the affairs of the Company or that the information herein is correct as of any date subsequent to the date hereof.

This Offering Circular is being furnished by the Company in connection with an offering exempt from the registration requirements under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") solely for the purpose of enabling a prospective investor to consider whether to purchase the Securities. The information contained herein has been provided by the Company and other sources identified herein. None of the Joint Lead Managers, The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**") or the Agents (as defined in the Terms and Conditions of the Securities) has independently verified the information contained herein and, to the fullest extent permitted by law, assumes no responsibility for its accuracy. To the fullest extent permitted by law, no representation or warranty, express or implied, is made by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them as to the accuracy or completeness of such information, and nothing contained herein is, or may be relied upon as, a promise or representation by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them as to the past, present or the future. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accepts any liability or responsibility in relation to the information contained in or omitted from this Offering Circular or any other information provided by the Company, or for any other statement made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any person on any of their behalf in connection with the Company or in connection with the offering of the Securities. The Joint Lead Managers, the Trustee and the Agents and any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accordingly disclaim all and any liability whether arising in tort or contract or otherwise that any of them might otherwise have in respect of this Offering Circular or any such statement. Further, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them undertake to advise any investor or potential investor in the Securities of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them, as the case may be.

The distribution of this Offering Circular and the offering and sale of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes must inform themselves about and observe any such restrictions. There are restrictions on the distribution of this Offering Circular and the offer and sale of the Securities in certain jurisdictions, including the United States, the United Kingdom, Singapore, Hong Kong, Japan, the European Economic Area and the Philippines. This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in any

circumstance in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

Each person investing in the Securities shall be deemed to acknowledge that:

- it has been afforded an opportunity to request from the Company and to review, and has received, all additional information considered by such person to be necessary to verify the accuracy of, or to supplement, the information contained herein;
- it has had the opportunity to review all of the documents described herein;
- it has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them; and
- no person has been authorized to give any information or to make any representation concerning the Securities other than those contained in this Offering Circular and, if given or made, such other information or representation should not be relied upon as having been authorized by the Company, the Joint Lead Managers, the Trustee or the Agents.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them that any recipient of this Offering Circular, or recipient of any other information supplied in connection with the offering of the Securities, should purchase the Securities. In making an investment decision, prospective investors must rely on their own investigation, examination and analysis of the Company and the terms of the Securities, including, without limitation, the merits and risks involved, an assessment of the Company's creditworthiness, such prospective investor's own determination of the suitability of any such investment with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. None of the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them is making any representation to any prospective investor regarding the legality of an investment in the Securities by such investor under any legal investment or similar laws or regulations. No person should construe the contents of this Offering Circular as legal, business or tax advice and should consult with their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of receiving the Securities. The offering of the Securities is being made on the basis of this Offering Circular. Any decision to invest in the Securities must be based on the information contained in this Offering Circular. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Securities.

Each purchaser of the Securities must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Securities or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Securities under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales, and none of the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them shall have any responsibility therefor.

Each person receiving this Offering Circular is advised to read and understand the contents of this Offering Circular before investing in the Securities. If in doubt, such person should consult his or her advisors. The Company reserves the right to withdraw this offering of the Securities at any time. The Company and the Joint Lead Managers also reserve the right to reject any offer to purchase the Securities in whole or in part for any reason and to allocate to any prospective investor less than the full amount of Securities sought by such investor.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States, Philippine or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States and the Philippines. This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, any securities offered hereby in any circumstances in which such offer is unlawful.

The Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and other applicable state, Philippine or other securities laws pursuant to registration thereunder or exemption therefrom. See "*Subscription and Sale—Selling Restrictions*." Prospective investors should thus be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

Prospective investors should be aware that certain intermediaries in the context of this offering of the New Securities, including certain Joint Lead Managers are "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**HK SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for this offering and are subject to additional requirements under the HK SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the HK SFC Code as having an association (Association) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the New Securities and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order, prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any relevant Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Joint Lead Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the HK SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Joint Lead Manager, such that its order may be considered to be

a "proprietary order" (pursuant to the HK SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Joint Lead Manager and/or any other third parties as may be required by the HK SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the HK SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the HK SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

PRESENTATION OF FINANCIAL INFORMATION

The financial information included in this Offering Circular has been derived from the consolidated financial statements of the Company and its subsidiaries. Unless otherwise indicated, the description of the Company's business activities in this Offering Circular is presented on a consolidated basis. Unless otherwise indicated, financial information in this Offering Circular has been prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**").

Figures in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

References to "**U.S.$**" and "**U.S. dollars**" in this Offering Circular are to United States dollars, the lawful currency of the United States of America, references to "**₱**" and "**Philippine Peso**" are to the lawful currency of the Philippines and references to "**RM**", "**Malaysian Ringgit**", "**Ringgit**" and "**sen**" are to the lawful currency of Malaysia. The Company publishes its financial statements in Philippine Pesos. All references in this Offering Circular to the "**Philippines**" are to the Republic of the Philippines. This Offering Circular contains translations of certain Philippine Peso amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Philippine Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all.

Unless otherwise indicated, all translations from Philippine Pesos to U.S. dollars have been made at a rate of ₱56.581 = U.S.$1.00, being the rate quoted on the Bangko Sentral ng Pilipinas (the "**BSP**") Reference Exchange Rate Bulletin for the purchase of U.S. dollars with Philippine Pesos on June 30, 2025. On the same date, the closing spot rate quoted in the interbank foreign exchange market as captured by Bloomberg was RM4.210 = U.S.$1.00. See "*Exchange Rates*" for further information regarding the rates of exchange between (i) the Philippine Peso and the U.S. dollar; and (ii) the Malaysian Ringgit and the U.S. dollar.

INDUSTRY AND MARKET DATA

Certain information in this Offering Circular relating to the Philippines, Malaysia and the industry in which the Company's business operates, including statistics relating to market size and market share, is derived from various internal surveys, market research, government data, private publications and/or the Company's internal assumptions and estimates. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable. However, there is no assurance that such information is accurate, complete, up-to-date or consistent with information compiled within or outside the Philippines or Malaysia. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Company, the Joint Lead Managers, nor the Trustee and the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

NON-PFRS FINANCIAL MEASURES

This Offering Circular contains references to EBITDA. EBITDA is a supplemental measure of the performance and liquidity of the Company that is not required by, or presented in accordance with, PFRS. Further, EBITDA is not a measurement of the financial performance or liquidity of the Company under PFRS and should not be considered as an alternative to net income, gross revenues or any other performance measure derived in accordance with PFRS or as an alternative to cash flow from operations or as a measure of the liquidity of the Company. The Company calculates EBITDA as income from operations plus depreciation & amortization plus/minus inventory loss/gain and realized commodity hedging loss/gain for a 12-month period. Income from operations is computed as gross profit less selling and administrative expenses, net of other operating income. The calculation of EBITDA by the Company may be different from the calculations used by other companies, and, as a result, the EBITDA of the Company may not be comparable to other similarly titled measures of other companies.

The Company believes that EBITDA facilitates operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures, tax positions and the age and book depreciation of tangible assets. The Company presents EBITDA because it believes it is frequently used by securities analysts and investors in the evaluation of companies in its industry.

ENFORCEABILITY OF CIVIL LIABILITIES

The Company is established in the Philippines and most of its assets are located in the Philippines and Malaysia. Substantially all of its directors and senior management reside in the Philippines and all or a substantial portion of their assets are located in the Philippines. The Company has been advised by its Philippine legal counsel, Picazo Buyco Tan Fider Santos & Dee, that a final and conclusive judgment on the merits rendered against the Company and these persons by courts outside the Philippines obtained in an action predicated upon the civil liability provisions of laws other than Philippine laws would be recognized and enforced by the courts in the Philippines through an independent action filed in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment, and without re-trial or re-examination of the issues, only if (i) the court rendering such judgment had jurisdiction in accordance with its jurisdictional rules, (ii) such persons had notice of the proceedings, (iii) such judgment was not obtained by collusion or fraud or based on a clear mistake of law or fact and (iv) such judgment was not contrary to public policy, public order, law, morals or good customs in the Philippines.

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

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

See "*Risk Factors—Risks relating to the Philippines and Malaysia—Investors may face difficulties in enforcing judgments against the Company*."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offering Circular that are not statements of historical fact constitute "forward-looking statements." Some of these statements can be identified by forward-looking terms, such as "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "plan", "will" and "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Company's business strategy, its revenue and profitability (including, without limitation, any financial or operating projections or forecasts), planned projects and other matters discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular involve known and unknown risks, uncertainties and other factors that may cause the Company's actual financial results, performance or achievements to be materially different from any future financial results, performance or achievements expressed or implied by such forward-looking statements or other projections.

The factors that could cause the Company's actual results to be materially different include, among others:

- changes in crude oil prices;
- general political and economic conditions in the Philippines, Malaysia and elsewhere in the Asia-Pacific region;
- changes in currency exchange rates;
- accidents, natural disasters or other adverse incidents in the operation of the Company's facilities;
- terms on which the Company finances its working capital and capital expenditure requirements;
- the ability of the Company to successfully implement its strategies;
- changes in governmental regulations, including those pertaining to regulation of the oil industry, zoning, tax, subsidies, operational health, safety and environmental standards; and
- competition in the oil industry in the Philippines and Malaysia.

Additional factors that could cause the Company's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*."

Should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected as well as from historical results. Specifically, but without limitation, revenues could decline, costs could increase, capital costs could increase, capital investments could be delayed and anticipated improvements in performance might not be realized fully or at all. Although the Company believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, prospective investors are encouraged to carefully review the forward-looking statements herein. In any event, these statements speak only as of the date hereof or the respective dates indicated herein, and the Company, the Joint Lead Managers, the Trustee and the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILIZATION COORDINATOR (OR PERSONS ACTING ON BEHALF OF ANY STABILIZATION COORDINATOR(S)) MAY OVER ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE

SECURITIES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZATION COORDINATOR(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILIZATION COORDINATOR(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the consolidated financial statements of the Company that appear elsewhere in this Offering Circular. Because it is a summary, it does not contain all of the information that a prospective investor should consider before investing in the Securities.

Overview

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

The Company's common shares are listed for trading on the Philippine Stock Exchange under the symbol "PCOR". As of September 1, 2025, the Company has a market capitalization of ₱22.2 billion (U.S.$392 million). In Malaysia, the Company's common shares for its subsidiary, Petron Malaysia Refining & Marketing Bhd., are listed for trading on the Bursa Malaysia under the symbol "PETRONM."

The Philippines

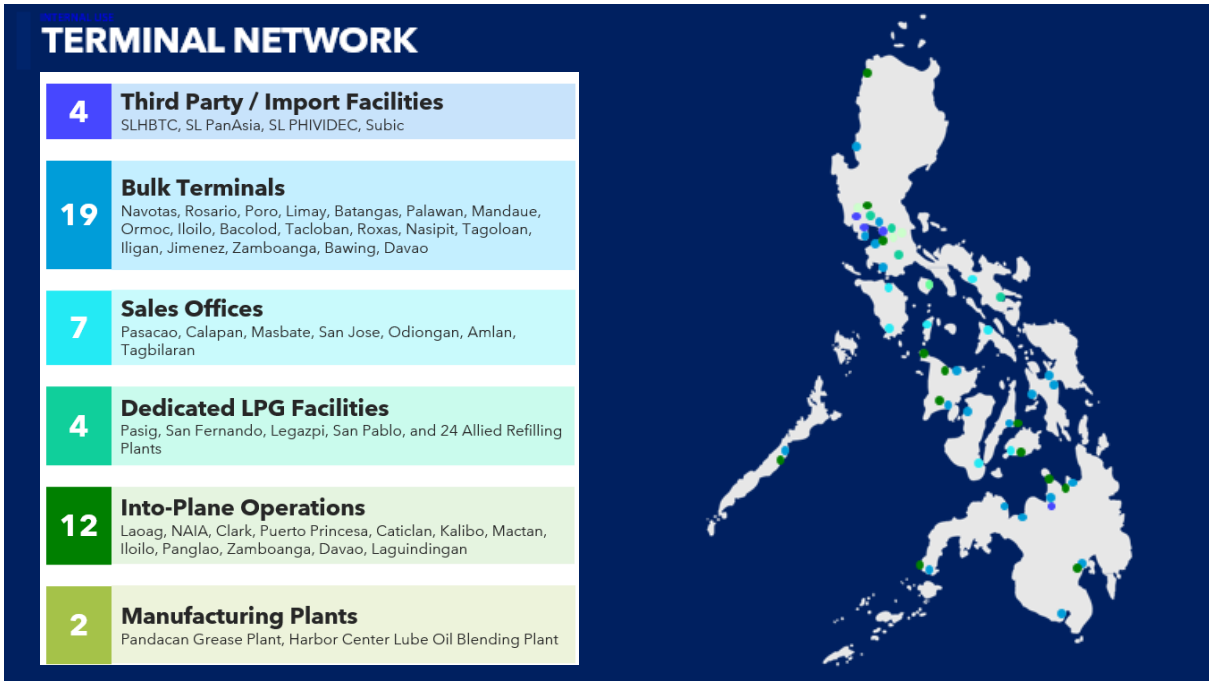
In the Philippines, the Company operates the country's only refinery, the Petron Bataan Refinery, which is located in the province of Bataan and has a production capacity of 180,000 bpd, capable of supplying more than 30% of the country's total fuel requirements as of December 31, 2024. The Company had a retail market share of 39.9% in terms of sales volumes of the Philippine oil market for full year 2024.[1]

The Petron Bataan Refinery processes crude oil into a range of white petroleum products ("**White Products**") such as gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical products such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan ("**RMP-2**") in 2016, a U.S.$2 billion project for the Petron Bataan Refinery, enabled the Company to convert Black Products (comprising fuel oil and asphalts) into more valuable White Products, and to increase the Company's production of petrochemical products. The RMP-2 project also made the Company the first and only oil company in the Philippines capable of locally producing Euro IV-standard fuels as of the date of this Offering Circular.

From the Petron Bataan Refinery, the Company moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, which the Company believes represents the most extensive distribution network for petroleum products in the Philippines. As of June 30, 2025, the network comprises 27 terminals (13 in Luzon, six in Visayas and eight in Mindanao) and 12 airport installations (four in Luzon, five in Visayas and three in Mindanao). Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers as well as jet fuel to international and domestic carriers.

The map below shows the geographic reach of the Company's terminals, facilities, sales offices, airport installations, and manufacturing plants in the Philippines as of June 30, 2025.

[1] The Philippines' total fuel requirements and the Company's retail market share are derived from Company estimates based on Company information and data from the DOE-OIMB 2024 Report.



Through its network of approximately 1,800 retail service stations in the Philippines as of June 30, 2025, representing approximately 15% of the country's total service station count,[2] the Company sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 50% of Petron service stations are CODOs and the rest are DODOs as of June 30, 2025. CODOs are "company-owned-dealer-operated" stations where Petron's investments include civil works, site development and station hardware (i.e. canopies, pumps, signages, etc.). The Company usually owns or leases the land and owns the building and equipment while dealers provide the working capital and other minor station equipment. DODOs are "dealer-owned-dealer-operated" stations where the dealers provide the civil works, site development, working capital and station equipment. The dealers also assume ownership or lease of the land. Under this arrangement, the Company provides the station hardware. Regulation of CODOs and DODOs are generally similar. Pricing is dictated more by logistics and competition rather than the classification of a station.

As of June 30, 2025, the Company's LPG distribution network includes approximately 2,200 branch and franchise stores where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. The Company's lubes distribution network includes approximately 60 car care centers and about 1,675 service stations selling lubes.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of June 30, 2025, the extent of the Company's programs includes more than 640,000 Petron Fleet Cards and more than two million Petron Value Cards (including Petron Super Driver Cards) in the Philippines.

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

Malaysia

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. For the period ended June 30, 2025, the Company ranked third in the Malaysian retail market with more than 21% market share based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. The Company also covers the industrial segment in Malaysia, selling diesel and gasoline to mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors.

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2 Based on the Company's internal records and survey on nationwide service station count.

The Company owns and operates the Port Dickson Refinery in Malaysia, which has a crude oil distillation capacity of 88,000 bpd, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and LWSR. As of June 30, 2025, the Company had 10 product terminals, a PME plant, a network of about 810 retail service stations, and about 320 Treats convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline ("**MPP**") to Kuala Lumpur International Airport ("**KLIA**") as of June 30, 2025. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal ("**KVDT**").

In Malaysia, the Company's customer service and loyalty programs include more than 176,000 Petron Fleet Cards, more than 69,000 Petron Subsidy Cards, and approximately 2.5 million active Petron Miles Privilege Card (**"PMILES"**) cardholder/member accounts, each as of June 30, 2025.

The Company's products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical products, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company's revenues from these export sales amounted to ₱43,222 million or 5% of total sales, as of December 31, 2024 and ₱15,319 million or 4% of total sales as of June 30, 2025.

In 2022, 2023, and 2024, the Company's sales were ₱857,638 million, ₱801,027 million, and ₱867,966 million, respectively, and net income was ₱6,925 million, ₱10,112 million, and ₱8,471 million, respectively. For the six-month period ended June 30, 2024 and 2025, the Company's sales were ₱444,490 million and ₱386,395 million and net income was ₱6,098 million and ₱5,252 million, respectively.

Strengths

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

- Market leadership in the Philippine downstream oil sector
- Logistically advantaged supply position in the Philippines
- Operations in markets with favorable industry dynamics
- Expanded product offering driving non-fuel retail volumes
- Large customer loyalty card programs in the Philippines and successful rollout of the Petron App
- Focus on higher yield products at the integrated Petron Bataan Refinery
- Established position in the Malaysian downstream oil sector
- Experienced management team and employees and strong principal shareholder in San Miguel Corporation

Strategies

The Company's principal strategies are set out below:

- Maximize volume growth and further increase market share in the downstream oil markets in the Philippines and Malaysia
- Innovation as tool for customer retention and growth
- Maximize production of high margin refined petroleum products and petrochemicals
- Ensure reliability and efficiency of refinery operations
- Continue to evaluate possible selective synergistic acquisitions
- Continue to pursue, implement and build on environmental, corporate and social responsibility initiatives

Recent Developments

Concurrent Exchange and Tender Offer

The Company is concurrently making separate invitations to eligible holders to (i) exchange any and all outstanding Senior Perpetual Capital Securities issued on April 19, 2021 with an initial distribution rate of 5.95% (ISIN: XS2330597738; Common Code: 233059773) (the "**Existing Securities**") for an equal nominal amount of U.S. dollar-denominated senior perpetual capital securities (the "**Exchange Securities**") to be issued by the Company (the "**Exchange Offer**"); and (ii) tender the Existing Securities for cash (subject to a maximum acceptance amount) (the "**Tender Offer**" and together with the Exchange Offer, the "**Concurrent Exchange and Tender Offer**").

The Concurrent Exchange and Tender Offer is being made available on the terms and subject to the conditions in an exchange and tender offer memorandum dated September 4, 2025 (the "**Exchange and Tender Offer Memorandum**"), including a financing condition which provides that the Concurrent Exchange and Tender Offer is subject to the settlement and completion of this offering.

The Concurrent Exchange and Tender Offer expired on September 12, 2025. Settlement of the Concurrent Exchange and Tender Offer is expected to occur on or around September 22, 2025.

Financing

On July 7, 2025, the Company issued an aggregate of ₱32,000 million fixed rate bonds comprising (i) Series G ₱15,910 million 6.5945% Fixed Rate Bonds due 2030; (ii) Series H ₱4,604 million 6.9761% Fixed Rate Bonds due 2032; and (iii) Series I ₱11,486 million 7.3896% Fixed Rate Bonds due 2035. On August 29, 2025, the Company drew U.S.$200 million from a facility with a foreign bank executed on August 14, 2025.

Corporate Information

Petron Corporation was incorporated under the laws of the Philippines in 1966. The Company's head office and principal place of business is located at the SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City, Philippines. The Company's telephone number at this location is (632) 8884-9200. The Company's primary website is www.petron.com. Information contained on the Company's website does not constitute a part of this Offering Circular.

The Company's common shares are listed and traded on the Philippine Stock Exchange, Inc. under the symbol "PCOR". In Malaysia, the common shares of Petron Malaysia Refining & Marketing Berhad are listed in Bursa Malaysia under the symbol "PETRONM."

SUMMARY FINANCIAL INFORMATION

The following tables present summary consolidated financial information for the Company and should be read in conjunction with the auditors' reports and with the Company's consolidated financial statements and notes thereto and the section entitled "Management's Discussion and Analysis of Results of Operations" contained in this Offering Circular. The summary financial information presented below as of December 31, 2023 and 2024 and for the years ended December 31, 2022, 2023 and 2024 have been derived from the audited consolidated financial statements, including the notes thereto, included elsewhere in this Offering Circular, audited by R.G. Manabat & Co., a member firm of KPMG. The summary financial information presented below as of June 30, 2025 and for the six months ended June 30, 2024 and 2025 have been derived from the Company's unaudited interim consolidated financial information, reviewed by R.G. Manabat & Co. in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." The consolidated financial information of the Company as of and for the six months ended June 30, 2024 and 2025 have not been audited by the Company's independent auditor. As a result, the consolidated financial statements of the Company as of and for the six months ended June 30, 2024 and 2025 should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit.

The Company's financial information included in this Offering Circular has been prepared in accordance with PFRS. The information below is not necessarily indicative of the results of future operations. Each of the Joint Lead Managers and any of their respective affiliates, directors, officers and advisers disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any financial information of the Company. The translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Daily Reference Exchange Rate as of June 30, 2025 of U.S.$1.00 = ₱56.581.

Summary Consolidated Statement of Income

	Audited				Unaudited		
	For the years ended December 31,				For the six months ended June 30,		
	2022 (restated)*	2023 (restated)*	2024	2024	2024	2025	2025
	(in millions of ₱)**			(in millions of U.S.$)	(in millions of ₱)**		(in millions of U.S.$)
Sales	857,638	801,027	867,966	15,340	444,490	386,395	6,829
Cost of goods sold	823,788	754,429	821,753	14,523	418,921	362,749	6,411
Gross profit	33,850	46,598	46,213	817	25,569	23,646	418
Selling and administrative expenses	(15,853)	(17,568)	(18,757)	(332)	(8,978)	(9,448)	(167)
Other operating income	1,538	1,683	1,767	31	858	948	17
Interest expense and other financing charges	(13,094)	(19,095)	(20,961)	(370)	(10,226)	(9,338)	(166)
Interest income	898	1,284	1,201	21	561	555	10
Share in net income of an associate and joint ventures	66	89	114	2	40	84	1
Other income - net	1,000	119	3,417	61	(185)	193	4
	(25,445)	(33,488)	(33,219)	(587)	(17,930)	(17,056)	(301)
Income before income tax	8,405	13,110	12,994	230	7,639	6,590	117
Income tax expense	1,480	2,998	4,523	80	1,541	1,338	24
Net income	6,925	10,112	8,471	150	6,098	5,252	93
Attributable to:							
Equity holders of the Parent Company	5,952	9,229	8,469	150	5,835	4,822	85
Non-controlling interests	973	883	2	0	263	430	8
	6,925	10,112	8,471	150	6,098	5,252	93
Basic/ Diluted Earnings per Common Share attributable to equity holders of the Parent Company	₱0.04	₱0.27	₱0.30	U.S.$0.01	₱0.40	₱0.30	U.S.$0.01

**In 2024, the Company reassessed its accounting policy for LPG cylinders which was being recognized as an outright expense. As a result, the Company changed its accounting policy on LPG cylinders to recognize these as assets under PAS 16, Property, Plant, and Equipment. For a summary of the impact and adjustments of the change on the Company's financial statements, see Note 40 to audited consolidated financial statements included in this Offering Circular.*

***Except for Basic/ Diluted Earnings per Common Share attributable to equity holders of the Parent Company.*

Summary Consolidated Statement of Financial Position

	Audited			Unaudited	
	As of December 31,			As of June 30,	
	2023 (restated)*	2024	2024	2025	
	(in millions of ₱)		(in millions of U.S.$)	(in millions of ₱)	(in millions of U.S.$)
ASSETS					
Current assets:					
Cash and cash equivalents	27,519	30,389	537	36,435	644
Financial assets at fair value	1,162	1,044	18	1,609	28
Trade and other receivables – net	86,479	82,762	1,463	69,401	1,227
Inventories	77,318	90,570	1,601	77,551	1,371
Other current assets	40,529	51,108	903	48,667	860
Total current assets	233,007	255,873	4,522	233,663	4,130
Noncurrent assets:					
Investment in shares of stock of an associate and joint ventures	1,158	1,165	21	1,142	20
Property, plant and equipment – net	167,987	169,302	2,992	167,342	2,958
Right-of-use assets - net	5,286	2,925	52	2,798	49
Investment property – net	27,194	28,243	499	28,461	503
Deferred tax assets – net	1,114	560	10	550	10
Goodwill – net	8,093	8,731	154	8,978	159
Other noncurrent assets – net	1,930	2,003	36	2,018	35
Total noncurrent assets	212,762	212,929	3,764	211,289	3,734
Total assets	445,769	468,802	8,286	444,952	7,864
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term loans	137,910	138,906	2,455	109,200	1,930
Liabilities for crude oil and petroleum product	44,840	51,625	912	55,477	981
Trade and other payables	26,454	29,012	513	29,215	517
Lease liabilities – current portion	1,566	1,295	23	1,380	24
Derivative liabilities	749	1,699	30	1,136	20
Income tax payable	132	304	5	294	5
Current portion of long-term debt – net	25,642	29,418	520	37,078	655
Total current liabilities	237,293	252,259	4,458	233,780	4,132
Noncurrent liabilities:					
Long-term debt – net of current portion	83,254	88,025	1,556	80,975	1,431
Retirement benefits liability - net	2,621	3,661	65	3,566	63
Deferred tax liabilities – net	4,456	6,719	119	6,940	123
Lease liabilities – net of current portion	14,378	12,120	214	11,899	210
Asset retirement obligation	3,612	1,321	23	1,401	25
Other noncurrent liabilities	495	487	8	479	8
Total noncurrent liabilities	108,816	112,333	1,985	105,260	1,860
Total liabilities	346,109	364,592	6,443	339,040	5,992
Equity Attributable to Equity Holders of the Parent Company*:					
Capital stock	9,485	9,502	168	9,502	168
Additional paid-in capital	40,985	57,698	1,020	57,698	1,020
Capital securities	37,529	34,555	611	34,060	602
Retained earnings	31,847	33,715	596	35,541	628
Equity reserves	(21,260)	(19,350)	(342)	(18,448)	(326)
Treasury stock	(7,600)	(21,003)	(371)	(22,122)	(391)
Total Equity Attributable to Equity Holders of the Parent Company**	90,986	95,117	1,682	96,231	1,701
Non-controlling interests	8,674	9,093	161	9,681	171
Total equity	99,660	104,210	1,843	105,912	1,872
Total liabilities and equity	445,769	468,802	8,286	444,952	7,864

**In 2024, the Company reassessed its accounting policy for LPG cylinders which was being recognized as an outright expense. As a result, the Company changed its accounting policy on LPG cylinders to recognize these as assets under PAS 16, Property, Plant, and*

Equipment. For a summary of the impact and adjustments of the change on the Company's financial statements, see Note 40 to audited consolidated financial statements included in this Offering Circular.

***Under the Company's financial statements, the "Parent Company" refers to Petron Corporation.*

Summary Consolidated Statement of Cash Flows

	Audited				Unaudited		
	For the years ended December 31,				For the six months ended June 30,		
	2022 (restated)*	2023 (restated)*	2024	2024	2024	2025	2025
	(in millions of ₱)			(in millions of U.S.$)	(in millions of ₱)		(in millions of U.S.$)
Net cash flows provided by (used in) operating activities	(21,805)	20,316	13,208	233	14,679	45,132	798
Net cash flows used in investing activities	(3,238)	(7,550)	(10,216)	(180)	(5,150)	(3,430)	(61)
Net cash flows provided by (used in) financing activities	22,794	(21,753)	(1,285)	(23)	(7,966)	(34,782)	(615)
Effects of exchange rate changes on cash and cash equivalents	3,026	(677)	1,163	21	1,475	(874)	(15)
Net increase (decrease) in cash and cash equivalents	777	(9,664)	2,870	51	3,038	6,046	107
Cash and cash equivalents at beginning of year/period	36,406	37,183	27,519	486	27,519	30,389	537
Cash and cash equivalents at end of year/period	37,183	27,519	30,389	537	30,557	36,435	644

**In 2024, the Company reassessed its accounting policy for LPG cylinders which was being recognized as an outright expense. As a result, the Company changed its accounting policy on LPG cylinders to recognize these as assets under PAS 16, Property, Plant, and Equipment. For a summary of the impact and adjustments of the change on the Company's financial statements, see Note 40 to audited consolidated financial statements included in this Offering Circular.*

Other Financial and Operating Data

	For the years ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(in millions of ₱ except sales volume and ratios)			(in millions of U.S.$)	(in millions of ₱ except sales volume and ratios)		(in millions of U.S.$)
Sales volume ('000 barrels per day)	309	348	382	n/a	380	355	n/a
Net debt[(1)]	207,764	219,287	225,960	3,994	214,833	190,818	3,372
Ratio of total debt to equity	2.16	2.48	2.46	2.46	2.35	2.15	2.15
Total debt[(2)]	244,947	246,806	256,349	4,531	245,390	227,253	4,016
EBITDA[(3)]	35,080	48,242	47,947	848	45,788	51,232	906
Capital expenditures[(5)]	5,933	7,464	10,160	180	5,046	3,496	62
Ratio of consolidated gross liabilities to consolidated net worth[(5)]	2.16	2.48	2.46	2.46	2.35	2.15	2.15

(1) Net debt represents the sum of short-term loans, current portion of long-term debts—net, and long-term debts—net of current portion, less cash and cash equivalents.

(2) Total debt consists of the sum of short-term loans, current portion of long-term debts-net and long-term debts-net of current portion.

(3) The Company defines EBITDA as income from operations plus depreciation & amortization plus/minus inventory loss/gain and realized commodity hedging loss/gain for a 12-month period. Income from operations is computed as gross profit less selling and administrative expenses, net of other operating income. The table below provides a computation for EBITDA.

	For the years ended December 31,				For the twelve months ended June 30,		
	2022	2023	2024	2024	2024[(4)]	2025[(4)]	2025[(4)]
	(in millions of ₱)			(in millions of U.S.$)	(in millions of ₱)		(in millions of U.S.$)
Gross profit	33,850	46,598	46,213	817	48,573	44,290	783
Deduct:							
Selling and administrative expenses (net of other operating income)	(14,315)	(15,885)	(16,990)	(300)	(16,465)	(17,370)	(307)

	For the years ended December 31,				For the twelve months ended June 30,		
	2022	**2023**	**2024**	**2024**	**2024**[4]	**2025**[4]	**2025**[4]
		(in millions of ₱)		(in millions of U.S.$)	(in millions of ₱)		(in millions of U.S.$)
Net operating income (loss).....	19,535	30,713	29,223	517	32,108	26,920	476
Add/deduct:							
Depreciation and amortization.....	12,005	13,292	13,456	238	13,629	14,519	257
Inventory Gain/Loss and Realized Commodity Hedging Gain/Loss – net.....	3,540	4,237	5,268	93	50	9,792	173
EBITDA	35,080	48,242	47,947	848	47,788	51,232	906

(4) EBITDA is calculated for the 12-month period ended June 30 for the relevant periods.

(5) Capital expenditures represent the sum of additions to property, plant and equipment for the period.

(6) Consolidated Gross Liabilities is the total interest-bearing liabilities of the Company on a consolidated basis consisting of (a) short-term loans; (b) current portion of long-term debt; and (c) long-term debt (net), as recognized and measured in the Company's quarterly interim unaudited and year-end audited consolidated financial statements prepared in conformity with PFRS. Consolidated Net Worth is the total stockholders' equity of the Company (including any non-controlling interest) on a consolidated basis, as recognized and measured in the Company's quarterly interim unaudited and year-end audited consolidated financial statements prepared in conformity with PFRS.

SUMMARY OF THE OFFERING

The following is a brief summary of certain terms of the Securities. For a more complete description of the terms of the Securities, see "Terms and Conditions of the Securities." Capitalized terms not otherwise defined herein shall have the meanings set forth under "Terms and Conditions of the Securities."

Company	Petron Corporation, a company incorporated with limited liability under the laws of the Republic of the Philippines.
Securities Offered	U.S.$475,000,000 senior perpetual capital securities (the "**Securities**") consisting of (i) U.S.$333,190,000 in aggregate principal amount of Securities issued in exchange for Existing Securities (as defined herein) issued by the Company pursuant to the Exchange Offer (as defined herein); and (ii) U.S.$141,810,000 in aggregate principal amount of additional Securities ("**New Securities**").
Status of the Securities	The Securities constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will at all times rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unconditional, unsecured and unsubordinated obligations of the Issuer, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The claims of the holders in respect of the Securities, including in respect of any claim to Arrears of Distribution, will, in the event of the Winding-Up of the Issuer (subject to and to the extent permitted by applicable law), rank at least *pari passu* with each other and with all other present and future unconditional, unsecured and unsubordinated obligations of the Issuer.
No Set-off	To the extent and in the manner permitted by applicable law, no Securityholder may exercise, claim or plead any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising from, the Securities and each Securityholder will, by virtue of his holding of any Security, be deemed to have waived all such rights of set-off, counterclaim, compensation or retention.
Initial Rate of Distribution	7.35% per annum plus any increase pursuant to Condition 4.4 (*Increase in Rate of Distribution*).
Issue Price	100.00%
Form and Denomination	The Securities are issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Distributions	Subject to Condition 4.4 (*Increase in Rate of Distribution*) and Condition 4.5 (*Optional Deferral of Distributions*), the Securities will confer a right to receive distributions ("**Distributions**"): (a) from the period commencing on (and including) the Issue Date to (but excluding) September 22, 2028 (the "**Step Up Date**"), at the Initial Rate of Distribution; and (b) from (and including) each Reset Date (including the Step Up Date) to (but excluding) the immediately following Reset Date, at the relevant Reset Rate of Distribution (determined by the Calculation Agent on the relevant Reset

Determination Date and notified to the Holders, the Principal Paying Agent and the Registrar),

payable semi-annually in arrears on March 22 and September 22 of each year (each, a "**Distribution Payment Date**") commencing on March 22, 2026.

"**Reset Date**" means the Step Up Date and any subsequent date which is the third anniversary of any Reset Date.

Increase in Rate of Distribution..... 2.5% per annum.

Optional Deferral of Distributions ..... The Issuer may, in its sole and absolute discretion, on any day which is not less than five Business Days prior to any Distribution Payment Date, resolve to defer payment of any or all of the Distribution which would otherwise be payable on that Distribution Payment Date unless, during the six months ending on that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred (the "**Deferral Election Event**"). Any such deferred Distribution will constitute "**Arrears of Distribution**" and will not be due and payable until the relevant Payment Reference Date. Distributions will accrue on each Arrears of Distribution for so long as such Arrears of Distribution remains outstanding at the same Rate of Distribution as the Principal Amount of the Securities bears at such time and will be added to such Arrears of Distribution (and thereafter bear Distributions accordingly) on each Distribution Payment Date.

The Issuer will notify the Securityholders (in accordance with Condition 12.1 (*Notices to Securityholders*)), the Trustee and the Principal Paying Agent of any deferral of Distribution not less than five Business Days prior to the relevant Distribution Payment Date (the "**Deferral Election Notice**"). Deferral of a Distribution pursuant to Condition 4.5(a) (*Optional Deferral of Distributions*) will not constitute a default by the Issuer or any other breach of its obligations under the Securities or the Trust Deed or for any other purpose.

"**Compulsory Distribution Payment Event**" means (a) a discretionary dividend, distribution, interest or other payment has been paid or declared on or in respect of any Junior Securities or (except on a pro rata basis) Parity Securities of the Issuer, other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer; or (b) at the discretion of the Issuer, any Junior Securities or (except on a pro rata basis) Parity Securities of the Issuer have been redeemed, repurchased or otherwise acquired by the Issuer or any of its Subsidiaries.

Restrictions in the case of Deferral..... If on any Distribution Payment Date, payment of all Distributions scheduled to be made on such date is not made in full by reason of the Issuer deferring such Distributions in accordance with the terms of the Securities, the Issuer shall not, and shall procure that none of its Subsidiaries will:

(a) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other payment is made on any class of Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer,

other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer; or

(b) at its discretion, redeem, reduce, cancel, buy-back or acquire for any consideration any of the Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer,

unless and until (i) the Issuer has satisfied in full all outstanding Arrears of Distribution; or (ii) the Issuer is permitted to do so with the consent of the Securityholders of at least a majority in aggregate principal amount of the Securities then outstanding. For the avoidance of doubt, nothing in Condition 4.6 (*Restrictions in the case of Deferral*) shall restrict the ability of any Subsidiary of the Issuer to declare and pay dividends, advance loans or otherwise make payments to the Issuer.

Payments of Arrears of Distribution..... The Issuer may elect to pay Arrears of Distribution (in whole or in part) at any time on the giving of at least five Business Days' prior notice to Securityholders (in accordance with Condition 12.1 (*Notices to Securityholders*)), the Trustee and the Principal Paying Agent. If Arrears of Distribution have not been paid in full earlier, all outstanding Arrears of Distribution will become due and payable, and the Issuer must pay such outstanding Arrears of Distribution (including any amount of Distribution accrued thereon in accordance with Condition 4.5(a) (*Optional Deferral of Distributions*)), on the relevant Payment Reference Date (in accordance with Condition 6 (*Payments*)). Any partial payment of outstanding Arrears of Distribution by the Issuer shall be made on a pro rata basis between the Securityholders.

Payment Reference Date means the date which is the earliest of:

(i) the date on which the Securities are redeemed in accordance with Condition 5 (*Redemption and Purchase*);

(ii) the date on which an order is made for the Winding-Up of the Issuer;

(iii) the date on which the Issuer is in violation of Condition 4.6 (*Restrictions in the case of Deferral*) or on the occurrence of a Compulsory Distribution Payment Event; and

(iv) the date of any substitution or modification of the Securities pursuant to Condition 13 (*Substitution or Modification to Remedy Gross-Up Event or Accounting Event*).

Expected Closing Date..... September 22, 2025.

Redemption..... The Securities are perpetual securities in respect of which there is no fixed redemption date.

Redemption at the Option of the Issuer..... Subject to applicable law, the Issuer may redeem the Securities (in whole but not in part) on:

(a) any Business Day on or after August 22, 2028 (being the date that falls one month prior to the Step Up Date) (the "**Optional Call Date**");

(b) the Step Up Date; or

(c) any Distribution Payment Date falling after the Step Up Date,

in each case, at the Redemption Price. The Issuer shall give not less than 10 and not more than 60 calendar days' irrevocable notice of redemption prior to the relevant Optional Call Date, Step Up Date or Distribution Payment Date falling after the Step Up Date to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*) and in writing to the Trustee and the Principal Paying Agent.

Early Redemption due to a Gross-up Event .....

If a Gross-up Event occurs, the Issuer may redeem the Securities (in whole but not in part) at the Redemption Price, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*) and in writing to the Trustee and the Principal Paying Agent.

No such notice of redemption may be given earlier than 45 calendar days prior to the earliest calendar day on which the Issuer would be for the first time obliged to pay the Additional Amounts in question on payments due in respect of the Securities.

Prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there are delivered to the Trustee:

(a) a certificate signed by any two executive officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that a Gross-up Event has occurred and that the obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it; and

(b) an opinion of an independent legal or tax adviser of recognized standing to the effect that the Issuer has or will become obliged to pay the Additional Amounts in question as a result of a Gross-up Event, and the Trustee shall be entitled to accept the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event such evidence shall be conclusive and binding on the Securityholders.

"**Gross-up Event**" means that as a result of any change in, or amendment to, the laws or regulations or rulings promulgated thereunder of the Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws or regulations or rulings promulgated thereunder, which change or amendment becomes effective on or after September 15, 2025, the Issuer has or will become obliged to pay Additional Amounts; provided that the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it; provided further that where any Additional Amounts due in accordance with Condition 7 (*Taxation and Gross-Up*) are in consequence of any change in the laws or regulations or rulings promulgated thereunder of the Relevant

	Jurisdiction, or any change in or amendment to any official interpretation or application of those laws or regulations or rulings promulgated thereunder after September 15, 2025, a Gross-up Event shall have occurred only in the event that the rate of withholding or deduction required by such law, regulation or rulings promulgated thereunder, or such official interpretation or application thereof, is in excess of 25%.
Early Redemption due to a Change of Control Event.....	If a Change of Control Event occurs, the Issuer may redeem the Securities (in whole but not in part) (i) at any time prior to but excluding the date that falls one month prior to the Step Up Date at the Special Redemption Price; or (ii) on or at any time after the date that falls one month prior to the Step Up Date at the Redemption Price, in each case on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*) and in writing to the Trustee and the Principal Paying Agent. A "**Change of Control Event**" means the occurrence of any Person or group of related Persons, other than the Permitted Holders, being or becoming the beneficial owner(s), directly or indirectly, of a greater percentage of the total voting power of the outstanding Voting Stock of the Issuer than the aggregate percentage of the total voting power of the outstanding Voting Stock of the Issuer beneficially owned, directly or indirectly, by the Permitted Holders. "**Permitted Holders**" mean any or all of the following: (a) San Miguel Corporation, (b) San Miguel Corporation Retirement Plan or any similar or successor employee retirement plan of San Miguel Corporation, (c) Petron Corporation Employees Retirement Plan or any similar or successor employee retirement plan of Petron Corporation, (d) SEA Refinery Corporation and (e) any Person the Voting Stock of which at least a majority is beneficially owned, directly or indirectly, by a Person specified in clauses (a), (b), (c) or (d) above.
Early Redemption due to a Reference Security Default Event	If a Reference Security Default Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) at any time at the Redemption Price, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*) and in writing to the Trustee and the Principal Paying Agent. "**Reference Security Default Event**" means an event of default occurs pursuant to (i) clause (b) of the "Events of Default" of the Issuer's outstanding ₱11.486 billion 7.3896% p.a. Philippine Peso-denominated bonds due 2035 (*ISIN: PH0000060774*) (the "**Initial Referenced Senior Notes**"), or (ii) similar condition of any other foreign currency or Philippine Peso-denominated debt security with an international tranche issued under Regulation S of the U.S. Securities Act and outstanding after the Issue Date, which debt security has the latest occurring scheduled maturity date (the "**Superseding Referenced Senior Notes**"), as a result of the Issuer's default in, non-compliance with or non-performance of the covenants of the Issuer under the Initial Referenced Senior Notes or similar covenants of the Superseding Referenced Senior Notes, as the case may be, as respectively amended from time to time.

Early Redemption due to an Accounting Event	If an Accounting Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) at any time at the Redemption Price on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*) and in writing to the Trustee and the Principal Paying Agent. An "**Accounting Event**" will occur if an opinion of a recognized accountancy firm of international standing has been delivered to the Issuer and the Trustee, stating that as of the date of the Issuer's adoption of any changes or amendments to relevant accounting standards (which may be a date prior to the relevant effective date of such accounting standards), the Securities may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS or other recognized accounting standards that the Issuer has adopted from time to time for the preparation of its audited consolidated financial statements and such event cannot be avoided by the Issuer taking reasonable measures available to it.
Redemption of Securities in the case of Minimal Outstanding Amounts	In the event that the Issuer and/or any of its Subsidiaries has, individually or in aggregate, purchased (and not resold) or redeemed Securities equal to or in excess of 75% of the aggregate Principal Amount of the Securities originally issued (which for the avoidance of doubt, includes any further securities issued pursuant to Condition 9), the Company may redeem the remaining Securities (in whole but not in part) at any time at the Redemption Prices on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to Securityholders*) and in writing to the Trustee and the Principal Paying Agent.
Taxation and Additional Amounts	All payments in respect of the Securities by or on behalf of the Company will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In the event where such withholding or deduction is made by the Issuer, the Issuer shall pay such additional amount ("**Additional Amounts**") as will result in receipt by the Securityholders of such amounts as would have been received by them had no such withholding or deduction been required, except in certain circumstances. See Condition 7 (*Taxation and Gross-up*).
Limited Rights to Institute Proceedings	Notwithstanding any of the provisions in Condition 10 (*Non-Payment*), the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distributions, such Distributions will not be due if the Issuer has elected to defer Distributions in accordance with Condition 4.5 (*Optional Deferral of Distributions*). In addition, nothing in Condition 10 (*Non-Payment*), including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer, in respect of any actual, reasonable and documented costs, charges, fees, expenses or

	liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.
Proceedings for Winding-Up	If (a) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or (b) the Issuer fails to make payment in respect of the Securities for a period of 10 calendar days or more after the date on which such payment is due ((a) and (b) together, the "**Enforcement Events**" and each, an "**Enforcement Event**"), the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 10.4 (*Entitlement of Trustee*) and, subject to and to the extent permitted by applicable law, institute proceedings for the Winding-Up of the Issuer, and/or prove in the Winding-Up of the Issuer, and/or claim in the liquidation of the Issuer, for such payment.
Substitution or Modification.....	The Trustee shall, without the consent of the Securityholders, agree with the Issuer to: (a) the substitution in place of the Issuer (or of any previous substitute under Condition 13 (*Substitution or Modification to Remedy Gross-up Event or Accounting Event*)) as the principal obligor under the Securities and the Trust Deed of any other company being a wholly-owned or indirect Subsidiary of the Issuer; or (b) the modification of the Terms and Conditions of the Securities to the extent reasonably necessary, in order to remedy a pending or existing Gross-up Event or Accounting Event provided that: (i) the Securities are unconditionally and irrevocably guaranteed by the Issuer in a manner which would give the Securityholders a status in a Winding-up of the Issuer which is akin to the status Securityholders would have at that time in respect of a Winding-up of the relevant issuer; and (ii) certain other conditions set out in the Trust Deed are complied with.
Further Issues.....	The Issuer is at liberty from time to time without the consent of the Securityholders to create and issue further Securities or bonds either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of Distributions thereon) and so that the same will be consolidated and form a single series with the Securities; or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further Securities which are to form a single series with the Securities will be constituted by a deed supplemental to the Trust Deed.
Listing and Trading	Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Securities on the SGX-ST. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that the Global Certificate representing the Securities is exchanged for definitive certificates. In addition, an announcement of such exchange shall be made by or on behalf

	of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities, if traded on the SGX-ST, will be traded in a minimum board lot size of U.S.$200,000.
Use of Proceeds	The net proceeds from the issue of the New Securities, which will be approximately U.S.$140 million (after the deduction of commissions). The Company intends to apply the net proceeds primarily for costs and expenses relating to the Concurrent Exchange and Tender Offer (including payment of the relevant accrued distribution amounts in respect of the Existing Securities accepted for tender and/or exchange and the relevant tender consideration), costs and expenses relating to the issuance of the New Securities and for general corporate purposes.
Selling Restrictions	The Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States, the UK, Singapore, Hong Kong, Japan, the EEA and the Philippines. The Securities may be sold in other jurisdictions only in compliance with applicable laws and regulations. See "*Subscription and Sale*."
ISIN	XS3178401793.
Common Code	317840179.
Governing Law	English law.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Principal Paying Agent, Calculation Agent and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited.
Registrar	The Hongkong and Shanghai Banking Corporation Limited.
Clearing Systems	Euroclear and Clearstream.
LEI	549300R3PFXOFQSZ7G25.

RISK FACTORS

Prospective investors should carefully consider the following, in addition to the other information contained in this Offering Circular, including the financial statements and related notes, before making any investment decision relating to the Securities. The occurrence of any of the following events, or other risks that are not presently known or are now deemed immaterial, could have a material adverse effect on the business, results of operations, financial condition and prospects of the Company, and prospective investors may lose all or part of their investment.

Risks Relating to the Company's Business and Operations

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

The Company's financial results are primarily affected by the relationship, or margin, between the prices for its refined petroleum products and the prices for crude oil that is the main raw material for these refined petroleum products. Crude oil accounted for approximately 39%, 43%, 34% and 46% of the Company's total cost of goods sold in 2022, 2023, 2024 and for the six months ended June 30, 2025, respectively.

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

Russia-Ukraine War and Geopolitical Tensions in the Middle East

Ongoing geopolitical tensions continue to pose significant risks to the global oil market, affecting supply dynamics and price volatility. In particular, the prolonged Russia-Ukraine war and lingering conflicts in the Middle East have heightened market fluctuations, posing threats of disruption in supply and trade routes.

Sanctions and export controls against Russia have constrained oil exports affected supply and increased oil prices. There have been recent diplomatic efforts to end the war or agree on ceasefire, involving U.S. President Trump and some European nations; however, these have yet to produce substantive breakthroughs, and the risk of continued war remains high.

Meanwhile, the broader Israel-Palestine conflict – intensified by the protracted Israel-Gaza war – has also raised regional instability and uncertainty, especially with increased threats of escalation involving Iran and its allied groups. Houthi attacks in the Red Sea have also forced diversions of tanker routes, increased freight costs and risk of supply chain disruptions in critical oil-producing regions. More recently, in June 2025, U.S. airstrikes on Iranian nuclear facilities marked a major escalation in regional tensions, further unsettling energy markets. On June 24, 2025, U.S. President Trump announced that both the Iranian and Israeli governments agreed to a ceasefire.

These conflicts have intensified volatility in the oil market, causing sharp fluctuations in oil prices and adding inflationary pressures and economic uncertainties worldwide. Any further escalation of the conflict between Russia and Ukraine, in the Middle East, or any other similar global developments that will threaten supply and demand situation for oil will continue to impact global markets and prices of oil and affect the Company's financial performance.

Global Trade Policy and Tariff Risks

Recent developments in U.S. trade policy have introduced significant economic uncertainties. U.S. President Donald Trump has been imposing additional tariffs on imports from Canada, Mexico, China, and from all over the world, with some economies like Canada and China responding with retaliatory increases in their own tariffs on U.S. products. More recently, the U.S. government has expanded tariffs to cover a wider range of products, including steel, aluminum, and semiconductors, further elevating trade tensions.

These trade policy swings and resulting trade war have sparked market turmoil, with global stock and oil markets heavily fluctuating day to day. Economists have also raised concerns on possible recession, especially in the U.S., as these tariffs will result in higher cost of goods for U.S. consumers and businesses. These developments causing heightened market volatility and recession fears would further expose the Company to price volatility that may affect the Company's financial performance.

The Company holds approximately two months of crude oil and finished petroleum products inventory in the Philippines and one month for Malaysia. Accordingly, since the Company accounts for its inventory using the first-in-first-out method, a sharp drop in crude oil prices could adversely affect the Company, as it may require the Company to sell its refined petroleum products produced with higher-priced crude oil at lower prices. The Company may not be able to pass crude oil price fluctuations to its consumers in a timely manner, or at all, due to regulatory restrictions or social and competitive concerns. In rare instances in the past, there were times when the Philippine government intervened to restrict increases in the prices of petroleum products, such as during the aftermath of severe natural disasters, and lasting only for a limited period. The Company, fully cognizant of its social responsibilities, heeds the Philippine government's calls for such price restraints. The Philippine government has likewise been supportive and understanding of the Company's financial well-being, knowing the importance of the Company being able to carry out its mandate to ensure stable and efficient energy supply for the country. Any inability to pass on fluctuations in the price of crude oil may have an adverse effect on the Company's business, results of operations and financial condition. Moreover, even if the Company were able to pass on increases in the price of crude oil to its customers, demand for its products may decrease as a result of such price increases. In addition, the Company's Malaysian operations are subject to government price controls. See "*—The fuel business in Malaysia is regulated by the Malaysian government, and the Company is affected by Malaysian government policies and regulations relating to the marketing of fuel products.*"

Furthermore, a sharp rise in oil prices would increase the Company's requirements for short-term financing for working capital and may result in higher financing costs. Any difficulties in securing short-term financing for working capital, or unfavorable pricing terms, may have a material adverse effect on the Company's financial condition and results of operations.

To manage the Company's risk of potential losses due to volatility of international crude and product prices, the Company enters into commodity hedging for crude and petroleum products, through its Commodity Risk Management Committee who regularly meets and actively evaluates hedging policies and strategies to protect crude inventories from risks of downward price movements and provide protection from margin contractions. Decisions are guided by the conditions set and approved by management.

Outbreak of any other highly infectious or contagious disease.

While the global impact of COVID-19 has significantly receded, a potential outbreak of new highly infectious diseases or any pandemic may become a public health concern that could impact global markets and supply chains. While the Company has numerous initiatives in place to mitigate the adverse impact of any pandemic, the duration and extent of the impact are beyond the control of the Company.

The potential impact on the Company's business, operations, cash flows, and financial condition will depend on several unpredictable factors including, but not limited to:

- the severity and duration of any pandemic;
- the extent and timeliness of the national and local government's response;
- operational disruptions, including restrictions or closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or other measures;
- the health of, and effect of any pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively sustain its operations;
- volatility in financial and commodity markets; and
- the pace of recovery.

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

The Company implements various initiatives to strengthen financial position and profitability such as optimizing refinery operations, prudent expense management, re-prioritizing capital expenditures to critical and necessary, sustained implementation of dealer sales support programs and enhancing hedging programs to manage oil price volatility and currency exchange risk. The Company also actively monitors and assesses the market for any developments that could affect its operations for timely and proactive responses to emerging challenges.

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

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

The Company acquires crude oil for the Petron Bataan Refinery primarily through its arrangements with its wholly-owned subsidiary Petron Singapore Trading Pte. Ltd. ("**PSTPL**"), which in turn, obtains crude oil from different sources through a combination of term and/or spot purchase contracts. For the Company's various crude requirements in 2025, PSTPL has term contracts with Saudi Aramco, Kuwait Petroleum Corporation ("**KPC**"), State Oil Marketing Organization ("**SOMO**"), Chevron, and Shell International Eastern Trading Company ("**SIETCO**"). Pricing is determined through a formula that is linked to international industry benchmarks. The contract with Saudi Aramco is automatically renewed annually unless either the Company or Saudi Aramco elects to terminate the contract upon at least 60 days' written notice prior to its expiration date. The contracts with KPC and SOMO are from January 1, 2025 to December 31, 2025. The contract with Chevron covers the lifting period from December 1, 2024 to November 30, 2025, while the contract with SIETCO is for three years from November 6, 2023. As of this date, none of the supply contracts has been terminated.

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

The Company acquires crude oil and condensate for the Port Dickson Refinery from various sources, through a combination of term purchase contracts and spot market purchases. The Company has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**") and term supply contracts for other Malaysian Crude Oil ("**MCO**") with SIETCO, PT Pertamina and PTTEP Sabah Oil Limited, supplemented by other short-term supply contracts and spot crude purchases. The Port Dickson Refinery is able to source suitable crude oil blend to meet monthly optimal crude run. As of June 30, 2025, about 47% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Productions are supplemented by imports and local purchases of finished products to meet domestic sales demand for LPG, gasoline and diesel through term and spot arrangements.

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

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

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

The Company faces intense competition from many multinational and local competitors in the sale of petroleum and other related products in the markets in which it operates. Because of the commodity nature of oil products,

competition in the Philippine and international markets for refined petroleum products is largely driven by price as adjusted to account for differences in product specifications and transportation and distribution costs. Participants in the retail fuel and LPG sectors in the Philippines continue to rely on aggressive pricing and discounting to expand their market share. On the other hand, the Company's Malaysian operations are mostly subject to government price controls and quotas. As a result, competition in these market sectors is based primarily on product quality, operational cost efficiency, supply chain reliability and customer value creation. See "*—The fuel business in Malaysia is regulated by the Malaysian government, and the Company is affected by Malaysian government policies and regulations relating to the marketing of fuel products.*"

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

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

The growing popularity and rising pressure to increase the presence of EVs all over the world also pose a risk to the fuels marketing business. Several countries, including the Philippines and Malaysia, have implemented policies and programs to encourage and incentivize the use of EVs, and transition away from the use of fossil fuels and traditional vehicles. As of April 2025, the Philippine government has recognized 687 Battery EVs, 55 Plug-in Hybrid EVs, 88 Hybrid EVs, and 80 Light EVs. This could result in reduced demand for gasoline and diesel, which will adversely impact the Company's revenues. While it may take a longer time for EVs to proliferate in the Philippines and Malaysia due to infrastructure limitations, the Company continues to monitor market developments, pursue and evaluate investments in EV charging stations, and strengthen the Company's non-fuel businesses, to address the potential impact of increasing fleet share of EVs in the industry.

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

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

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

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

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

In 2019, the Petron Bataan Refinery suffered damages from an earthquake that hit the Province of Bataan. The facility suffered damage which entailed additional costs to the Company. The Company was able to claim and

receive compensation from its Industrial All Risk ("**IAR**") Insurance which minimized the impact of the additional costs to the Company's financial position.

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

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

As in many countries, the fuel business in Malaysia is regulated by the government. The Malaysian government regulates the retail pricing structure through the automatic pricing mechanism ("**APM**"), pursuant to which it mandates (i) the retail prices of certain refined petroleum products; and (ii) the product cost build-up. The APM covers (a) sales of formulated unleaded gasoline fuel with an octane index of 95 and 97 ("**Mogas 95**" and "**Mogas 97**"), (b) diesel to retail customers as well as to selected commercial logistics, transportation and fisheries sectors, and (c) LPG to retail customers. This regulated environment provides stability to the Company's Malaysian operations in such sectors. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore ("**MOPS**"). If government mandated prices are lower than the fuel products' total built-up cost per the APM, the Company receives subsidies from the Malaysian government. Conversely, if government mandated prices are higher than the fuel products' total built-up cost per the APM, the Company pays duties to the Malaysian government.

Effective June 10, 2024, the Malaysian government implemented a targeted subsidy on diesel fuel across Peninsular Malaysia wherein diesel prices were first increased to RM3.35 per liter for Euro 5 B10 and B20 and RM3.55 per liter for Euro 5 B7 from the previously capped retail price of RM2.15 and RM2.35 per liter, respectively. Subsequently, the diesel prices in Peninsular Malaysia are floated and updated weekly. Under this diesel subsidy rationalization program, the Malaysian government set subsidized diesel fuel prices for eligible sectors in logistics, land public transportation and fisheries, whereas eligible private owners of diesel-powered vehicle receive RM200 monthly cash subsidy. This adjustment aims to reduce the financial burden on the government and ensures that subsidies are more effectively targeted towards those in need. While higher prices have temporarily impacted the local retail demand for diesel, the Company was able to improve diesel sales volume in its Commercial sector resulting from the market demand correction and change in purchasing channels post-implementation of the targeted subsidy program. Further, the Company remains committed in implementing various marketing programs to sustain and increase its retail sales volume and improve customer loyalty. Meanwhile, retail diesel remains priced at RM2.15 per liter in Sabah, Sarawak and Labuan.

Effective January 1, 2025, following the implementation of targeted subsidy on diesel fuel, the Malaysian government increased the APM for oil companies' diesel sales to retail, mini-stations and fisheries sector by additional 4.71 sen/liter in Peninsular Malaysia and 1 sen/liter for Sabah and Sarawak.

Recently, in July 2025, the Malaysian government has also announced that they will introduce a new subsidy policy for gasoline that will lower RON95 gasoline prices from RM2.05/liter to RM1.99/liter for eligible segments which aims to balance affordability and fiscal sustainability. However, the rollout of the new gasoline subsidy program was deferred, pending final implementation review.

In addition, the sale of retail and partial commercial diesel in Malaysia is subject to a quota system that applies to oil companies and eligible users and customers to ensure that subsidized diesel is not sold illegally to customers who are not entitled to the subsidies. Diesel sales that exceed the volumes permitted under the Company's or its customers' quotas are not eligible for government subsidies.

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

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

As of the date of this Offering Circular, the Company leases foreshore areas in Rosario, Cavite; Alangan, Limay, Bataan; Maunlad, Puerto Princesa; La Paz, Iloilo; Culasi, Roxas City; and Barrio Pampanga Sasa, Davao City, for which foreshore lease applications are pending with the DENR. The Company continues to enjoy possession

and use of these foreshore areas pending approval of such applications and has been paying the occupancy fees to the DENR. However, there is no assurance that the applications for the foreshore lease agreements would be approved by the DENR and the Company will be able to continue to use the premises. The Company is working with the DENR to process the applications of the foreshore leases and, in the interim, and is annually paying occupancy fees.

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

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

The Company has incurred, and expects to continue to incur, operating costs to comply with applicable safety, health, environmental and zoning laws and regulations. Programs were implemented to comply with government-mandated health and safety regulatory guidelines, such as: (a) compliance by the Petron Bataan Refinery, terminal operations, and the Company's headquarters with Republic Act No. 11058 Occupational Safety and Health ("**OSH**") Compliance Binder; (b) compliance with mandatory eight-hour OSH seminars; (c) implementation of Contractor Safety Management which establishes a guideline to contractors on the minimum health and safety requirements that should be complied with prior to commencement and during execution of any work activities within the Company's facilities/premises, among others. In addition, the Company has made, and expects to continue to make, capital expenditures on an ongoing basis to comply with safety, health, environmental and zoning laws and regulations. See "*Regulatory and Environmental Matters."* The submission of technical position paper and the lobbying efforts of CTSG-Environment though Technical Working Groups of Industry Association have contributed to the issuance of DENR Department Administrative Order No. 2021-19 relaxing the effluent standards for parameters of concern: Ammonia, Sulfate, Phosphate, Boron, Dissolved Copper and Fecal Coliform. Wastewater discharge from Petron Bataan Refinery is compliant with Clean Water Act effluent standards without the need to upgrade its wastewater treatment facility. There can be no assurance that the Company will be in compliance with applicable laws and regulations or will not become involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings relating to safety, health, environmental and zoning matters, the costs of which could be material.

In addition, safety, health, environmental and zoning laws and regulations in the Philippines and Malaysia have become increasingly stringent. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in the Company being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities. For example, the implementation of Euro IV standards in the Philippines in 2016 and the planned implementation of Euro V by 2027,[3] and in Malaysia, the Euro 4M and Euro 5 standards phased from 2015 through 2027, require the Company to make capital expenditures to meet these standards. The Company has complied with the Euro IV standards in the Philippines and has completed the construction of a new diesel hydrotreater process unit in the Port Dickson Refinery to comply with Euro 5 diesel regulations, as mandated by the Malaysian government beginning April 1, 2021. The Philippines may follow suit with the proposed Euro V fuel standards mandating lower sulfur content in gasoline and diesel fuel at 10 ppm by 2026. Petron Corporation, being the sole fuel refinery in the Philippines, has submitted its position paper to the regulatory agencies stating the challenges it faces in implementing process changes in the refinery to meet the more stringent fuel quality requirement. It has requested that sufficient lead time of at least 20 months be considered from the enactment of the regulation to comply with the requirement. If the Company fails to complete its planned refinery upgrades or enhancements on time, it may have to import additional products in the spot market to blend with its own production to ensure compliance with the relevant standards, which could have a material adverse effect on the Company's financial condition and results of operations.

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[3] DENR-EMB, 2025 Draft Administrative Order entitled "Implementation of Euro5/V Emission Limits for Light-Duty and Heavy-Duty Vehicles".

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

The Company is also exposed to transition risks associated with the evolving regulatory landscape for carbon emissions. The introduction of carbon pricing mechanisms could significantly increase the Company's costs, potentially impacting its profitability.

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

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

For instance, the Philippine government has announced the implementation of the increase in coco methyl ester ("**CME**") content of biodiesel from 2% to 3%, beginning October 1, 2024, and to 4% by October 2025. However, due to elevated cost of coconut oil and problems in CME supply availability, the Philippine Department of Energy ("**DOE**"), upon recommendation by the National Biofuels Board, has suspended the scheduled increase to 4% in October 2025 as well as the planned rise to 5% in 2026. Meanwhile, the government continues to target raising ethanol content in gasoline from the current 10% to 20% by 2040.

In Malaysia, PME content in diesel was increased from 10% to 20% in Langkawi, Labuan and Sarawak in 2020. Planned increase from 10% to 20% in Sabah and Peninsular Malaysia was temporarily put on hold indefinitely from previous timeline of 2021 due to the pandemic and changes in the Malaysian government's funding priorities.

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

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

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

If the Company fails to complete its planned capital expenditure projects on time or within budget or at all, or to operate its facilities at their designed capacity, it may be unable to achieve the targeted growth in sales and profits, and its business, results of operations and financial condition could be adversely affected. Furthermore, there can

be no assurance that the Petron Bataan Refinery will run at the expected capacity or achieve the expected production profile, or that there will be sufficient demand and logistical support for the Company's production. Any of the foregoing factors could adversely affect the Company's business, financial condition and results of operations.

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

Changes in taxation and certain tax exemptions and tax incentives could increase the Company's operating costs and adversely affect its business, results of operations and financial condition.

On March 26, 2021, former President Rodrigo Duterte signed into law Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act" ("**CREATE Act**") which introduced reforms to the corporate income tax and incentives systems. Effective July 1, 2020, the corporate income tax rate on domestic corporations has been reduced from 30% to 25%, while domestic corporations with net taxable income not exceeding ₱5 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million are subject to 20% corporate income tax. The CREATE Act further enhanced certain incentives that investment promotion agencies may grant to business enterprises, such as additional deductions, increased net-operating loss carry-over, VAT exemption on importation and VAT zero-rating of local purchases of goods and services directly and exclusively used in the registered project or activity, among others. In view of the effectivity of the CREATE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to the following rules:

(i) Registered business enterprises whose projects or activities were granted only an income tax holiday ("**ITH**") prior to the effectivity of the law shall be allowed to continue to avail of the ITH for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the ITH but have not yet availed of such incentive upon the effectivity of the law may use the ITH for the period specified in the terms and conditions of their registration;

(ii) Registered business enterprises whose projects or activities were granted an ITH prior to the effectivity of the law and that are entitled to the 5% tax on gross income earned incentive after the ITH shall be allowed to avail of the 5% tax on gross income incentive subject to the 10-year limit provided under the CREATE Act; and

(iii) Registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue to avail of such tax incentive for 10 years.

Registered subsidiaries of the Company with incentives granted prior to the effectivity of the CREATE Act may continue to avail of the same, subject to the rules prescribed under the said law.

On November 8, 2024, President Ferdinand R. Marcos, Jr. signed the CREATE MORE Bill into law, officially making it Republic Act No. 12066 or also known as "CREATE MORE" (the "**CREATE MORE Act**"). The CREATE MORE Act took effect fifteen (15) days after its publication. The CREATE MORE Act, among others, introduced amendments to the National Internal Revenue Code of 1997, as amended (the "**Tax Code**") to enhance the tax incentive regime that registered business enterprises (e.g., BOI-registered entities) may receive, including: (i) VAT zero-rating on local purchases (which shall now include goods and services related to a registered project or activity such as janitorial, security, financial, consultancy, marketing, and administrative functions such as human resources, legal, and accounting services); (ii) VAT exemption on importation of goods and services; (iii) duty exemption on importation shall now include goods used for administrative purposes; (iv) an enhanced deductions regime; (v) income tax holiday; (vi) a registered business enterprise local tax that shall be assessed in lieu of all local taxes and local fees and charges imposed by a local government, during the period when the registered business enterprise enjoys income tax holiday or avails of the enhanced deductions regime; and (vii) a special corporate income tax of five percent (5%) in lieu of all national and local taxes as well as local fees and charges.

Under the CREATE MORE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to incentives in their certificate of registration or certificate of registration and tax exemption, and allowed to avail, or continue availing, of certain incentives until December 31, 2034.

As of June 30, 2025 Petron Bataan Refinery in Limay, Bataan is registered with the Authority of the Freeport Area of Bataan and its Power Plant (Phase III) is registered with the Board of Investments. Petron Bataan Refinery was granted duty and tax exemption in its importations (except finished petroleum products pursuant to Section 295(F) of the Tax Code, as amended by RA No. 11534 or CREATE ACT) and Power Plant (Phase III) was granted income tax holiday for four years from commercial operations, and certain tax exemptions and tax incentives such as deductions from taxable income subject to certain capital requirements and duty-free importation of capital equipment, spare parts and accessories.

For Power Plant (Phase III), if the income tax holiday will expire, is revoked, or is repealed, the income from these sources will be subject to the 25% regular corporate income tax of net taxable income or 2% minimum corporate income tax of the gross income, whichever is higher. However, there can be no assurance that any pending tax legislation or future changes in the tax regime, including changes in fiscal incentives, in the Philippines would not have a material and adverse effect on the Company's business, financial condition and results of operations.

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

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

The tax and duty structure of the oil industry in the Philippines has undergone some key changes in recent years. On January 1, 2018, Republic Act No. 10963, also known as the Tax Reform for Acceleration and Inclusion or the TRAIN Law, took effect. The TRAIN Law is the first package under the Comprehensive Tax Reform Program ("**CTRP**") of the Philippine government. The TRAIN Law imposed a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three-year period was ₱2.65- ₱2.00-₱1.00/li per year for premium unleaded gasoline, ₱2.50-₱2-₱1.50/li per year for diesel and fuel oil, ₱1.00- ₱1.00-₱1.00/kg per year for LPG, and ₱0.33-₱0-₱0/li per year for jet fuel. The excise tax is further subject to 12% VAT. As of the date of this Offering Circular, the applicable excise tax on petroleum products is ₱10.00/li for premium unleaded gasoline, ₱6.00/li for diesel and fuel oil, ₱3.50/kg for LPG and ₱4.00/li for jet fuel. The TRAIN Law also mandates the implementation of a fuel marking program for diesel, gasoline and kerosene to help curb illicit trading of fuel products. The cost for the fuel marker was subsidized by the government in the initial year of implementation and eventually passed on to oil companies effective September 2020.

The second package of the tax reform program, the CREATE Act, was signed into law on March 26, 2021 and took effect on April 11, 2021. The CREATE Act lowers the corporate income tax and provides for rationalization of fiscal incentives that may be granted by investment promotion agencies (such as the Authority of the Freeport Area of Bataan) to qualified registered business enterprises. Under the CREATE Act, the corporate income tax rate for domestic corporations and resident foreign corporations shall be reduced to 25% effective July 1, 2020 and effective on January 1, 2021 for non-resident foreign corporations; domestic corporations, resident foreign corporations no longer have an option to be taxed at 15% on gross income; and the rate of the minimum corporate income tax ("**MCIT**") is lowered to 1% from July 1, 2020 to June 30, 2023. However, effective July 1, 2023, the MCIT rate reverted to its previous rate of 2% based on the gross income of the corporation.

As part of the rationalization of tax incentives, the CREATE Act provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person shall be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the Tax Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, shall be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the BIR to ensure that crude oil shall not be lifted from the refinery without payment of appropriate duties and taxes.

On November 28, 2024, Republic Act 12066 or the CREATE MORE Act took effect. Under the CREATE MORE Act, the following key provisions were introduced, among others:

- International carriers of Philippine or foreign registry directly importing petroleum products, on their use or consumption outside the Philippines are exempt from excise tax;

- VAT exempt importation of fuel, goods, and supplies used for international shipping or air transport operations applies to all importers and is no longer limited to importers engaged in international shipping or air transport operations;

- Those engaged in the (1) export of goods and services; (2) engaged in e-commerce; and (3) those under the jurisdiction of the Large Taxpayer Services shall be required to issue electronic invoices. This is, however, dependent on the BIR's establishment of a system which is capable to store and process the required data;

- Removal of the minimum creditable withholding tax rate and reduction of the maximum rate to 15%;

- The BIR's processing period for excise tax refund claims is set at 90 days from the date of filing; and

- Increase in the investment threshold requiring Fiscal Incentives Review Board ("**FIRB**") approval to Php15 billion and above.

On May 29, 2025, President Ferdinand R. Marcos, Jr. signed Republic Act No. 12214 or the Capital Markets Efficiency Promotion Act ("**CMEPA**"), which took effect on July 1, 2025. CMEPA was legislated to allow capital markets to develop efficiently with least intervention from the Government and introduced the following amendments to the Tax Code, among others:

- Clarification of the definition of "deposit substitutes" which excludes reverse purchase agreements entered into by and between the BSP and any authorized agent bank, certificates of assignment or participation, and similar instruments with recourse;

- Definition of "passive income" covers income derived from sources that do not require the taxpayer's active involvement in the conduct of trade or business, and which are not subject to VAT;

- Exclusions from gross income: (i) interest income and gains from sale of, transfer or disposition of specific bonds issued by the Republic of the Philippines or any of its instrumentalities to finance capital expenditures or programs covered by the Philippine Development Plan and equivalent and other high-level priority programs of the national government and (ii) gains from the redemption of shares or units of participation in mutual funds and Unit Investment Trust Funds ("**UITFs**") provided that final taxes on realized gains have already been withheld at the level of underlying assets prior to redemption;

- Additional deduction of 50% of the employer's actual contributions made to Personal Equity Retirement Account (PERA) shall be granted to private employers that contribute at least equal to the contributions of the employees, subject to the maximum allowable contribution under RA No. 9505, otherwise known as the PERA Act;

- Interest income by individuals and corporations, except non-residents, from depository banks under the expanded foreign currency deposit system shall be subject to 20% final withholding tax;

- For sale of shares in domestic or foreign corporations that are not traded in local or foreign stock exchange, 15% CGT shall be imposed on the net capital gains realized during the taxable year from the sale, exchange, or other modes of disposition of shares of stock;

- For domestic shares traded through a local stock exchange, the stock transaction tax ("**STT**") rate shall be lowered from 0.6% to 0.1% of the gross selling price. For domestic shares traded through a foreign stock exchange, STT shall be levied, assessed and collected on every sale, exchange, or other disposition of shares of stock other than by a dealer in securities, in lieu of capital gains tax, a tax at the rate of 1/10 of 1% of the gross selling price or gross value in money of the shares of stock sold, exchanged, or otherwise disposed which shall be paid by the seller or transferor; and

- DST at a rate of 75% of 1% shall be imposed on the following transactions: (i) original issuance of shares on the par value or actual consideration for no-par shares; (ii) bonds, debentures, certificates of stock or

indebtedness issued in a foreign country on the value of the transaction; and (iii) debt instruments on the issue price.

On June 1, 2018, the Malaysian government withdrew the Goods and Services Tax ("**GST**"). The GST was replaced with a Sales and Services Tax ("**SST**") on September 1, 2018. Under the GST tax mechanism, businesses charged and collected GST on all taxable goods and services supplied to consumers and subsequently claimed the amount of GST paid on the business inputs by offsetting against the output tax.

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

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

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

The substantial majority of the Company's revenues are denominated in either Philippine Pesos or Malaysian Ringgit, while the substantial majority of its expenses, including crude oil purchases and foreign currency denominated debt service costs, are in U.S. dollars. For the years ended December 31, 2022, 2023, and 2024 and the six months ended June 30, 2025, approximately 43%, 45%, 43% and 50%, respectively, of the Company's revenues were denominated in Philippine Pesos, approximately 33%, 31%, 28% and 28%, respectively, of its revenues were denominated in Malaysian Ringgit, while approximately 81%, 74%, 75% and 71%, respectively, of its cost of goods sold were denominated in U.S. dollars. In addition, as of December 31, 2024 and June 30, 2025, 26% and 28% of the Company's outstanding debt was denominated in U.S. dollars.

The Company's financial reporting currency is the Philippine Peso, and therefore depreciation of the Philippine Peso relative to the U.S. dollar would result in increases in the Company's foreign currency denominated expenses as reflected in its Philippine Peso financial statements, and could also result in foreign exchange losses resulting from the revaluation of foreign currency denominated assets and liabilities, including increases in the Philippine Peso amounts of the Company's U.S. dollar-denominated debt obligations, thereby adversely affecting the Company's results of operations and financial condition. In addition, there can be no assurance that the Company could increase its Philippine Peso or Malaysian Ringgit-denominated product prices to offset increases in its crude oil or other costs resulting from any depreciation of the Philippine Peso or the Malaysian Ringgit, as applicable. From January 1, 2022 to June 30, 2025, the value of the Philippine Peso against the U.S. dollar fluctuated from a low of ₱50.97 to a high of ₱59.00. In the same period, the value of the Malaysian Ringgit against the U.S. dollar fluctuated from a low of RM4.1235 per U.S. dollar to a high of RM4.7987 per U.S. dollar. See "*Exchange Rates.*" While the Company uses a combination of natural hedges, which involve holding U.S. dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure, its exchange rate exposures are not fully protected. There can be no assurance that the value of the Philippine Peso or the Malaysian Ringgit will not decline or continue to fluctuate significantly against the U.S. dollar, and any significant future depreciation of the Philippine Peso or the Malaysian Ringgit could have a material adverse effect on the Company's margins, results of operations and financial condition.

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

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

In addition, the Company significantly relies on, and will likely continue to rely on, the continued individual expertise and collective contributions of its management team. The Company recognizes that these key personnel may separate from the Company at any point (e.g., by retirement or resignation, among others); thus, a sound management succession plan is in place. Moreover, the Company ensures that its compensation and benefit packages for its management, officers, staff and rank-and-file are comprehensive, relevant, and at par with industry standards. Promotions and pay raises are given to select employees as recognition of their outstanding work performance. In addition, performance appraisals are conducted regularly to ensure the alignment of employees' outputs towards the Company's corporate objectives and targets.

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

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

SMC, directly and indirectly, holds an effective 71.78% of the Company's outstanding common equity as of June 30, 2025. See "*Principal Shareholders*" of this Offering Circular. SMC is not obligated to provide the Company with financial support. The interests of SMC may differ from those of the other shareholders. SMC may direct the Company in a manner that is contrary to the interests of the shareholders. There can be no assurance that conflicts of interest between SMC and the other shareholders will be resolved in favor of the Company's shareholders. If the interests of SMC conflict with the interests of the Company, the Company could be disadvantaged by the actions that SMC chooses to pursue.

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

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

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

From time to time, the Company considers selective opportunities to expand both domestically and outside the Philippines through strategic acquisitions consistent with its focuses on increased production of White Products such as, expansion of its sales network and logistics capability, and the creation of operational synergies. However, there can be no assurance that the Company will be able to integrate its acquisitions fully in line with its strategy. Any failure to do so could have a material adverse effect on the business, results of operations and financial condition of the Company.

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

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

The Company uses a combination of reinsurance and purchased insurance to cover its properties and certain potential liabilities. The Company's insurance coverage includes property, marine cargo and third-party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption. One of the main insurance policies of the Company, the IAR policy, covers the Petron Bataan Refinery for material damages and machinery breakdown. All insurance policies relating to the Company's Philippine operations are written by Petrogen Insurance Corporation ("**Petrogen**"), an associate. In January 2021, SMC made a ₱3.00 billion equity investment in Petrogen, enabling Petrogen to expand its insurance business. For its Malaysian operations, the Company purchases insurance from Malaysian insurance companies, consistent with Malaysian law. The Company estimates the liabilities associated with the risks retained by it, in part, by considering historical claims, experience and other actuarial assumptions which, by their nature, are subject to a

degree of uncertainty and variability. Among the causes of this uncertainty and variability are unpredictable external factors affecting future inflation rates, discount rates, litigation trends, legal interpretations and actual claim settlement patterns.

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

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

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

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

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

Risks Relating to the Philippines and Malaysia

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

The Company derives substantially all of its revenues and operating profits from sales of its products in the Philippines and Malaysia. In 2022, 2023, 2024 and the six months ended June 30, 2025, the Company derived approximately 64%, 66%, 69% and 69%, respectively, of its sales from its Philippine operations and approximately 36%, 34%, 31% and 31%, respectively, of its sales from its Malaysian operations. The Company's product demand and results of operations have generally been influenced to a significant degree by the general state of the Philippine and Malaysian economies and the overall levels of business activity in the Philippines and Malaysia, and the Company expects that this will continue to be the case in the future. The Philippines and Malaysia have both experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso or the Malaysian Ringgit, as applicable, and the imposition of exchange controls. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine or Malaysian consumers' purchasing power, which could materially and adversely affect the Company's financial condition and results of operations.

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

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

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last few decades, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents and two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In early 2025, high-profile impeachment proceedings were also initiated against a sitting vice president. However, on July 25, 2025, the Supreme Court of the Philippines, acting on petitions challenging the impeachment of the vice president, unanimously declared the articles of impeachment against the vice president unconstitutional as the impeachment is barred by the one-year rule under the Philippine Constitution and for being in violation of the right to due process of the vice president under the Bill of Rights. On August 5, 2025, the Philippine House of Representatives filed a motion for reconsideration of the Supreme Court's decision. As of the date of this Offering Circular, the Supreme Court has not yet ruled on this motion. Nevertheless, on August 6, 2025, following the Supreme Court's decision on July 25, 2025, the Philippine Senate moved to archive the complaint against the vice president.

In addition, several officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. Most recently, in August 2025, due to public backlash, the Philippine government began investigative efforts on ghost flood control projects allegedly pointing to widespread corruption and misuse of public funds by the Philippine Department of Public Works and Highways and several local government units.

Ongoing legal actions under the International Criminal Court ("**ICC**") also continue to involve a former president in connection with alleged human rights violations committed during their term, drawing national attention and further underscoring the country's persistent political turmoil. As of the date of this Offering Circular, the former president awaits trial in the Hague.

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. Additionally, the Philippines held its mid-term national and local elections on May 12, 2025. While the elections have concluded peacefully, the resulting political landscape may lead to policy shifts or change in governance that could affect the Company's operations. Persistent political turmoil and the risk of future acts of political violence or instability could likewise have a negative impact on the Philippine economy and the Company.

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

Acts of terrorism could destabilize the country and could have a material adverse effect on the Company's business, financial position and results of operations.

Historically, the Philippines has been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines.

For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists who were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("**ISIS**"). Due to the clash between the Philippine government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. The martial law in Mindanao was lifted on January 1, 2020, while the state of national emergency was lifted on July 25, 2023. On December 3, 2023, a bombing

occurred in the middle of a Catholic mass service at the Mindanao State University in Marawi City, which killed four individuals and injured dozens more. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy. The Philippine legislature passed the Anti-Terrorism Act of 2020 (Republic Act No. 11479), which has drawn criticism from, and sparked protests by, various sectors because of its controversial provisions on warrantless arrests and its broad definition of terrorist acts, which may be used to target government critics.

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

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

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

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

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. China continues to assert broad claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("**UNCLOS**"). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. Despite such ruling, enforcement of the Philippines' sovereign rights over its exclusive economic zone remains a challenge. In recent years, confrontations between Chinese and Philippine vessels – including dangerous maneuvers, water cannon incidents, and the blocking of Philippine resupply missions to outposts in the West Philippine Sea – have escalated. Tensions intensified in early 2025 following a series of standoffs and the Philippines' announcement of expanded patrols with key allies such as the United States, Japan, and Australia under enhanced defense cooperation agreements.

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

Any deterioration in the Philippine economy as a result of these territorial disputes, including a significant depreciation of the Philippine Peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect the Company's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

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

The Philippines and Malaysia have experienced a range of major natural or man-made catastrophes including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and

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

Investors may face difficulties in enforcing judgments against the Company.

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

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

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

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

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

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

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

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

Public health crises or outbreaks of diseases may have a material and adverse impact on the economic activities and business operations in the Philippines.

In late 2019, COVID-19, an infectious disease that was first reported to have been transmitted to humans in 2019, spread globally during 2020, and was declared as a pandemic by the World Health Organization (**"WHO"**) in March 2020. While the WHO has declared the COVID-19 pandemic to be over in May 2023, there are still active and recurring cases globally, including in the Philippines. In July 2023, the President of the Philippines issued Presidential Proclamation No. 297, effectively lifting the state of public health emergency caused by the COVID-19 pandemic throughout the Philippines.

On August 14, 2024, the WHO declared the mpox (formerly known as monkeypox) outbreak as a public health emergency of international concern. A few days after the WHO declaration or on August 19, 2024, the Philippine government announced that it detected the first case of mpox virus in the country in 2024. In response, the Philippine government ordered the close contacts of the patient to undergo mandatory quarantine. In addition, the Philippine government continues to undertake close surveillance of any potential spread of mpox. Since 2024, the Philippines has recorded a total number of 911 cases of mpox.

Any government restrictions and regulations to curb any public health crises or outbreak or resurgence of infectious diseases, including the imposition of community quarantine, may adversely affect business operations and lead to further contraction of the Philippine economy, inevitable closure of business operations, and exponential rise in unemployment rates. The operational and financial performance of the Company may be affected by future developments relating to any public health crisis or outbreak or resurgence of infectious diseases, including the ability to contain the outbreak related restrictions, and the overall impact on the Philippine economy and demand for the Company's products and services.

Risks Relating to the New Securities

The Securities may not be a suitable investment for all investors

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

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

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

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

There may be insufficient Distributions upon liquidation.

The obligations of the Company under the Securities and under the Trust Deed will constitute its direct, unconditional, unsecured and unsubordinated obligations. In the event of liquidation or winding-up, the claims of Securityholders in respect of the Securities, including in respect of any claim to Arrears in Distribution, will (subject to and to the extent permitted by applicable law) be preferred over the subordinated obligations of the Company and will rank at least *pari passu* with each other and with all other unconditional, unsecured and unsubordinated obligations of the Company. In the event of such liquidation or winding-up, there is a risk that an investor will not receive full return of principal amount or any unpaid amounts or Distributions under the Securities.

Securityholders may not receive Distribution payments if the Company elects to defer Distribution payments.

The Company may, at its sole discretion and subject to certain conditions, elect to defer any scheduled Distributions on the Securities for any period of time. The Company is not subject to any limits as to the number of times Distributions can be deferred. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Terms and Conditions of the Securities, the Company may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distributions shall not constitute a default for any purpose unless, in the case of a deferral, such payment is required in accordance with Condition 4.7 (*Payment of Arrears of Distribution*).

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Company's financial condition.

The Securities may be redeemed at the Company's option on the Optional Call Date, the Step Up Date or any Distribution Payment Date falling after the Step Up Date or upon the occurrence of certain other events.

The Securities are redeemable at the option of the Company, in whole but not in part, on the Optional Call Date, the Step Up Date or any Distribution Payment Date falling after the Step Up Date at the redemption price specified in Condition 5 (*Redemption and Purchase*) of the Terms and Conditions.

The Company also has the right to redeem the Securities upon the occurrence of certain changes in Philippine tax law requiring the payment of Additional Amounts (as defined in the Terms and Conditions of the Securities). In addition, the Securities may be redeemed (in whole but not in part) at the option of the Company: (A) upon the occurrence of a Change of Control Event (i) at any time prior to (but excluding) the date that falls one month prior to the Step Up Date at the Special Redemption Price; or (ii) on or at any time after the Step Up Date at the Redemption Price, (B) upon the occurrence and continuation of a Reference Security Default Event at any time at the Redemption Price, (C) upon the occurrence and continuation of an Accounting Event at any time at the Redemption Price, or (D) in the event that less than 25% of the aggregate principal amount of the Securities issued remains outstanding at any time at the Redemption Price, in each case on the giving of irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 (*Notices to the Securityholders*).

The date on which the Company elects to redeem the Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the holder of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for default under the Securities.

Any scheduled Distribution will not be due if the Company elects to defer that Distribution pursuant to the Terms and Conditions of the Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment has become due and the Company fails to make the payment when due. The only remedy against the Company available to the Trustee or (where the Trustee has failed to proceed against the Company, as provided in the Terms and Conditions of the Securities) any Securityholder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting winding-up proceedings and/or proving and/or claiming in winding-up in respect of the Company's payment obligations arising from the Securities and the Trust Deed.

The adoption of new accounting policies of PFRS may have a significant impact on the Company's financial condition and results of operations and/or may result in a change to the accounting treatment of the Securities, which could give the Company the right to elect to redeem the Securities.

The Financial Reporting Standard Council ("**FRSC**") is continuing its policy of issuing PFRS and interpretations which are substantially based on International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**"). FRSC has issued and may in the future issue more new and revised standards and interpretations, including those required to conform with standards and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new PFRS will not have a significant impact on the Company's financial condition and results of operations. In addition, any change or amendment to, or any change or amendment to any interpretation of, PFRS may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" of the Company, and will give the Company the right to elect to redeem the Securities. See "*—The Securities may be redeemed at the Company's option on the Optional Call Date, the Step Up Date or any Distribution Payment Date falling after the Step Up Date or upon the occurrence of certain other events.*"

The applicable Distribution Rate may fluctuate on any Reset Date.

The Distribution Rate will be reset on each Reset Date by reference to the then Treasury Rate (as defined elsewhere in this Offering Circular). Accordingly, a Securityholder is exposed to the risk of a fluctuating Distribution Rate and uncertain distribution income. A fluctuating Distribution Rate makes it impossible to determine the yield of the Securities with respect to any Reset Period in advance.

The Company and its subsidiaries may raise other capital and incur substantial indebtedness in the future and may not be able to generate sufficient cash flows to meet its obligations.

The Company may from time to time and without prior consultation of the holders of the Securities create and issue further Securities (see "*Terms and Conditions of the Securities – Further Issues*"). Furthermore, the Company and its subsidiaries may from time to time incur substantial additional indebtedness and contingent liabilities. Under the terms of the Securities, there is no restriction, contractual or otherwise, on the amount of Securities which the Company may further issue or securities or other liabilities which the Company may issue or incur and which rank senior to, or *pari passu* with, the Securities. If the Company or its subsidiaries incur additional debt, that could have important consequences to investors. For example, it could: (i) limit the Company's ability to satisfy its obligations under the Securities and other debt; (ii) increase the Company's vulnerability to adverse general economic and industry conditions; (iii) require the Company to dedicate a substantial portion of its cash flow from operations to servicing and repaying its indebtedness, thereby reducing the availability of its cash flow to fund working capital, planned capital expenditures and other general corporate purposes; (iv) limit the Company's flexibility in planning for or reacting to changes in its businesses and the industries in which it operates; (v) increase the cost of additional financing; and (vi) place the Company at a competitive disadvantage compared to its competitors that have less debt. If the Company's subsidiaries incur additional indebtedness, such incurrence could also have adverse effects similar to those described above on the subsidiaries, and therefore on the Company. The issue of any further Securities or such other securities, or the incurrence of any such other liabilities, may reduce the amount (if any) recoverable by holders of the Securities on a winding-up of the Company and may also have an adverse impact on the trading price of the Securities and/or the ability of the Securityholders to sell them.

Debt evidenced by a public instrument has priority in the event of liquidation.

Under Philippine law, in the event of liquidation of a company, unsecured debt of such company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. Some of the Company's financial indebtedness may be covered by agreements which are embodied in public instruments. However, these agreements contain a waiver by each of the respective lenders of the benefit of preference or priority accorded to public instruments under Article 2244(14)(a) of the Civil Code of the Philippines. The waivers are subject to the condition that all present and future creditors of the Company are *pari passu* and no creditor shall be conferred a superior right on the basis that its credit appears in a public instrument. In the event the conditions to the waivers are not met or if the waivers are not given effect, the Securities and other unsecured debt of the Company not evidenced by public instruments will rank junior to secured debt of the Company not evidenced by public instruments and unsecured debt of the Company evidenced by public instruments, which may adversely affect the holders of the Securities.

There has been no prior market for the Securities, an active trading market for the Securities may not develop, and the trading price of the Securities could be materially and adversely affected.

The Securities are a new issue of securities for which there is currently no trading market. Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Securities. The offer and sale of the Securities is not conditioned on obtaining a listing of the Securities on the SGX-ST or any other exchange. Although the Joint Lead Managers have advised the Company that they currently intend to make a market for the Securities, they are not obligated to do so, and any market-making activity with respect to the Securities, if commenced, may be discontinued at any time without notice in their sole discretion.

If an active trading market were to develop, the Securities could trade at prices that may be lower than the initial offering price. The price at which the Securities trade depends on many factors, including, but not limited to:

- prevailing interest rates and the market conditions for similar securities;
- general economic conditions and political and economic developments in and affecting the Philippines and Malaysia; and
- the Company's results of operations, financial condition, historical financial performance and future prospects.

Approval in-principle has been obtained from the SGX-ST for the listing of the Securities on the SGX-ST. However, no assurance can be given that if the Securities are listed, the Company will be able to maintain such listing or that a liquid trading market will develop or continue. If an active market for the Securities fails to develop or be sustained, the trading price of the Securities could be materially and adversely affected. Lack of a liquid or active trading market for the Securities may adversely affect the price of the Securities or may otherwise impede a holder's ability to dispose of the Securities.

The Company will follow the applicable corporate disclosure guidance for debt securities listed on the SGX-ST and adheres to corporate governance and disclosure standards in the Philippines, which may be different from those applicable to debt or hybrid securities in other jurisdictions.

The Company will be subject to certain reporting obligations in respect of the Securities to be listed on the SGX-ST, which may be different from those imposed by securities exchanges in other jurisdictions, such as the United States. In addition, the Company adheres to the applicable disclosure and corporate governance standards in the Philippines. There may be less publicly available information about Philippine public companies than is regularly made available by public companies in the United States or certain other jurisdictions and the requirements of the Philippine SEC and the PSE with respect to corporate governance may also be different from those applicable in certain other jurisdictions. As a result, the level of detail of information that is available may not correspond to what certain investors in the Securities may be accustomed to.

Rights of the Securityholders may be altered without their consent.

The Trust Deed contains provisions for calling meetings of the Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders, including the Securityholders who did not attend and vote at the relevant meeting and the Securityholders who voted in a manner contrary to the majority. The Trust Deed also provides that the Trustee may, without consent of the Securityholders, agree to any modification of any provision of the Securities which is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders or which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of law, in the circumstances described in "*Terms and Conditions of the Securities—Meetings of Securityholders, Modification, Waiver, Authorization and Determination—Modification, Waiver, Authorization and Determination*."

The imposition of exchange controls could result in an investor not receiving payments on the Securities.

The Philippine government has, in the past, instituted restrictions on the conversion of Philippine Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Company is not aware of any pending proposals by the Philippine government regarding such restrictions. Although the Philippine government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restriction imposed in the future could adversely affect the ability of investors to repatriate foreign currency upon receipt of any payments from the Company.

The Company may not be able to purchase U.S. dollars from the Philippine banking system to settle its obligations under the Securities.

The Philippine government has, in the past, instituted restrictions on the conversion of Philippine Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency denominated obligations. See "*—Risks Relating to the New Securities – The imposition of exchange controls could result in an investor not receiving payments on the Securities*." Under existing foreign exchange controls in the Philippines, foreign currency denominated loan obligations or foreign currency denominated guarantees duly approved by, and/or registered with, the BSP can be paid in foreign currency obtained through the Philippine banking system without further prior approval of the BSP (subject to any conditions contained in the BSP approval). BSP approval and registration will allow a borrower to access the Philippine banking system to obtain U.S. dollars to service its relevant debt obligations rather than from other sources of U.S. dollars such as the non-banking system or foreign currency revenue streams.

The Company has not registered (and is not obligated to register) the Securities with the BSP, although it has the option to do so within six months from utilization of the proceeds, if the Securities will have a tenor exceeding one year. Unless the Company so registers with the BSP, the Company may not be able to purchase U.S. dollars from the Philippine banking system to settle its obligations under the Securities and there is no assurance that the Company will be able to obtain sufficient U.S. dollars outside the Philippine banking system to settle its obligations under the Securities.

The transfer of Securities is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Securities have not been registered under, and the Company is not obligated to register the Securities under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, the Securities may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See "*Subscription and Sale.*" The Company has not agreed to or otherwise undertaken to register the Securities, and the Company has no intention of doing so.

A holder of a significant portion of the Securities may be able to significantly influence matters which require to be voted on by the Securityholders. Additionally, this may reduce the liquidity of the Securities in the secondary trading market.

Any holder of a significant portion of the Securities may be able to significantly influence matters which require to be voted on by the Securityholders. Additionally, the interests of these substantial investors may be different from the interests of the other holders of the Securities and the significant portion of the Securities to be held by them may reduce the liquidity of the Securityholders in the secondary trading market.

Certain Securityholders may be exposed to currency conversion risks due to the Securities being denominated in U.S. dollars.

Payments to Securityholders will be made in U.S. dollars. If an investor's financial activities are principally denominated in a currency other than U.S. dollars, it will be subject to certain currency conversion risks. These risks include (i) the risk that exchange rates may significantly change (including changes due to the devaluation of the U.S. dollar or revaluation of the investor's currency); and (ii) the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls which could adversely affect any applicable exchange rate. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility with a variety of currencies may continue in the future. Any appreciation of an investor's currency relative to the U.S. dollar would decrease the investor's currency-equivalent value of the amounts payable in respect of the Securities and the investor's currency equivalent market value of the Securities. In addition, exchange controls could adversely affect the availability of a specified foreign currency at the time of payments of amounts on a Security. As a result, investors may receive less payment than expected, or no payment at all.

Developments in other markets may adversely affect the market price of the Securities.

The market price of the Securities may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the Philippines. The international financial markets have experienced significant volatility in recent years, particularly since the onset of COVID-19 and increased geopolitical tensions across the Eastern Europe, Russia and the Middle East. If similar developments occur in the international financial markets in the future, the market price of the Securities could be adversely affected.

Changes of law.

The Terms and Conditions of the Securities are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the issue date of the Securities. The Company must also comply with various legal requirements including requirements imposed by securities corporate laws in the Philippines. Should any of those laws change over time, the legal requirements to which the Company may be subject could differ materially from current requirements.

The Securities will initially be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s).

The Securities will initially be represented by a Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**"). Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Securities are represented by the Global Certificate, the Company will discharge its payment obligations under the Securities by making payments to Euroclear and Clearstream for distribution to their respective accountholders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Securities. The Company does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right thereunder to take enforcement action against the Company in the event of a default under the Securities but will have to rely upon their rights under the Trust Deed in relation to the Securities.

The Trustee may decline to take actions requested by the Securityholders.

Under the Trust Deed, in certain circumstances, the Trustee may, at its sole discretion, request the Securityholders to provide an indemnity and/or security and/or pre-funding to its satisfaction against all liabilities to which it may render itself liable or which it may inure as a result before it takes actions on behalf of the Securityholders. The Trustee shall not be obliged to take any such actions if no such indemnity or security or pre-funding is provided to its satisfaction against all liabilities to which it may render itself liable or which it may inure as a result. Even if the Securityholders agree to indemnify and/or provide security to and/or pre-fund the Trustee, the time taken to agree to the indemnity and/or security and/or pre-funding may have an impact as to when such action is taken. In addition, notwithstanding the provision of an indemnity or security or pre-funding to the Trustee, the Trustee may decline to take actions requested by the Securityholders if it determines that such actions are not permitted under the terms of the Trust Deed or applicable law.

The Securities are subject to market conditions and exposed to market risk.

A Securityholder of fixed rate securities such as the Securities is particularly exposed to the risk that the price of such securities falls as a result of changes in the market interest rate. While the initial Distribution rate of the Securities is fixed until the Initial Reset Date (with a recalculation of the Distribution rate on every Reset Date as set out in Condition 4.1 (*Rate of Distribution*)), market interest rates typically change on a daily basis. As the market interest rate changes, the price of the Securities also changes, but in the opposite direction. If the market interest rate increases, the price of the Securities would typically fall. If the market interest rate falls, the price of the Securities would typically increase. Securityholders should be aware that movements in these market interest rates can adversely affect the price of the Securities and can lead to losses for the Securityholders if they sell the Securities.

Distribution rate reset may result in an uncertain income.

A holder of securities with a fixed Distribution rate that will be reset during the term of the securities (as will be the case for the Securities on each Reset Date (as defined in Condition 4.1 (*Rate of Distribution*))) if not previously redeemed, is exposed to the risk of fluctuating interest rate levels and uncertain interest income.

No events of default allowing acceleration.

There are no events of default under the Securities allowing Securityholders to accelerate payments under the Securities.

Neither the Company nor the Securities are rated.

Investors should not assume or infer that any rating ascribed to the Company or any of its indebtedness or credit would apply to the Securities. The Company does not currently benefit from, and has not applied to any ratings

agency, for either a corporate rating or a rating of the Securities, and does not currently intend to apply for any such rating.

Risks Related to Statements made in this Offering Circular

Certain information contained herein is derived from unofficial publications.

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

TERMS AND CONDITIONS OF THE SECURITIES

The following (other than any paragraph in italics), subject to alteration, are the terms and conditions of the Securities, which will be endorsed on the Certificates issued in respect of the Securities.

*The U.S.$475,000,000 Senior Perpetual Capital Securities (the "**Securities**" which expression, unless the context otherwise requires, includes any further Securities issued pursuant to Condition 9 and forming a single series with the Securities) of Petron Corporation, a corporation organized under the laws of the Republic of the Philippines (the "**Issuer**") are constituted by the trust deed to be dated the Issue Date (as amended and/or supplemented from time to time, the "**Trust Deed**") made between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression includes its successor(s)) and all other persons for the time being acting as trustee or trustees for the holders of the Securities (the "**Securityholders**").*

*The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the agency agreement to be dated the Issue Date (as amended and/or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the "**Principal Paying Agent**," which expression shall include any successor thereto) and as transfer agent (the "**Transfer Agent**," which expression shall include any successor and additional transfer agent thereto), the other paying agents named therein (each a "**Paying Agent**" and, together with the Principal Paying Agent, the "**Paying Agents**"), The Hongkong and Shanghai Banking Corporation Limited as calculation agent (the "**Calculation Agent**," which expression shall include any successor thereto) and The Hongkong and Shanghai Banking Corporation Limited as the registrar (the "**Registrar**," which expression shall include any successor thereto and, together with the Paying Agents, the Transfer Agent and the Calculation Agent, the "**Agents**"). Copies of the Trust Deed and the Agency Agreement are available (i) for inspection following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent during normal business hours by the Securityholders at the specified office of the Principal Paying Agent and (ii) electronically from the Principal Paying Agent, following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent. The Securityholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Deed and are deemed to have notice of the Agency Agreement applicable to them.*

1. FORM, DENOMINATION AND TITLE

1.1 Form and denomination

The Securities are issued in registered form in amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (referred to as the "**Principal Amount**" of a Security).

*Upon issue, the Securities will be represented by a Global Certificate deposited with, and registered in the name of a nominee of, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Certificate. See "The Global Certificate."*

The Securities are not issuable in bearer form.

A certificate (each, a "**Certificate**") will be issued to each Securityholder in respect of its registered holding of Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Securityholders (the "**Register**") which the Issuer will procure to be kept by the Registrar.

The Registrar will keep the Register outside of the United Kingdom in accordance with the provisions of the Agency Agreement.

1.2 Title

Title to the Securities passes only by registration in the Register. The person in whose name a Security is registered in the Register will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as the absolute owner of that Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

In these Conditions, "**Securityholder**" and (in relation to a Security) "**Holder**" means the person in whose name a Security is registered in the Register.

For a description of the procedures for transferring title to book-entry interests in the Securities, see "Clearance and Settlement of the Securities."

2. TRANSFERS OF SECURITIES AND ISSUE OF CERTIFICATES

2.1 Transfers

Subject to Condition 2.4 and Condition 2.5, a Security may be transferred by depositing the Certificate issued in respect of that Security, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the other Agents (other than the Calculation Agent) together with such evidence as the Registrar or such other Agent may require to prove the title of the transferor and the authority of the individual who has executed the form of transfer; *provided*, however, that such Security may not be transferred unless the Principal Amount of Securities transferred and (where not all of the Securities held by a Securityholder are being transferred) the Principal Amount of the balance of Securities not transferred are in authorized denominations described in Condition 1.1. In the case of a transfer of part only of a holding of Securities represented by one Certificate, a new Certificate will be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred will be issued to the transferor. No transfer of a Security will be valid until and unless entered in the Register.

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

For a description of certain restrictions on transfers of interests in the Securities, see "Subscription and Sale."

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Securities will, within seven business days of receipt by the Registrar or the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the Holder entitled to the transferred Securities to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent (as applicable) with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Securities in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Securities not so transferred will, within five business days of receipt by the Registrar or the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the Holder of the Securities not so transferred to the address of such Holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Securities will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Securities are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.

2.3 Formalities free of charge

Registration of transfer of Securities will be effected without charge by or on behalf of the Issuer, the Registrar or any other Agent (other than the Calculation Agent) but upon payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or any other Agent (other than the Calculation Agent) may require) by the relevant Holder in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Securityholder may require the transfer of a Security to be registered during the period of 15 calendar days ending on the due date for any payment of principal, premium (if any) or Distributions on that Security.

2.5 Regulations

All transfers of Securities and entries on the Register will be made subject to the detailed regulations concerning transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval by the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Securityholder upon prior written request and proof of holding and identity to the satisfaction of the Registrar.

3. STATUS

3.1 Status of the Securities

The Securities constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, and will at all times rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unconditional, unsecured and unsubordinated obligations of the Issuer, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

The claims of the Holders in respect of the Securities, including in respect of any claim to Arrears of Distribution (as defined herein), will, in the event of the Winding-Up of the Issuer (subject to and to the extent permitted by applicable law), rank at least *pari passu* with each other and with all other present and future unconditional, unsecured and unsubordinated obligations of the Issuer.

3.2 No set-off

To the extent and in the manner permitted by applicable law, no Securityholder may exercise, claim or plead any right of set-off, counterclaim, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising from, the Securities and each Securityholder will, by virtue of his holding of any Security, be deemed to have waived all such rights of set-off, counterclaim, compensation or retention.

3.3 No Voting Rights

The Securities do not confer any voting rights on Securityholders with respect to the common shares or any other class of share capital of the Issuer.

4. DISTRIBUTIONS

4.1 Rate of Distribution

Subject to Condition 4.4 and Condition 4.5, the Securities will confer a right to receive distributions ("**Distributions**"):

(a) from the period commencing on (and including) the Issue Date to (but excluding) September 22, 2028 (the "**Step Up Date**"), at the Initial Rate of Distribution; and

(b) from (and including) each Reset Date (including the Step Up Date) to (but excluding) the immediately following Reset Date, at the relevant Reset Rate of Distribution (determined by the Calculation Agent on the relevant Reset Determination Date and notified to the Holders, the Principal Paying Agent and the Registrar),

payable semi-annually in arrear on March 22 and September 22 of each year (each a "**Distribution Payment Date**") commencing on March 22, 2026.

"**Reset Date**" means the Step Up Date and any subsequent date which is the third anniversary of any Reset Date.

4.2 Distribution Accrual

Each Security will cease to accrue Distributions from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Security is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event Distributions shall continue to accrue as provided in the Trust Deed.

4.3 Calculation of Broken Amounts

When any Distribution is required to be calculated in respect of a period of less than a full six months, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

4.4 Increase in Rate of Distribution

Following the earlier to occur of:

(a) the date on which a Reference Security Default Event occurs; and

(b) the date which is the 61st day, or if such day is not a Business Day the first Business Day thereafter, following a Change of Control Event,

unless the Issuer has given an irrevocable notice to redeem the Securities pursuant to Condition 5.4, the Rate of Distribution will increase by 2.50% per annum with effect from the next Distribution Payment Date (or, if the relevant event occurs on or after the date that is five Business Days prior to the next Distribution Payment Date, the next following Distribution Payment Date). For the avoidance of doubt, an increase (if any) in the Rate of Distribution pursuant to this Condition 4.4(a) shall not occur more than once.

For the purposes of these Conditions:

A "**Change of Control Event**" means the occurrence of any Person or group of related Persons, other than the Permitted Holders, being or becoming the beneficial owner(s), directly or indirectly, of a greater percentage of the total voting power of the outstanding Voting Stock of the Issuer than the aggregate percentage of the total voting power of the outstanding Voting Stock of the Issuer beneficially owned, directly or indirectly, by the Permitted Holders.

"**Permitted Holders**" mean any or all of the following: (a) San Miguel Corporation, (b) San Miguel Corporation Retirement Plan or any similar or successor employee retirement plan of San Miguel Corporation, (c) Petron Corporation Employees Retirement Plan or any similar or successor employee retirement plan of Petron Corporation, (d) SEA Refinery Corporation and (e) any Person the Voting Stock of which at least a majority is beneficially owned, directly or indirectly, by a Person specified in clauses (a), (b), (c) or (d) above.

"**Reference Security Default Event**" means an event of default occurs pursuant to (i) clause (b) of the "Events of Default" of the Issuer's outstanding ₱11.486 billion 7.3896% p.a. Philippine Peso-denominated bonds due 2035 (*ISIN: PH0000060774*) (the "**Initial Referenced Senior Notes**"), or (ii) similar condition of any other foreign currency or Philippine Peso-denominated debt security with an international tranche issued under Regulation S of the U.S. Securities Act and outstanding after the Issue Date, which debt security has the latest occurring scheduled maturity date (the "**Superseding Referenced Senior Notes**"), as a result of the Issuer's default in, non-compliance with or non-performance of the covenants of the Issuer under the Initial Referenced Senior Notes or similar covenants of the Superseding Referenced Senior Notes, as the case may be, as respectively amended from time to time.

4.5 Optional Deferral of Distributions

(a) The Issuer may, in its sole and absolute discretion, on any day which is not less than five Business Days prior to any Distribution Payment Date, resolve to defer payment of any or all of

the Distribution which would otherwise be payable on that Distribution Payment Date unless, during the six months ending on that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred (the "**Deferral Election Event**"). Any such deferred Distribution will constitute "**Arrears of Distribution**" and will not be due and payable until the relevant Payment Reference Date. Distributions will accrue on each Arrears of Distribution for so long as such Arrears of Distribution remains outstanding at the same Rate of Distribution as the Principal Amount of the Securities bears at such time and will be added to such Arrears of Distribution (and thereafter bear Distributions accordingly) on each Distribution Payment Date.

(b) The Issuer will notify the Securityholders (in accordance with Condition 12.1), the Trustee and the Principal Paying Agent of any deferral of Distribution not less than five Business Days prior to the relevant Distribution Payment Date (the "**Deferral Election Notice**"). Deferral of a Distribution pursuant to Condition 4.5(a) will not constitute a default by the Issuer (including, without limitation, pursuant to Condition 10) or any other breach of its obligations under the Securities or the Trust Deed or for any other purpose.

(c) Each Deferral Election Notice shall be accompanied, in the case of the notice to the Trustee and the Principal Paying Agent, by a certificate in the form scheduled to the Trust Deed signed by two duly Authorised Signatories of the Issuer confirming that no Compulsory Distribution Payment Event has occurred.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence of a Deferral Election Event in which event such evidence shall be conclusive and binding on the Securityholders.

(d) The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distributions may be deferred pursuant to the provisions of Condition 4.5(a).

"**Compulsory Distribution Payment Event**" means (a) a discretionary dividend, distribution, interest or other payment has been paid or declared on or in respect of any Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer, other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer; or (b) at the discretion of the Issuer, any Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer have been redeemed, repurchased or otherwise acquired by the Issuer or any of its Subsidiaries.

4.6 Restrictions in the case of Deferral

If on any Distribution Payment Date, payment of all Distributions scheduled to be made on such date is not made in full by reason of the Issuer deferring such Distributions in accordance with the terms of the Securities, the Issuer shall not, and shall procure that none of its Subsidiaries will:

(a) declare or pay any discretionary dividends, distributions or make any other discretionary payment on, and will procure that no discretionary dividend, distribution or other payment is made on any class of Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer, other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants of the Issuer; or

(b) at its discretion, redeem, reduce, cancel, buy-back or acquire for any consideration any of the Junior Securities or (except on a *pro rata* basis) Parity Securities of the Issuer,

unless and until (i) the Issuer has satisfied in full all outstanding Arrears of Distribution; or (ii) the Issuer is permitted to do so with the consent of the Securityholders of at least a majority in aggregate principal amount of the Securities then outstanding. For the avoidance of doubt, nothing in Condition 4.6 shall restrict the ability of any Subsidiary of the Issuer to declare and pay dividends, advance loans or otherwise make payments to the Issuer.

4.7 Payment of Arrears of Distribution

(a) The Issuer may elect to pay Arrears of Distribution (in whole or in part) at any time on the giving of at least five Business Days' prior notice to Securityholders (in accordance with

Condition 12.1), the Trustee and the Principal Paying Agent. If Arrears of Distribution have not been paid in full earlier, all outstanding Arrears of Distribution will become due and payable, and the Issuer must pay such outstanding Arrears of Distribution (including any amount of Distribution accrued thereon in accordance with Condition 4.5(a)), on the relevant Payment Reference Date (in accordance with Condition 6). Any partial payment of outstanding Arrears of Distribution by the Issuer shall be made on a *pro rata* basis between the Securityholders.

(b) "**Payment Reference Date**" means the date which is the earliest of:

(i) the date on which the Securities are redeemed in accordance with Condition 5;

(ii) the date on which an order is made for the Winding-Up of the Issuer;

(iii) the date on which the Issuer is in violation of Condition 4.6 or on the occurrence of a Compulsory Distribution Payment Event; and

(iv) the date of any substitution or modification of the Securities pursuant to Condition 13.

5. REDEMPTION AND PURCHASE

5.1 Redemption

The Securities are perpetual securities in respect of which there is no fixed redemption date. Unless previously redeemed or purchased and cancelled as provided in the following provisions of this Condition 5 (without prejudice to Condition 10), the Securities will have no maturity date, unless the Issuer elects to retain a fixed corporate term under its articles of incorporation. If the Issuer elects to have a fixed corporate term under its articles of incorporation, the term of the Securities will mature on the date on which the corporate term of the Issuer expires in accordance with its articles of incorporation.

As of the date of this Offering Circular, the Issuer's articles of incorporation states that its corporate term will expire on December 22, 2066. Under the Revised Corporation Code of the Philippines (Republic Act No. 11232, the "Revised Corporation Code"), corporations with certificates of incorporation issued prior to the effectivity of the Revised Corporation Code (i.e., prior to February 23, 2019) shall have perpetual existence unless the corporation elects to retain a specific corporate term through a shareholder vote and filing to this effect with the Securities and Exchange Commission of the Philippines. The Issuer has not elected to retain a specific corporate term; thus, the Issuer no longer has a fixed corporate term but has perpetual existence by operation of law.

5.2 Redemption at the option of the Issuer

Subject to applicable law, the Issuer may redeem the Securities (in whole but not in part) on:

(a) any Business Day on or after August 22, 2028 (being the date that falls one month prior to the Step Up Date) (the "**Optional Call Date**");

(b) the Step Up Date; or

(c) any Distribution Payment Date falling after the Step Up Date,

in each case, at the Redemption Price. The Issuer shall give not less than 10 and not more than 60 calendar days' irrevocable notice of redemption prior to the relevant Optional Call Date, Step Up Date or Distribution Payment Date falling after the Step Up Date to the Securityholders in accordance with Condition 12.1 and in writing to the Trustee and the Principal Paying Agent.

5.3 Early redemption due to a Gross-up Event

(a) If a Gross-up Event occurs, the Issuer may redeem the Securities (in whole but not in part) at the Redemption Price, on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 and in writing to the Trustee and the Principal Paying Agent.

(b) No such notice of redemption may be given earlier than 45 calendar days prior to the earliest calendar day on which the Issuer would be for the first time obliged to pay the Additional Amounts in question on payments due in respect of the Securities.

(c) Prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there is delivered to the Trustee:

(i) a certificate signed by any two Authorised Signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that a Gross-up Event has occurred and that the obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it; and

(ii) an opinion of an independent legal or tax adviser of recognized standing to the effect that the Issuer has or will become obliged to pay the Additional Amounts in question as a result of a Gross-up Event,

and the Trustee shall be entitled to accept the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event such evidence shall be conclusive and binding on the Securityholders.

"**Gross-up Event**" means that as a result of any change in, or amendment to, the laws or regulations or rulings promulgated thereunder of the Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws or regulations or rulings promulgated thereunder, which change or amendment becomes effective on or after September 15, 2025, the Issuer has or will become obliged to pay Additional Amounts at a rate greater than the applicable rate of withholding or deduction on September 15, 2025; *provided* that the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it.

For the avoidance of doubt, a change of jurisdiction or domicile of the Issuer shall not be considered a reasonable measure.

5.4 Early redemption due to a Change of Control Event, Reference Security Default Event, or Accounting Event

(a) If a Change of Control Event occurs, the Issuer may redeem the Securities (in whole but not in part) (i) at any time prior to but excluding the date that falls one month prior to the Step Up Date at the Special Redemption Price or (ii) on or at any time after the date that falls one month prior to the Step Up Date at the Redemption Price, in each case on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 and in writing to the Trustee and the Principal Paying Agent.

(b) If a Reference Security Default Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) at any time at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 and in writing to the Trustee and the Principal Paying Agent.

(c) If an Accounting Event occurs and is continuing, the Issuer may redeem the Securities (in whole but not in part) at any time at the Redemption Price on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 and in writing to the Trustee and the Principal Paying Agent.

(d) Such notice of redemption as provided in Conditions 5.4(a), 5.4(b), and 5.4(c) may only be given simultaneously with or after a notification by the Issuer in accordance with Condition 12.1 that a Change of Control Event, a Reference Security Default Event or an Accounting Event (as the case may be) has occurred.

An "**Accounting Event**" will occur if an opinion of a recognized accountancy firm of international standing has been delivered to the Issuer and the Trustee, stating that as of the date of the Issuer's adoption of any changes or amendments to relevant accounting standards (which may be a date prior to the relevant effective date of such accounting standards), the Securities may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS

or other recognized accounting standards that the Issuer has adopted from time to time for the preparation of its audited consolidated financial statements and such event cannot be avoided by the Issuer taking reasonable measures available to it.

5.5 Purchase of Securities

The Issuer or any of its Subsidiaries may, in compliance with applicable laws, purchase Securities in any manner and at any price. Such acquired Securities may be surrendered for cancellation or held or resold.

5.6 Redemption of Securities in the case of minimal outstanding amounts

In the event that the Issuer and/or any of its Subsidiaries has, individually or in aggregate, purchased (and not resold) or redeemed Securities equal to or in excess of 75% of the aggregate Principal Amount of the Securities originally issued (which for the avoidance of doubt, includes any further securities issued pursuant to Condition 9), the Issuer may redeem the remaining Securities (in whole but not in part) at any time at the Redemption Price on the giving of not less than 10 and not more than 60 calendar days' irrevocable notice of redemption to the Securityholders in accordance with Condition 12.1 and in writing to the Trustee and the Principal Paying Agent.

5.7 Responsibility of Trustee and Agents

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Gross-up Event, Change of Control Event, Reference Security Default Event or Accounting Event has occurred and shall not be responsible or liable to the Securityholders, the Issuer, or any other person for any loss arising from any failure to do so.

6. PAYMENTS

6.1 Payments in respect of Securities

Payment of principal, premium (if any) and Distributions will be made by transfer to the registered account of the Securityholder. Payments of principal and premium (if any) and payments of Distribution due otherwise than on a Distribution Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents (other than the Calculation Agent). Distributions on Securities due on a Distribution Payment Date will be paid to the holder shown on the Register at the close of business on the date being the 15th calendar day before the relevant Distribution Payment Date (the "**Record Date**").

For the purposes of this Condition, a Securityholder's "**registered account**" means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business, on the relevant Record Date, and a Securityholder's "**registered address**" means its address appearing on the Register at that time.

*Notwithstanding the foregoing, so long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*

6.2 Payments subject to Applicable Laws

Payments in respect of principal, premium (if any) and Distributions on Securities are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

6.3 No commissions

No commissions or expenses shall be charged to the Securityholders in respect of any payments made in accordance with this Condition 6.

6.4 Payment on Business Days

Payment instructions (for value the due date or, if that is not a Payment Business Day (as defined below), for value the first following day which is a Payment Business Day) will be initiated on the Payment Business Day preceding the due date for payment or, in the case of a payment of principal and premium (if any) or a payment of Distributions due otherwise than on a Distribution Payment Date, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent (other than the Calculation Agent).

Securityholders will not be entitled to any Distributions or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Securityholder is late in surrendering its Certificate (if required to do so).

In this Condition, "**Payment Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City, Hong Kong, Singapore and Metro Manila and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

6.5 Partial Payments

If the amount of principal, premium (if any) or Distributions which is due on the Securities is not paid in full, the Registrar will annotate the Register with a record of the amount of principal, premium (if any) or Distributions in fact paid.

6.6 Agents

The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Principal Paying Agent;

(b) there will at all times be a Registrar (which may be located in any jurisdiction other than the United Kingdom); and

(c) there will at all times be a Transfer Agent.

Notice of any termination or appointment and of any changes in specified offices will be given to the Securityholders promptly by the Issuer in accordance with Condition 12.1.

6.7 Paying Agent in Singapore

So long as the Securities are listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that the Global Certificate representing the Securities is exchanged for definitive certificates. In addition, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

7. TAXATION AND GROSS-UP

7.1 Payment without withholding

All payments in respect of the Securities by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In the event where such withholding or deduction is made by the Issuer, the Issuer shall pay such additional amount ("**Additional Amounts**") as will result in receipt by the Securityholders of such amounts as would have been received by them had no such withholding or deduction been required; except that no Additional Amounts will be payable in relation to any payment in respect of any Security:

(a) presented for payment (if applicable) by or on behalf of a Securityholder who is liable to the Taxes in respect of such Security by reason of their having some connection with any Relevant Jurisdiction other than the mere holding of the Security;

(b) presented for payment (if applicable) more than 30 calendar days after the Relevant Date (as defined in Condition 7.2) except to the extent that a Holder of such Security would have been entitled to such Additional Amounts on presenting the same for payment on the last day of the period of 30 calendar days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day (as defined in Condition 6.4);

(c) where such withholding or deduction would not have been so imposed but for the failure by the Holder of such Security, after written request made to that Holder at least 30 calendar days before any such withholding or deduction would be payable, by the Issuer, the Trustee or the Paying Agent, as applicable, to comply with any identification, information, documentation or other similar reporting requirement concerning its nationality, residence or connection with the Relevant Jurisdiction, which is required or imposed by a statute, regulation or published administrative interpretation of general application of the Relevant Jurisdiction as a precondition to reduction or exemption from such withholding or deduction; or

(d) presented for payment (if applicable) by or on behalf of a Securityholder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent in a Member State of the European Union.

7.2 Interpretation

In these Conditions:

(a) The "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Securityholders by the Issuer in accordance with Condition 12.1.

(b) The "**Relevant Jurisdiction**" means the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax, or in the event of any substitution or other corporate action resulting in the Issuer being incorporated in any other jurisdiction, that other jurisdiction or any political subdivision or any authority thereof or therein having power to tax.

7.3 Additional Amounts, principal and Distributions

Any reference in these Conditions to any amounts in respect of the Securities will be deemed also to refer to any Additional Amounts which may be payable under this Condition 7 or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed. Unless the context otherwise requires, any reference in these Conditions to "**principal**" includes any installment amount or redemption amount and any other amounts in the nature of principal payable pursuant to these Conditions and "**Distributions**" includes all amounts payable pursuant to Condition 4 and any other amounts in the nature of distributions payable pursuant to these Conditions.

7.4 No Responsibility of Trustee and Agents for Payment of Taxes

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7, or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Securityholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), Distributions or other amount under or in respect of the Securities without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8. PRESCRIPTION

Securities will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of Distributions) from the Relevant Date in respect of the Securities subject to the provisions of Condition 6.

9. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Securityholders to create and issue further Securities or bonds either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of Distributions thereon) and so that the same will be consolidated and form a single series with the Securities (which shall be constituted by a deed supplemental to the Trust Deed); or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Issuer may determine at the time of the issue.

10. NON-PAYMENT

10.1 Non-payment when due

Notwithstanding any of the provisions below in this Condition 10, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distributions, such Distributions will not be due if the Issuer has elected to defer Distributions in accordance with Condition 4.5. In addition, nothing in this Condition 10, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer, in respect of any actual, reasonable and documented costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

10.2 Proceedings for Winding-Up

If (a) an order is made or an effective resolution is passed for the Winding-Up of the Issuer; or (b) the Issuer fails to make payment in respect of the Securities for a period of 10 calendar days or more after the date on which such payment is due ((a) and (b) together, the "**Enforcement Events**" and each, an "**Enforcement Event**"), the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 10.4 and subject to and to the extent permitted by applicable law, institute proceedings for the Winding-Up of the Issuer, and/or prove in the Winding-Up of the Issuer, and/or claim in the liquidation of the Issuer, for such payment.

10.3 Enforcement

Without prejudice to Condition 10.2 but subject to the provisions of Condition 10.4, the Trustee may without further notice to the Issuer institute such proceedings or take such steps against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution) in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

10.4 Entitlement of Trustee

The Trustee shall not be obliged to take any of the actions referred to in Condition 10.2 or 10.3 above against the Issuer to enforce the terms of the Trust Deed or the Securities unless (a) it shall have been so requested by an Extraordinary Resolution of the Securityholders or in writing by the Securityholders of not less than 25.0% in principal amount of the Securities then outstanding; and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may render itself liable or which it may incur by so doing.

10.5 Right of Securityholders

Securityholders are not entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up or claim in the liquidation of the Issuer or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

10.6 Extent of Securityholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or under the Trust Deed.

11. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

12.1 Notices to Securityholders

All notices to the Securityholders will be valid if mailed to them at their respective addresses in the Register and shall be deemed to have been received on the seventh calendar day after being so mailed. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any notice shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as all the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream or any other clearing system, notices to Securityholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream or any other clearing system, for communication to the relevant accountholders in substitution for publication as required by the Conditions, *provided that, so long as the Securities are listed on the SGX-ST, notice will also be given or published in a manner which complies with the rules and regulations thereof. Any such notice shall be deemed to have been given to the Securityholders on the day on which such notice is delivered to Euroclear and/or Clearstream or any other clearing system (as the case may be) as aforesaid. For the avoidance of doubt, no Agent shall be required to publish any notice otherwise than through Euroclear and Clearstream.*

12.2 Notices from Securityholders

Notices to be given by any Securityholder must be in writing and given by lodging the same, together with any Certificate in respect of such Security or Securities, with the Registrar or, if the Securities are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

13. SUBSTITUTION OR MODIFICATION TO REMEDY GROSS-UP EVENT OR ACCOUNTING EVENT

The Trustee shall, without the consent of the Securityholders, agree with the Issuer to:

(a) the substitution in place of the Issuer (or of any previous substitute under this Condition 13) as the principal obligor under the Securities and the Trust Deed of any other company being a wholly-owned or indirect Subsidiary of the Issuer; or

(b) the modification of these Conditions to the extent reasonably necessary,

in order to remedy a pending or existing Gross-Up Event or Accounting Event provided that:

(i) the Securities are unconditionally and irrevocably guaranteed by the Issuer in a manner which would give the Securityholders a status in a Winding-Up of the Issuer which is akin to the status Securityholders would have at that time in respect of a Winding-Up of the relevant issuer; and

(ii) certain other conditions set out in the Trust Deed are complied with.

14. MEETINGS OF SECURITYHOLDERS, MODIFICATION, WAIVER, AUTHORIZATION AND DETERMINATION

14.1 Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of Securityholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Securityholders holding not less than 50.0% in principal amount of the Securities for the time being outstanding. Except where the business of such a meeting includes consideration of a Reserved Matter (as defined below), the quorum for any meeting convened to consider an Extraordinary Resolution or any other resolution will be two or more persons holding or representing not less than 50.0% in principal amount of the Securities for the time being outstanding, or at any adjourned meeting, two or more persons being or representing Securityholders whatever the principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals:

(a) to modify the dates on which Distributions are payable in respect of the Securities;

(b) to reduce or cancel the principal amount of, any premium payable on redemption of, or amount of Distributions on or to vary the method of calculating the Rate of Distribution on, any Securities;

(c) to change the currency of payment of any Securities; or

(d) to amend this provision or to modify the provisions concerning the quorum required at any meeting of the Securityholders or the majority required to pass an Extraordinary Resolution.

(each of (a), (b), (c) and (d) above, a "**Reserved Matter**"),

in which case the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 75.0%, or at any adjourned such meeting not less than 25.0%, in principal amount of the Securities for the time being outstanding. A resolution passed at a meeting of the Securityholders duly convened and held in accordance with the Trust Deed or passed by way of electronic consent given by the Securityholders through the relevant clearing systems in accordance with the Trust Deed will be binding on all Securityholders, whether or not they are present at any meeting at which such resolution was passed and whether or not voted on the resolution. The vote required to pass an Extraordinary Resolution at any meeting of Securityholders duly convened and held in accordance with the Trust Deed is not less than two-thirds of the votes cast. The Trust Deed provides that a written resolution signed by or on behalf of the Holders of not less than 75.0% of the aggregate principal amount of Securities outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

14.2 Modification, Waiver, Authorization and Determination

The Trustee may, without the consent of the Securityholders, agree to (a) any modification of these Conditions or any of the provisions of the Trust Deed (in each case, other than in respect of a Reserved Matter) if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Securityholders; and (b) any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error or is made to comply with mandatory provisions of law. In addition, the Trustee may, without the consent of the Securityholders, authorize or waive any breach or proposed breach of these Conditions or any of the provisions of the Trust Deed if, in the opinion of the Trustee, the interests of the Securityholders will not be materially prejudiced thereby.

14.3 Trustee to have Regard to Interests of Securityholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization, determination or substitution), the Trustee must have regard to the general interests of the Securityholders as a class but must not have regard to any interests arising from circumstances particular to individual Securityholders (whatever their number) and, in particular but without limitation, must not have regard to the consequences of any such exercise for individual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee will not be entitled to require from the Issuer, nor will any Securityholder be entitled to claim from the Issuer, the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

14.4 Notification to the Securityholders

Any modification, waiver, authorization, determination or substitution agreed to by the Trustee will be binding on the Securityholders and, unless the Trustee agrees otherwise, any modification or substitution will be notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 12.1.

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

15.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may render itself liable or which it may incur by so doing.

15.2 Right to obtain instructions from Securityholders

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from any such action, making any such decision or giving any such direction, to seek directions or clarification of directions from the Securityholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Securityholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Securityholders or in the event that no direction is given to the Trustee by the Securityholders. None of the Trustee or any Agent shall be liable to any Securityholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Securityholders. The Trustee shall be entitled to rely on any direction, request or resolution of Securityholders given by Securityholders holding the requisite principal amount of Securities outstanding or passed at a meeting of Securityholders convened and held in accordance with the Trust Deed.

15.3 Trustee Contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee and its affiliates, directors and officers are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries; (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders; and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing law

The Trust Deed, the Agency Agreement, the Securities and any non-contractual obligations arising out or in connection with the Trust Deed, the Agency Agreement and the Securities, are governed by, and shall be construed in accordance with, English law.

16.2 Jurisdiction of English courts

(a) Subject to Condition 16.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed and/or the Securities, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed and/or the Securities (a "**Dispute**") and accordingly each of the Issuer and the Trustee and any Securityholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 16.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Trustee and any Securityholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

16.3 Appointment of process agent

The Issuer has, in the Trust Deed, irrevocably and unconditionally appointed Law Debenture Corporate Services Limited at the latter's registered office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose. Nothing herein shall affect the right to serve process in any other manner permitted by law.

17. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Security, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. DEFINITIONS

Unless the context otherwise requires, the following terms will have the following meanings in these Conditions:

"**Accounting Event**" has the meaning specified in Condition 5.4.

"**Additional Amounts**" has the meaning specified in Condition 7.1.

"**Agency Agreement**" has the meaning specified in the preamble to these Conditions.

"**Agent**" and "**Agents**" have the meaning specified in the preamble to these Conditions.

"**Arrears of Distribution**" has the meaning specified in Condition 4.5(a).

"**Authorised Signatory**" has the meaning given to it in the Trust Deed.

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in Metro Manila, Hong Kong, Singapore and New York.

"**Calculation Agent**" has the meaning specified in the preamble to these Conditions.

"**Certificate**" has the meaning specified in Condition 1.1.

"**Change of Control Event**" has the meaning given to it in Condition 4.4.

"**Compulsory Distribution Payment Event**" has the meaning specified in Condition 4.5.

"**Conditions**" means these terms and conditions of the Securities.

"**Deferral Election Event**" has the meaning specified in Condition 4.5(a).

"**Deferral Election Notice**" has the meaning specified in Condition 4.5(b).

"**Dispute**" has the meaning specified in Condition 16.2(a).

"**Distribution Payment Date**" has the meaning specified in Condition 4.1.

"**Distributions**" has the meaning specified in Condition 4.1.

"**Extraordinary Resolution**" has the meaning given to it in the Trust Deed.

"**Gross-up Event**" has the meaning specified in Condition 5.3.

"**Holder**" has the meaning specified in Condition 1.2.

"**Initial Credit Spread**" means 3.825%.

"**Initial Rate of Distribution**" means 7.35% per annum plus any increase pursuant to Condition 4.4.

"**Initial Referenced Senior Notes**" has the meaning specified in Condition 4.4.

"**Issue Date**" means September 22, 2025.

"**Issuer**" means Petron Corporation.

"**Junior Securities**" means (i) any class of the Issuer's share capital (including, without limitation, preferred shares), and (ii) any Subordinated Indebtedness issued by the Issuer issued and outstanding as of the Issue Date.

"**Parity Securities**" means: (i) any instrument or security issued or entered into by the Issuer which ranks, or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities; and (ii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the Issuer where the Issuer's obligations under the relevant guarantee or indemnity rank, or are expressed to rank, *pari passu* with all other present and future unsecured, unconditional and unsubordinated obligations of the Issuer.

"**Paying Agent**" has the meaning specified in the preamble to these Conditions.

"**Payment Business Day**" has the meaning specified in Condition 6.4.

"**Payment Reference Date**" has the meaning specified in Condition 4.7(b).

"**Permitted Holders**" has the meaning specified in Condition 4.4.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**PFRS**" means Philippine Financial Reporting Standards and includes statements named PFRS and Philippine Accounting Standards ("**PAS**") and Philippine Interpretations of International Financial Reporting Interpretation Committee ("**IFRIC**") issued by the Financial Reporting Standards Council ("**FRSC**") as in effect from time to time.

"**Principal Amount**" has the meaning specified in Condition 1.1.

"**Principal Paying Agent**" has the meaning specified in the preamble to these Conditions.

"**Rate of Distribution**" means the Initial Rate of Distribution or the Reset Rate of Distribution, as applicable.

"**Record Date**" has the meaning specified in Condition 6.1.

"**Redemption Price**" means the Principal Amount of the Securities plus any accrued but unpaid Distributions and any Arrears of Distribution (including any amount of Distributions accrued thereon in accordance with Condition 4.5(a)), as applicable.

"**Reference Security Default Event**" has the meaning specified in Condition 4.4.

"**Register**" has the meaning specified in Condition 1.1.

"**Registrar**" has the meaning given to it in the preamble to these Conditions.

"**Relevant Date**" has the meaning specified in Condition 7.2(a).

"**Relevant Jurisdiction**" has the meaning specified in Condition 7.2(b).

"**Reserved Matter**" has the meaning specified in Condition 14.1.

"**Reset Date**" has the meaning specified in Condition 4.1.

"**Reset Determination Date**" means, in relation to the calculation of a Reset Rate of Distribution, the second Business Day before the commencement of the relevant Reset Period.

"**Reset Period**" means the period from and including the Step Up Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date.

"**Reset Rate of Distribution**" in respect of any Reset Period means the Treasury Rate calculated on the Reset Determination Date in respect of that Reset Period plus the Initial Credit Spread and the Step Up Margin.

"**SGX-ST**" has the meaning specified in Condition 6.7.

"**Securities**" has the meaning specified in the preamble to these Conditions.

"**Securityholders**" has the meaning specified in the preamble to these Conditions.

"**Special Redemption Price**" means 101% of the Principal Amount of the Securities plus any accrued but unpaid Distributions and any Arrears of Distribution (including any amount of Distributions accrued thereon in accordance with Condition 4.5(a)).

"**Step Up Date**" has the meaning given to it in Condition 4.1(a).

"**Step Up Margin**" means 2.50% per annum.

"**Subordinated Indebtedness**" means all indebtedness for money borrowed or raised which, in the event of Winding-Up of the issuer thereof, ranks or is expressed to rank, by its terms or by operation of law, in right of payment behind the claims of unsecured and unsubordinated creditors of such issuer, and for these purposes indebtedness shall include all liabilities, whether actual or contingent.

"**Subsidiary**" or "**Subsidiaries**" means, with respect to any Person, any corporation, association or other business entity, more than 50.0% of the voting power of the outstanding Voting Stock of which is owned or controlled, directly or indirectly, by such Person and one or more other Subsidiaries of such Person. To be controlled by another means that the other (whether, directly or indirectly, and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls or has a power to control the affairs and policies of that company and control shall be construed accordingly.

"**Superseding Referenced Senior Notes**" has the meaning specified in Condition 4.4.

"**Taxes**" has the meaning specified in Condition 7.1.

"**Transfer Agent**" has the meaning specified in the preamble to these Conditions.

"**Treasury Rate**" means the rate in percent per annum equal to the yield, under the heading that represents the average for the week immediately prior to the Reset Determination Date, appearing in the most recently published statistical release designated "H.15(519)" (currently set out on the website http://www.federalreserve.gov/releases/h15/current/default.htm) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded non-inflation indexed U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities," for the maturity corresponding to five years. If such release (or any successor release) is not published during the week preceding the Reset Determination Date or does not contain such yields, "**Treasury Rate**" shall be obtained from an internationally recognized investment bank selected by the Issuer and the Issuer shall notify the applicable Treasury Rate to the Calculation Agent and the Trustee.

"**Trust Deed**" has the meaning specified in the preamble to these Conditions.

"**Trustee**" has the meaning specified in the preamble to these Conditions.

"**Voting Stock**" means, with respect to any Person, share capital of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"**Winding-Up**" means, with respect to the Issuer, a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership, insolvency or similar proceedings in respect of the Issuer.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Securities in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Securities set out in this Offering Circular. Terms defined in the Terms and Conditions of the Securities have the same meaning in the paragraphs below. The following is a summary of certain of those provisions:

Accountholders

For so long as all of the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream (as the case may be) as the holder of a particular aggregate principal amount of such Securities (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream (as the case may be) as to the aggregate principal amount of such Securities standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Securities (and the expression "**Securityholders**" and references to "**holding of Securities**" and to a "**holder of Securities**" shall be construed accordingly) for all purposes other than with respect to payments on such Securities, the right to which shall be vested, as against the Company and the Trustee, solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment made to the Relevant Nominee.

Cancellation

Cancellation of any Security following its redemption or purchase by the Company or any of its subsidiaries will be effected by reduction in the aggregate principal amount of the Securities in the register of Securityholders and by the annotation of the appropriate schedule to the Global Certificate.

Payments

Payments of principal and Distributions in respect of the Securities represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Securities, against presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Each payment will be made to or to the order of the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means a day on which Euroclear and Clearstream are both open for business.

Distributions of amounts with respect to book-entry interests in the Securities held through Euroclear or Clearstream will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant rules and procedures of the system.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that such payment has been made.

Notices

So long as all the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Securityholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Terms and Conditions of the Securities. For so long as the Securities are listed on the SGX-ST, notices shall also be published in the manner required by the rules and regulations of the SGX-ST.

Registration of Title

Registration of title to Securities in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, as appropriate, notifies the Company that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a successor clearing system approved by the Trustee is not appointed by the Company within 90 days after receiving such notice from Euroclear or Clearstream. In these circumstances, title to a Security may be transferred into the names of holders notified by

the Relevant Nominee in accordance with the Terms and Conditions of the Securities, except that definitive certificates in respect of Securities so transferred may not be available until 21 days after the request for transfer is duly made.

Transfers

Transfers of book-entry interests in the Securities will be effected through the records of Euroclear, Clearstream and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream and their respective direct and indirect participants, as more fully described under "Clearance and Settlement of the Securities."

Record Date

Distributions on Securities due on a Distribution Payment Date and Arrears of Distribution (and distributions accrued thereon) will be paid to the holder shown on the register of Securityholders at the close of business on the date being the 15th calendar day before the relevant Distribution Payment Date.

EXCHANGE RATES

The following table sets forth certain information concerning the exchange rate (based on the BSP's Reference Exchange Rate Bulletin) between the Philippine Peso and the U.S. dollar for the periods and dates indicated, expressed in Philippine Pesos per U.S.$1.00. No representation is made that the Philippine Peso or U.S. dollar amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars or Philippine Pesos, as the case may be, at any particular rate or at all.

	Philippine Peso/U.S. dollar exchange rate			
Year	**Period end**	**Average[(1)]**	**High[(2)]**	**Low[(3)]**
2020	48.04	49.62	51.32	48.03
2021	50.77	49.25	50.96	47.67
2022	56.12	54.78	58.99	50.97
2023	55.57	55.63	56.96	53.77
2024	58.01	57.29	59.00	55.40
2025				
March	57.38	57.42	57.99	57.17
April	56.25	56.85	57.30	56.25
May	55.70	55.62	55.93	55.28
June	56.58	56.36	57.58	55.61
July	57.31	56.75	57.31	56.24
August	57.09	57.25	58.17	56.73

Notes:
(1) Average exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period.
(2) Highest daily exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period.
(3) Lowest daily exchange rate quoted on BSP's Reference Exchange Rate Bulletin for the period.

On September 3, 2025, the BSP reference rate quoted on the BSP Reference Exchange Rate Bulletin was ₱57.297 = U.S.$1.00.

The following table sets forth certain information concerning the foreign exchange rate between the Malaysian Ringgit and the U.S. dollar for the periods and dates indicated, expressed in RM per U.S.$1.00:

	RM/U.S. dollar exchange rate			
Year	**Period end**	**Average[(1)]**	**High[(2)]**	**Low[(3)]**
2020	4.0200	4.1994	4.4410	4.0100
2021	4.1665	4.1457	4.2400	4.0055
2022	4.4045	4.4032	4.7477	4.1727
2023	4.5940	4.5656	4.7937	4.2435
2024	4.4718	4.5729	4.7987	4.1235
2025				
March	4.4342	4.4335	4.4660	4.4128
April	4.3158	4.41021	4.4963	4.3158
May	4.2568	4.2640	4.3217	4.2013
June	4.2095	4.2417	4.2948	4.2095
July	4.2690	4.2382	4.2690	4.2172
August	4.2253	4.2274	4.2782	4.2063

Notes:
(1) Simple average daily closing exchange rates for the period.
(2) Highest closing exchange rate for the period.
(3) Lowest closing exchange rate for the period.

Source: Interbank Foreign Exchange Market in Kuala Lumpur as captured by Bloomberg.

USE OF PROCEEDS

The net proceeds from the issue of the New Securities will be approximately U.S.$140 million (after the deduction of commissions).

The Company intends to apply the net proceeds primarily for costs and expenses relating to the Concurrent Exchange and Tender Offer (including payment of the relevant accrued distribution amounts in respect of the Existing Securities accepted for tender and/or exchange and the relevant tender consideration), costs and expenses relating to the issuance of the New Securities and for general corporate purposes.

CAPITALIZATION OF THE COMPANY

The following table sets out, in accordance with PFRS, the Company's total capitalization[1] as of June 30, 2025 and as adjusted to give effect to:

- the issuance of an aggregate of ₱32,000 million fixed rate bonds on July 7, 2025;
- the availment of a US$200 million loan; and
- the issue of the New Securities.

However, this does not give effect to the Concurrent Exchange and Tender Offer, the issuance of Exchange Securities in relation thereto and the cancellation of any Existing Securities as a result of the Concurrent Exchange and Tender Offer, which is expected to be completed on or around September 22, 2025.

This table should be read in conjunction with the Company's unaudited interim consolidated financial statements as of June 30, 2025 and the notes thereto, included elsewhere in this Offering Circular.

	As of June 30, 2025		As of June 30, 2025	
	Actual	**Actual**	**As Adjusted**	**As Adjusted**
	(in millions of ₱)	(in millions of U.S.$)[2]	(in millions of ₱)	(in millions of U.S.$)[2]
Total Long-term Indebtedness[3]	118,053	2,086	132,983	2,350
Equity:				
Capital stock	9,502	168	9,502	168
Additional paid-in capital	57,698	1,020	57,698	1,020
Capital securities				
Issued and outstanding[4]	34,060	602	34,060	602
To be issued[5]	-	-	7,930	140
Retained earnings	35,541	628	35,541	628
Equity reserves	(18,448)	(326)	(18,448)	(326)
Treasury shares	(22,122)	(391)	(22,122)	(391)
Total Equity Attributable to Equity Holders of the Parent Company[6]	96,231	1,701	104,161	1,841
Non-controlling interest	9,681	171	9,681	171
Total Equity	105,912	1,872	113,842	2,012
Total Capitalization	223,965	3,958	246,825	4,362

(1) Total capitalization constitutes long-term indebtedness and equity.

(2) For the reader's convenience, all translations from Philippine Pesos to U.S. dollars have been made at a rate of U.S.$1.00 = ₱56.581, being the rate quoted on the BSP Reference Exchange Rate Bulletin for the purchase of U.S. dollars with Philippine Pesos on June 30, 2025.

(3) On July 7, 2025, the Company issued an aggregate of ₱32,000 million fixed rate bonds comprising (i) Series G ₱15,910 million 6.5945% Fixed Rate Bonds due 2030; (ii) Series H ₱4,604 million 6.9761% Fixed Rate Bonds due 2032; and (iii) Series I ₱11,486 million 7.3896% Fixed Rate Bonds due 2035. On August 29, 2025, the Company drew U.S.$200 million from a facility with a foreign bank executed on August 14, 2025.

(4) Includes U.S. dollar-denominated senior perpetual capital securities and redeemable perpetual securities.

(5) Net of commissions.

(6) Under the Company's financial statements, the "Parent Company" refers to Petron Corporation.

Other than as described above, there has been no material change in the capitalization of the Company since June 30, 2025.

SELECTED FINANCIAL INFORMATION

The following tables present selected consolidated financial information for the Company and should be read in conjunction with the auditors' reports and with the Company's consolidated financial statements and notes thereto and the section entitled "Management's Discussion and Analysis of Results of Operations" contained in this Offering Circular. The selected financial information presented below as of December 31, 2023 and 2024 and for the years ended December 31, 2022, 2023 and 2024 have been derived from the audited consolidated financial statements, including the notes thereto, included elsewhere in this Offering Circular, audited by R.G. Manabat & Co., a member firm of KPMG. The selected financial information presented below as of June 30, 2025 and for the six months ended June 30, 2024 and 2025 have been derived from the Company's unaudited interim consolidated financial information, reviewed by R.G. Manabat & Co. in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." The consolidated financial information of the Company as of and for the six months ended June 30, 2024 and 2025 have not been audited by the Company's independent auditor. As a result, the consolidated financial statements of the Company as of and for the six months ended June 30, 2024 and 2025 should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit.

The Company's financial information included in this Offering Circular has been prepared in accordance with PFRS. The information below is not necessarily indicative of the results of future operations. Each of the Joint Lead Managers and any of their respective affiliates, directors, officers and advisers disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any financial information of the Company. The translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Daily Reference Exchange Rate as of June 30, 2025 of U.S.$1.00 = ₱56.581.

Selected Consolidated Statement of Income

	Audited				Unaudited		
	For the years ended December 31,				For the six months ended June 30,		
	2022 (restated)*	2023 (restated)*	2024	2024	2024	2025	2025
	(in millions of ₱)**			(in millions of U.S.$)	(in millions of ₱)**		(in millions of U.S.$)
Sales	857,638	801,027	867,966	15,340	444,490	386,395	6,829
Cost of goods sold	823,788	754,429	821,753	14,523	418,921	362,749	6,411
Gross profit	33,850	46,598	46,213	817	25,569	23,646	418
Selling and administrative expenses	(15,853)	(17,568)	(18,757)	(332)	(8,978)	(9,448)	(167)
Other operating income	1,538	1,683	1,767	31	858	948	17
Interest expense and other financing charges	(13,094)	(19,095)	(20,961)	(370)	(10,226)	(9,338)	(166)
Interest income	898	1,284	1,201	21	561	555	10
Share in net income of an associate and joint ventures	66	89	114	2	40	84	1
Other income - net	1,000	119	3,417	61	(185)	193	4
	(25,445)	(33,488)	(33,219)	(587)	(17,930)	(17,056)	(301)
Income before income tax	8,405	13,110	12,994	230	7,639	6,590	117
Income tax expense	1,480	2,998	4,523	80	1,541	1,338	24
Net income	6,925	10,112	8,471	150	6,098	5,252	93
Attributable to:							
Equity holders of the Parent Company	5,952	9,229	8,469	150	5,835	4,822	85
Non-controlling interests	973	883	2	0	263	430	8
	6,925	10,112	8,471	150	6,098	5,252	93
Basic/ Diluted Earnings per Common Share attributable to equity holders of the Parent Company	₱0.04	₱0.27	₱0.30	U.S.$0.01	₱0.40	₱0.30	U.S.$0.01

**In 2024, the Company reassessed its accounting policy for LPG cylinders which was being recognized as an outright expense. As a result, the Company changed its accounting policy on LPG cylinders to recognize these as assets under PAS 16, Property,*

Plant, and Equipment. For a summary of the impact and adjustments of the change on the Company's financial statements, see Note 40 to audited consolidated financial statements included in this Offering Circular.

***Except for Basic/ Diluted Earnings per Common Share attributable to equity holders of the Parent Company.*

Selected Consolidated Statement of Financial Position

	Audited			Unaudited	
	As of December 31,			As of June 30,	
				2025	
	2023 (restated)*	2024	2024		
	(in millions of ₱)		(in millions of U.S.$)	(in millions of ₱)	(in millions of U.S.$)
ASSETS					
Current assets:					
Cash and cash equivalents	27,519	30,389	537	36,435	644
Financial assets at fair value	1,162	1,044	18	1,609	28
Trade and other receivables – net	86,479	82,762	1,463	69,401	1,227
Inventories	77,318	90,570	1,601	77,551	1,371
Other current assets	40,529	51,108	903	48,667	860
Total current assets	233,007	255,873	4,522	233,663	4,130
Noncurrent assets:					
Investment in shares of stock of an associate and joint ventures	1,158	1,165	21	1,142	20
Property, plant and equipment – net	167,987	169,302	2,992	167,342	2,958
Right-of-use assets - net	5,286	2,925	52	2,798	49
Investment property – net	27,194	28,243	499	28,461	503
Deferred tax assets – net	1,114	560	10	550	10
Goodwill – net	8,093	8,731	154	8,978	159
Other noncurrent assets – net	1,930	2,003	36	2,018	35
Total noncurrent assets	212,762	212,929	3,764	211,289	3,734
Total assets	445,769	468,802	8,286	444,952	7,864
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term loans	137,910	138,906	2,455	109,200	1,930
Liabilities for crude oil and petroleum product	44,840	51,625	912	55,477	981
Trade and other payables	26,454	29,012	513	29,215	517
Lease liabilities – current portion	1,566	1,295	23	1,380	24
Derivative liabilities	749	1,699	30	1,136	20
Income tax payable	132	304	5	294	5
Current portion of long-term debt – net	25,642	29,418	520	37,078	655
Total current liabilities	237,293	252,259	4,458	233,780	4,132
Noncurrent liabilities:					
Long-term debt – net of current portion	83,254	88,025	1,556	80,975	1,431
Retirement benefits liability - net	2,621	3,661	65	3,566	63
Deferred tax liabilities – net	4,456	6,719	119	6,940	123
Lease liabilities – net of current portion	14,378	12,120	214	11,899	210
Asset retirement obligation	3,612	1,321	23	1,401	25
Other noncurrent liabilities	495	487	8	479	8
Total noncurrent liabilities	108,816	112,333	1,985	105,260	1,860
Total liabilities	346,109	364,592	6,443	339,040	5,992
Equity Attributable to Equity Holders of the Parent Company*:					
Capital stock	9,485	9,502	168	9,502	168
Additional paid-in capital	40,985	57,698	1,020	57,698	1,020
Capital securities	37,529	34,555	611	34,060	602
Retained earnings	31,847	33,715	596	35,541	628
Equity reserves	(21,260)	(19,350)	(342)	(18,448)	(326)
Treasury stock	(7,600)	(21,003)	(371)	(22,122)	(391)

	Audited			Unaudited
	As of December 31,			As of June 30,
	2023 (restated)*	2024	2024	2025
	(in millions of ₱)		(in millions of U.S.$)	(in millions of ₱)	(in millions of U.S.$)
Total Equity Attributable to Equity Holders of the Parent Company	90,986	95,117	1,682	96,231	1,701
Non-controlling interests	8,674	9,093	161	9,681	171
Total equity	99,660	104,210	1,843	105,912	1,872
Total liabilities and equity	445,769	468,802	8,286	444,952	7,864

**In 2024, the Company reassessed its accounting policy for LPG cylinders which was being recognized as an outright expense. As a result, the Company changed its accounting policy on LPG cylinders to recognize these as assets under PAS 16, Property, Plant, and Equipment. For a summary of the impact and adjustments of the change on the Company's financial statements, see Note 40 to audited consolidated financial statements included in this Offering Circular.*

***Under the Company's financial statements, the "Parent Company" refers to Petron Corporation.*

Selected Consolidated Statement of Cash Flows

	Audited				Unaudited		
	For the years ended December 31,				For the six months ended June 30,		
	2022 (restated) *	2023 (restated) *	2024	2024	2024	2025	2025
	(in millions of ₱)			(in millions of U.S.$)	(in millions of ₱)		(in millions of U.S.$)
Net cash flows provided by (used in) operating activities	(21,805)	20,316	13,208	233	14,679	45,132	798
Net cash flows used in investing activities	(3,238)	(7,550)	(10,216)	(180)	(5,150)	(3,430)	(61)
Net cash flows provided by (used in) financing activities	22,794	(21,753)	(1,285)	(23)	(7,966)	(34,782)	(615)
Effects of exchange rate changes on cash and cash equivalents	3,026	(677)	1,163	21	1,475	(874)	(15)
Net increase (decrease) in cash and cash equivalents	777	(9,664)	2,870	51	3,038	6,046	107
Cash and cash equivalents at beginning of year/period	36,406	37,183	27,519	486	27,519	30,389	537
Cash and cash equivalents at end of year/period	37,183	27,519	30,389	537	30,557	36,435	644

**In 2024, the Company reassessed its accounting policy for LPG cylinders which was being recognized as an outright expense. As a result, the Company changed its accounting policy on LPG cylinders to recognize these as assets under PAS 16, Property, Plant, and Equipment. For a summary of the impact and adjustments of the change on the Company's financial statements, see Note 40 to audited consolidated financial statements included in this Offering Circular.*

Other Financial and Operating Data

	For the years ended December 31,				For the six months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(in millions of ₱ except sales volume and ratios)			(in millions of U.S.$)	(in millions of ₱ except sales volume and ratios)		(in millions of U.S.$)
Sales volume ('000 barrels per day)	309	348	382	n/a	380	355	n/a
Net debt[(1)]	207,764	219,287	225,960	3,994	214,833	190,818	3,372
Ratio of total debt to equity	2.16	2.48	2.46	2.46	2.35	2.15	2.15
Total debt[(2)]	244,947	246,806	256,349	4,531	245,390	227,253	4,016

EBITDA[3]	35,080	48,242	47,947	848	45,788	51,232	906
Capital expenditures[5]	5,933	7,464	10,160	180	5,046	3,496	62
Ratio of consolidated gross liabilities to consolidated net worth[5]	2.16	2.48	2.46	2.46	2.35	2.15	2.15

(1) Net debt represents the sum of short-term loans, current portion of long-term debts—net, and long-term debts—net of current portion, less cash and cash equivalents.

(2) Total debt consists of the sum of short-term loans, current portion of long-term debts-net and long-term debts-net of current portion.

(3) The Company defines EBITDA as income from operations plus depreciation & amortization plus/minus inventory loss/gain and realized commodity hedging loss/gain for a 12-month period. Income from operations is computed as gross profit less selling and administrative expenses, net of other operating income.

The table below provides a computation for EBITDA.

	For the years ended December 31,				For the twelve months ended June 30,		
	2022	**2023**	**2024**	**2024**	**2024[4]**	**2025[4]**	**2025[4]**
	(in millions of ₱)			(in millions of U.S.$)	(in millions of ₱)		(in millions of U.S.$)
Gross profit	33,850	46,598	46,213	817	48,573	44,290	783
Deduct:							
Selling and administrative expenses (net of other operating income)	(14,315)	(15,885)	(16,990)	(300)	(16,465)	(17,370)	(307)
Net operating income (loss)	19,535	30,713	29,223	517	32,108	26,920	476
Add/deduct:							
Depreciation and amortization	12,005	13,292	13,456	238	13,629	14,519	257
Inventory Gain/Loss and Realized Commodity Hedging Gain/Loss – net	3,540	4,237	5,268	93	50	9,792	173
EBITDA	35,080	48,242	47,947	848	47,788	51,232	906

(4) EBITDA is calculated for the 12-month period ended June 30 for the relevant periods.

(5) Capital expenditures represent the sum of additions to property, plant and equipment for the period.

(6) Consolidated Gross Liabilities is the total interest-bearing liabilities of the Company on a consolidated basis consisting of (a) short-term loans; (b) current portion of long-term debt; and (c) long-term debt (net), as recognized and measured in the Company's quarterly interim unaudited and year-end audited consolidated financial statements prepared in conformity with PFRS. Consolidated Net Worth is the total stockholders' equity of the Company (including any non-controlling interest) on a consolidated basis, as recognized and measured in the Company's quarterly interim unaudited and year-end audited consolidated financial statements prepared in conformity with PFRS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Prospective investors should read the following discussion and analysis of the Company's results of operations together with the audited consolidated financial statements for 2022 to 2024 and unaudited consolidated financial statements as of June 30, 2025 and for the six months ended June 30, 2024 and 2025, and the notes thereto, included elsewhere in this Offering Circular.

Overview

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

The Company's common shares are listed for trading on the Philippine Stock Exchange under the symbol "PCOR". As of September 1, 2025, the Company has a market capitalization of ₱22.2 billion (U.S.$392 million). In Malaysia, the Company's common shares for its subsidiary, Petron Malaysia Refining & Marketing Bhd., are listed for trading on the Bursa Malaysia under the symbol "PETRONM."

The Philippines

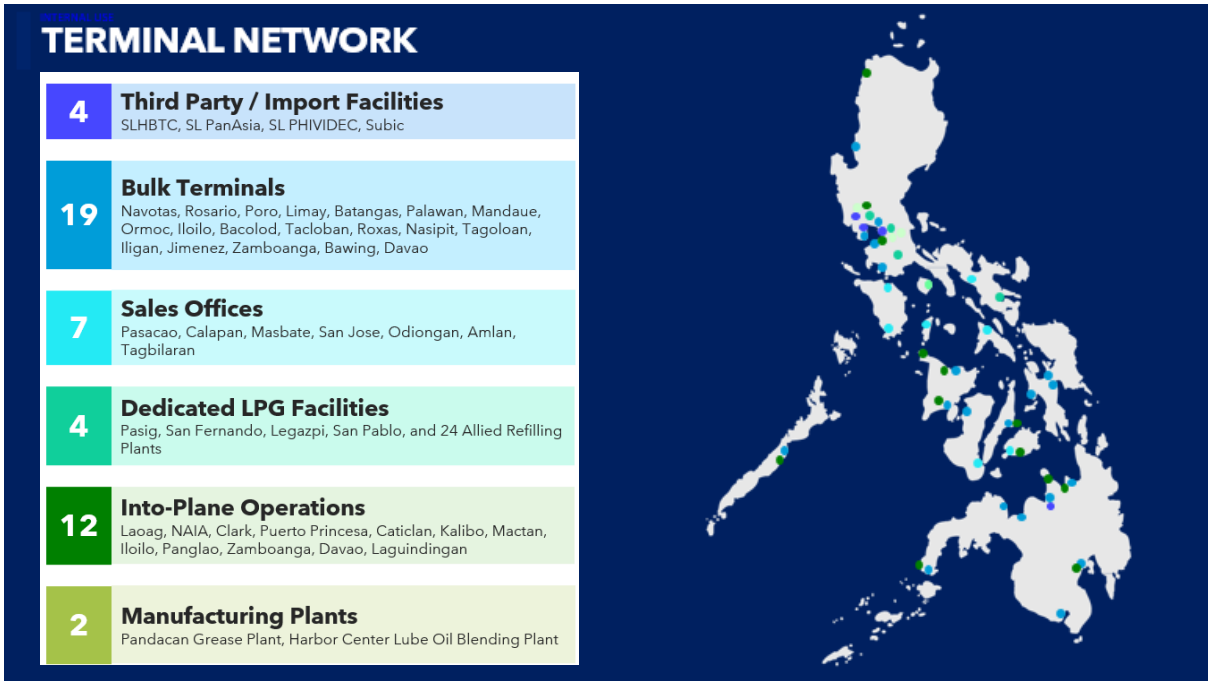
In the Philippines, the Company operates the country's only refinery, the Petron Bataan Refinery, which is located in the province of Bataan and has a production capacity of 180,000 bpd, capable of supplying more than 30% of the country's total fuel requirements as of December 31, 2024. The Company had a retail market share of 39.9% in terms of sales volumes of the Philippine oil market for full year 2024.[4]

The Petron Bataan Refinery processes crude oil into a range of white petroleum products ("**White Products**") such as gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical products such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan ("**RMP-2**") in 2016, a U.S.$2 billion project for the Petron Bataan Refinery, enabled the Company to convert Black Products (comprising fuel oil and asphalts) into more valuable White Products, and to increase the Company's production of petrochemical products. The RMP-2 project also made the Company the first and only oil company in the Philippines capable of locally producing Euro IV-standard fuels as of the date of this Offering Circular.

From the Petron Bataan Refinery, the Company moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, which the Company believes represents the most extensive distribution network for petroleum products in the Philippines. As of June 30, 2025, the network comprises 27 terminals (13 in Luzon, six in Visayas and eight in Mindanao) and 12 airport installations (four in Luzon, five in Visayas and three in Mindanao). Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers as well as jet fuel to international and domestic carriers.

[4] The Philippines' total fuel requirements and the Company's retail market share are derived from Company estimates based on Company information and data from the DOE-OIMB 2024 Report.

The map below shows the geographic reach of the Company's terminals, facilities, sales offices, airport installations, and manufacturing plants in the Philippines as of June 30, 2025.



Through its network of approximately 1,800 retail service stations in the Philippines as of June 30, 2025, representing approximately 15% of the country's total service station count,[5] the Company sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 50% of Petron service stations are CODOs and the rest are DODOs as of June 30, 2025. CODOs are "company-owned-dealer-operated" stations where Petron's investments include civil works, site development and station hardware (i.e. canopies, pumps, signages, etc.). The Company usually owns or leases the land and owns the building and equipment while dealers provide the working capital and other minor station equipment. DODOs are "dealer-owned-dealer-operated" stations where the dealers provide the civil works, site development, working capital and station equipment. The dealers also assume ownership or lease of the land. Under this arrangement, the Company provides the station hardware. Regulation of CODOs and DODOs are generally similar. Pricing is dictated more by logistics and competition rather than the classification of a station.

As of June 30, 2025, the Company's LPG distribution network includes approximately 2,200 branch and franchise stores where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. The Company's lubes distribution network includes approximately 60 car care centers and about 1,675 service stations selling lubes.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of June 30, 2025, the extent of the Company's programs includes more than 640,000 Petron Fleet Cards and more than two million Petron Value Cards (including Petron Super Driver Cards) in the Philippines.

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

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[5] Based on the Company's internal records and survey on nationwide service station count.

Malaysia

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. For the period ended June 30, 2025, the Company ranked third in the Malaysian retail market with more than 21% market share based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. The Company also covers the industrial segment in Malaysia, selling diesel and gasoline to mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors.

The Company owns and operates the Port Dickson Refinery in Malaysia, which has a crude oil distillation capacity of 88,000 bpd, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and LWSR. As of June 30, 2025, the Company had 10 product terminals, a PME plant, a network of about 810 retail service stations, and about 320 Treats convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline ("**MPP**") to Kuala Lumpur International Airport ("**KLIA**") as of June 30, 2025. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal ("**KVDT**").

In Malaysia, the Company's customer service and loyalty programs include more than 176,000 Petron Fleet Cards, more than 69,000 Petron Subsidy Cards, and approximately 2.5 million active Petron Miles Privilege Card (**"PMILES"**) cardholder/member accounts, each as of June 30, 2025.

The Company's products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical products, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company's revenues from these export sales amounted to ₱43,222 million or 5% of total sales, as of December 31, 2024 and ₱15,319 million or 4% of total sales as of June 30, 2025.

In 2022, 2023, and 2024, the Company's sales were ₱857,638 million, ₱801,027 million, and ₱867,966 million, respectively, and net income was ₱6,925 million, ₱10,112 million, and ₱8,471 million, respectively. For the six-month period ended June 30, 2024 and 2025, the Company's sales were ₱444,490 million and ₱386,395 million and net income was ₱6,098 million and ₱5,252 million, respectively.

Factors Affecting Results of Operations

The Company's financial condition and results of operations are affected by various factors. Set out below is a discussion of the most significant factors that have affected the Company's results in the past and that the Company expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on the Company's financial condition and results of operations in the future.

Crude Oil Prices

Crude oil generally accounts for a large portion of the Company's total cost of goods sold. In 2024, crude oil accounted for approximately 34% of the Company's total cost of goods sold. Because of the commodity nature of oil products, competition in the Philippine and international markets for refined petroleum products is based primarily on price, as adjusted to account for differences in product specifications and transportation and distribution costs. Therefore, the prices of the Company's principal products are highly dependent on international crude oil prices.

The Company is exposed to fluctuations in the price of crude oil, which is subject to volatile price movement caused by a number of factors beyond the Company's control, including changes in global supply and demand for crude oil, international economic conditions, global conflicts or acts of terrorism, weather conditions and domestic and foreign governmental regulation. The Company holds crude oil and finished petroleum products inventory of approximately two months in the Philippines and approximately one month in Malaysia. The prices at which the Company sells its products generally rise and fall in line with international crude oil prices. Accordingly, since the Company accounts for its inventory using the first-in-first-out method, a sharp drop in crude oil prices would adversely affect the Company, as it would require the Company to sell its refined petroleum products produced with higher-priced crude oil at lower prices. See "*Risk Factors — Risks Relating to the Company's Business and Operations — Volatility of the price of crude oil and petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition.*" Furthermore, a sharp rise in oil prices would increase the Company's requirements for short-term financing for working capital and may result in higher financing costs for the Company.

The Company enters into commodity swaps and options to manage the price risks of crude oil and finished petroleum products. However, volatile crude oil prices could still adversely affect the Company, as the Company may not be able to pass on the effects of crude oil price changes to consumers in a timely manner.

Governmental Regulation of Fuel Prices

As in many countries, the fuel business in Malaysia is regulated by the government. The Malaysian government regulates the retail pricing structure through the automatic pricing mechanism ("**APM**"), pursuant to which it mandates (i) the retail prices of certain refined petroleum products; and (ii) the product cost build-up. The APM covers (a) sales of formulated unleaded gasoline fuel with an octane index of 95 and 97 ("**Mogas 95**" and "**Mogas 97**"), (b) diesel to retail customers as well as to selected commercial logistics, transportation and fisheries sectors, and (c) LPG to retail customers. This regulated environment provides stability to the Company's Malaysian operations in such sectors. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore ("**MOPS**"). If government mandated prices are lower than the fuel products' total built-up cost per the APM, the Company receives subsidies from the Malaysian government. Conversely, if government mandated prices are higher than the fuel products' total built-up cost per the APM, the Company pays duties to the Malaysian government. See "*Regulatory and Environmental Matters – Malaysia – Sale and Pricing of Refined Petroleum Products – Price Control and Anti Profiteering Act, 2011*." The Malaysian government may subsidize fuel prices in selected sectors so that increases in international crude oil and petroleum product prices are not borne fully by Malaysian consumers. In such instances, the Company's working capital requirements depends to a certain degree on the Malaysian government's prompt payment of these fuel subsidies. The Malaysian government has publicly stated in the past that the country's fuel prices will eventually be deregulated and set on a free market basis, as the current subsidy system is unsustainable. However, no firm timeline has been provided for this deregulation. There can be no assurance that the Malaysian government will not decide to decrease or eliminate its subsidies or narrow their scope in the future without a corresponding commensurate increase in or elimination of the price ceiling. A substantial portion of the Company's revenue is derived from sales of refined petroleum products in Malaysia that are subject to price controls. Accordingly, if international crude oil prices are high and the Malaysian government decreases or eliminates the refined petroleum product subsidies without increasing or eliminating the mandated refined petroleum product price ceilings, the Company's financial condition and results of operations would be materially and adversely affected.

With respect to the Philippines, the Philippine government passed Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998, to liberalize and deregulate the downstream oil industry in order to ensure a truly competitive market. See "*Regulatory and Environmental Matters – Philippines – Downstream Oil Industry Deregulation Law*." However, the Philippine government has historically intervened from time to time to restrict increases in the prices of petroleum products. There can be no assurance that the Philippine government will not invoke price control measures or reinstate price regulation in the future, which may adversely affect the Company's results of operations.

Competition

The Company faces intense competition from a number of multinational and local competitors in the sale of petroleum and other related products in the markets in which it operates. In the oil industry, competitive factors generally include price, product quality, customer service, operational efficiency and distribution network. The Company's sales and results of operations will be affected by its ability to manage costs, increase and maintain efficiency at its refineries, effectively hedge against fluctuations in crude oil prices, maximize utilization of its assets and operations and comply with and obtain additional quotas from the Malaysian government.

Foreign Exchange Rates

Substantial portions of the Company's revenues are denominated in either Philippine Pesos or Malaysian Ringgit, while a substantial portion of its expenses, including crude oil purchases and foreign currency denominated debt service costs, are denominated in U.S. dollars. In the six months ended June 30, 2025, approximately 50% of the Company's revenues were denominated in Philippine Pesos, approximately 28% of its revenues were denominated in Malaysian Ringgit, while approximately 71% of its cost of goods sold were denominated in U.S. dollars. In addition, as of June 30, 2025, approximately 28% of the Company's outstanding debt was denominated in U.S. dollars. The Company's financial reporting currency is the Philippine Peso, and therefore, depreciation of the Philippine Peso relative to the U.S. dollar would result in increases in the Company's foreign currency denominated expenses as reflected in its Peso financial statements, and could also result in foreign exchange losses

resulting from the revaluation of foreign currency denominated assets and liabilities, including increases in the Philippine Peso amounts of the Company's U.S. dollar-denominated debt obligations, thereby adversely affecting the Company's results of operations and financial condition. In addition, there can be no assurance that the Company could increase its Philippine Peso- or Malaysia Ringgit-denominated product prices to offset increases in its crude oil or other costs resulting from any depreciation of the Philippine Peso or the Malaysian Ringgit, as applicable.

From January 1, 2022 to June 30, 2025, the value of the Philippine Peso against the U.S. dollar fluctuated from a low of ₱50.97 to a high of ₱59.00. In the same period, the value of the Malaysian Ringgit against the U.S. dollar fluctuated from a low of RM4.1235 per U.S. dollar to a high of RM4.7987 per U.S. dollar. See "*Exchange Rates.*" Although the Company uses a combination of natural hedges, which involve holding U.S. dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure, its exchange rate exposures are not fully protected. There can be no assurance that the value of the Philippine Peso or the Malaysian Ringgit will not decline or continue to fluctuate significantly against the U.S. dollar, and any significant future depreciation of the Philippine Peso or the Malaysian Ringgit could have a material adverse effect on the Company's margins, results of operations and financial condition.

Regulatory Environment

Philippines

The Company's operations are subject to various taxes, duties and tariffs. The tax and duty structure of the oil industry in the Philippines has undergone some key changes in recent years. For example, import duties for crude oil and petroleum products were increased on January 1, 2005 from 3% to 5%, and these duties were subsequently reduced to 0% with effect from July 4, 2010 (except for certain types of aviation gas). Furthermore, the Philippine government imposed an additional 12% VAT on the sale or importation of petroleum products in 2006. In 2012, in an effort to eradicate the problem of smuggling and illegal trading of petroleum products, the Philippine government issued a regulation stating that VAT and excise taxes due on imported petroleum products, including from entities in the free port and economic zones, must be paid by the importer through the Bureau of Customs which was eventually declared unconstitutional by the Philippine Supreme Court in 2016.

On January 1, 2018, Republic Act No. 10963, also known as the Tax Reform for Acceleration and Inclusion Law (the "**TRAIN Law**"), took effect. The TRAIN Law imposed a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three-year period was ₱2.65 to ₱2.00 to ₱1.00 per liter ("**/li**") per year for premium unleaded gasoline, ₱2.50 to ₱2.00 to ₱1.50/li per year for diesel and fuel oil, ₱1.00 to ₱1.00 to ₱1.00/kg per year for LPG, and ₱0.33 to ₱0.00 to ₱0.00/li per year for jet fuel. The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene and electric, and gasoline with public transportation as alternative means of transportation. The TRAIN Law also mandates the implementation of a fuel marking program for diesel, gasoline and kerosene to help curb illicit trading of fuel products. The cost for the fuel marker was subsidized by the government in the initial year of implementation and eventually passed on to oil companies effective September 2020.

On December 28, 2020, the Authority of the Freeport Area of Bataan ("**AFAB**") and the Company entered into a Registration Agreement pursuant to which the Company's Petron Bataan Refinery complex was approved as a FAB-registered enterprise. The Company believes that the AFAB registration would result in a more level playing field among fuel and oil marketing and distribution companies. The Company's competitiveness has suffered vis-à-vis other players in the market which are not refiners because VAT is imposed on the Company's importation of crude oil while non-refiners pay VAT and excise tax upon importation of finished products and those located in special economic zones pay VAT and excise tax upon withdrawal of finished products. There are generally 60 days between importation of crude and lifting of the finished products produced therefrom at the Petron Bataan Refinery, and another 15 days to sell at retail, so the Company is unable to pass on the VAT for a longer time compared to its non-refining competitors. As a FAB-registered enterprise, the Company will be entitled to: (i) tax- and duty-free importation of merchandise which include raw materials, capital equipment machineries and spare parts; (ii) exemption from export wharfage dues, export taxes, imposts, and fees; and (iii) VAT zero-rating of local purchases, subject to compliance with BIR and AFAB requirements.

There can be no assurance that any future tax changes in the Philippines or Malaysia would not have a material and adverse effect on the Company's financial condition and results of operations.

In addition, the Company is subject to a number of national and local laws and regulations, including safety, health, environmental and zoning laws and regulations. Compliance with, and changes in, laws and regulations, including interpretations thereto, could result in substantial compliance costs and have other significant effects on the Company's business and operations. For example, in the first six months of 2025, the Company spent approximately ₱32 million for (i) treatment of wastes, monitoring and compliance and (ii) permits and personnel training at the Petron Bataan Refinery. In 2024, the Company spent approximately RM0.24 million for (i) treatment of wastes, monitoring and compliance and (ii) permits and personnel training at the Port Dickson Refinery.

On March 26, 2021, former Philippine President Rodrigo Duterte signed Republic Act No. 11534 or the CREATE Act, into law. As part of the CREATE Act, local petroleum refineries are exempted from paying taxes and duties upon crude importation but will be subject to applicable taxes and duties on finished petroleum products upon lifting of refined petroleum products from the refinery. The Company believes that the CREATE Act allows it to be more competitive as domestic petroleum refineries will now pay taxes upon lifting of finished petroleum products from the refinery, similar to importers of refined fuel which pay taxes upon importation of finished products.

On November 8, 2024, President Ferdinand R. Marcos, Jr. signed the CREATE MORE Act into law. The CREATE MORE Act introduced amendments to the Tax Code, including the enhancement of tax incentives that registered business enterprises (e.g., BOI-registered entities) may receive, including: (i) VAT zero-rating on local purchases (which shall now include goods and services related to a registered project or activity such as janitorial, security, financial, consultancy, marketing, and administrative functions such as human resources, legal, and accounting services); (ii) VAT exemption on importation of goods and services; (iii) duty exemption on importation shall now include goods used for administrative purposes; (iv) an enhanced deductions regime; (v) income tax holiday; (vi) a registered business enterprise local tax that shall be assessed in lieu of all local taxes and local fees and charges imposed by a local government, during the period when the registered business enterprise enjoys income tax holiday or avails of the enhanced deductions regime; and (vii) a special corporate income tax of five percent (5%) in lieu of all national and local taxes as well as local fees and charges.

Under the CREATE MORE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to incentives in their certificate of registration or certificate of registration and tax exemption, and allowed to avail, or continue availing, of certain incentives until December 31, 2034.

Malaysia

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

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

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

Economic and Political Conditions in the Philippines and Malaysia

The Company derives substantially all of its revenues and operating profits from sales of its products in the Philippines and Malaysia. As a result, the Company's business, financial condition, results of operations and prospects are substantially influenced by the economic and political conditions in those countries. Although the Philippine and Malaysian economies have both experienced stable growth in recent years, both economies have in the past experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso or the Malaysian Ringgit, as applicable, and the imposition of exchange controls. Sales of the Company's products are directly related to the strength of the Philippine and Malaysian economies (including overall growth levels and interest rates) and tend to decline during economic downturns. Any downturn in the Philippine or Malaysian economies may negatively affect consumer sentiment and general business conditions in the Philippines or Malaysia, as applicable, which may lead to a reduction in demand for the Company's products.

The mid-term national and local election, in which 12 senators, representatives of the House of Representatives and local officials were elected, was held on May 12, 2025. It is not certain whether results of the general elections or any future political event will have a negative effect on the general economic conditions of the Philippines,

which in turn, may have a material impact on the Company's business performance, financial position, and results of operations.

Capital Expenditure Projects and Financing

The Company's business is capital intensive. Specifically, the processing and refining of crude oil and the purchase, construction and maintenance of machinery and equipment require substantial capital expenditures. The Company has upgraded the Petron Bataan Refinery and expanded its retail service station network in the Philippines over the past several years and intends to continue to increase investments in these areas to optimize operational efficiency, reduce costs and widen market reach. The Company will also continue to invest in its Malaysian operations to support retail expansion and improve operational efficiency.

See "*—Liquidity and Capital Resources—Capital Expenditures*" for more information about the Company's capital expenditure plans. If the Company fails to complete its planned capital expenditure projects on time or within budget or at all, or to operate its facilities at their designed capacity, it may be unable to increase its sales and profits or to capture additional market share as planned, and its business, results of operations and financial condition could be adversely affected.

In addition, the Company has incurred a substantial amount of indebtedness to finance its capital expenditure projects, a significant portion of which is due in five years or less. As of June 30, 2025, the Company had outstanding long-term debt (net of current portion of long-term debt) of ₱80,975 million.

The Company's ability to complete its planned capital expenditure projects and meet its debt servicing obligations will depend in part on its ability to generate sufficient cash flows from its operations and obtain adequate additional financing. Failure by the Company to finance and successfully implement its planned capital expenditure projects could adversely affect its business, financial condition and results of operations.

Description of Certain Components of Results of Operations

Sales

The Company generates revenues primarily from local and international (i) sales of petroleum and other related products offered to motorists and public transport operators through its service station network; (ii) sales of fuel, LPG and lubricants to industrial customers including manufacturing, transportation, aviation, and construction sectors; (iii) sales of LPG and lubricants through dealers and distribution network; (iv) lease of real properties and equipment at the service stations and other related structures; and (v) export sales of various petroleum and non-fuel products outside the Philippines.

The Company derives the majority of its sales from the Philippines. The following table presents revenue information relating to geographical segments for the periods indicated:

	Years ended December 31,				Six Months ended June 30,		
	2022	2023	2024	2024	2024	2025	2025
	(in ₱ millions)			(in U.S.$ millions)	(in ₱ millions)		(in U.S.$ millions)
Local	412,743	413,175	438,900	7,757	220,069	229,937	4,064
Export/ International[(1)]	444,895	387,852	429,066	7,583	224,421	156,458	2,765
Total	857,638	801,027	867,966	15,340	444,490	386,395	6,829

(1) International includes revenue from operations in Malaysia.

Cost of Goods Sold

Cost of goods sold consists of inventories (including distribution or transshipment costs), depreciation and amortization (in respect of property, plant and equipment, right-of-use assets and other assets), material and supplies, personnel expenses, purchased services and utilities, and others (including manufacturing and overhead costs such as maintenance and repairs, taxes and licenses, insurance and rent).

Selling and Administrative Expenses

Selling and administrative expenses consists of purchased services and utilities, depreciation and amortization (in respect of property, plant and equipment, investment property and intangible assets), personnel expenses,

maintenance and repairs, advertising, materials and office supplies, rent, taxes and licenses, insurance, net reversal of impairment losses on trade and other receivables and others. Research and development costs also comprise selling and administrative expenses.

Other Operating Income

Other operating income consists of income from operating leases relating to service stations and other related structures.

Interest Expense and Other Financing Charges, Interest Income and Other Income - Net

Interest expense and other financing charges primarily include interest on short-term loans and long-term debt and other bank charges. Interest income primarily includes interest income from short-term placements, plan assets, advances to related parties and trade receivables. Other income – net primarily consists of gain on termination of lease, dividend income, foreign currency gains (losses) – net and marked-to-market gains (losses) – net.

Income Tax Expense

Income tax expenses primarily consists of current income tax and deferred tax assets and liabilities.

Material Accounting Policies

For a discussion of the material accounting policies and use of judgments, estimates and assumptions of the Company, please see Notes 3 and 4 of the audited consolidated financial statements included in this Offering Circular and Notes 2 and 3 of the unaudited interim condensed consolidated financial statements included in this Offering Circular.

Results of Operations

Six months ended June 30, 2025 compared to six months ended June 30, 2024

	Six months ended June 30,		Increase (Decrease)	
	2025	2024 (restated)	Amount Change	% Change
		(in ₱ millions)		
Sales	386,395	444,490	(58,095)	(13%)
Cost of Goods Sold	(362,749)	(418,921)	(56,172)	(13%)
Gross Profit	23,646	25,569	(1,923)	(8%)
Selling and Administrative Expenses	(9,448)	(8,978)	470	5%
Other Operating Income	948	858	90	11%
Interest Expense and Other Financing Charges	(9,388)	(10,226)	(838)	(8%)
Interest Income	555	561	(6)	(1%)
Share in Net Income of an Associate and Joint Ventures	84	40	44	high
Other Income (Expense) - net	193	(185)	378	High
Income Before Income Tax	6,590	7,639	(1,049)	(14%)
Income Tax Expense	(1,338)	(1,541)	(203)	(13%)
Net Income	5,252	6,098	(846)	(14%)
Attributable to Equity Holders of the Parent Company	4,822	5,835	(1,013)	(17%)
Attributable to Non-controlling Interests	430	263	167	64%
	5,252	6,098	(846)	(14%)
Sales Volume in Thousand Barrels	64,235	69,122	(4,887)	(7%)

During the first half of 2025, refining cracks were weaker and international oil prices dropped overall. Prices were pressured by the global tariff tensions and the decision of OPEC plus to unwind production cuts which resulted oversupply amid concerns of weakening demand. The sustained growth in domestic sales volume and the Company's optimized plant operations and increased production helped cushion the impact of market factors.

Sales

Consolidated sales volume decreased by 7% to 64.23 MMB for the six months ended June 30, 2025 from 69.12 MMB for the six months ended June 30, 2024 due to a reduction in trading volumes of the Company's subsidiary in Singapore and decreased exports arising from the Company's deliberate decision to divert its production of export products with low margin yields to higher valued finished products. The reductions to trading volume and exports for the first half of 2025 were partly mitigated by an increase in Philippine retail sales of 13%, outpacing industry growth, and the 5% overall growth in commercial sales for the same period.

Revenue from sales for the six months ended June 30, 2025 was ₱386,395 million (U.S.$6,829 million) or 13% lower than ₱444,490 million for the six months ended June 30, 2024 on account of lower sales volume and prices.

Cost of Goods Sold

Cost of goods sold decreased by 13% to ₱362,749 million (U.S.$6,411 million) for the six months ended June 30, 2025 primarily due to the lower sales volume and lower cost per liter as the benchmark Dubai crude averaged 14% lower at U.S.$72 per barrel for the first half of 2025 compared to U.S.$83 per barrel for the first half of 2024.

Gross Profit

As a result, gross profit decreased by 8% to ₱23,646 million (U.S.$418 million) for the six months ended June 30, 2025 compared to ₱25,569 million for the six months ended June 30, 2024.

Selling and Administrative Expenses

Selling and administrative expenses increased by 5% to ₱9,448 million (U.S.$167 million) for the six months ended June 30, 2025 from ₱8,978 million for the six months ended June 30, 2024 arising primarily from increases in terminalling fees and operations relating to company-owned service stations.

Other Operating Income

Other operating income of ₱948 million (U.S.$17 million) for the six months ended June 30, 2025 increased by 11% or ₱90 million on account of higher rental income.

Interest Expenses and Other Financing Charges, Interest Income

Interest expense and other financing charges decreased by 8% to ₱9,388 million (U.S.$166 million) for the six months ended June 30, 2025 following interest rate cuts to certain of the Company's outstanding indebtedness which were implemented in the second half of 2024.

Interest income was ₱555 million (U.S.$10 million) for the six months ended June 30, 2025, slightly lower by ₱6 million compared to interest income in the first half of 2024 due to the overall decrease in the amount of placement.

Share in Net Income of an Associate and Joint Ventures

Share in net income of an associate and joint ventures increased to ₱84 million (U.S.$1 million) for the six months ended June 30, 2025 from ₱40 million for the six months ended June 30, 2024, mainly pertaining to an increase in the earnings of Petrogen (an associate) and the Company's share in such increased earnings.

Other Income – net versus Other Expense – net

Other income - net of ₱193 million (U.S.$3 million) for the six months ended June 30, 2025 was a reversal from the Other Expense - net of ₱185 million for the six months ended June 30, 2024 due to the unrealized gain on commodity hedges recorded for the period in2025 compared to the loss recognized for the same period in 2024, partly offset by the net forex loss in the first half of 2025 compared to the net gain recorded in the first half of 2024.

Income Tax Expense

Income tax expense amounted to ₱1,338 million (U.S.$24 million) for the six months ended June 30, 2025, a decrease of 13% compared to the first half of 2024 largely due to lower financial income.

Net Income

As a result of the foregoing, the Company's net income of ₱5,252 million (U.S.$93 million) or the six months ended June 30, 2025 was 14% less than the ₱6,098 million posted in the first half of 2024.

Year ended December 31, 2024 compared to year ended December 31, 2023

	Years ended December 31,		Increase (Decrease)	
	2024	2023 (restated)	Amount Change	% Change
		(in ₱ millions)		
Sales	867,966	801,027	66,939	8%
Cost of Goods Sold	(821,753)	(754,429)	67,324	9%
Gross Profit	46,213	46,598	(385)	(1%)
Selling and Administrative Expenses	(18,757)	(17,568)	1,189	7%
Other Operating Income	1,767	1,683	84	5%
Interest Expense and Other Financing Charges	(20,961)	(19,095)	1,866	10%
Interest Income	1,201	1,284	(83)	(6%)
Share in Net Income of an Associate and Joint Ventures	114	89	25	28%
Other Income - net	3,417	119	3,298	high
Income Before Income Tax	12,994	13,110	(116)	(1%)
Income Tax Expense	(4,523)	(2,998)	1,525	51%
Net Income	8,471	10,112	(1,641)	(16%)
Attributable to Equity Holders of the Parent Company	8,469	9,229	(760)	(8%)
Attributable to Non-controlling Interests	2	883	(881)	(100%)
	8,471	10,112	(1,641)	(16%)
Sales Volume in Thousand Barrels	139,853	126,914	12,939	10%

International oil prices remained volatile in 2024 as the market continued to be affected by the persisting geopolitical conflicts in the Middle East, increased production from non-OPEC countries and prevailing weak domestic demand in China, which also put pressure on regional refining margins. The Company's refinery in Malaysia was also on shut down for maintenance in the last quarter of 2024, limiting production and exports.

Sales

Consolidated sales volume for the year increased by 10% to 139,853 MMB from 126,914 MMB in 2023 fueled by strong demand and strategic marketing efforts. The Company's Philippine operations and Singapore trading subsidiary led this growth with a combined 16% incremental volume. Petron Malaysia's volume was flat as the additional domestic sales volume were offset by reduced exports.

Consequent to the growth in volume, revenue from sales increased by 8% to ₱867,966 million (U.S.$15,340 million) in 2024 from ₱801,027 million in 2023. The average Philippine Peso/U.S. dollar exchange rate was higher by ₱1.67 or 3% from ₱55.63/U.S.$1.00 in 2023 to ₱57.30/ U.S.$1.00 in 2024, further augmenting revenues despite the continuous correction in fuel prices.

Cost of Goods Sold

Similarly, cost of goods sold increased from ₱754,429 million in 2023 to ₱821,753 million (U.S.$14,523 million) or by 9% because of the higher volume sold and the weaker Philippine Peso against the U.S. dollar. The effect of these factors to cost of goods sold was partly moderated by the decrease in average cost per liter owing to the 3% decline in benchmark Dubai crude's average price of U.S.$80 per barrel in 2024.

Gross Profit

Despite the increase in sales revenue, gross profit slightly decreased to ₱46,213 million (U.S.$817 million) in 2024 from ₱46,589 million in 2023, mainly attributable to lower refining margins.

Selling and Administrative Expenses

The growth in sales volume resulted in higher selling and administrative expenses by 7% to ₱18,757 million (U.S.$331 million) in 2024, arising primarily from storage and terminal costs, maintenance and repairs of service stations, contracted services and promotional activities.

Other Operating Income

Other operating income increased by 5% to ₱1,767 million (U.S.$31 million) on account of higher rental income.

Interest Expenses and Other Financing Charges, Interest Income

Interest expense and other financing charges aggregated ₱20,961 million (U.S.$370 million) in 2024, posting a 10% rise from the previous year owing to higher borrowing levels and interest rates.

Conversely, interest income of ₱1,201 million (U.S.$21 million) decreased by ₱83 million or 6% in 2024 due to overall decrease in the amount of placement.

Share in Net Income of an Associate and Joint Ventures

Share in net income of an associate and joint ventures of ₱114 million (U.S.$2 million) in 2024 was 28% more than the ₱89 million recorded in 2023 as Petrogen (an associate) reported higher earnings in 2024.

Other Income - net

Other income - net increased to ₱3,417 million (U.S.$60 million) in 2024, mainly following the reversal of previously booked lease and asset retirement liabilities in relation to the reconveyance of PNOC lots to Petron.

Income Tax Expense

Income tax expense increased by 51% to ₱4,523 million (U.S.$80 million) primarily due to the Company's provision for partial impairment of deferred tax asset related to net operating loss carry-over (NOLCO) and minimum corporate income tax (MCIT), which are due to expire in 2025.

Net Income

As a result of the foregoing, the Company's net income of ₱8,469 million (U.S.$150 million) for the year ended December 31, 2024 was 16% lower than the ₱10,112 million posted in 2023.

Year ended December 31, 2023 compared to year ended December 31, 2022

	Years ended December 31,		Increase (Decrease)	
	2023 (restated)	2022 (restated)	Amount Change	% Change
	(in ₱ millions)			
Sales	801,027	857,638	(56,611)	(7%)
Cost of Goods Sold	(754,429)	(823,788)	(69,359)	(8%)
Gross Profit	46,598	33,850	12,748	38%
Selling and Administrative Expenses	(17,568)	(15,853)	1,715	11%
Other Operating Income	1,683	1,538	145	9%
Interest Expense and Other Financing Charges	(19,095)	(13,094)	6,001	46%
Interest Income	1,284	898	386	43%
Share in Net Income of an Associate and Joint Ventures	89	66	23	35%
Other Income - net	119	1,000	(881)	(88%)
Income Before Income Tax	13,110	8,405	4,705	56%
Income Tax Expense	(2,998)	(1,480)	1,518	high
Net Income	10,112	6,925	3,187	46%
Attributable to Equity Holders of the Parent Company	9,229	5,952	3,277	55%
Attributable to Non-controlling Interests	883	973	(90)	(9%)

	Years ended December 31,		Increase (Decrease)	
	2023 (restated)	2022 (restated)	Amount Change	% Change
	10,112	6,925	3,187	46%
Sales Volume in Thousand Barrels.....	126,914	112,812	14,102	13%

Sales

Consolidated sales volume grew by 13% to 126,914 MMB in 2023, 14.1 MMB more than in 2022. The Company's strong volume performance was driven by the growth in its sale of jet fuel and LPG. As economic activities returned to pre-pandemic levels, domestic demand also bounced back. The incremental sales volume was supported by higher production at the Petron Bataan Refinery in the Philippines and Port Dickson Refinery in Malaysia. Exports and PSTPL trading volume also contributed to the overall volume growth.

Despite the growth in sales volume, revenue from sales decreased by 7% to ₱801,027 million in 2023 from ₱857,638 million in 2022 mainly due to lower average selling price of per liter as market prices further corrected from the peak levels in 2022.

Cost of Goods Sold

Cost of goods sold also declined by ₱69,359 million or 8% to ₱754,429 million in 2023 attributable to lower average cost per liter, partly offset by the increase in sales volume. Price of benchmark Dubai crude oil decreased by 15% to U.S.$82/bbl in 2023 from the 2022 average of U.S.$96/bbl.

Gross Profit

Gross profit increased by 38% from ₱33,850 million in 2022 to ₱46,598 million in 2023 largely from incremental sales volume and improved margins.

Selling and Administrative Expenses

Selling and administrative expenses increased 11% to ₱17,568 million in 2023 as the Company spent more on maintenance and repairs of service stations and terminal facilities, advertising and promotions, operation of company-owned services stations and other operating requirements to support volume growth.

Other Operating Income

Other operating income amounted to ₱1,683 million in 2023, higher by 9% or ₱145 million compared to ₱1,538 million in 2022 due to increase in rental income.

Interest Expenses and Other Financing Charges, Interest Income

Interest expense and other financing charges increased by 46% from ₱13,094 million in 2022 to ₱19,095 million in 2023 primarily due to higher interest rates.

Interest income of ₱1,284 million in 2023 was 43% more than ₱898 million in 2022 on account of higher interest rates.

Share in Net Earnings of an Associate and Joint Ventures

Share in net earnings of an associate and joint ventures was 35% higher in 2023 at ₱89 million, representing the Company's share in net income of Petrogen (an associate) and Terminal Bersama Sdn. Bhd. (a joint venture).

Other Income - net

Other Income - net was lower at ₱119 million in 2023 compared to ₱1,000 million in 2022, chiefly attributed to lower mark-to-market valuation gain on commodity hedges.

Income Tax Expense

Income tax expense of ₱2,998 million in 2023 was more than double of ₱1,480 million in 2022, mainly traced to higher pre-tax income combined with minimal tax incentives available to Petron Malaysia in 2023.

Net Income

As a result of the foregoing, the Company's net income of ₱10,112 million in 2023 was higher than net income of ₱6,925 million in 2022 by 46%, fueled by the Company's continuing efforts to capture continued demand recovery, optimize assets and resources, and respond to market volatility amidst persistent geopolitical tensions and global inflationary concerns pressuring the market.

Liquidity and Capital Resources

The Company's principal sources of funds have historically been net cash flows from operating activities, and debt and equity financing. The Company's principal use of funds has historically been to fund its working capital and capital expenditure requirements. The Company has been able to pay its trade liabilities as they become due. The Company may from time to time seek external sources of funding, which may include debt or equity financing, depending on its financing needs and market conditions. The incurrence of additional debt would divert cash from working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict the Company's operations. If the Company is unable to obtain additional financing as required, its business, results of operations, financial condition and prospects may be adversely affected.

The following table sets forth the Company's cash flows for the periods indicated:

	For the years ended December 31,				For the six months ended June 30,		
	(audited)				(unaudited)		
	2022 (restated)	**2023 (restated)**	**2024**	**2024**	**2024**	**2025**	**2025**
	(in ₱ millions)			(in U.S.$ millions)	(in ₱ millions)		(in U.S.$ millions)
Net cash flows provided by (used in) operating activities	(21,805)	20,316	13,208	233	14,679	45,132	798
Net cash flows used in investing activities	(3,238)	(7,550)	(10,216)	(180)	(5,150)	(3,430)	(61)
Net cash flows provided by financing activities	22,794	(21,753)	(1,285)	(23)	(7,966)	(34,782)	(615)
Effect of exchange rate changes on cash and cash equivalents	3,026	(677)	1,163	21	1,475	(874)	(15)
Net increase (decrease) in cash and cash equivalents	777	(9,664)	2,870	51	3,038	6,046	107
Cash and cash equivalents at beginning of year	36,406	37,183	27,519	486	27,519	30,389	537
Cash and cash equivalents at end of year	37,183	27,519	30,389	537	30,557	36,435	644

Net Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities for the six months ended June 30, 2025 was ₱45,132 million. The Company's income before income tax was ₱6,590 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱21,403 million. The Company paid interest of ₱9,177 million and income taxes of ₱777 million for the period.

Net cash flows provided by operating activities for the six months ended June 30, 2024 was ₱14,679 million. The Company's income before income tax was ₱7,639 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱26,441 million. The Company paid interest of ₱9,536 million and income taxes of ₱398 million for the period.

Net cash flows provided by operating activities for the year ended December 31, 2024 was ₱13,208 million. The Company's income before income tax was ₱12,994 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱45,149 million. The Company paid interest of ₱19,928 million and income taxes of ₱413 million for the period.

Net cash flows provided by operating activities for the year ended December 31, 2023 was ₱20,316 million. The Company's income before income tax was ₱13,110 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱44,237 million. The Company paid interest of ₱18,264 million and income taxes of ₱948 million for the period.

Net cash flows used in operating activities for the year ended December 31, 2022 was ₱21,805 million. The Company's income before income tax was ₱8,405 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱33,089 million. The Company paid interest of ₱12,086 million and income taxes of ₱1,001 million for the period.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities was ₱3,430 million for the six months period ended June 30, 2025. This is primarily reflected in additions to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱5,150 million for the six months period ended June 30, 2024. This is primarily reflected in additions to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱10,216 million in 2024. This is primarily reflected in additions to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱7,550 million in 2023. This is primarily reflected in additions to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱3,238 million in 2022. This is primarily reflected in additions to property, plant and equipment and investment property.

Net Cash Flows Provided by Financing Activities

Net cash flows used in financing activities was ₱34,782 million for the six months ended June 30, 2025. The main component of this were the net payment loans amounting to ₱28,044 million, payment of cash dividends and distributions of ₱3,683 million, and lease liabilities of ₱1,368 million, acquisition of common treasury shares of ₱1,119 million, and capital securities of ₱568 million.

Net cash flows used in financing activities was ₱7,966 million for the six months ended June 30, 2024. The main component of this were payment of cash dividends and distributions of ₱3,559 million, and lease liabilities of ₱1,660 million, and net payment of loans amounting to ₱2,747 million.

Net cash flows used in financing activities was ₱1,285 million in 2024. The main component of this were redemption of preferred shares of ₱13,403, payment of cash dividends and distribution of ₱6,723 million, lease liabilities of ₱2,780 million, and repurchase of capital securities of ₱3,360 million. This was partly offset by the proceeds from issuance of preferred shares of ₱16,730 and net availment of loans of ₱8,251 million.

Net cash flows used in financing activities was ₱21,753 million in 2023. The main component of this were redemption of capital securities of ₱27,469 million, payment of cash dividends and distribution of ₱7,356 million and lease liabilities of ₱2,463 million. This was offset in part by reissuance of preferred shares of ₱13,885 and net availment of loans amounting to ₱1,792 million.

Net cash flows provided by financing activities was ₱22,794 million in 2022. The main component of this were proceeds from loans of ₱373,935 million. This was offset in part by payment of loans and lease liabilities of ₱345,001 million and payment of cash dividends and distribution of ₱6,127 million.

Capital Resources

As of June 30, 2025, the Company had cash and cash equivalents of ₱36,435 million. As of the same date, the Company had total outstanding short-term debt of ₱109,200 million in the form of unsecured Philippine Peso loans.

As of June 30, 2025, the Company had total outstanding long-term debt (excluding current portion of long-term debt) of ₱80,975 million. The Company obtained these loans from various financial institutions under several credit facilities. All of the Company's long-term borrowings are unsecured. As of the date of this Offering Circular, the Company's long-term debt agreements include requirements to maintain certain specified financial ratios, including a ratio of consolidated gross debt to consolidated net worth and an incurrence-based ratio of consolidated net adjusted debt to consolidated EBITDA.

As of the date of this Offering Circular, the Company is in compliance with the covenants in its long-term debt agreements.

The following table sets forth a summary of the maturity profile of the outstanding long-term borrowings of the Company for the years 2025 to 2028 and beyond as of June 30, 2025:

Payments Due by Period	**Amount**
	(in millions of ₱)
2025*	27,017
2026	24,696
2027	40,549
2028	14,431
2029 and beyond**	11,360
Total	118,053

* The Company paid amortizations of long-term debt amounting to ₱2,946 million as of June 30, 2025

** Excluding ₱32,000 million retail bonds issued on July 7, 2025 divided into Series G due 2030 (₱15,910 million), Series H due 2032 (₱4,604 million), and Series I due 2035 (₱11,486 million).

The following table sets forth the Company's outstanding long-term debt (net of debt issue cost) by the currency in which they are denominated as of June 30, 2025:

Currency	**Amount**
	(in millions of ₱)
Philippine Peso	53,864
U.S. Dollar	64,189
Yen	–
Total outstanding long-term debt	118,053

The following table sets forth the Company's outstanding long-term debt (net of debt issue cost) by either fixed or floating interest rate terms as of June 30, 2025:

	Amount
	(in millions of ₱)
Fixed rate	43,923
Floating rate	74,130
Total outstanding long-term debt	118,053

Capital Expenditures

Over the past several years, the Company has made significant capital expenditures to maintain and upgrade the Petron Bataan Refinery and the Port Dickson Refinery, and to expand and upgrade its retail service station network in the Philippines and in Malaysia. In 2022, 2023, 2024 and for the six months ended June 30, 2024 and 2025, the Company's capital expenditures were ₱5,933 million, ₱7,464 million, ₱10,160 million, ₱5,046 million and ₱3,496 million, respectively, which primarily related to expenditures for refinery, depot and service stations. The Company has historically funded its capital expenditures with net cash flows provided by operating activities and debt or equity financing.

Following the completion of the Company's major projects such as the Power Plant (Phase III) in Bataan, Marine Import Facility and the Diesel Hydrotreater in Port Dickson Malaysia, the Company plans to focus its investments and expenditures on the following projects:

- retail network improvements, facilities upgrade and expansion in both the Philippines and Malaysia;
- expansion of the Company's truck fleet for more efficient transport of its products;
- maintenance and scheduled turnaround of the Philippine and Malaysian refineries to ensure reliable and efficient operations;
- two new biofuel plants: a second PME plant in Port Dickson and a CME plant in Bataan;
- depot and terminal improvements and maintenance, including a new terminal in Kuching to expand supply and distribution reach; and
- sustainability projects including wastewater treatment, flood control, EV charging, and solar panels.

These capital expenditures are expected to be funded through internally generated cash. The Company's capital expenditures may change as projects are reviewed and subject to various factors including market conditions, the general state of the Philippine and Malaysian economies, the Company's operating performance and cashflow.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements. The Company has, however, entered into derivative transactions to manage its exposures to currency exchange rates and fluctuating commodity prices. See "*Derivative Financial Instruments*."

Derivative Financial Instruments

The Company has entered into derivative financial instrument transactions, including swaps, options and forwards, to manage its exposures to exchange rates and fluctuating commodity prices. A more detailed description of the Company's derivative financial instruments is set forth in note 35 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2024, included elsewhere in this Offering Circular.

Financial Risk Management

The Company's principal financial instruments include cash and cash equivalents, equity securities, bank loans and derivative instruments. The main purpose of bank loans is to finance working capital relating to importation of crude and petroleum products, as well as to partly fund capital expenditures. The Company 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 Company's policy not to enter into derivative transactions for speculative purposes. The Company uses hedging instruments to protect its margin on its products from potential price volatility of crude oil and products. It also enters into forward currency and option contracts to hedge its currency exposure on crude oil importations and long-term dollar loans, respectively. The main risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The Board regularly reviews and approves the policies for managing these financial risks. Details of each of these risks, together with the Company's risk management structure, are discussed in note 34 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2024 included elsewhere in this Offering Circular.

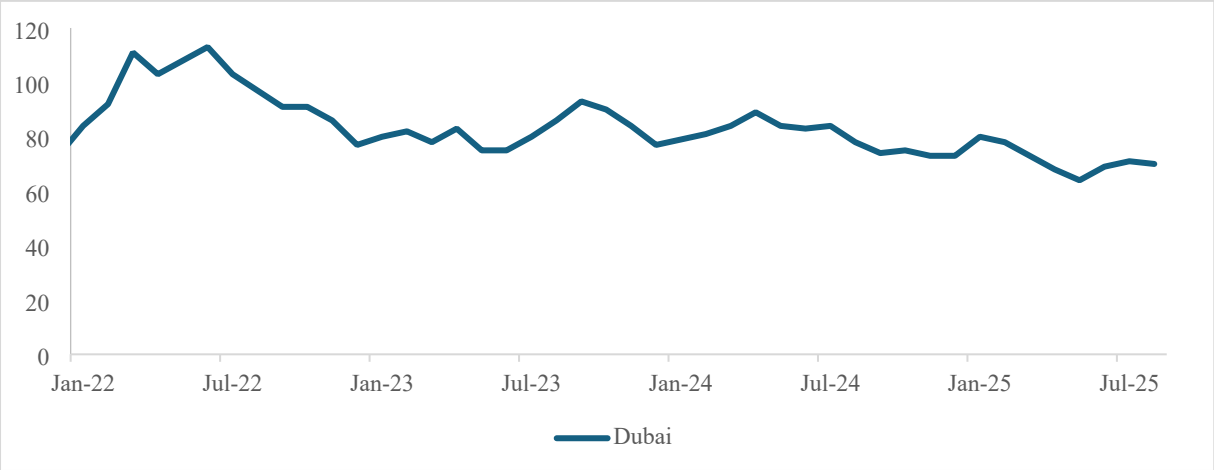
INDUSTRY OVERVIEW

The information and data contained in this section has been taken from publicly available sources, including the World Bank, International Energy Agency (IEA), International Monetary Fund (IMF), Energy Institute, U.S. Energy Information Administration (EIA), and the Philippine Department of Energy, unless indicated otherwise. The Company does not have any knowledge that the information provided herein is inaccurate in any material respect. Neither the Company, the Joint Lead Managers nor any of their respective affiliates or advisors has independently verified the information included in this section.

Global and Regional Oil Market

Heightened trade tensions and uncertainty have weighed on the world economy and, by extension, oil demand growth. Combined with the OPEC+ decision to accelerate the unwinding of oil production curbs that have been in place for several years, these factors have pushed international oil prices to four-year low in April and early May 2025. However, oil prices have since rebounded after an exchange of air strikes between Israel and Iran started on June 13, 2025.

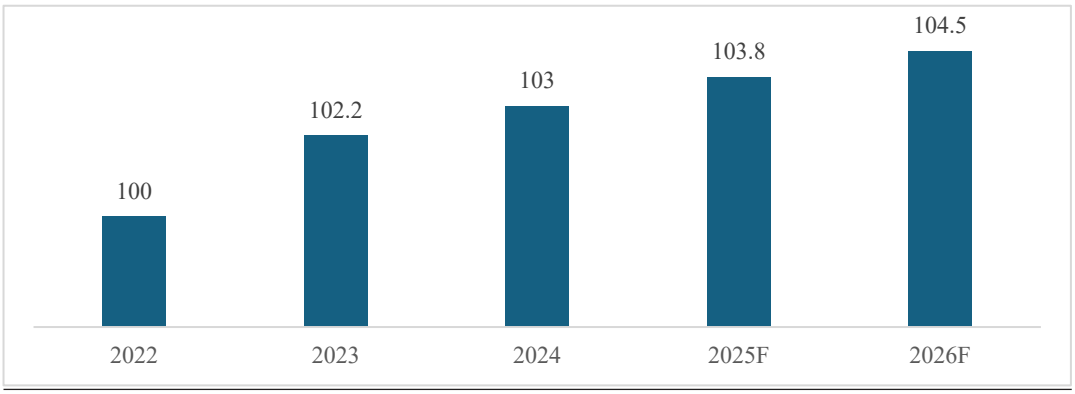
Figure 1: Oil prices (USD/bbl)



Source: Mean of Platts

World oil demand growth is forecast to increase by 720kb/d (thousand barrels per day) in 2025, its lowest rate since 2009, with the exception of the 2020 COVID year, according to the International Energy Agency ("**IEA**"). Annual growth rate eased from 1.1mb/d (million barrels per day) in 1Q25 to just 550kb/d in 2Q25, with emerging market consumption particularly lacklustre. Global oil demand is projected to expand by 740kb/d, and reach 104.5 mb/d in 2026.

Figure 2: World oil demand, 2022A – 2026F (mb/d)



Source: International Energy Agency Oil 2025 Market Report (June 2025)

Global oil demand is forecast to rise by 2.5 mb/d from 2024 to 2030, reaching a plateau around 105.5 mb/d by the end of the decade. However, annual growth slows from roughly 700 kb/d in 2025 and 2026 to just a trickle over the next several years, with a small decline expected in 2030. This is driven by below-trend economic growth, weighed down by global trade tensions and fiscal imbalances, and the accelerating substitution away from oil in the transport and power generation sectors, especially in the developed nations.

Emerging economies will account for the entirety of additional demand growth. Amid broad expansion across the product spectrum, non-OECD oil demand is set to rise throughout the forecast period, by an average 1.2% per year, for total gains of 4.2 mb/d. Asian countries will dominate growth.

Conversely, OECD oil consumption, having completed its post-pandemic rebound in 2023, will decline by a net 1.7mb/d from 2024 to 2030. Progress in the region's vehicle fleet transition and structurally weak economic growth weigh on transport and industrial fuels alike, with gasoil and gasoline consumption falling by around 1 mb/d each.

Table 1: World oil demand by region, 2019 – 2030 (mb/d)

	2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F	2027F	2028F	2029F	2030F
North America	24.9	21.9	23.7	24.3	24.6	24.5	24.6	24.5	24.4	24.3	24.1	24.0
S&C America	6.7	5.7	6.3	6.6	6.7	6.8	6.9	7.0	7.1	7.2	7.4	7.4
Europe	15.8	13.7	14.4	14.9	14.8	14.9	14.9	14.8	14.6	14.5	14.3	14.1
Africa	4.2	3.9	4.4	4.5	4.6	4.6	4.8	4.9	5.0	5.2	5.3	5.4
Middle East	8.9	8.3	8.6	9.1	9.2	9.2	9.4	9.5	9.6	9.6	9.4	9.2
Eurasia	4.3	4.0	4.3	4.4	4.4	4.3	4.4	4.4	4.5	4.6	4.6	4.6
Asia Pacific	36.0	34.2	35.6	36.3	38.0	38.6	38.9	39.4	39.8	40.1	40.4	40.7
World	**100.7**	**91.7**	**97.4**	**100.0**	**102.2**	**103.0**	**103.8**	**104.5**	**105.1**	**105.4**	**105.6**	**105.5**
Annual change	**0.7**	**-9.0**	**5.7**	**2.7**	**2.2**	**0.9**	**0.7**	**0.7**	**0.3**	**0.2**	**0.2**	**-0.1**

Table 2: Global oil demand, 2023 – 2030 (mb/d)

	2023A	2024A	2025F	2026F	2027F	2028F	2029F	2030F
Demand (mb/d)								
Americas	24.98	24.94	24.97	24.93	24.86	24.73	24.55	24.36
Europe	13.46	13.51	13.50	13.40	13.20	13.02	12.88	12.68
Asia Oceania	7.24	7.21	7.10	7.00	7.01	6.98	6.95	6.92
Total OECD	**45.68**	**45.67**	**45.57**	**45.33**	**45.07**	**44.73**	**44.37**	**43.95**
Asia	30.95	31.63	32.01	32.58	33.01	33.34	33.70	33.96
Middle East	9.16	9.25	9.37	9.50	9.63	9.57	9.41	9.20
Americas	6.34	6.43	6.53	6.62	6.73	6.84	6.95	7.06
Eurasia	4.68	4.67	4.71	4.79	4.86	4.92	4.97	5.03
Africa	4.58	4.59	4.76	4.85	5.01	5.15	5.30	5.45
Europe	0.78	0.80	0.81	0.83	0.84	0.85	0.85	0.86
Total Non-OECD	**56.50**	**57.37**	**58.19**	**59.17**	**60.08**	**60.66**	**61.19**	**61.54**
World	102.19	103.04	103.76	104.50	105.15	105.39	105.57	105.50
of which:								
United States[6]	20.28	20.42	20.47	20.45	20.40	20.31	20.15	20.01
Europe 5[7]	7.52	7.57	7.51	7.42	7.28	7.17	7.07	6.93
China	16.48	16.63	16.73	16.89	16.95	16.89	16.81	16.66
Japan	3.29	3.14	3.05	3.01	2.97	2.94	2.91	2.89
India	5.45	5.64	5.75	5.92	6.08	6.25	6.45	6.66
Russia	3.54	3.49	3.50	3.55	3.58	3.59	3.60	3.60
Brazil	3.23	3.33	3.40	3.45	3.49	3.53	3.57	3.60
Saudi Arabia	3.64	3.66	3.67	3.69	3.62	3.49	3.29	3.05
Canada	2.45	2.38	2.39	2.36	2.34	2.31	2.29	2.26
Korea	2.45	2.54	2.52	2.47	2.51	2.51	2.51	2.51
Mexico	1.74	1.74	1.71	1.71	1.71	1.71	1.70	1.70
Iran	1.89	1.92	1.98	1.98	2.01	2.03	2.05	2.07
Total	**71.95**	**72.48**	**72.67**	**72.89**	**72.93**	**72.73**	**72.41**	**71.93**
% of World	70.4%	70.3%	70.0%	69.7%	69.4%	69.0%	68.6%	68.2%

Source: International Energy Agency Oil 2025 Report (June 2025)

Overview of the Philippine and Malaysian Oil Markets

Real GDP Growth

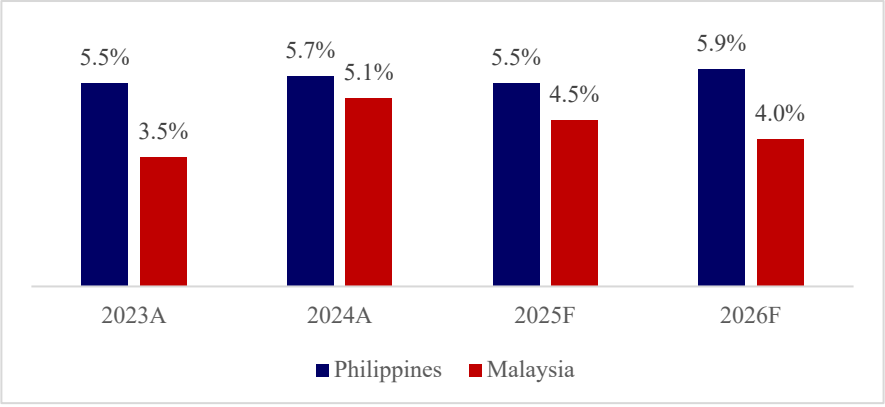
The economies of Malaysia and the Philippines are expected to experience moderate growth in 2025, with the Philippines projected to have a slightly higher growth rate. The latest IMF World Economic Outlook in July 2025 also projected the Philippines to be the fastest-growing economy among ASEAN-5[8] countries in 2025. According to IMF World Economic Outlook (July 2025), the Philippine and Malaysian economies will grow by 5.5% and 4.5%, respectively in 2025 and will sustain this growth momentum thereafter. Domestic demand will be the main driver of growth in both economies. Private consumption will remain robust, supported by favorable labor market conditions.

6 US figures excludes US territories

7 France, Germany, Italy, Spain, UK

8 ASEAN-5 = Indonesia, Malaysia, Philippines, Singapore and Thailand

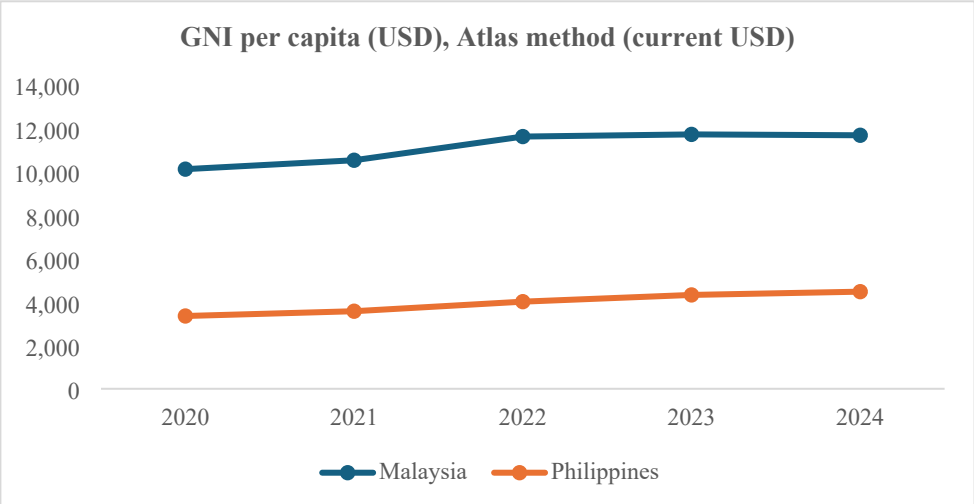
Figure 1: Real GDP Growth (2023A to 2026F)



Source: IMF World Economic Outlook (July 2025)

Key Drivers of Fuel Demand

Figure 2: GNI per capita



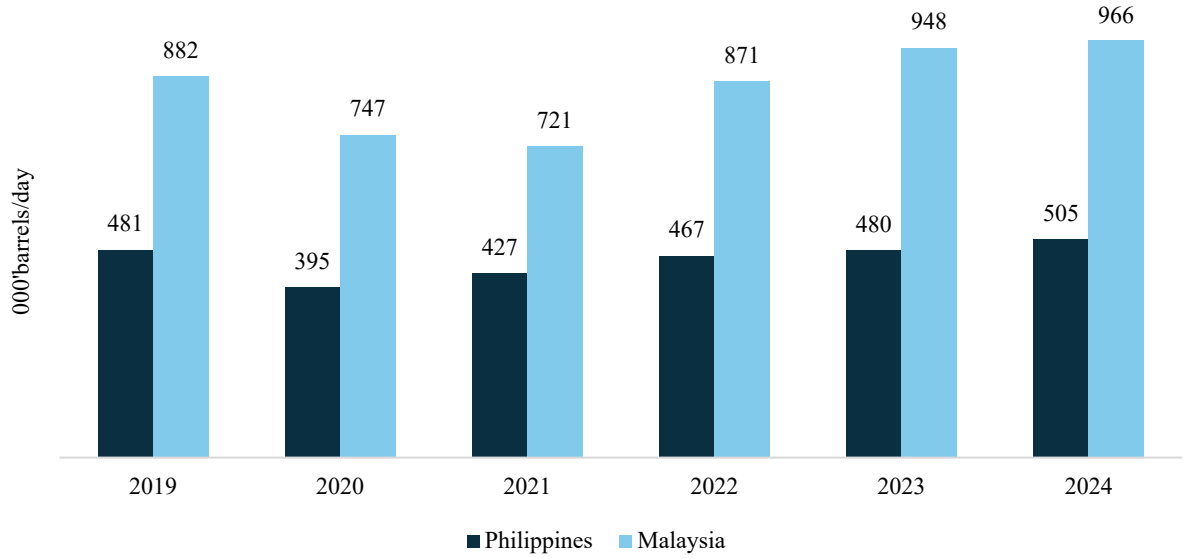
Source: World Bank

The market's demand for oil is mainly driven by the nation's economic activities, population and per capita income growth. Infrastructure developments also support demand as it leads to expansion of economic activities.

On the other hand, government policies promoting clean energy investments may slow down petroleum demand growth in the long term. These policies include increasing renewables in the power sector, incentivizing electric vehicles and increasing vehicle engine efficiencies.

Consumption of Petroleum Products

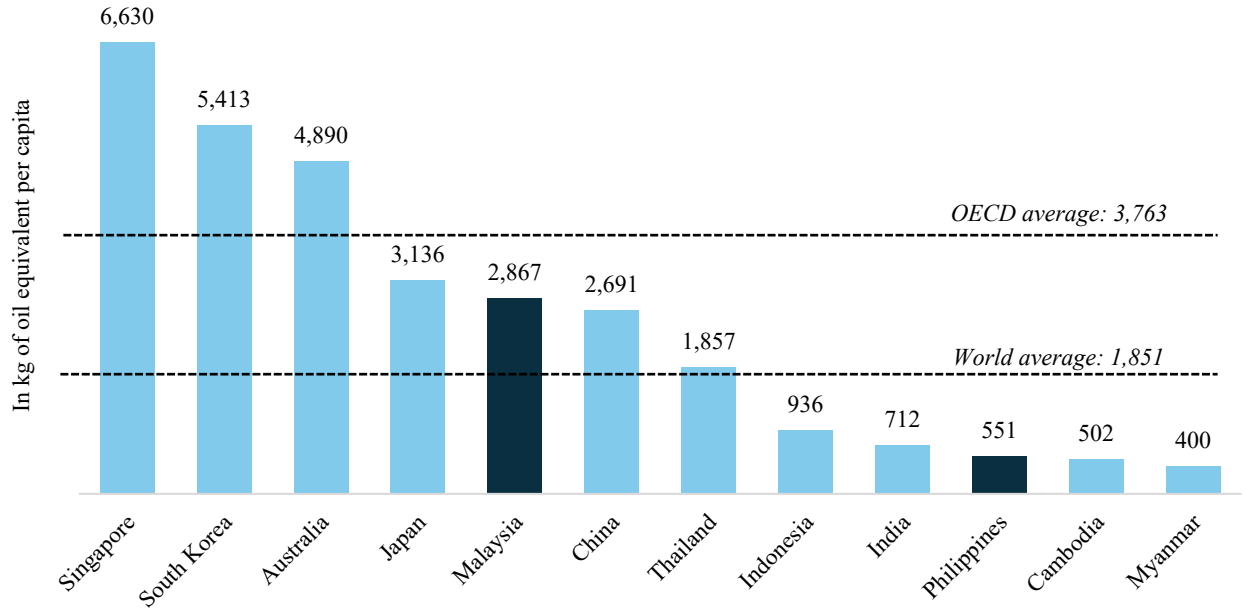
Figure 3: Total Oil Liquids Consumption



Source: Energy Institute - Statistical Review of World Energy 2025

Both the Philippines and Malaysia experienced a decline in total oil consumption in 2020 due to the COVID-19 pandemic, followed by a steady recovery as economic activities resumed. The Philippines' demand rebounded from 395,000 barrels per day (b/d) in 2020 to 505,000 b/d in 2024, implying a CAGR of 6.3% over the four-year period. Meanwhile, Malaysia's consumption rose from 747,000 b/d to 966,000 b/d over the same period, implying a CAGR of 6.6%. The overall trend highlights a resilient post-pandemic recovery and sustained long-term demand growth in both countries.

Figure 4: Energy Consumption Per Capita for Selected Countries (2022)



Source: World Bank

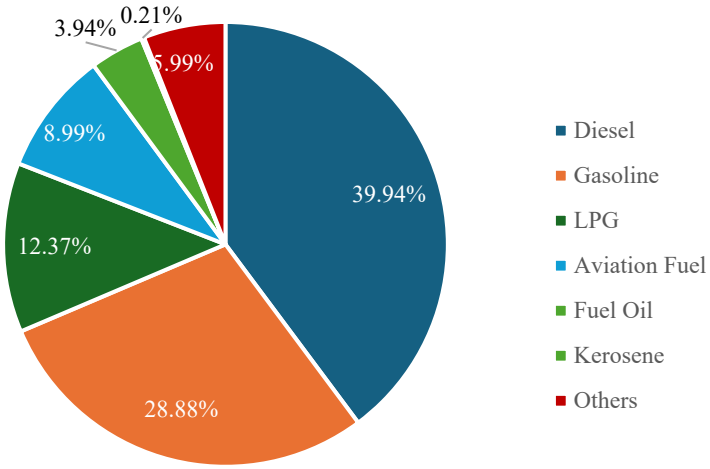
On per capita basis, the Philippines and Malaysia recorded energy consumption of 551 kg and 2,867 kg of oil equivalent respectively in 2022. These figures were below the OECD average of 3,763 kg, and in the case of the

Philippines, also below the world average of 1,851 kg. This underscores the substantial headroom for long-term energy demand growth, especially as both countries continue to experience economic development, industrialization, and rising living standards. With increasing urbanization and motorization, per capita consumption is expected to converge closer to regional and global benchmarks over time.

Demand Mix

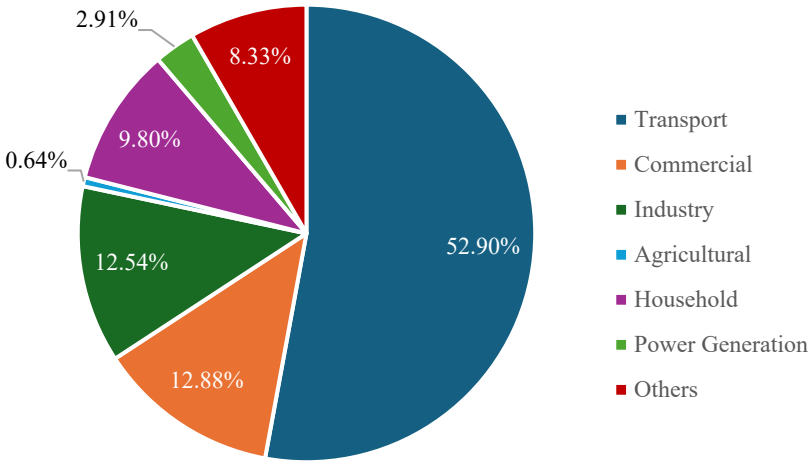
Philippines

Figure 5: Philippines Petroleum Products Consumption by Fuel Type (2024)



Source: Philippine Department of Energy

Figure 6: Philippines Petroleum Products Consumption by Sector (2024)



Source: Philippine Department of Energy

In 2024, the Philippines' petroleum product consumption was led by diesel, which accounted for 39.94% of total demand, followed by gasoline at 28.88%, LPG at 12.37%, aviation fuel at 8.99%, and fuel oil at 3.94%. This distribution reflected the structure of the country's energy demand, which is closely tied to its transportation (which alone accounted for 52.9% of 2024 total petroleum consumption), commercial, and industrial sectors.

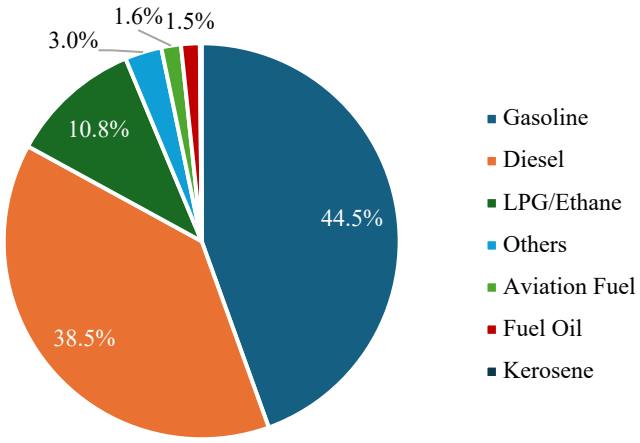
The dominance of diesel highlighted the critical role it plays in the country's logistics and commercial transport systems. Diesel is the primary fuel for trucks, buses, and marine transport, all of which are essential for moving goods and people across the archipelago. It also supports agricultural machinery and construction equipment, underlining its importance in both rural and urban economic activity.

Gasoline, which made up approximately a quarter of the Philippines' petroleum demand, is mostly used by the private transport sector, especially in motorcycles and light vehicles. This reflects the rising middle class and increasing vehicle ownership in the country, particularly in metropolitan centers like Metro Manila, Cebu, and Davao.

The 8.99% share of aviation fuel is notable given the country's geography. As an archipelago with over 7,000 islands, domestic air travel is a common mode of transportation, and the post-pandemic recovery in tourism and business travel has supported growth in this segment.

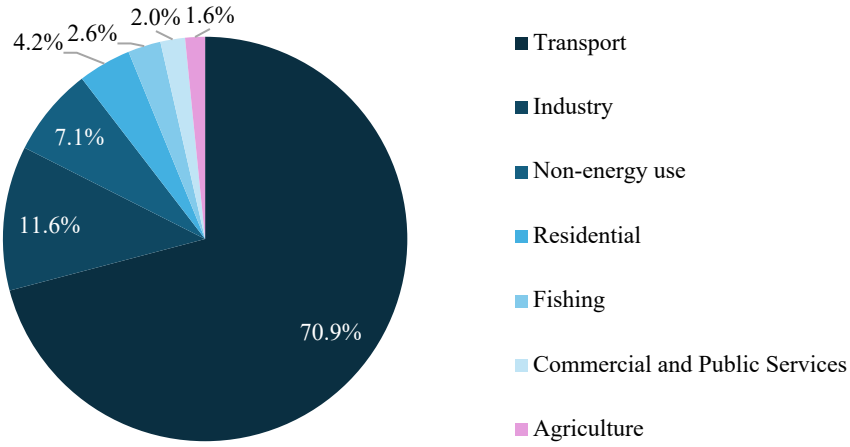
Malaysia

Figure 7: Malaysia Petroleum Products Final Consumption by Fuel Type (2022)



Source: International Energy Agency (IEA)

Figure 8: Malaysia Petroleum Products Final Consumption by Sector (2022)



Source: International Energy Agency (IEA)

Malaysia's 2022 petroleum demand mix similarly reflected a transportation-driven economy (transportation accounted for 70.9% of total petroleum final consumption), with gasoline leading at 44.5%, followed by diesel at 38.5%, and LPG/ethane at 10.8%.

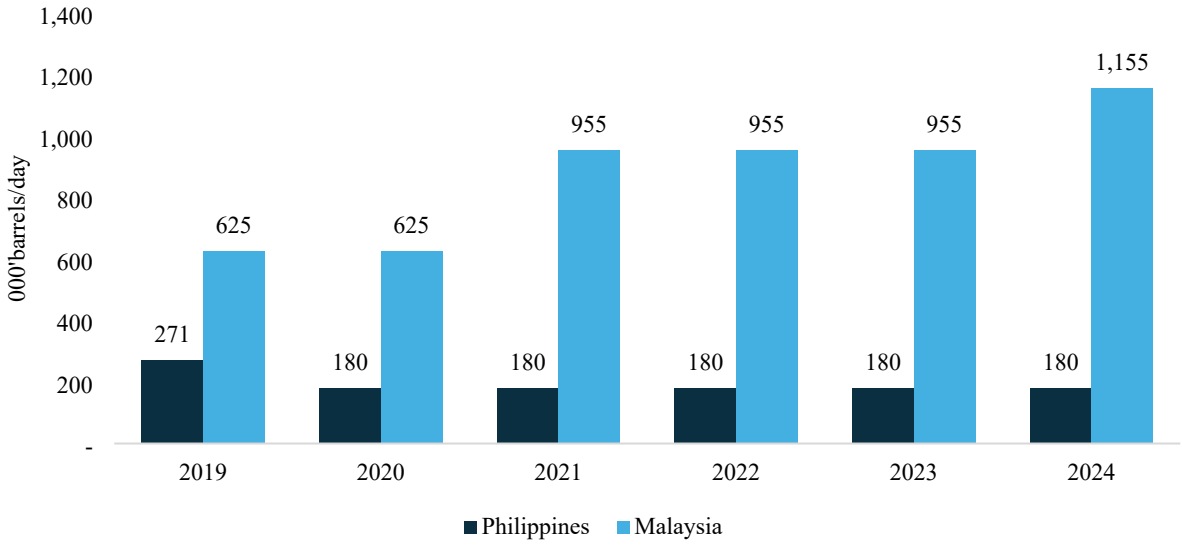
The dominant share of gasoline reflects Malaysia's robust private transport sector, with demand driven by motorcycles and cars across urban and suburban areas. In 2022, automotive sales reached approximately 700,000 units, an increase of about 10% year-on-year, directly contributing to higher gasoline demand.

Diesel's significant share underscores its continued importance in the commercial transport and industrial sectors, such as trucks, buses, agriculture, and heavy machinery. Historically, diesel has also been used in power generation, especially in Sabah and Sarawak.

The LPG segment (including ethane), which accounted for about 10.8% of petroleum demand, is largely driven by residential use, as LPG remains the primary fuel for cooking in Malaysian households. LPG is also increasingly used in commercial cooking, small-scale industrial heating, and as an alternative transport fuel, supported by infrastructure such as LPG terminals and growing petrochemical investments.

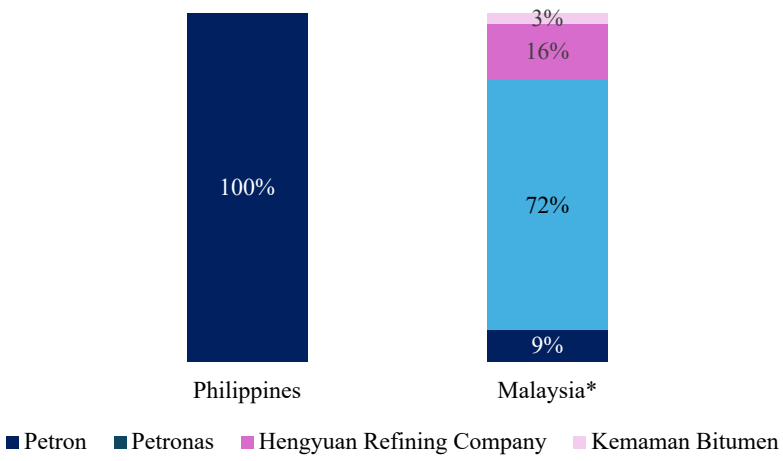
Oil Market Players – Crude Oil Refining

Figure 9: Crude Oil Refining Capacity



Source: Energy Institute- Statistical Review of World Energy 2025

Figure 10: Philippines & Malaysia Refinery Market Share by Crude Oil Refining Capacity



** Malaysia refinery market share as of 2023*
Sources: U.S. Energy Information Administration; Country Analysis Executive Summary: Malaysia

Philippines

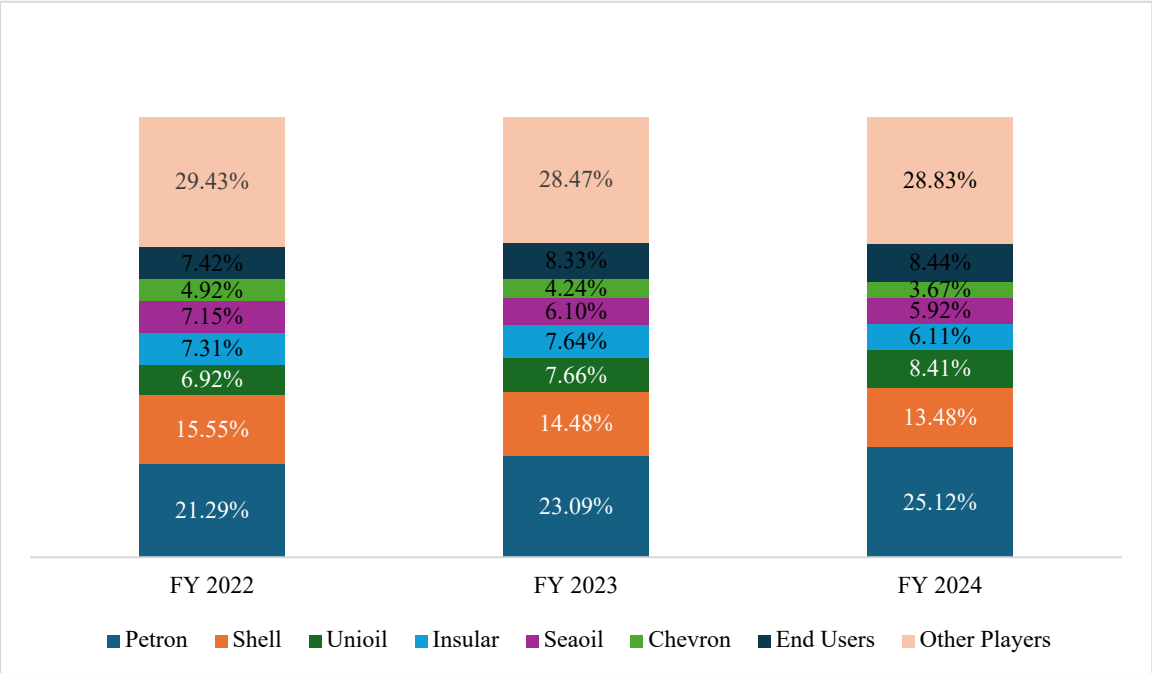
Since the closure of the Shell Tabangao Refinery in the second half of 2020, the Petron Bataan Refinery has become the only operating oil refinery in the country. It has a total crude oil distillation capacity of 180,000 barrels per day (bpd). Being the only oil refiner in the Philippines, Petron benefits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

Malaysia

The refining landscape in Malaysia, on the other hand, is dominated by the national oil company, PETRONAS, with various refineries located in Kerteh, Melaka, and Pengerang. Petron, with its Port Dickson refinery—which has a crude oil distillation capacity of 88,000 bpd—accounts for approximately 9% of Malaysia's refining market share by crude oil refining capacity.

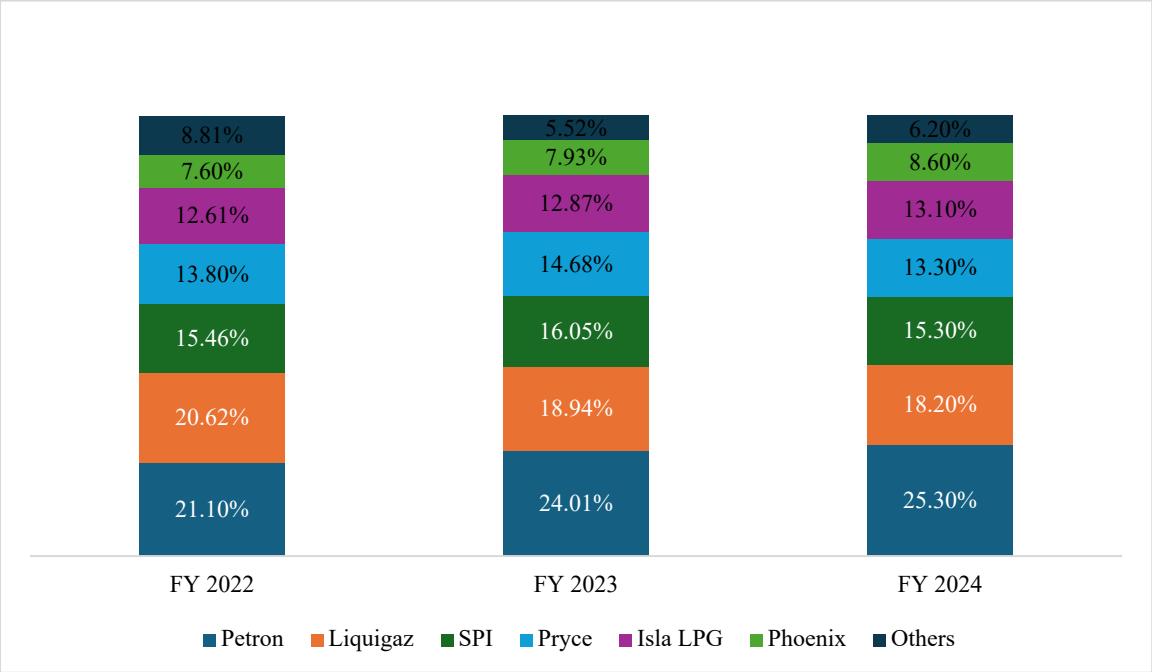
Oil Market Players – Petroleum Product

Figure 11: Philippine Total Petroleum Product Demand Market Share



Source: Philippine Department of Energy

Figure 12: Philippine LPG Demand Market Share



Source: Philippine Department of Energy

Leveraging on Petron's Bataan refinery, terminals, ports, and distribution assets, as well as its extensive retail service station network, the company has historically maintained a leading industrial position with the largest market share in terms of total petroleum product demand in the Philippines. During the period from FY 2022 to FY 2024, Petron further strengthened its market share by 4 percentage points, increasing to 25.3% from 21.1%.

Philippine's LPG market is dominated by the top 6 largest players, with Petron leading the market and holding the single largest market share. The company sells its LPG brands, Gasul and Fiesta Gas, to households and other consumers through its extensive dealership network, which comprised approximately 2,200 branch and franchise stores as of June 30, 2025. For FY 2024, Petron accounted for 25.3% of the Philippines' total LPG demand, followed by Liquigaz at 18.2%, South Pacific, Inc. (SPI) at 15.3%, Pryce Gas at 13.3%, Isla LPG at 13.1%, and Phoenix LPG at 8.6%.

Product Pricing

Philippines

Product pricing in the Philippines has been market-based since 1998 after government controls were abolished as part of its budget cuts. Amidst the increases in oil prices and consistent with its statutory mandate to protect the public, the DOE has been closely monitoring actual oil price movements, both in the international and domestic market, to prevent unreasonable adjustments and abuses. Consistent with the regime of deregulation, the Oil Deregulation Law does not prescribe a specific formula and the market is expected to set the prices on a weekly basis considering the movements in the international market.

Malaysia

The Malaysian government regulates the retail pricing structure through the automatic pricing mechanism ("**APM**"), pursuant to which it mandates (i) the retail prices of certain refined petroleum products; and (ii) the product cost build-up. The APM covers (a) sales of formulated unleaded gasoline fuel with an octane index of 95 and 97 ("**Mogas 95**" and "**Mogas 97**"), (b) diesel to retail customers as well as to selected commercial logistics, transportation and fisheries sectors, and (c) LPG to retail customers. This regulated environment provides stability to the Company's Malaysian operations in such sectors.

Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore ("**MOPS**"). If government mandated prices are lower than the fuel products' total built-up cost per the APM, the Company receives subsidies from the Malaysian government. Conversely, if government mandated prices are higher than the fuel products' total built-up cost per the APM, the Company pays duties to the Malaysian government.

Effective June 10, 2024, the Malaysian government implemented a targeted subsidy on diesel fuel across Peninsular Malaysia wherein diesel prices were first increased to RM3.35 per liter for Euro 5 B10 and B20 and RM3.55 per liter for Euro 5 B7 from the previously capped retail price of RM2.15 and RM2.35 per liter, respectively. Subsequently, the diesel prices in Peninsular Malaysia are floated and updated weekly. Under this diesel subsidy rationalization program, the Malaysian government set subsidized diesel fuel prices for eligible sectors in logistics, land public transportation and fisheries, whereas eligible private owners of diesel-powered vehicle receive RM200 monthly cash subsidy. This adjustment aims to reduce the financial burden on the government and ensures that subsidies are more effectively targeted towards those in need. The targeted diesel subsidy program has changed and corrected local market demand and purchasing patterns in Peninsular Malaysia. Meanwhile, retail diesel remains priced at RM2.15 per liter in Sabah, Sarawak and Labuan.

Effective January 1, 2025, following the implementation of targeted subsidy on diesel fuel, the Malaysian government increased the APM for oil companies' diesel sales to retail, mini-stations and fisheries sector by additional 4.71 sen/liter in Peninsular Malaysia and 1 sen/liter for Sabah and Sarawak.

Recently last July 2025, the Malaysian government has also announced that they will introduce a new subsidy policy for gasoline that will lower RON95 gasoline prices from RM2.05/liter to RM1.99/liter for eligible segments which aims to balance affordability and fiscal sustainability. However, the rollout of the new gasoline subsidy program was deferred, pending final implementation review.

Other Developments

The Philippines

The Republic Act No. 11534, also known as the Corporate Recovery and Tax Incentives for Enterprises ("**CREATE Act**"), was signed into law on March 26, 2021. Under the CREATE Act, local petroleum refineries are exempted from paying taxes upon crude importation but are required to pay taxes upon lifting from the refinery of the petroleum products produced from the imported crude oil. The Company believes that the CREATE Act allows it to be more competitive as the timing of payment of taxes upon lifting of finished petroleum products from the refinery is similar to importers of refined fuel which pay taxes upon importation of finished products.

Furthermore, Republic Act No. 12066, otherwise known as the CREATE Maximize Opportunities for Reinvigorating the Economy Act ("**CREATE MORE Act**"), took effect on November 28, 2024. The CREATE MORE Act includes key provisions that may impact the Company, including:

- Removal of the minimum creditable withholding tax rate and reduction of the maximum rate to 15%;
- Reduction of the BIR's processing period for excise tax refund claims to 90 days from the date of filing; and
- Increase in the investment threshold requiring Fiscal Incentives Review Board (FIRB) approval to more than Php15 billion.

Fuel blend mandates: In May 2024, the Philippine DOE released new guidelines (Department Circular No. 2024-05-0014) mandating higher biofuel blends beginning October 2024, with the aim to reduce import dependence. Diesel now carries a 3% CME biodiesel blend (B3) starting on 1 October 2024, rising to 4% by 1 October 2025 and 5% by October 1, 2026. The law also allows raising the ethanol content in gasoline from 10% up to 20%, although this is optional. However, in June 2025, the DOE, upon recommendation by the National Biofuels Board ("**NBB**"), suspended the scheduled mandate increase for 2025-2026, due to elevated cost of coconut oil and supply availability issues in CME.

Energy contingency planning: In 2023, the government formed a Task Force on Energy Resiliency to draft a National Oil and Gas Contingency Plan ("**NOGCP**") for supply disruptions. This reflects a regulatory focus on emergency stockpiling and allocation protocols rather than routine price-setting. A proposed permanent Strategic Petroleum Reserve (stockpile) was evaluated but ultimately shelved in 2023 due to high costs and the expected decline in oil demand.

Malaysia

Fuel subsidy: Effective June 10, 2024, the Malaysian government implemented a targeted subsidy on diesel fuel across Peninsular Malaysia wherein diesel prices were first increased to RM3.35 per liter for Euro 5 B10 and B20 and RM3.55 per liter for Euro 5 B7 from the previously capped retail price of RM2.15 and RM2.35 per liter, respectively. Subsequently, the diesel prices in Peninsular Malaysia are floated and updated weekly. Under this diesel subsidy rationalization program, the Malaysian government set subsidized diesel fuel prices for eligible sectors in logistics, land public transportation and fisheries, whereas eligible private owners of diesel-powered vehicle receive RM200 monthly cash subsidy. This adjustment aims to reduce the financial burden on the government and ensures that subsidies are more effectively targeted towards those in need. The targeted diesel subsidy program has changed and corrected local market demand and purchasing patterns in Peninsular Malaysia. Retail diesel in Sabah, Sarawak and Labuan, however, remains priced at RM2.15 per liter. Effective January 1, 2025, following the implementation of targeted subsidy on diesel, the government increased the APM for oil companies' diesel sales to retail, mini-stations and fisheries sector by additional 4.71 sen per liter in Peninsular Malaysia and 1 sen per liter for Sabah and Sarawak.

Recently, in July 2025, the Malaysian government has also announced that they will introduce a new subsidy policy for gasoline that will lower RON95 gasoline prices from RM2.05/liter to RM1.99/liter for eligible segments which aims to balance affordability and fiscal sustainability. However, the rollout of the new gasoline subsidy program was deferred, pending final implementation review.

Fuel blend mandates: Malaysia's biofuel mandate is governed by the National Biofuels Policy (2006), which sets a phased blending approach for palm-based biodiesel to enhance energy security, reduce greenhouse gas emissions, and support the palm oil industry. Implementation began with B5 in 2011 for land transport,

progressing to B7 in 2014, B10 in 2019, and selective B20 introduction in 2020. As of 2025, B10 is mandated nationwide for the transport sector in Peninsular Malaysia, while B20 is implemented in Labuan, Langkawi, and most of Sarawak. A nationwide B20 rollout has been postponed due to infrastructure and cost constraints. In parallel, Malaysia is advancing into new renewable fuel segments, announcing plans to commence Sustainable Aviation Fuel ("**SAF**") production by 2027, starting with a 1% blending mandate and targeting 47% by 2050 under the National Energy Transition Roadmap.

BUSINESS

Overview

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

The Company's common shares are listed for trading on the Philippine Stock Exchange under the symbol "PCOR". As of September 1, 2025, the Company has a market capitalization of ₱22.2 billion (U.S.$392 million). In Malaysia, the Company's common shares for its subsidiary, Petron Malaysia Refining & Marketing Bhd., are listed for trading on the Bursa Malaysia under the symbol "PETRONM."

The Philippines

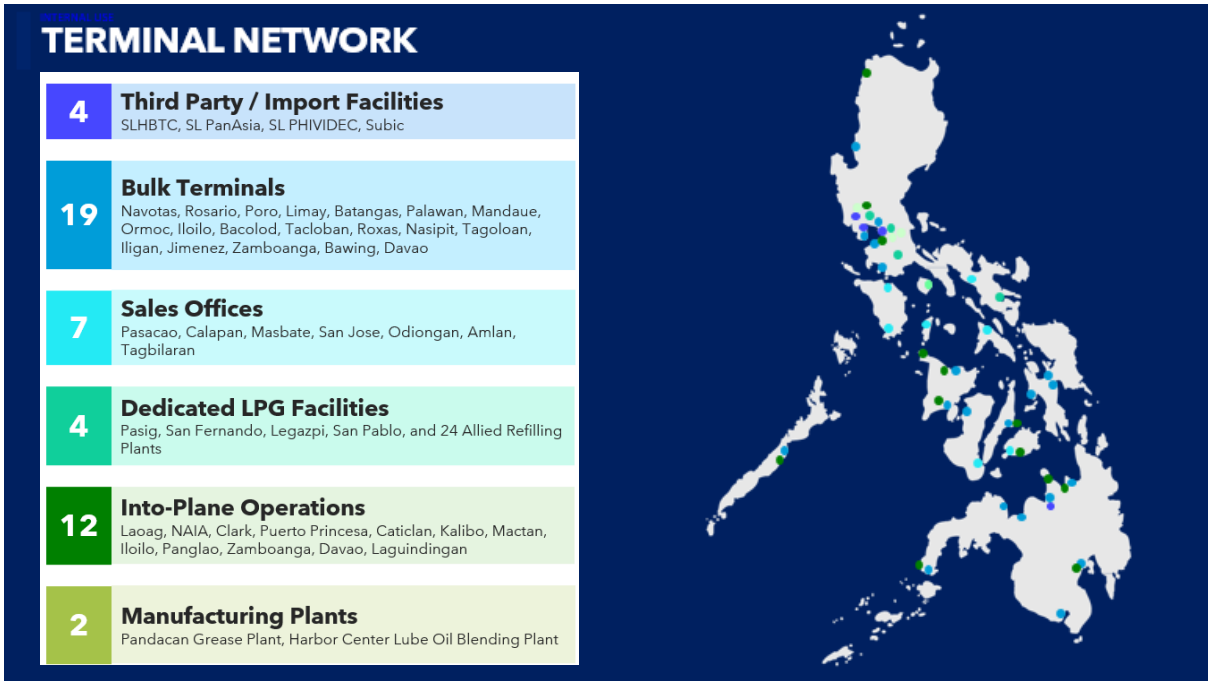
In the Philippines, the Company operates the country's only refinery, the Petron Bataan Refinery, which is located in the province of Bataan and has a production capacity of 180,000 bpd, capable of supplying more than 30% of the country's total fuel requirements as of December 31, 2024. The Company had a retail market share of 39.9% in terms of sales volumes of the Philippine oil market for full year 2024.[9]

The Petron Bataan Refinery processes crude oil into a range of white petroleum products ("**White Products**") such as gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical products such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan ("**RMP-2**") in 2016, a U.S.$2 billion project for the Petron Bataan Refinery, enabled the Company to convert Black Products (comprising fuel oil and asphalts) into more valuable White Products, and to increase the Company's production of petrochemical products. The RMP-2 project also made the Company the first and only oil company in the Philippines capable of locally producing Euro IV-standard fuels as of the date of this Offering Circular.

From the Petron Bataan Refinery, the Company moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, which the Company believes represents the most extensive distribution network for petroleum products in the Philippines. As of June 30, 2025, the network comprises 27 terminals (13 in Luzon, six in Visayas and eight in Mindanao) and 12 airport installations (four in Luzon, five in Visayas and three in Mindanao). Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers as well as jet fuel to international and domestic carriers.

[9] The Philippines' total fuel requirements and the Company's retail market share are derived from Company estimates based on Company information and data from the DOE-OIMB 2024 Report.

The map below shows the geographic reach of the Company's terminals, facilities, sales offices, airport installations, and manufacturing plants in the Philippines as of June 30, 2025.



Through its network of approximately 1,800 retail service stations in the Philippines as of June 30, 2025, representing approximately 15% of the country's total service station count,[10] the Company sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 50% of Petron service stations are CODOs and the rest are DODOs as of June 30, 2025. CODOs are "company-owned-dealer-operated" stations where Petron's investments include civil works, site development and station hardware (i.e. canopies, pumps, signages, etc.). The Company usually owns or leases the land and owns the building and equipment while dealers provide the working capital and other minor station equipment. DODOs are "dealer-owned-dealer-operated" stations where the dealers provide the civil works, site development, working capital and station equipment. The dealers also assume ownership or lease of the land. Under this arrangement, the Company provides the station hardware. Regulation of CODOs and DODOs are generally similar. Pricing is dictated more by logistics and competition rather than the classification of a station.

As of June 30, 2025, the Company's LPG distribution network includes approximately 2,200 branch and franchise stores where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. The Company's lubes distribution network includes approximately 60 car care centers and about 1,675 service stations selling lubes.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of June 30, 2025, the extent of the Company's programs includes more than 640,000 Petron Fleet Cards and more than two million Petron Value Cards (including Petron Super Driver Cards) in the Philippines.

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

[10] Based on the Company's internal records and survey on nationwide service station count.

Malaysia

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. For the period ended June 30, 2025, the Company ranked third in the Malaysian retail market with more than 21% market share based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. The Company also covers the industrial segment in Malaysia, selling diesel and gasoline to mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors.

The Company owns and operates the Port Dickson Refinery in Malaysia, which has a crude oil distillation capacity of 88,000 bpd, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and LWSR. As of June 30, 2025, the Company had 10 product terminals, a PME plant, a network of about 810 retail service stations, and about 320 Treats convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline ("**MPP**") to Kuala Lumpur International Airport ("**KLIA**") as of June 30, 2025. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal ("**KVDT**").

In Malaysia, the Company's customer service and loyalty programs include more than 176,000 Petron Fleet Cards, more than 69,000 Petron Subsidy Cards, and approximately 2.5 million active Petron Miles Privilege Card (**"PMILES"**) cardholder/member accounts, each as of June 30, 2025.

The Company's products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical products, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company's revenues from these export sales amounted to ₱43,222 million or 5% of total sales, as of December 31, 2024 and ₱15,319 million or 4% of total sales as of June 30, 2025.

In 2022, 2023, and 2024, the Company's sales were ₱857,638 million, ₱801,027 million, and ₱867,966 million, respectively, and net income was ₱6,925 million, ₱10,112 million, and ₱8,471 million, respectively. For the six-month period ended June 30, 2024 and 2025, the Company's sales were ₱444,490 million and ₱386,395 million and net income was ₱6,098 million and ₱5,252 million, respectively.

Strengths

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

The Only Refinery in the Philippines

The Petron Bataan Refinery, with a total crude oil distillation capacity of 180,000 bpd, is the only petroleum refinery in the Philippines following the closure of the Shell Tabangao Refinery in the second half of 2020. As the sole oil refinery in the Philippines, the Company benefits from refining margins while providing stable and reliable supply to the domestic market.

Over the years, the Company has developed and maintained a strong core base of high-quality petroleum products and has consistently made significant investments in upgrading its facilities. The Company has focused on increasing production of higher-margin fuel products and petrochemicals while minimizing production of low-margin fuel products. Moreover, the investment in RMP-2 allowed the Company to produce Euro IV-standard fuels and convert Black Products into White Products.

The Company's investments in the facilities at the Petron Bataan Refinery complex included upgrades to its existing cogeneration power plant and expansion of its polypropylene plant. The Company completed constructing new facilities and structures on its existing cogeneration power plant (Power Plant (Phase III)) to replace older generators, increase steam production, and expand power generation capacity from 140 MW to 184 MW in 2022. Following the upgrades, the use of fuel oil as fuel for refinery operations was no longer necessary, allowing the Company to reallocate and convert fuel oil to high-value products instead. In addition, the excess power generated from the increased capacity of Power Plant (Phase III) is sold to the grid providing additional revenue to the Company. The Company also invested in the expansion of its polypropylene plant to increase capacity from 160,000 MT to 225,000 MT annually.

Market leadership in the Philippine downstream oil sector

With a retail market share of 39.9%[11] of the Philippine oil market in terms of sales volumes for the full year 2024, the Company sustains its market leadership in the Philippine oil industry. The Company believes it also holds the leading position in the retail, industrial and LPG segments as of the same date.

The Company has an extensive network across the country, providing accessible and reliable fuel supply for motorists, industries, and businesses, and solidifying its position as a market leader in the country's fuel industry.

The Company retails gasoline, diesel, and kerosene to motorists and the public transport sector, through its network of around 1,800 retail service stations in the Philippines. Its wide range of world-class fuel includes *Blaze 100, XCS, Xtra Advance, Turbo Diesel* and *Diesel Max*. The Company also sells its LPG brands, Gasul and Fiesta Gas, to households and other consumers through its extensive dealership network, numbering over 2,200 branch and franchise stores as of June 30, 2025. The Company also manufactures lubricants and greases through its blending plant in Manila and sells these products through its service stations and various lubes outlets.

Logistically advantaged supply position in the Philippines

In the Philippines, the Company transports its products from the Petron Bataan Refinery to its fuel terminal facilities throughout the Philippines.

The Company's extensive logistics network includes 27 terminals and 12 airport installations and reaches most key points in the Philippines. Given the challenges of distribution across the Philippine archipelago, this capability plays a significant role in securing Petron's leading position in the Philippines. From Bataan, products are moved mainly by sea to terminals located across the archipelago. Through its robust distribution network, the Company fuels strategic industries such as power generation, sea and land transportation, construction, manufacturing, mining, and agribusiness, and key government agencies, among others. The Company also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

Operations in markets with favorable industry dynamics and competitive regulatory regime

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

The Philippine economy continuously grows with a steady 5.4%[12] GDP expansion in the first half of 2025 after the 5.6% GDP growth in 2024, reflecting economy's resilience amid both global and domestic challenges and trade uncertainties. Malaysia's economy is also expanding, posting a GDP growth of 4.4%[13] in the first half of 2025 (slower than the 5.1% reported in 2024 and 5.0% reported in the first half of 2024), despite trade tensions and heightened trade policy uncertainties.

Looking ahead, the IMF projects that the Philippine economy will gain further momentum in 2025, with GDP growth expected to reach 5.5%[14], amidst global uncertainties. Meanwhile, Malaysia is also forecasted to continue expanding, though at a more moderate pace of 4.5%[15] in 2025, despite the uncertainties in global trade according to the IMF.

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

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11 Market share is derived from Company estimates based on Company information and data from the DOE-OIMB 2024 Report.

12 Philippine Statistics Authority (PSA) GDP growth release, average of the first and second quarter of 2025.

13 Malaysia's Ministry of Finance (MOF), GDP Growth for the first half of 2024.

14 Philippine GDP Forecast from the IMF July 2025 World Economic Outlook Update.

15 Malaysian GDP Forecast from the IMF July 2025 World Economic Outlook Update.

to align with market price and provision of subsidies to targeted groups. Additionally, in early 2025, the Malaysian government approved an increase in diesel allowances and margins by 4.71 sen per liter for Peninsular Malaysia and 1 sen per liter for East Malaysia. This adjustment is part of the government's efforts to ensure continued viability of fuel retail operations, following subsidy reforms and higher global oil prices.

In the Philippines, the Company benefits from Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (**"CREATE Act"**) signed into law on March 26, 2021. Under the CREATE Act, local petroleum refineries are exempted from paying taxes upon crude importation but are required to pay taxes upon lifting from the refinery of the petroleum products produced from the imported crude oil. The Company believes that the CREATE Act allows it to be more competitive as the timing of payment of taxes upon lifting of finished petroleum products from the refinery is similar to importers of refined fuel which pay taxes upon importation of finished products. Furthermore, the recently enacted Republic Act No. 12066, otherwise known as the CREATE Maximize Opportunities for Reinvigorating the Economy Act ("**CREATE MORE Act**") includes key provisions that may impact the Company, including:

- Removal of the minimum creditable withholding tax rate and reduction of the maximum rate to 15%;
- Reduction of the BIR's processing period for excise tax refund claims to 90 days from the date of filing; and
- Increase in the investment threshold requiring Fiscal Incentives Review Board ("**FIRB**") approval to more than ₱15 billion.

Expanded product offering driving non-fuel retail volumes

The Company's network of service stations in the Philippines and Malaysia offers differentiated and comprehensive services to customers. Beyond just a petroleum station, the Company's service stations provide a one-stop service experience to travelers on the road, offering amenities such as Treats convenience stores, restaurants, and specialty shops. These convenience stores, restaurants and specialty shops help generate non-fuel revenues and improve traffic in the service stations.

As of June 30, 2025, the Company had around 1,800 retail service stations in the Philippines representing approximately 15% of the country's total service station count.[16] As of the same date, the Company's LPG distribution network included about 2,200 branch and franchise stores where the Company sells its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. The Company's lubes distribution network included about 60 car care centers and about 1,675 service stations selling lubes.

In Malaysia, the Company's retail business markets fuel, LPG and lubes through a dealer network comprising about 810 retail service stations located throughout Peninsular and East Malaysia as of June 30, 2025. The Company has about 320 Treats convenience stores, generating non-fuel income and improving traffic in the service stations.

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

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

The Company also offers loyalty programs that complement its retail business, such as the Petron Value Card in the Philippines and the PMILES card in Malaysia. The Company continues to upgrade existing loyalty programs and offer new and diverse programs to cater to customers' unique needs. Some of the benefits of the Petron Value Card program include 24-hour free towing and roadside assistance, reward points for every purchase and complimentary annual personal accident insurance coverage. PMILES is a loyalty card aimed at ensuring customers enjoy better value, rewards and privileges. PMILES goes beyond fuel, as customers are able to redeem instant fuel and mart items, enjoy partner offers through points conversion, promo codes and discounts across a

[16] Based on the Company's internal records and survey on nationwide service station count.

wide range of products and services. Some of PMILES loyalty program partners include Aeon, Baskin Robbins, Grab, Ikea, Lazada, Shopee, among others.

As of June 30, 2025, the extent of the Company's programs includes more than 640,000 Petron Fleet Cards and more than 2 million Petron Value Cards (including Petron Super Driver Cards) in the Philippines. In Malaysia, as of June 30, 2025, the Company's programs include more than 176,000 Petron Fleet Cards, more than 69,000 Petron Subsidy Cards, and approximately 2.5 million active PMILES cardholder/member accounts.

On the digital front, the Company launched the Petron mobile application (the "**Petron App**") in 2016 as a companion for the everyday Filipino motorist. The Petron App provides value-added services to the Company's customers and increases interaction by cross-selling into non-fuel retail offerings, tie-ups with other merchants and insurance products, among others. In addition, contactless payment solutions through Maya are now offered in about 1,300 service stations nationwide as of June 30, 2025. Marketing programs that increase customer brand awareness, coupled with digital offerings such as online orders and pick-ups at service stations nationwide, increase customer frequency and, in turn, increase fuel sales as well as non-fuel sales.

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

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

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

Established position in the Malaysian downstream oil sector

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

The Company's network of service stations and distribution infrastructure in Malaysia facilitate the capture of a growing share of the market. It includes about 810 service stations, about 320 Treats convenience stores, and 10 product terminals as of June 30, 2025. The Company also has a presence in the aviation segment with a 20% ownership of the MPP to the KLIA as of June 30, 2025. The joint venture through which the Company owns its interest in the MPP also owns a fuel terminal, the KVDT.

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

The Malaysian government regulates the retail pricing structure through the APM, pursuant to which it mandates (i) the retail prices of certain refined petroleum products; and (ii) the product cost built-up. The APM covers (a) sales of formulated unleaded gasoline fuel with an octane index of 95 and 97 ("**Mogas 95**" and "**Mogas 97**"), (b) diesel to retail customers, as well as to the selected commercial logistics, transportation and fisheries sectors, and (c) LPG to retail customers. This regulated environment provides stability to Petron's Malaysian operations in such sectors. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore. If government-mandated prices are lower than the fuel products' total built-up cost per the APM, Petron will claim the difference from the Malaysian government as subsidies. Conversely, if government-mandated prices are higher than the fuel products' total built-up cost per the APM, Petron will pay duties to the Malaysian government. This regulated environment provides stability to Petron's Malaysian operations in such sectors.

Effective June 10, 2024, the Malaysian government implemented a targeted subsidy on diesel fuel across Peninsular Malaysia wherein diesel prices were first increased to RM3.35 per liter for Euro 5 B10 and B20 and RM3.55 per liter for Euro 5 B7 from the previously capped retail price of RM2.15 and RM2.35 per liter,

respectively. Subsequently, the diesel prices in Peninsular Malaysia are floated and updated weekly. Under this diesel subsidy rationalization program, the Malaysian government set subsidized diesel fuel prices for eligible sectors in logistics, land public transportation and fisheries, whereas eligible private owners of diesel-powered vehicle receive RM200 monthly cash subsidy. This adjustment aims to reduce the financial burden on the government and ensures that subsidies are more effectively targeted towards those in need. The targeted diesel subsidy program has changed and corrected local market demand and purchasing patterns in Peninsular Malaysia. Retail diesel in Sabah, Sarawak and Labuan, however, remains priced at RM2.15 per liter. Effective January 1, 2025, following the implementation of targeted subsidy on diesel, the government increased the APM for oil companies' diesel sales to retail, mini-stations and fisheries sector by additional 4.71 sen per liter in Peninsular Malaysia and 1 sen per liter for Sabah and Sarawak.

As part of the plan to further optimize national subsidy spending, the Malaysian government will announce the detailed implementation plan for Mogas 95 targeted subsidy by end of September 2025.

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

The Company has an experienced team of managers with substantial relevant experience in refining operations and development of service stations. In addition, the Company has a team of employees skilled in managing the various aspects of its business, including a highly experienced management team at the Petron Bataan Refinery, a focused sales and marketing team, which includes a group that has years of experience in service station engineering and construction, and a research and development team that has overseen years of product development and production process improvement. The Company is also committed to the development of its employees by adopting ongoing training and development programs to ensure that operations will be run by well-equipped and capable employees. The average tenure of employees in the Company is approximately 8.8 years for the Philippines and 8.6 years for Malaysia as of June 30, 2025.

SMC, which became the controlling shareholder of the Company in 2010, directly and indirectly, holds an effective 71.78% of the Company's outstanding common equity as of June 30, 2025. See "*—Ownership and Corporate Structure.*" SMC is among the largest and most diversified Philippine conglomerates, which has market-leading businesses and has investments in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure, property development and leasing, cement, car distributorship and banking services.

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

Areas of Strategic Focus

The Company's principal strategies are set out below:

Optimize Refinery Operations and Maximize Refining Margins

Maximize production of high margin refined petroleum products and petrochemicals

After the significant investments in upgrading the facilities at the Petron Bataan and Port Dickson Refineries, the Company will continue to optimize operations and maximize the benefits from its upgraded facilities and further improve production of high-margin petroleum products and petrochemicals.

Ensure reliability and efficiency of refinery operations

The Company continuously improves the operational efficiency and profitability of its refineries in both Philippines and Malaysia. This includes implementation of scheduled maintenance turnarounds for reliable and efficient refining operations. The Company is also enhancing its crude optimization program by evaluating the ideal crude mix that will yield the best product value while minimizing costs. The Company is also expanding its crude oil supply sources beyond its key suppliers, strengthening its supply chain resilience and enhancing flexibility in its operations.

Volume Growth and Sustainable Margins

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

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

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

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

Improve Supply Chain Reliability and Efficiency

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

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

The Company intends to continue to pursue, implement and build on its various environmental, corporate and social responsibility initiatives. Sustainability at Petron is integrated in its business. Sustainability is aligned with Petron's business model, its mission, and corporate culture, and aims to benefit the communities that Petron serves. Through its corporate social responsibility ("**CSR**") arm, Petron Foundation, Inc. ("**PFI**"), the Company fuels initiatives that address national concerns in essential areas of education, environment, health and human services, and livelihood in partnership with its host communities, national government agencies and local government units, like-minded organizations, and employee volunteers. For example, for the school year 2024 to 2025, the Company had 2,464 scholars from elementary to college under its "*Tulong Aral ng Petron*" program, bringing its total number of scholars to over 18,000 since 2002.

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

Moreover, compliance with the various environmental laws such as the Renewable Energy Act, the Biofuels Act, the Clean Air Act, and the Clean Water Act entails costs and additional investments on the part of the Company, resulting in higher production costs and operating expenses. In the first six months of 2025, the Company spent approximately ₱32 million for treatment of wastes, monitoring and compliance, permits, and personnel training at the Petron Bataan Refinery.

Recent Developments

Concurrent Exchange and Tender Offer

The Company is concurrently making separate invitations to eligible holders to (i) exchange any and all outstanding Senior Perpetual Capital Securities issued on April 19, 2021 with an initial distribution rate of 5.95% (ISIN: XS2330597738; Common Code: 233059773) (the "**Existing Securities**") for an equal nominal amount of U.S. dollar-denominated senior perpetual capital securities (the "**Exchange Securities**") to be issued by the

Company (the "**Exchange Offer**"); and (ii) tender the Existing Securities for cash (subject to a maximum acceptance amount) (the "**Tender Offer**" and together with the Exchange Offer, the "**Concurrent Exchange and Tender Offer**").

The Concurrent Exchange and Tender Offer is being made available on the terms and subject to the conditions in an exchange and tender offer memorandum dated September 4, 2025 (the "**Exchange and Tender Offer Memorandum**"), including a financing condition which provides that the Concurrent Exchange and Tender Offer is subject to the settlement and completion of this offering.

The Concurrent Exchange and Tender Offer expired on September 12, 2025. Settlement of the Concurrent Exchange and Tender Offer is expected to occur on or around September 22, 2025.

Financing

On July 7, 2025, the Company issued an aggregate of ₱32,000 million fixed rate bonds comprising (i) Series G ₱15,910 million 6.5945% Fixed Rate Bonds due 2030; (ii) Series H ₱4,604 million 6.9761% Fixed Rate Bonds due 2032; and (iii) Series I ₱11,486 million 7.3896% Fixed Rate Bonds due 2035. On August 29, 2025, the Company drew U.S.$200 million from a facility with a foreign bank executed on August 14, 2025.

Corporate History and Milestones

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

1957 Standard Vacuum Oil Company was granted a concession to build and operate the refinery in Limay, Bataan owned by the Bataan Refining Corporation.

1961 The Petron Bataan Refinery commenced commercial operations with a capacity of 25,000 barrels per day.

1998 The lubricant oil blending plant in Pandacan, Manila was modernized, replacing facilities that were built in 1968.

2000 The mixed xylene plant in the Petron Bataan Refinery commenced operations, marking the Company's entry into the petrochemicals market.

2008 The petrofluidized catalytic cracking ("**PetroFCC**") unit in the Petron Bataan Refinery commenced operations, enabling the Company to convert fuel oil into higher value products such as LPG, gasoline and diesel.

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

The fuel additives blending plant in the Subic Freeport Zone commenced operations, making the Company the exclusive blender of Innospec's additives in the Asia Pacific region.

2009 Debottlenecking of the Company's continuous catalyst regeneration reformer unit and its mixed xylene plant was completed, enabling the recovery of more mixed xylene.

The benzene-toluene extraction unit in the Petron Bataan Refinery commenced operations, enabling the Company to produce benzene and toluene.

2010 The Company acquired a 40% stake in PAHL, the ultimate parent company of PPI, which was diluted to 33% when PAHL issued new shares to another investor in June 2010. PPI operated a polypropylene plant located in Mariveles, Bataan in the Philippines from 2011 until its polypropylene business was acquired by the Company on July 1, 2014.

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

In the fourth quarter of 2010, the Company commenced construction of the RMP-2, a U.S.$2 billion

project designed to enable the Petron Bataan Refinery to further enhance its operational efficiencies, convert its fuel oil production into production of more White Products, increase the Company's production of petrochemicals, and produce Euro-IV standard fuels.

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

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

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

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

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

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

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

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

The Company increased its stake in PAHL to 47.25%.

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

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

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

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

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

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

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

2021 In February 2021, the Securities and Exchange Commission approved the increase in the capital stock of Petrogen from ₱750 million to ₱2.25 billion, out of which 1,494,973 shares were issued to SMC, making Petrogen 25.06% owned by Petron and 74.94% owned by SMC.

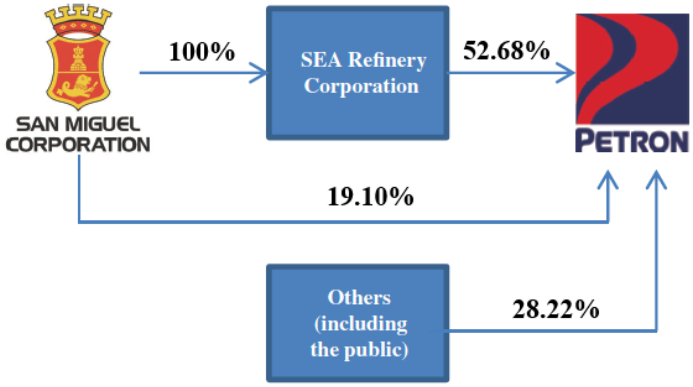
2022 The Company acquired 100% of the authorized capital stock of Mema Holdings, Inc. Mema owns 100% of Weldon Offshore Strategic Limited, Inc. which, in turn, owns 100% of Petrofuel Logistics Inc. ("**PLI**"). PLI undertakes the fuel-hauling and logistics services as well as into-plane operation requirements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

Power Plant (Phase III) was completed.

2025 On March 4, 2025, the Board of Directors approved the common share buy-back program of the Company covering an aggregate of about 620 million common shares. Pursuant to this buy-back program, the Company bought back 459,156,097 common shares on March 18, 2025.

Ownership and Corporate Structure

The Company is a publicly listed company jointly owned by SEA Refinery, SMC and others, including the general public. The chart below sets forth the ownership structure of the Company's common shares as of June 30, 2025 following the buyback by the Company of 459,156,097 common shares on March 18, 2025 pursuant to the common share buy-back program of the Company which was approved by its Board of Directors on March 4, 2025.



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

Subsidiaries, Associates and Holding Companies

The table below sets forth the Company's equity interest in its primary operating subsidiaries, associates and holding companies as of the date of this Offering Circular, as well as their principal businesses and places of incorporation.

Name of Company	Place (Date) of Incorporation/ Form of Organization	Company's Equity Interest	Principal Business
Overseas Ventures Insurance Corporation Ltd. ("**Ovincor**")	Bermuda (1995)/ exempt company	100%	Reinsurance
Petron Freeport Corporation ("**PFC**")	Philippines (2003)/ company	100%	Wholesale or retail sale of fuels, operation of retail outlets, restaurants and convenience stores, and the manufacture of fuel additives
Petron Singapore Trading Pte. Ltd. ("**PSTPL**")	Singapore (2010)/ company	100%	Procurement of crude oil, trading of petroleum and petrochemical products, vessel chartering and risk management
Petron Oil & Gas International Sdn Bhd ("**POGI**")	Malaysia (2011)/ company	100% indirect interest	Investment holding

Name of Company	Place (Date) of Incorporation/ Form of Organization	Company's Equity Interest	Principal Business
Petron Malaysia Refining & Marketing Bhd ("**PMRMB**")	Malaysia (1960)/ company	73.4% indirect interest (the other 26.6% is owned by the public)	Manufacturing and marketing of petroleum products in Peninsular Malaysia
Petron Fuel International Sdn. Bhd. ("**PFISB**")	Malaysia (1961)/ company	100% indirect interest	Marketing of petroleum products in Peninsular Malaysia
Petron Oil (M) Sdn. Bhd. ("**POMSB**")	Malaysia (1969)/ company	100% indirect interest	Marketing of petroleum products in East Malaysia
New Ventures Realty Corporation ("**NVRC**")	Philippines (1995)/ company	85.55% (the other 14.45% is owned by PCERP)	Purchase and sale of properties suitable for use as service station sites, bulk plants or sales offices
Petrofuel Logistics, Inc. ("**PLI**")	Philippines (2010)/ company	100% indirect interest	Providing logistics services such as freight forwarding services and into-plane refueling and other allied services

The Company has an insurance subsidiary, Ovincor, which was established to support the insurance requirements of the Company and its allied business partners, including contractors, suppliers, haulers and dealers. Petrogen was a subsidiary of the Company until February 2021 when the Company's interest in Petrogen decreased from 100% to 25.06% while SMC's interest totaled 74.94% following SMC's infusion of a ₱3,000 million equity investment into Petrogen. The Company also has a logistics and into-plane service provider-subsidiary, PLI. In July 2023, PLI issued shares at an aggregate issue value of ₱2,500 million, in addition to the shares with an aggregate issue value of ₱1,534 million that it issued in October 2022, and purchased into-plane assets to support its business of providing logistics and freight forwarding services for the hauling, carriage, transportation, forwarding, and/or storage, and into-plane operation requirements mainly of the Company. The Company also has marketing and trading subsidiaries and interests in realty companies to support its core business.

For the years ended December 31, 2022, 2023, and 2024, the Company's subsidiaries' contribution to total revenue were ₱426,904 million or 50%, ₱365,071 million or 46%, and ₱406,796 million or 47%, respectively. For the six-month periods ended June 30, 2024 and 2025, the Company's subsidiaries' contribution to total revenue was ₱215,048 million or 48% and ₱156,332 million or 40%, respectively.

Products

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

Fuels

Product Name	Product Type	Description
The Philippines		
Petron Gasul	LPG	A premium LPG product used as fuel for cooking, lighting and industrial applications. Sold in 2.7-kg, 11-kg, 22-kg and 50-kg cylinders and in bulk.
Fiesta Gas	LPG	An economy LPG product used as fuel for cooking, lighting and industrial applications. Sold in 170g, 2.7-kg, 11-kg, 22-kg and 50-kg cylinders.

Product Name	Product Type	Description
Petron Gaas	Kerosene	Water-white kerosene used as fuel for stoves, lamps and other domestic uses.
Petron Blaze 100	Gasoline	A 100-octane premium plus gasoline which is the first and only 100 Research Octane Number (RON) gasoline that is being offered in the Philippine market. Its high-octane property translates to powerful performance and excellent engine cleaning capability.
Petron XCS	Gasoline	A 95-octane premium gasoline which contains a complete combustion additive system that delivers excellent engine response, enhanced power and acceleration, and improved fuel economy. It meets and exceeds Euro IV-PH standard for premium grade gasoline.
Petron XTRA Advance	Gasoline	A 91-octane regular gasoline formulated to provide better engine protection, corrosion control, better power, and improved fuel economy.
Petron Turbo Diesel	Diesel	An advanced diesel designed for high performance diesel engines. It is designed to provide excellent engine protection, improved fuel economy, and maximum power for today's modern diesel engines.
Petron Diesel Max	Diesel	A regular diesel fuel formulated with robust multi-functional additive system for optimum engine protection, better power, and improved fuel economy.
Petron Aviation Gasoline	Jet Fuel	A low-lead, high-octane aviation gasoline for aircraft with reciprocating engines.
Petron Jet A-1	Jet Fuel	A highly purified kerosene-type aviation fuel used by aircraft with turbo prop and turbojet engines. It has good combustion characteristics suitable for low-temperature operation at high altitude.
Malaysia		
Petron Blaze 100	Gasoline	Malaysia's first 100-octane premium grade gasoline that meets Euro 4M and MS 118-3:2011 standards. It provides optimum performance in terms of power, acceleration, and combustion efficiency.
Petron Blaze 97	Gasoline	A 97-octane high-performance premium gasoline that contains a special blend of multi-functional additive, combustion enhancer and friction modifier, resulting in excellent engine cleaning action, enhanced power and acceleration, and improved fuel economy. It meets Euro 4M and MS 118-3:2011 standards.
Petron Blaze 95	Gasoline	A 95-octane regular gasoline formulated with advanced additive technology to provide optimum engine performance that meets Euro 4M and MS 118-3:2011 standards.
Petron Turbo Diesel Euro 5	Diesel	A premium plus diesel fuel with 7% PME that meets Euro 5 and MS 123-3:2019 specifications. It is formulated with an advanced additive technology that provides excellent power and improved fuel economy. It also provides better ignition quality, quicker engine start-up and smoother engine run.
Petron Diesel Max Euro 5	Diesel	A premium diesel fuel with 7%, 10% or 20% PME that is specially formulated to provide improved fuel economy and reduced exhaust emissions. It meets Euro 5 and MS 123-3:2019 specifications or MS 123-5:2020 specifications.
Petron Diesel (Commercial Diesel B7)	Diesel	A high-quality diesel fuel with 7% PME. It is formulated with enhanced cleaning technology that provides improved fuel economy and reduced exhaust emissions. It meets Euro 5 and MS 123-3: 2019 specifications.
Petron Gasul	LPG	A premium LPG product used as fuel for cooking and industrial applications, sold in 12-kg, 14-kg and 50-kg cylinders and in bulk. An

Product Name	Product Type	Description
		additional product line called F-14, which are 14-kg cylinders for forklifts, is also available.
Petron Kerosene	Kerosene	A refined kerosene with clean and efficient burning qualities. It meets the AFQRJOS Checklist, British MoD DEF STAN 091-091 and ASTM D1655 standards.
Petron Jet A-1	Jet Fuel	A highly purified kerosene-type aviation fuel used by aircraft with turbo prop and turbojet engines.
Petron Crude Glycerine	Crude Glycerin	Crude Glycerine is the by-product from PME production. It is an impure form of glycerine and is used as feedstock for the production of Refined Glycerine.
Petron Refined Glycerine	Refined Glycerin	Petron Refined Glycerine, which is also the by-product from PME production, is USP Grade Glycerine. USP Grade Glycerine refers to the requirement mandated by the U.S. Food and Drug Administration (FDA) regulations to ensure only the highest purity Glycerine is used in the manufacture of pharmaceutical products.

Lubricants and Greases

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

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

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

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

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

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

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

Petrochemicals

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

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

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

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

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

Other Refinery Products

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

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

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

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

Production Facilities

The Philippines

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

The Petron Bataan Refinery is capable of producing a range of White Products such as LPG, naphtha, gasoline, kerosene, jet fuel and diesel, with no residual fuel oil production. It also produces petrochemical feedstocks benzene, toluene, mixed xylene, and propylene. In December 2016, the Company acquired the cogeneration power plant from SMC Powergen, Inc., which consists of four turbo generators and four solid fuel fired circulating fluidized bed boilers. The Company completed phase 3 with the construction of new facilities and structures on the plant to replace older generators, increase steam production, and expand power generation capacity from 140 MW to 184 MW in 2022 (Power Plant (Phase III)). The Power Plant (Phase III) now consists of six turbo generators with a combined capacity of 184 MW and six solid fuel fired circulating fluidized bed boilers with a combined capacity of 1,200 tons per hour. This ensures the sufficient and reliable supply of steam and power for the Petron Bataan Refinery.

In addition to the Petron Bataan Refinery, the Company owns and operates a lube oil blending plant in Tondo, Manila with a capacity of 90,000,000 liters per year per shift.

Malaysia

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

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

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

Refining Process and Quality Improvement Initiatives

The Petron Bataan Refinery

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

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

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

In July 2022, Power Plant (Phase III) was completed, expanding installed capacity from 140 MW to 184 MW. Following the upgrades, the use of fuel oil as fuel for refinery operations was no longer necessary, allowing the Company to reallocate and convert fuel oil to high-value products instead. In addition, the excess power generated from the plant's increased capacity is sold to the grid providing additional revenue to the Company.

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

The Port Dickson Refinery

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

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

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

The Port Dickson Refinery also undertook strategic investments to enhance operational reliability and competitiveness. In the second quarter of 2021, the Company completed the construction of its diesel hydrotreater process unit, enabling the refinery to produce Euro 5 - compliant diesel (10 ppm sulfur) and at the same time, providing added flexibility in processing more crudes. In the same year, the Company has also commissioned a new marine import facility which enabled import using bigger parcels, reducing freight and decongesting the existing jetty.

Raw Materials

Philippine Operations

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

The Company acquires crude oil for the Petron Bataan Refinery primarily through arrangements with its wholly owned subsidiary PSTPL, which, in turn, obtains crude oil from foreign sources through a combination of term and/or spot purchase contracts. For Petron's various crude requirements for 2025, PSTPL has term contracts with Saudi Aramco, KPC, SOMO, Chevron, and SIETCO. Pricing is determined through a formula that is linked to international industry benchmarks. The contract with Saudi Aramco is automatically renewed annually unless either the Company or Saudi Aramco elects to terminate the contract upon at least 60 days' written notice prior to its expiration date. The contracts with KPC and SOMO are from January 1, 2025 to December 31, 2025. The contract with Chevron covers the lifting period from December 1, 2024 to November 30, 2025, while the contract with SIETCO is for three years from November 6, 2023. As of this date, none of the supply contracts has been terminated.

PSTPL has a term contract for the year 2025 to purchase group I (BS150) and group II base oils (J500/500N and J150/150N) and avgas. Group I base oil is used to produce marine lubricants, while Group II base oil is the company's main feedstock to produce automotive, industrial, and marine lubricants. Avgas is used for aviation fuel requirements.

PSTPL has a term contract for the year 2025 to purchase Asphalt and LPG. These term contracts are tendered annually and awarded to the most competitive supplier(s). Pricing is calculated using a formula based on an international standard price benchmark for these products.

While crude oil and feedstocks remain the primary raw materials for the Petron Bataan Refinery, the Company may import gasoline, diesel, and jet fuel. These imports ensure the continuity of supply especially if there is higher demand in the Philippines and during maintenance of the Petron Bataan Refinery. Pricing for products being imported is usually based on Mean of Platts Singapore (MOPS).

Malaysian Operations

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

The Company acquires crude oil and condensate for the Port Dickson Refinery from various sources, through a combination of term purchase contracts and spot market purchases. The Company has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**"), and term supply contracts for other Malaysian Crude Oil (MCO) with Shell International Eastern Trading Company (SIETCO), PT Pertamina and PTTEP Sabah Oil Limited, supplemented by other short-term supply contracts and spot crude purchases. As of June 30, 2025, about 47% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. Petron also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

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

A second PME plant is currently being constructed at Port Dickson with an annual rated capacity of 146,000 metric tons to cater for the rest of the PME requirements for the biodiesel sales of Petron in Peninsular Malaysia. The plant is expected to be commissioned in 2026.

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

Utilities

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

Water

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

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

Electricity and Steam

The Petron Bataan Refinery's electricity and steam requirements are sourced from the Petron Bataan Refinery's existing thermal power plant as well as from its new cogeneration power plant. The cogeneration power plant was acquired by the Company in December 2016 from SMC Powergen Inc., a subsidiary of SMC and an affiliate of the Company. With the completion of construction of phase 3 in 2022, the Power Plant (Phase III) now consists of six turbo generators with a combined capacity of 184 MW and six solid fuel fired circulating fluidized bed boilers with a combined capacity of 1,200 tons per hour.

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

Sales and Marketing

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

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

The Philippines

In the Philippines, the Company operates the only integrated oil refinery and is a leading oil marketing company. The Company had a retail market share of 39.9%[17] of the Philippine oil market for full year 2024.

Retail Service Stations

The Company has a network of around 1,800 retail service stations in the Philippines as of June 30, 2025. Most of these stations are located in Luzon, where demand is heaviest.

The Company employs two types of service station operating structures in the Philippines: (i) CODO, which are Company-owned-dealer-operated service stations; and (ii) DODO, which are dealer-owned- dealer-operated service stations. For CODOs, the Company buys or leases the land and owns the service station structures and equipment, but third-party dealers operate the CODOs. For DODOs, third-party dealers buy or lease the land, build service station structures according to Company specifications, lease the service station equipment from the Company, and operate the DODOs. As of June 30, 2025, approximately 50% of the Company's retail service stations in the Philippines were CODOs, and the rest were DODOs.

To improve traffic in the Company's service stations and increase potential revenues of the Company's non-fuel business, the Company established Treats convenience stores and leases space to quick-serve restaurants and other consumer service shops in strategic service stations nationwide. The Treats convenience stores were rebranded under the brand name San Mig Food Avenue in 2011 pursuant to an agreement with San Miguel Foods Inc. The convenience stores are operated by dealers through a franchise obtained from San Miguel Foods, Inc. opened stores in Manila under the brand name "*Treats*," with permission from San Miguel Foods, Inc. for the use of the brand name. On March 1, 2021, the Company reacquired the Treats convenience store business from the San Miguel Food Group. The acquisition covered fixed assets in the stores, inventory, and intangible assets such as contracts and the Treats trademarks. On June 29, 2021, the Company acquired additional *Treats* assets from Foodcrave Marketing, Inc. The Treats acquisition optimizes the synergies between the operation of the Petron service stations and the Treats outlets located in the service stations, resulting in operational efficiencies and savings, unified customer marketing programs, maximized exposure of the Treats brand, and the provision of holistic business consulting to dealers on their businesses within the service station. As of June 30, 2025, there are more than 50 *Treats* outlets nationwide.

The Company continues to install the point of sale ("**POS**") system across its retail network throughout the Philippines. POS systems are used for gaining efficiencies through automating retail transactions and the proper monitoring of actual sales in service stations.

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[17] The Philippines' total fuel requirements and the Company's retail market share are derived from Company estimates based on Company information and data from the DOE-OIMB 2024 Report.

Industrial Sales

The Company believes it is the leading supplier to the Philippine industrial sector, which includes major manufacturing, aviation, marine, and power accounts. The Company had about 1,400 direct industrial account customers as of June 30, 2025.

LPG

The Company is a leading market participant in the Philippine LPG market in terms of market share based on DOE's report as of December 31, 2024. The Company has set up over 2,200 branch and franchise stores through its *Gasul* and *Fiesta Gas* LPG dealers as of June 30, 2025. The Company has commissioned about 21 mini-refilling plants in the Philippines as of June 30, 2025 to broaden the reach of the Company's LPG products and make them accessible to more Filipinos.

Lubricants, Specialties and Petrochemicals

To augment lubricants and greases sales, the Company has a network of about 60 care centers/car care center express and around 40 Petron lube distributors in the Philippines as of June 30, 2025. The Company capitalizes on the strong lubricant distribution network of non-traditional outlets such as automotive and motorcycle parts outlets and automotive repair shops, and expanded LPG-outlet network by utilizing its LPG branch stores as outlets for the Company's lubricants and specialty products.

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

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

Loyalty Programs

The Company actively pursues initiatives to improve customer service and promote customer loyalty. In 2004, the Company launched the Petron Fleet Card, the first microchip-powered card in the Philippines, which is a credit card that offers rebates and discounts on fuel, lubricants and services and provides 24-hour free towing and roadside assistance to cardholders. As of June 30, 2025, more than 640,000 Petron Fleet Cards had been issued in the Philippines. In 2008, the Company launched Petron e-Fuel Card as a promotional item. To maximize patronage of its service stations and related businesses, the Company launched a loyalty program in October 2011 through its Petron Value Card, which offers 24-hour free towing and roadside assistance, rewards points for every purchase and complimentary annual personal accident insurance coverage. In 2014, the Company introduced the Petron Super Driver Card, a variant of the Petron Value Card, to the public utility vehicle sector, specifically targeting the taxi and tricycle markets. As of June 30, 2025, the Company has issued more than 2 million Petron Value Cards (including Petron Super Driver Cards).

Malaysia

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

Retail Business

The retail business markets fuel and its related products through a dealer network comprising about 810 retail service stations located throughout Peninsular and East Malaysia as of June 30, 2025. In Malaysia, the Company uses the CODO and DODO operating structures for its retail service stations. CODO accounted for approximately 54% of the total retail service station network of the Company while DODOs made up the 46% balance. The Company also has about 320 *Treats* convenience stores, generating non-fuel income and improving traffic in the service stations.

To further enhance the customer service experience in Malaysia, the Company launched the "*Fuel Happy*" campaign in 2015 with various marketing activities and events organized to reward and enchant the customers. This was followed by "*Best Day at Petron*" campaign launched in 2017. In 2016, the Company pioneered the country's first premium fuel with the rollout of Petron Blaze 100. As of June 30, 2025, Blaze 100 is available in more than 115 stations, mainly located in Klang Valley and the southern city Johor Bahru. The Company also offers Petron Turbo Diesel Euro 5, a premium plus diesel fuel with 7% biodiesel mix that meets Euro 5 standards, even prior to the mandatory implementation of Euro 5 diesel standards set by the Malaysian government beginning

April 1, 2021. As of June 30, 2025, the Company has more than 380 service stations offering Turbo Diesel Euro 5.

Commercial Business

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

Industrial and Wholesale Fuels

The industrial segment sells diesel and gasoline to mini-stations and power plants, as well as to the manufacturing, plantation, transportation, and construction sectors. Petron's sales of RON 95 gasoline and diesel to mini-stations represented approximately 57% of its industrial sales by volume in 2024. Sales to the mini-stations are priced according to the APM. Many power plants in Malaysia run on natural gas and use diesel as alternative fuel when there are gas curtailments. Petron sells diesel to such power plants on an ad-hoc basis at formulated prices. The pricing of these sales is determined through a formula that is linked to international industry benchmarks. Prices of diesel to the manufacturing, mining, plantation and construction sectors are not regulated by the Malaysian government, and the pricing of these sales is subject to market supply and demand.

The Malaysian wholesale segment consists of sales, primarily of diesel, to Company-appointed distributors, which subsequently sell the Company's products to industrial customers. As of June 30, 2025, the Company had more than 180 active distributors.

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

LPG

The Company markets LPG in 12-kg and 14-kg cylinders for domestic/household sales, and 50-kg cylinders and bulk for commercial use, through redistribution centers, stockists and dealers. LPG redistribution centers are owned by the Company to store and distribute bottled LPG to dealers. Stockists are dealer-owned distribution centers which also distribute bottled LPG to other dealers. Dealers generally collect bottled LPG directly from redistribution centers and stockists for onward sale to domestic and commercial consumers. Prices of 12-kg and 14-kg cylinders for domestic use are regulated under the APM. In April 2019, Petron launched *Petron Gasul* at its service stations, the first "cash and carry" service wherein customers can purchase their LPG cooking gas at the service station. As of June 30, 2025, Petron had more than 200 exclusive retail outlets for LPG.

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

Lubricants and Specialties

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

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

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

Loyalty Programs

The Company has been actively pursuing initiatives to improve customer service and promote customer loyalty for its Malaysian retail business by offering rebates, points and discounts. As of June 30, 2025, the Company has about 2.5 million active PMILES cardholder/member accounts in Malaysia under its loyalty card program.

Export Sales

In line with the Company's efforts to increase its presence in the regional market, it exports various petroleum and non-fuel products to Asia-Pacific countries such as South Korea, Taiwan, China, Japan, Malaysia, Singapore, India, and Indonesia. Exports, which generate dollar inflows for the Company, provide a natural hedge against losses which may arise from fluctuations in the foreign exchange rate. The Company's revenues from these export sales amounted to ₱40,343 million or 5% of total sales in 2022, ₱47,011 million or 6% of total sales in 2023, and ₱43,222 million or 5% of total sales in 2024 and ₱15,319 million or 4% of total sales for the six months ended June 30, 2025.

Below is the summary of the percentage of sales or revenues of domestic and export sales of the Company and its subsidiaries from 2022 to 2024 and for the six months ended June 30, 2024 and 2025:

	Domestic	**Exports/International**	**Total**
2022 (in millions)	₱412,743 *48%*	₱444,895 *52%*	₱857,638
2023 (in millions)	₱413,175 *52%*	₱387,852 *48%*	₱801,027
2024 (in millions)	₱438,900 *51%*	₱429,066 *49%*	₱867,966
Six months ended June 30, 2024 (in millions)	₱220,069 *50%*	₱224,421 *50%*	₱444,490
Six months ended June 30, 2025 (in millions)	₱229,937 *60%*	₱156,458 *40%*	₱386,395

Additional Information on Business Segments – Consolidated

The following table presents additional information on the petroleum business segment of the Company as at and for the years ended December 31, 2022, 2023, and 2024 and for the six months ended June 30, 2024 and 2025:

	Retail	**Lube**	**Gasul**	**Industrial**	**Others[a]**	**Total**
			(in ₱ millions)			
2022, as restated						
Revenue	395,183 *46%*	6,403 *1%*	33,126 *4%*	156,307 *18%*	263,693 *31%*	854,712
Property, plant and equipment[b]	7,920 *5%*	27 *0%*	1,566 *1%*	23 *0%*	160,880 *94%*	170,416
Capital expenditures[b]	1,170 *9%*	4 *0%*	- *0%*	1 *0%*	12,360 *91%*	13,535
2023, as restated						
Revenue	367,013 *46%*	6,462 *1%*	33,267 *4%*	146,980 *18%*	244,310 *31%*	798,032
Property, plant and equipment[b]	7,880 *5%*	62 *0%*	2,079 *1%*	62 *0%*	154,868 *94%*	164,951

	Retail	Lube	Gasul	Industrial	Others[a]	Total
Capital expenditures[b]	1,237	34	10	40	3,645	4,966
	25%	*1%*	*0%*	*1%*	*73%*	
2024						
Revenue	379,864	7,452	38,568	161,268	277,613	864,765
	44%	*1%*	*4%*	*19%*	*32%*	
Property, plant and equipment[b]	8,176	223	2,685	79	154,640	165,803
	5%	*0%*	*2%*	*0%*	*93%*	
Capital expenditures[b]	1,086	185	16	56	5,578	6,921
	16%	*3%*	*0%*	*1%*	*80%*	
Six months ended June 30, 2024						
Revenue	196,289	3,729	18,876	84,514	139,492	442,900
	44%	*1%*	*4%*	*19%*	*32%*	*100%*
Property, plant and equipment[b]	8,530	113	2,282	69	154,842	165,836
	5%	*0%*	*1%*	*0%*	*94%*	*100%*
Capital expenditures[b]	1,204	79	15	48	6,573	7,919
	15%	*1%*	*0%*	*1%*	*83%*	*100%*
Six months ended June 30, 2025						
Revenue	178,211	806	19,814	81,195	104,893	384,919
	47%	*0%*	*5%*	*21%*	*27%*	*100%*
Property, plant and equipment[b]	8,005	307	261	100	154,426	163,099
	5%	*0%*	*0%*	*0%*	*95%*	*100%*
Capital expenditures[b]	974	266	16	71	3,591	4,918
	20%	*5%*	*0%*	*2%*	*73%*	*100%*

[a] *Under the "Others" account, revenue includes exports and sale to other oil companies.*
[b] *"Property, plant and equipment" and "Capital expenditures" include assets at the refinery and terminals.*

In 2024 and for the six months ended June 30, 2025, diesel and gasoline continue to be the top sales contributors comprising 65% and 72% of total revenue, respectively, comprising diesel at 34% and 36% and gasoline at 31% and 36%, respectively. The contribution from the rest of the products for these periods ranged from 1% to 11%.

Distribution

The Philippines

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

To serve its domestic markets, the Company maintains a network of 27 terminals (13 in Luzon, six in Visayas and eight in Mindanao) and 12 airport installations (four in Luzon, five in Visayas and three in Mindanao) across the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. Terminals have marine receiving facilities, multiple product storage tanks for liquid fuels and LPG, drummed products storage, and warehouses for packaged products such as lubricants and greases. From the Petron Bataan Refinery, refined products are distributed to the various terminals and direct large consumer accounts using a fleet of company-owned and contracted barges and tankers, and to service stations and industrial accounts through a fleet of company-owned and contracted tank trucks. The barges and tankers are chartered on term or spot contracts from third-party ship owners. Under the terms of the applicable contracts, the third-party owners of the contracted barges, tankers and tank trucks that are used to haul the Company's products are liable for losses and environmental issues that may arise while the products are being transported.

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

Lubricants and greases in various packages are transported by container vans to bulk plants and terminals outside Metro Manila. Package trucks owned by third parties are utilized to deliver these lubricants and greases to various customers in Metro Manila and Luzon. Sales counters throughout the Philippines are appointed to sell these products.

The Company has 12 airport installations situated in major urban centers in the Philippines as follows:

- Luzon: Ninoy Aquino International Airport in Metro Manila, Clark International Airport, Puerto Princesa International Airport and Laoag International Airport

- Visayas: Mactan-Cebu International Airport, Bohol-Panglao International Airport, Kalibo International Airport, Caticlan Airport and Iloilo International Airport

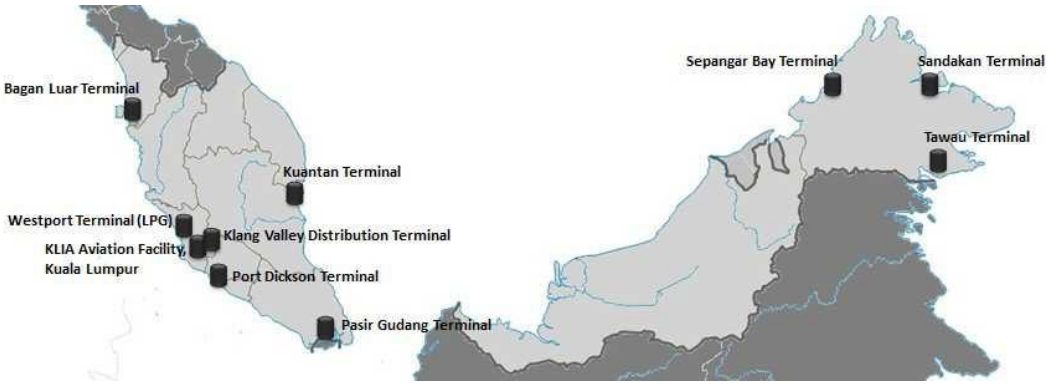
- Mindanao: Francisco Bangoy International Airport in Davao City, Laguindingan International Airport and Zamboanga International Airport (via mobile into plane refueling equipment).

These installations provide storage of aviation fuels as well as refueling services for various aircraft.

Malaysia

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

The map below shows the geographic coverage of the Company's terminals in Malaysia as of June 30, 2025.



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

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

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

Petron entered the Sarawak retail market in February 2017 with an initial six DODO stations, subsequently increasing the number to 13 as of June 30, 2025. These stations are supplied through a sales and purchase term agreement with a local company, Petronesa Trading Sdn Bhd, from independent terminals located in Kuching and Tanjung Manis. A new terminal in Kuching, which will be operated by a third-party provider, is being constructed and is scheduled to be completed in the first quarter of 2026 to cater for the supply requirements of Petron in Sarawak.

Capital Expenditure Projects

Petron Bataan Refinery

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

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

The Company completed construction of Power Plant (Phase III) in the Petron Bataan Refinery complex in 2022. Following the upgrades, the use of fuel oil as fuel for refinery operations was no longer necessary, allowing the Company to reallocate and convert fuel oil to high-value products instead. In addition, the excess power generated from the plant's increased generation capacity is sold to the grid, providing additional revenue to the Company.

Other ongoing investments in the Petron Bataan Refinery include the planned construction of the CME Plant, and the regular maintenance and scheduled turnarounds of its plants and equipment for reliable and efficient refining operations.

Philippine Retail Network Expansion

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

Logistics Expansion and Upgrade

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

Malaysia Expansion and Improvements

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

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

Petron Malaysia is also constructing a new PME Plant at the Port Dickson Refinery, targeted for completion by 2026. This will support the increasing PME requirements of Petron Malaysia, in line with the government's plan to increase the PME content in diesel fuel in the future.

The Company is also constructing a new terminal in Kuching targeted to be completed in 2026, to support Petron's expansion in East Malaysia.

See also "*Management's Discussion and Analysis of Results of Operations—Liquidity and Capital Resources—Capital Expenditures.*"

Competition

The Philippines

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

The Philippine downstream oil industry is deregulated and has seen the entry of approximately 500 other industry market participants as of December 31, 2024, rendering the petroleum business highly competitive. The Company operates the only petroleum refinery in the country. The rest of the industry market participants are importers of finished petroleum products or purchase finished petroleum products from other market participants in the local market. In the Philippines, the Company competes with other industry market participants on the basis of price, product quality, customer service, operational efficiency and distribution network, with price being the most important competitive factor. Providing total customer solutions has increased in importance as consumers became more conscious of value.

The Company participates in the reseller (service station), industrial, LPG and lube sectors through its network of service stations, terminals, dealers and distributors throughout the Philippines. In the reseller sector, competition is most dynamic among the major firms, as seen through the construction of service stations by Shell, Chevron, Total Philippines, Phoenix Petroleum, Seaoil and other new participants in major thoroughfares. The Company has around 1,800 retail service stations as of June 30, 2025, reaching more customers throughout the Philippines. Participants in the reseller and LPG sectors continue to resort to aggressive pricing and discounting in order to expand their market share. The number of major LPG importers in the Philippines increased from three, prior to deregulation, to about seven, with new entrants having more flexible and bigger import receiving capacities. In the industrial sector, the major market participants continue to invest heavily in order to increase their market share and tap new markets. In the lubricants sector, intense competition among many brands, including global brands such as Castrol, Mobil, Shell and Caltex, continues. Brands compete for limited shelf space, which has led to the penetration of previously unutilized markets, such as auto-dealerships in malls.

The Company is the leader in the Philippine downstream oil industry with a retail market share of 39.9%[18] in terms of sales volumes of the Philippine oil market for the period ended December 31, 2024. Approximately 500 oil market participants, which started operations after the deregulation of the oil industry in 1998, account for the remaining market share. The Company believes that it is the leader in terms of domestic sales volumes based on Company estimates using its internal assumptions and calculations and industry data from the DOE as of June 30, 2025. The Company's retail sales volumes for the years 2022, 2023 and 2024 and the six-month periods ending June 30, 2024 and 2025 were approximately 44,000 bpd, 50,000 bpd, 59,000 bpd, 57,000 bpd and 65,000 bpd, respectively. The Company's non-retail sales volumes (including industrial and LPG) for the years ended 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025 were approximately 95,000 bpd, 108,000 bpd, 112,000 bpd, 108,000 bpd and 116,000 bpd, respectively.

The Company believes that its competitive advantages include organization, technology, assets, resources and infrastructure. The Company continues to implement initiatives aimed at improving operational efficiencies, managing costs and risks, and maximizing utilization of its assets and opportunities.

[18] Market share is derived from Company estimates based on Company information and data from the DOE-OIMB 2024 Report.

Malaysia

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

Petron continues to grow its retail market share to more than 21%, with about 810 service stations in Malaysia as of June 30, 2025 based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. With the Company's customer-centric programs, service station facilities upgrades, continued retail network expansion program, introduction of innovative product lines, and improvements in logistics and refinery capabilities, the Company believes that it is well positioned to compete in the retail segment.

Petron continues to face intense competition in the industrial, aviation and wholesale market segments from other local and multinational oil companies. Petron uses its local production from the Port Dickson Refinery and its strategic terminal locations across Malaysia to remain competitive in these segments. Besides the mini stations, fisheries and some selected transportation sectors, which are governed by the APM, other sectors do not benefit from the subsidies provided for under the APM. Major participants resort to aggressive pricing in these segments in order to expand market share. The aviation market is also very competitive, as the three local refiners offload their jet fuel through the MPP to KLIA. Sales of jet fuel at the other Malaysian airports are supplied by the oil companies having the necessary storage and logistics capability. In the LPG segment, Petron competes with Petronas and NGC Energy Sdn Bhd, among others. The APM applies only for sales of LPG for domestic/household cylinders and does not cover sales of industrial and bulk LPG. Competition in this market is driven by supply reliability, dealer network efficiency and customer service. Petron, being well established, remains competitive in this segment. Overall, the Company's commercial sales remain competitive as a result of the Company's reliable and steady supply of quality fuel to sectors such as transportation, manufacturing, construction, mining, agriculture, and power generation. Retail sales volumes for both years ended 2023 and 2024 were approximately 98,000 bpd per year. For the six months ended June 30, 2024 and 2025, retail sales volumes were approximately 100,700 bpd and 94,900 bpd, respectively.

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

Employees

As of June 30, 2025, the Company had 3,129 employees, of which 306 are managerial employees and 2,823 are rank and file employees (including professional/technical and supervisory level employees). Approximately 76% of the Company's employees are based in the Philippines, with the remaining 24% based in Malaysia and Singapore. The Company believes that it has a well-trained and experienced pool of employees. As of June 30, 2025, approximately 8.9% of the Company's employees had worked with it for over 20 years and the average tenure of the Company's employees is approximately 8.8 years in the Philippines, approximately 8.6 years in Malaysia and approximately 3.9 years in Singapore. Within the ensuing 12 months, the Company may require additional hiring of employees to support its business operations. On average, Petron hires around 20 employees per month depending on the prevailing requirements of the Company.

The Company has collective bargaining agreements ("**CBAs**") with three labor unions in the Philippines: (1) Petron Employees Association (PEA) with 190 members is affiliated with the National Association of Trade Unions (NATU) and has a CBA effective from January 1, 2023 to December 31, 2025; (2) Petron Employees Labor Union (PELU) with 39 members, has a CBA effective from January 1, 2025 to December 31, 2027; and (3) the Bataan Refiners Union of the Philippines (BRUP) with 355 members is affiliated with the Philippine Transport and General Workers Organization (PTGWO) and has a CBA effective from January 1, 2025 to December 31, 2027. As of June 30, 2025, approximately 24% of the Company's employees in the Philippines are covered by CBAs.

The Company has CBAs with two labor unions in Malaysia: (1) the National Union of Petroleum and Chemical Industry Workers has 162 members with a CBA effective from January 1, 2023, to December 31, 2025; and (2) the Sabah Petroleum Industry Workers Union has 8 members with a CBA effective from May 1, 2023, to April 30, 2026. As of June 30, 2025, approximately 23.5% of the Company's employees in Malaysia were covered by CBAs.

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

In addition to Philippine statutory benefits, the Company provides hospitalization insurance, life insurance, vacation, sick and emergency leaves, and computer, company and emergency loans to its employees. It has also established a savings plan wherein an eligible employee may apply for membership and have the option to contribute 5% to 15% of his or her monthly basic salary. The Company, in turn, contributes a maximum of 5% of the monthly basic salary to a member-employee's account in the savings plan. The Company has adopted the "*Rewarding Excellence through Alternative Pay Program*," a performance incentive program that rewards eligible employees who contribute to the achievement of the Company's annual business goals. The Company has a tax-qualified defined benefit pension plan, PCERP, which covers all permanent, regular and full-time employees of the Company, excluding its subsidiaries. The control and administration of PCERP are vested in its board of trustees, as appointed by the Board of Directors of the Company. PCERP's accounting and administrative functions are undertaken by the SMC Retirement Funds Office. The annual cost of providing benefits under the plan is determined using the projected unit credit actuarial cost method. As of the Company's latest actuarial valuation date of December 31, 2024, the Company is expected to contribute about ₱494.6 million to its defined benefit plans in 2025.

The benefits in Malaysia are substantially similar to those in the Philippines, with the exception of the savings plan and variable pay scheme. Malaysian employment regulations require employers and employees to contribute to an employees' provident fund (the "**EPF**") to provide for the retirement and other needs of employees in Malaysia. Under present regulations, employees contribute a minimum of 11% of their monthly salary to the EPF via payroll deductions. Employers are required to contribute a minimum amount equivalent to 12% to 13% of a managerial, professional and technical ("**MPT**") employee's monthly salary to the EPF. Under collective agreements entered into by the Company with its non-MPT employees in Malaysia, the Company contributes up to 16% of the salaries to the EPF.

The Company employs experienced, skilled, and qualified personnel for the management and operation of its business and prioritizes programs that will ensure the retention and continuous engagement of its talent. The Company believes that its attrition rate is still lower than the industry average. The Company ensures that manpower for critical positions is adequately maintained. The Company has an established succession planning program supported by a structured mentoring program for identified replacements of retiring employees to ensure leadership strength and technical knowledge preservation necessary for continued business operation. Promising or high-potential employees are given the opportunity to accelerate their development in the early stages of their careers through a structured coaching program to prepare them for greater roles and responsibilities. The Company also supports the continuing education or learning of employees through an education reimbursement program for post-graduate studies and employees' participation in functional technical courses, conferences, and seminars. The Company believes it has a strong compensation and benefits package and regularly reviews its employee relations programs to continuously attract, retain and engage talent.

Research and Development

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

Together with other key Company stakeholders, R&D has led in compliance with higher biodiesel blend, ADO-B3, per the DOE regulations and Biofuels Law.

Petron continuously develops and enhances its lubricant product range catering to top tier and cost-competitive customer requirements. It continues to maintain approvals of thoroughly selected top tier products with industry licensors (i.e., API, ACEA, JASO, Kosher, NSF and Halal) and original equipment manufacturers (OEM). New

WinGD (Winterthur Gas & Diesel in Switzerland) OEM approval for its marine cylinder oil, Petromar DCL 4050, was also obtained. It has also developed quality lubricants and greases that are reasonable to price-sensitive market and to specific customer requirements.

The R&D group also spearheaded the implementation of Total Quality Management ("**TQM**") at the terminals, service stations, and Petron Research and Testing Center ("**PRTC**") laboratories. TQM is a management system where all members of the organization participate and work together in improving processes by eliminating unnecessary steps and doing value-adding and innovative activities, thereby resulting to a more efficient, productive, and cost-saving operations.

With the implementation of TQM, Petron terminals were able to optimize resources and safeguard product quality with the use of quality assurance tools. TQM has expanded its scope to marine vessels by issuing guidelines in marine vessel tank cleaning resulting to substantial improvement in vessel turn-around and savings in tank cleaning cost. Further, R&D has continually implemented process improvement programs at service stations that reduce business losses and operating cost. PRTC laboratories were also able to save on operating costs by rationalizing critical test properties and focusing on customer requirements. With this quality system, the laboratories were able to develop innovative procedures that enhance operating efficiency, reduce hazardous waste, and provide customer-focused services. The Petron TQM program works in conjunction with Incident Prevention System wherein it focuses on quality management system without compromising loss in safety, business opportunity, and capital expenditures.

Petron is committed to continuously develop innovative and revolutionary products that meet and exceed the highest industry quality standards and the demands of the market. Petron believes that its continued success will be affected in part by its ability to be innovative and attentive to consumer preferences and local market conditions.

Petron's testing facilities are ISO/IEC17025 accredited, a testament to its ability to perform tests and analyses in accordance with global standards. R&D also has long-standing partnerships with leading global technology providers in fuels, lubricants and grease products. In addition, it provides technical training to keep internal and external customers updated about the latest technology trends. By providing these updates, it fosters a culture of continuous learning, innovation within the organization, and technical expertise and competitiveness in the industry.

R&D provides technical training sessions, ensuring both internal and external customers stay abreast of product knowledge and the latest technology trends. By sharing these insights, it fosters a culture of continuous learning and innovation within the organization, while enhancing competitiveness and expertise in the industry. To cite programs that were successfully implemented in 2024, the R&D department launched the: (a) Developmental Job Assignment program for continuous technical capability-building of R&D personnel and achieve technical expertise and cross-function assignment readiness; and (b) Petron Brand Championship program for Petron employees with the objective to enhance knowledge on and promote Petron products.

Expenses in research and development amounted to approximately ₱61 million in 2022, approximately ₱87 million in 2023, approximately ₱87 million in 2024, approximately ₱38 million for the six months ending June 30, 2024 and ₱49 million for the six months ending June 30, 2025, computed as around 0.01% of revenues for the aforementioned periods, respectively.

Intellectual Property

The Company has existing and pending trademark registrations for its products for terms ranging from 10 to 20 years. Its trademark registrations include those for the Petron logo, Petron word mark, Gasul (stylized), Fiesta Gas word mark, Petron's canopy fascia, Turbo Diesel, XCS, Blaze Racing, Diesel Max, Petron Value Card, Reyna, Rev-X, Sprint and Treats. The Company also has copyrights for the Petron New Logo (22 styles). Under Philippine law, copyrights subsist during the lifetime of the creator and for another 50 years after the creator's death. In addition, the Company has registered industrial designs for its Petron Specialty Lubricant Bottle (1L container), Petron Engine Oil Bottles (1L and 800ML Jerry can bottle container), and Petron Gasul Elite (gas cylinder). The Company has not had any significant disputes with respect to any of its trademarks or copyrights as of the date of this Offering Circular.

As of June 30, 2025, the Company has filed around 134 trademark applications in Malaysia for brands relating to its Malaysian operations. It has obtained copyright protection for the stylized letter "P" and has registered other trademarks in Malaysia, including "Petron", "Gasul", "Fiesta Gas", "Rev-X", "Turbo Diesel" and "XCS".

Properties

The Philippines

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

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

In respect of the parcels of land occupied by the Petron Bataan Refinery and certain of its terminals and service stations, the Company previously entered into commercial leases with the Philippine National Oil Company ("**PNOC**"). The lease agreements included an upward escalation adjustment of the annual rental rates. In 2009, the Company renewed its lease with PNOC (through NVRC) for the continued use of the Petron Bataan Refinery land for 30 years starting January 1, 2010 (renewable upon agreement of the parties for another 25 years). In 2015, the Company also entered into another 25-year lease agreement with PNOC effective August 1, 2014 for additional lots near the Petron Bataan Refinery for its expansion projects. The Company entered into negotiations with PNOC for the renewal of leases relating to 23 terminals and sales offices and 66 service stations that were expiring in August 2018. These leases were automatically renewable as expressly provided in the lease agreements. PNOC, however, refused to honor (i) the automatic renewal clause in the lease agreements for the terminals, sales offices, and service station sites, and (ii) the renewed lease agreement for the Refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC.

On October 20, 2017, the Company filed an action against the PNOC seeking the reconveyance of the landholdings that it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Company. The Deeds of Conveyance covering the landholdings provide that the transfer of the properties to PNOC was without prejudice to the continued long-term use by the Company of the conveyed lots for its business operation. Thus, PNOC and the Company executed the lease agreements above-described.

The Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Company's motion for summary judgment and ordered (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993; (ii) the reconveyance by PNOC to the Company of all such properties; and (iii) the payment by the Company to PNOC of the amount of ₱143 million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. Appeals and motions for reconsideration filed by PNOC with the Court of Appeals and the Supreme Court were denied. In a resolution dated November 25, 2024, the Supreme Court denied with finality the motion for reconsideration and the motion to refer to the Supreme Court En Banc that the PNOC filed in December 2023. The November 2024 resolution also ordered the immediate issuance of the entry of judgment and declared that no further pleadings or motions shall be entertained. The November 2024 resolution was recorded in the Book of Entries of Judgment of the Supreme Court on November 25, 2024. In January 2025, PNOC filed a second motion for reconsideration.

On July 2, 2025, the Supreme Court denied the second motion for reconsideration filed by PNOC, reiterating its directive in the November 25, 2024 resolution that no further pleadings or motions will be entertained.

Expenses relating to the PNOC leases paid directly to PNOC and through NVRC amounted to ₱320 million in 2022, ₱330 million in 2023, ₱393 million in 2024 and ₱18 million for the six months ended June 30, 2025.

As of June 30, 2025, the Company leases from NVRC 112 sites for service stations and terminals and pursuant to 25-year lease contracts renewable upon agreement of the parties. Expenses relating to the NVRC leases amounted to ₱172 million, ₱172 million, ₱163 million and ₱82 million for 2022, 2023, 2024 and the six months ended June 30, 2025, respectively.

The Company also leases land for its service stations from third parties pursuant to lease contracts with varying terms that generally range from five to 25 years and which are renewed upon negotiations between the Company and the lessors. As of June 30, 2025, there were leases covering 731 service stations: 464 in Luzon, 148 in the Visayas and 119 in Mindanao. Expenses under these leases amounted to ₱1,272 million in 2022, ₱1,395 million in 2023, ₱1,742 million in 2024 and ₱1,019 million for the six months ended June 30, 2025.

Malaysia

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

The land on which the Company's retail service stations operate are either owned by the Company or leased from third parties. As of June 30, 2025, the Company owned approximately 260 parcels of land and leased about 340 parcels of land from third parties for the use of its CODO service stations. Rentals for the service station lands are either paid in advance and amortized over the lease period, or paid over the lease period, depending on the agreement. Port Dickson Refinery occupies a 579-acre site, out of which 404 acres are freehold land while the remaining 175 acres are leasehold land pursuant to a 99-year lease that expires in 2060.

Insurance

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

Environmental, Social, and Governance Overview

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

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

ESG Highlights[19]

Program/Initiative	**Starting Year of Implementation**	**Gains**	**Savings (₱)**
SMC Water for All	2016	**Refinery:** Scarce Water: 2016-2024: 25.8 million m3 2024 only: 3.4 million m3 Recycled Water: 2016-2023: 4.65 million m3 2024 only: 0.71 million m3	**Refinery:** Scarce Water: 2016-2023: ₱155 million 2024 only: ₱22 million Savings on Recycled Water 2016-2024: ₱22.2 million 2024 only: ₱3.2 million
		Terminals: 79,633m3 of harvested rainwater since 2016	**Terminals:** ₱7.45 million water savings from rainwater
Use of Waste Energy (Low Pressure Steam) in Desalination Plant	2016	**Refinery:** Avoided GHG 453,698.682 tons CO2e since 2016 (114,999.170 tons CO2e in 2024) Avoided Fuel 34,277 MT of petcoke since 2016 (34,035.24 MT in 2024)	**Refinery:** Fuel Savings ₱580.38 million (₱151.85 million in 2024) *Note: Reason for new values is that total LS absorbed was considered last year's 2022 SR. New values are now based on net LS or the waste energy absorbed by Desalination Plant. Net LS is calculated by Total LS absorbed*

[19] The Company's latest 2024 Sustainability Report is publicly available on the PSE as part of its Annual Report.

Program/Initiative	Starting Year of Implementation	Gains	Savings (₱)
			by desal less LS letdown from MS.
Decommissioning of Refinery Co-Generation Facility Phase 3	2022	2023: 53,639.14 kL Fuel Oil savings 162,027.19 tones of avoided CO2e (refinery only boundary)	2023: ₱1,093 million net savings from avoided fuel
Diversification to Petrochem (Benzene, Toluene, Mixed Xylene, Propylene, Polypropylene)	1999 (Mixed Xylene) 2008 (Propylene, Benzene, Toluene) 2014 (Polypropylene)	Refinery: In 2024 the avoided GHG as Scope 3 if used as fuel was at 1,391,491.47 tons	
LED Conversion and Solar Power Usage	Refinery: 2013 for offices, 2016 for streetlights	Refinery: **2013-2024:** 138,793.40 watts saved / 582,765.43 kWh/ 383.92 tons CO2 reduced **2024 only:** 60,594.40 watts saved/ 330,580.01 kWh/ 229.26 tons CO2 reduced	Refinery: **2013-2024:** ₱999,340.81 **2024 only:** ₱565,291.82
	Terminals: (2018)	Terminals: 272,768.88 kWh saved/ 200.99 tons CO2e reduced in 2024	Terminals: ₱3.1 million on electricity cost in 2024
	Service Stations (2018)	Service Stations: 4,690 MWH/3,340 tons CO2e reduced for 560 service stations (8,375 kWh/6 tons CO2e per SS) from conversion of Under Canopy Lighting to LED in 2023 to 2024 19,204 KWH solar power generated or 13.7 tons CO2e emissions avoided from Solar Panels installed at three Petron service stations	Service Stations: ₱47.09 million on electricity cost
Bulk Additives Delivery (Terminals)	2019	156 MT per year of steel drums avoided	₱29.7 million per year
Waterless Receiving (Terminals)	2019	Eliminated 10,000 m3 per year of wastewater	Avoided ₱70.0 million investment cost on wastewater treatment facilities (₱7.0-M/ facility x 10 facilities)
Hazardous Waste Recycling (Refinery)	2018	2018-2024: 12,171 MT hazardous waste diverted from disposal.	2018-2024: ₱80.72 million
		2024 only: 3,744 MT of hazardous waste	2024 only: ₱20.80 million

Program/Initiative	Starting Year of Implementation	Gains	Savings (₱)
Continuous to Batch Treatment at Spent Caustic Treater (Refinery)	2020	2020-2024: 14,920.74 MT CO2e reduced 208,941.02 GJ Energy Reduced	2022-2024: ₱125.59 million in savings
		2024 only: 2,522.42 MT CO2e reduced 354,322.47 GJ Energy Reduced	2024 only: ₱23.81 million in savings
Direct Fired Air Heater (DFAH) Commissioning	2024	2024: 5.68 million standard cubic meters or sm3/year of Fuel Gas equivalent to 11,745 MT CO2 reduced (3.49 million sm3/year of fuel gas equivalent to 7,207.9 MT Co2e if 224 days only)	2024: ₱97.62 million in savings/year (224 days only) ₱159.0 million if 365 days. Note: DFAH was decommissioned on May 22, 2024, resulting in a total of 224 days de-commissioned until end-December 2024.
Steam Watch	2024	2024: 8,107 MT of avoided solid fuels (petcoke and coal) equivalent to 19,241.117 MT CO2e reduced	2024: ₱36.26 in savings (Monetary savings based on cost of avoided solid fuels)

EMPLOYMENT	PRODUCT RESPONSIBILITY	OCCUPATIONAL HEALTH AND SAFETY
2,355 employees (Philippines)* 6.4% attrition 100% of employees received regular performance reviews	253,102 total customer feedback received and handled by Petron Customer Care	▪ Nearly 11.5 million accumulated safe-man hours for all Petron facilities and personnel (including from the Head Office) ▪ 9,016 total safety training hours for Petron employees and third-party personnel

LOCAL COMMUNITIES
Education ▪ 2,464 Tulong Aral ng Petron (TAP) scholars from elementary to high school (SY 2024-2025) ▪ 300 new Grade 1 scholars from Luzon (Rosario, Cavite and Puerto Princesa, Palawan), Visayas (Mandaue and Mactan, Cebu; Tacloban, Leyte, and; Tagbilaran and Panglao, Bohol) and Mindanao (Davao City and Zamboanga City) for SY 2024-2025 ▪ 10 new TAP college scholars from Mindanao (Davao, General Santos City, Misamis Occidental, Misamis Oriental, Zamboanga) for SY 2024-2025 ▪ 108 Petron Schools (equivalent to 256 classrooms) built since 2002 ▪ 124 public schools in Luzon, Visayas, Mindanao and NCR assisted through Brigada Eskwela 2024

▪ 30 new Electrical and Mechanical Engineering scholars from Bataan Peninsula State University under the Refinery Engineering Scholarship program (20 for SY 2023-2024) and (10 for 2024-2025)	
Environment ▪ 55 hectares of mangrove areas adopted in Bulacan, Capiz, and Davao del Sur for adoption under Puno ng Buhay ▪ 36,766 seedlings and propagules planted ▪ Approximately 25,000 kilograms of debris removed from shorelines ▪ 31 kms. of coastal areas and creeks cleaned ▪ 100% of employee volunteer participation in Earth Day, Environment Month, and International Coastal Cleanup Day activities	Community ▪ 100% participation of Petron terminals in social development activities/initiatives ▪ Nearly 4,330 beneficiaries of Petron's Rosario Livelihood Loan Assistance Program since 2011 ▪ 74 Petron engineering scholars currently employed in the Petron Bataan Refinery for regular positions ▪ 210 scholars hired by Petron including Bataan Peninsula State University (BPSU) scholars hired as apprentices or cadets
GOVERNANCE ▪ ₱8.47 billion consolidated net income (16% decline from 2023 performance) ▪ ₱867.9 billion consolidated revenues (8% increase from 2023 performance) ▪ ₱52.0 million in community investments	

MANAGEMENT SYSTEMS	
1 Refinery	ISO 9001/14001/45001 (IMS Certified)
27 Terminals nationwide	ISO 9001 (QMS)
27 Terminals nationwide	ISO 14001 (EMS)
27 Terminals nationwide	ISO 45001 (Occupational Health and Safety (OH&S) Management System) Certified
14 Terminals nationwide	International Ship and Port Facility Security Code (ISPS Code) and certified by the Office of the Transport Security under the Department of Transportation (DOTr)
CERTIFICATIONS	
27 Terminals and offices nationwide	Bureau of Fire Protection (BFP) Kaisa Program certificate recipient
1 Petron Foundation, Inc.	▪ Department of Social Welfare and Development (DSWD) License to Operate as an Auxiliary Social Welfare and Development Agency (SWDA) renewed from July 2023 to August 2027 ▪ Philippine Council for NGO Certification (PCNC) accreditation from September 28, 2022 through September 28, 2028

Malaysian Operations

There is a slight distinction in Philippine and Malaysia operations in relation to emission standards, targets and even reporting, which warrants the difference in the adopted strategies by Petron Malaysia.

In 2022, Petron Malaysia established the Board Sustainability Committee (BSC) to assist the Board of Directors (BOD) in reviewing the strategies, targets, and programmes while aligning them with sustainability goals and strategies of the San Miguel Group. The BSC is supported by the Sustainability Council (SC) and the Technical Working Group (TWG). The governance framework is further strengthened through regular coordination and meetings held by the BOD, BSC, SC and TWG which are focused on addressing Economic, Environmental and Social (EES) impacts as well as the associated risks and opportunities.

In addition, a comprehensive materiality assessment was conducted from 2022 to 2023. Petron Malaysia validated its identified material matters and underscored the value of aligning its sustainability initiatives with stakeholders' concerns and business priorities. These material matters, which range from climate change and natural resources to biodiversity and sustainable supply chain management, will be the focus in developing initiatives to address the ESG impacts.

With the above, Petron Malaysia's sustainability framework is anchored within the sustainability pillars of Economic, Environmental and Social (EES), each with specific focus areas. In 2022, this framework was enhanced to embed Petron Malaysia's core values: Excellence, Customer Focus, Innovation, Teamwork, Ethics and Safety. This enabled the Company to weave these values into its sustainability efforts, creating a more robust and holistic approach across all aspects of its operations. Equally significant, efforts were also aligned to meet the UN Sustainable Development Goals (SDGs).

Currently, the Company is looking into developing new sustainability-related policies and enhancing existing policies to better align with evolving regulatory requirements, industry best practices, and stakeholder expectations. In light of the latest disclosure requirements set forth in the National Sustainability Reporting Framework (NSRF), including the IFRS S1 and S2 guidelines, Petron Malaysia is actively strengthening its efforts to ensure greater transparency and accountability in how it identifies, assesses, and manages climate-related risks and opportunities — supported by clearly defined metrics and targets to track progress.

Sustainability and Corporate Social Responsibility Programs

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

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

- iFUEL Knowledge: initiatives include Tulong Aral ng Petron, which has been providing scholarships from elementary to college for more than 18,000 children and youth throughout the Philippines, Under the Refinery Engineering scholarship program, Petron supported thirty (30) new Electrical and Mechanical Engineering scholars from Bataan Peninsula State University for the school years 2023-2024 and 2024-2025. Four of its previous graduates in electrical engineering passed the Licensure Board Exam in April and September 2024. Additionally, 18 recent graduates, including 14 from BS Mechanical Engineering and 4 from BS Electrical Engineering, received support for their board exams in February and April 2025. Petron has also built 108 Petron Schools equivalent to 258 classrooms nationwide and refurbished over 1,700 classrooms under DepEd's Brigada Eskwela program, benefiting over 100,000 students and teachers;

- iFUEL the Environment: initiatives include leading the establishment of the Bataan Integrated Coastal Management Program in partnership with the Provincial Government of Bataan; over one million tree and mangrove seedlings planted since 2000; 55 hectares of mangrove reforestation sites adopted all over the country, and over 37,700 trees and mangroves planted in 2024;

- iFUEL Health: initiatives include operating a Community Health Center in Pandacan (Manila) to benefit residents of its host communities with specialized services (X-Ray, Laboratory, ECG, and Ultrasound) to augment surrounding barangay health centers; and

- iFUEL Communities: initiatives include the revival of Petron Automotive Care Education (ACE) program as another avenue to contribute to poverty alleviation. Specifically, Petron ACE provided an opportunity for a total of 39 Petron Car Care Centers (CCCs) and Lube Bay personnel from Cebu, Davao, Iloilo, Surigao, Iligan and NCR to receive specialized training on automotive servicing with program partner Don Bosco-One TVET Philippines and Petron Lube Trade. Graduates become TESDA-certified automotive mechanics and will serve as a pool of talent for Petron Car Care Centers (CCC) and Lube Bay Stations. Members of Petron's host communities and parents of Tulong Aral ng Petron scholars also received support for their livelihood programs.

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

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

Health, Safety and Environmental Matters

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

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

The Philippines

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

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

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

Petron Terminal Operations implements a loss prevention system based on Human and Organization Performance (HOP) Philosophy. This loss prevention system aims to prevent or reduce losses using behavior-based tools and proven management techniques. Through an HOP-based loss prevention system, the Company aims to improve the overall safety culture of the division to prevent all types of losses, and eventually apply the same system throughout the organization. The HOP Core Team members were able to conduct 2,768 training hours to more than 346 personnel from September 2024 to April 2025 in the Terminal Operations Group to disseminate the principles of HOP.

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

In 2024, a total of 2.1 million, 9.2 million, and 0.1 million safe man hours were achieved by the Head Office, the Petron Bataan Refinery, and the terminals, respectively.

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

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

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

As of June 30, 2025, the Company is in material compliance with applicable environmental laws in the Philippines.

Malaysia

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

The Company's SSHE functions are embedded within the main business lines. SSHE is responsible for formulating, implementing and enforcing the Company's safety, health and environmental policies in Malaysia, coordinating and conducting relevant programs to raise the level of awareness of SSHE and ensuring compliance with applicable laws and regulations. In-country recognition on Occupational Safety and Health (OSH) Excellence was awarded to most of the Company's operating sites in Peninsular Malaysia and Sabah from Malaysian Society for Occupational Safety and Health (MSOSH). The Company also received the Prime Minister Hibiscus Award for Exceptional and Notable Achievements in Environmental Performance 2019/2020 for the Port Dickson Refinery and Sepangar Bay terminal in Sabah, National Energy Award 2021 runner-up for Energy Renewable Category for the Lumut PME plant, gold merit for 2021 Annual Quality Environmental Challenge Award for Bagan Luar terminal, and silver for the Royal Society for the Prevention of Accidents (RoSPA) Health & Safety Awards 2023 for Kuantan terminal. In December 2024, PDR received the Superior Performance Award presented to PDR Safety & Health Officer (SHO), in recognition of OSH practitioners' efforts.

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

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

Legal Proceedings

As set forth below, the Company is involved in ongoing legal cases the outcome of which may or may not have a material adverse effect on its operations and profitability. While the final outcomes of these legal proceedings are not certain, the Company believes it has strong legal grounds in each of these legal proceedings. In respect of the cases discussed below, the Company has not made provisions in its financial statements for possible liabilities arising therefrom.

Guimaras Oil Spill Incident

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

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total aggregate claims for both cases amount to ₱292 million. The cases are still pending.

The cases for damages are pending in the Regional Trial Court, Branch 65, Jordan, Guimaras.

Pursuant to DENR Memorandum Circular No. 2012-01, the DENR declared that the Guimaras coastal water was already compliant with applicable water quality standards.

Leases with PNOC

On October 20, 2017, the Company filed with the Regional Trial Court of Mandaluyong City a complaint against PNOC for Resolution and Reconveyance, and Damages, with Verified Ex Parte Application for 72-hour Temporary Restraining Order and Verified Applications for 20-day Temporary Restraining Order and Writ of Preliminary Injunction. In its complaint, the Company sought the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Company. These landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by the Company of the conveyed lots for its business operation. Thus, PNOC and the Company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years to expire in August 2018, with a provision for automatic renewal for another 25 years. Earlier in 2009, the Company, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint stemmed from PNOC's refusal to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned and -controlled corporation. The Company alleged that by unilaterally setting aside both the renewal clauses of the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots, and by categorically declaring its refusal to honor them, PNOC committed a fundamental breach of such lease agreements with the Company. On December 11, 2017, the trial court granted the Company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Company of possession of the subject properties until the case is decided, conditioned upon the posting by the Company of a bond in the amount of ₱100 million. The Company has posted the required bond.

The court-mandated mediation and judicial dispute resolution proceedings were terminated without any agreement between the parties. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper.

The Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Company's motion for summary judgment and ordered (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993; (ii) the reconveyance by PNOC to the Company of all such properties; and (iii) the payment by the Company to PNOC of the amount of ₱143 million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Company all lease payments the latter had paid to PNOC since 1993. Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Company filed their notices of appeal with the trial court.

In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Company and PNOC and affirmed the resolution of the trial court. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Company and PNOC. The PNOC filed a petition for review with the Supreme Court in December 2022, which the Supreme Court denied on July 25, 2023 on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction.

In a resolution dated November 25, 2024, the Supreme Court denied with finality the motion for reconsideration and the motion to refer to the Supreme Court En Banc that the PNOC filed in December 2023. The November 2024 resolution also ordered the immediate issuance of the entry of judgment and declared that no further pleadings or motions shall be entertained. The November 2024 resolution has become final and executory and recorded in the Book of Entries of Judgment of the Supreme Court on November 25, 2024. In January 2025, PNOC filed a second motion for reconsideration.

On July 2, 2025, the Supreme Court denied the second motion for reconsideration filed by PNOC, reiterating its directive in the November 25, 2024 resolution that no further pleadings or motions will be entertained.

Other Proceedings

The Company is also party to certain other proceedings arising out of the ordinary course of its business, including legal proceedings with respect to tax, regulatory and other matters. While the results of litigation cannot be predicted with certainty, the Company believes that the final outcome of these other proceedings will not have a material adverse effect on its business, financial condition or results of operations.

REGULATORY AND ENVIRONMENTAL MATTERS

The statements herein are based on the laws in force as of the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.

PHILIPPINES

Downstream Oil Industry Deregulation Law

Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 (the "**Oil Deregulation Law**"), provides the regulatory framework for the downstream oil industry in the Philippines.

Under the Oil Deregulation Law, any person or entity may import or purchase any quantity of crude oil and petroleum products from foreign and domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirement. The same law declared as policy of the state the liberalization and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high-quality petroleum products.

To ensure the attainment of these objectives, the DOE, in consultation with relevant government agencies, promulgated the Implementing Rules and Regulations of the Oil Deregulation Law in March 1998 through Department Circular No. 98-03-004, as amended, and the Supplementing Rules and Regulations of the Oil Deregulation Law in June 1998 through Department Circular No. 98-06-009. The rules require any person or entity engaged in any activity in the downstream oil industry to comply with the notice, reportorial, quality, health, safety and environmental requirements set forth therein. In September 2021, the DOE, through Department Circular No. DC2021-09-0029, further promulgated the Guidelines on Notices and Reportorial Requirements Pursuant to the Downstream Oil Industry Deregulation Act. Non-compliance with the submission of such notices and reports when required may result in the suspension or cancellation of requests by the downstream oil industry ("**DOI**") participant in relation to its DOI operations, imposition of administrative fines, or the filing of the necessary administrative or criminal action against the DOI participant and other persons responsible.

The DOE is the lead government agency overseeing the oil sector. With the enactment of the Oil Deregulation Law, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board, leaving price-setting to market forces. DOE's current function is solely to monitor prices and violations under the law, which includes prohibited acts such as cartelization and predatory pricing. Cartelization is defined as any agreement or concerted action by refiners, importers, and/or dealers to fix prices, restrict outputs, or divide markets, while predatory pricing is selling a product below the seller's average variable cost with the intent to destroy competition or eliminate a competitor.

Other functions of the DOE under the Oil Deregulation Law include the following:

(a) monitoring and publishing the daily international crude oil prices, following the movements of domestic oil prices, monitoring the quality of petroleum and stopping the operation of businesses involved in the sale of petroleum products which do not comply with national standards of quality;

(b) monitoring the refining and manufacturing processes of local petroleum products to ensure that clean and safe technologies are applied;

(c) maintaining a periodic schedule of present and future total industry inventory of petroleum products to determine the level of supply;

(d) immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and

(e) in times of national emergency, when the public interest so requires, during the emergency and under reasonable terms, temporarily taking over or directing the operations of any person or entity engaged in the industry.

Recent circulars that serve as additional and more updated guidelines in implementing the law include the following:

- Department Circular 2019-05-008. This DOE circular requires oil companies to submit a detailed computation, with corresponding explanation and supporting documents, of the cost components of liquid fuel and LPG on a per liter and per product basis. The circular has not been implemented following the temporary restraining orders and writs of preliminary injunction issued by the Regional Trial Courts of Taguig and Mandaluyong. Last September 10, 2024, the Supreme Court made public its decision dated July 31, 2024 affirming the validity of the circular in one of the cases filed against its implementation.

- Department Circular 2021-09-0029. The "Revised Guidelines on Notices and Reportorial Requirements Pursuant to the Oil Deregulation Law" was published on November 5, 2021. It requires the submission of monthly and annual reports using revised templates for DOE to monitor importation and/or production of oil companies (and for Petron as a refiner) and includes additional reportorial requirements for lubes and blending plants, with more stringent penalties for non-compliance.

Promotion of Retail Competition

Pursuant to the Oil Deregulation Law's objective to promote a competitive petroleum product market at the retail level, the DOE is mandated to promote and encourage the active and direct participation of the private sector and cooperatives in the retailing of petroleum products through joint venture or supply agreements with new industry participants for the establishment and operation of gasoline stations. To this end, the DOE, in cooperation with the Technology and Livelihood Resource Center ("**TLRC**") and the Technical Education and Skills Development Authority ("**TESDA**"), shall formulate a two-fold program on management and skills training. Under prevailing rules and regulations, new industry participants are given preference in the (i) formulation and implementation of a two-fold program on management and skills training for the establishment, operation, management and maintenance of gasoline stations and (ii) grant of gasoline station training and loans to be used as capital for the establishment and operation of gasoline stations.

The Philippine Strategic Petroleum Reserve Program

On September 16, 2021, the DOE issued Department Circular No. DC2021-09-0028, otherwise known as "Establishing the Philippine Strategic Petroleum Reserve Program" (the "**Program**"), in order to mitigate the impact of crude oil and finished petroleum products supply disruptions in the Philippines caused by natural disasters. It seeks to institutionalize the establishment of a government-owned crude oil and/or finished petroleum products and biofuel reserve to enhance security of fuel supply and to establish available supply of crude oil and/or finished petroleum products and biofuel at the disposal of the government to address a severe international supply interruption or to implement the targeted fuel relief program. The Program also requires the submission of quarterly reports on policy updates, performance evaluation, and budget and financial performance, and the submission of an annual comprehensive report, annual plans and programs, and updated five-year development plan from the Philippine National Oil Company ("**PNOC**") to the DOE.

Petroleum Data Declassification

On September 29, 2023, the DOE promulgated Department Circular DC2023-10-0028 or the Guidelines on Petroleum Data Declassification and Free Data Access ("**DC2023-10-0028**"). Under DC2023-10-0028, petroleum data and reports stored in the Energy Data Center of the Philippines ("**EDCP**") which is the sole central repository of petroleum, coal and geothermal energy data in the Philippines, pursuant to the following shall be declassified: (a) expired, relinquished, or terminated PSCs; (b) upon expiration of the exclusivity period under active PSCs; and (c) active PSCs which do not have a stipulation on exclusivity period. As such, eligible persons may request petroleum data and reports from the EDCP. These eligible persons or entities are the following:

1. Government entities and instrumentalities;
2. Service Contractors;
3. Potential Investors;
4. Researchers and/or students;
5. Other persons allowed by the DOE upon written request.

Award of Petroleum Service Contracts

On December 7, 2023, the DOE promulgated Department Circular No. 2023-12-0033 or the Guidelines on the Awarding of Petroleum Service Contracts ("**PSCs**") for Development and Production ("**DC2023-12-0033**"). DC2023-12-0033 was adopted to implement a new strategy of awarding PSCs to allow the development and production of producible petroleum reserves and to avoid stranded petroleum reserves that may result in substantial losses to the Philippine government. It specifically outlines the area coverage, term, modes of awarding, and criteria of evaluating of applicants for the award of PSCs.

The area coverage of a PSC for development and production must include the area with DOE-validated producible petroleum reserves and shall cover not less than 50,000 hectares and not more than 93,750 hectares for onshore areas, or not less than 80,000 hectares and not more than 187,500 hectares for offshore areas.

The term of a PSC for development and production shall have an initial term corresponding to the period necessary for the full maximization and exhaustion of the producible petroleum reserves based on a plan of development approved by the DOE in the contract area, and may be renewed for an additional period under such terms and conditions agreed upon at the time of renewal.

The modes of awarding of a PSC for development and production are: (a) nomination and publication of area/s of interest, (b) direct negotiation, and (c) offering of pre-determined areas. In relation to this, the criteria for evaluating applicants for PSCs for development and production are: (a) legal qualification, (b) technical qualification, (c) financial qualification, and (d) work program.

Rules Relating to Retailing of Liquid Petroleum Products

In November 2017, the DOE promulgated Department Circular No. 2017-11-0011 or the Revised Rules and Regulations Governing the Business of Retailing Liquid Fuels (the "**Revised Retail Rules**"). The Revised Retail Rules apply to all persons engaged or intending to engage in the business of retailing liquid fuels. Liquid fuels refer to gasoline, diesel, and kerosene.

A person intending to engage in the business of retailing liquid petroleum products must notify the Oil Industry Management Bureau ("**OIMB**") of its intention to engage in such activity and, upon compliance with the requirements under the Revised Retail Rules, secure a certificate of compliance ("**Certificate of Compliance**") from the OIMB. The certificate shall be valid for a period of five (5) years. The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a Certificate of Compliance. Storage and dispensing of liquid fuels that are for own-use operation shall not be covered by the Revised Retail Rules only upon issuance of a Certificate of Non-Coverage ("**CNC**") by the DOE.

The Revised Retail Rules likewise imposes: (i) mandatory standards and requirements for new retail outlets and minimum facility requirements for existing retail outlets; (ii) rules and procedures relating to fuel storage, handling, transfer and/or dispensing of liquid fuels; (iii) requirements of other types of retail outlets; (iv) the conduct of inspection and monitoring by the OIMB; (v) rules and procedures relating to liquid fuels quantity and quality; and (vi) fines and/or sanctions against prohibited acts.

The prohibited acts under the Revised Retail Rules include illegal trading, adulteration, underdelivering, refusal/obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of Prohibited Acts under the Revised Retail Rules. A retail outlet or company that supplies liquid fuels to any person selling or dispensing through the use of drums, barrels, bottles, or *"bote-bote"* is considered to be committing illegal trading.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. On June 6, 2019, the DOE issued Department Circular No. DC2019-06-0009, otherwise known as Implementing the Modified Philippine National Standard Specifications for Liquefied Petroleum Gases. This issuance mandates compliance to PNS/DOE Quality Standards ("QS") 005:2016 and PNS DOE QS 012:2016, the latest standard specifications for LPG for non-motor fuel and motor fuel, respectively. The DOE is responsible for conducting random quality and quantity sampling and testing of LPG from oil downstream industry players to ensure compliance. Meanwhile, on December 9, 2020, the DOE issued Department Circular No. DC2020-12-0025, also known as Implementing the Philippine National Standard Specification for Kerosene. This, on the other hand, mandates compliance of all kerosene sold in the Philippines with PNS/DOE QS 009:2019 – Kerosene –

Specifications. Under the issuance, petroleum fuel product adulteration, or the failure to meet the required product specifications at the bulk plants/depots as prescribed by the applicable products standards, and adulteration, or the possession and sale of liquid fuels that do not conform with quality standards, are considered prohibited acts.

LPG Industry Regulation Act

Republic Act No. 11592 or the LPG Industry Regulation Act, was enacted into law on October 14, 2021, aims to regulate the domestic liquefied petroleum gas industry and ensure consumer protection against malpractices. Republic Act No. 11592 mandates the establishment of an LPG cylinder improvement program to ensure the quality of all cylinders in circulation with the goal of protecting the end-consumers. Said program shall be implemented and aligned with an LPG cylinder exchange and swapping program which shall allow the exchange, swapping, and buyback of LPG cylinders, the computation of the depreciated value of LPG cylinders, and the establishment of accredited LPG cylinder swapping centers.

Under Republic Act No. 11592, in addition to other permits under existing laws, every LPG industry participant shall secure a license to operate, which shall indicate the specific site, plant, and outlet, prior to the commencement of commercial operation, and shall publicly post such license to operate in its business establishment or premises. In the event that the participant intends to engage in a new activity outside of its current license to operate, it shall secure another license to operate for the new activity.

Moreover, any LPG industry participant who imports or manufactures auto-LPG containers, engines, and accessories, installs auto-LPG containers, engines, and accessories, retrofits motor vehicles with auto-LPG containers, or operate an auto-LPG conversion shop shall comply with the requirements, quality and safety standards, rules, and regulations issued by the Department of Trade and Industry ("**DTI**"), the Land Transportation Office ("**LTO**"), and other pertinent government agencies, including the Bureau of Fire Protection ("**BFP**"). If the LPG industry participant constructs and operates an auto-LPG dispensing station, the requirements and safety standards, rules, and regulations issued by the DOE and other relevant government agencies including the BFP must be complied with. Under the implementing rules and regulations of the law, the LPG industry participant who constructs and operates an Auto-LPG dispensing station is likewise required to comply with the requirements, quality and safety standards, rules, and regulations issue by the DOE and other relevant government agencies, including the BFP. The DOE is also tasked under Republic Act No. 11592 to prepare the LPG industry development plan, in consultation with public and private stakeholders, to ensure existing and projected LPG supply levels will meet demand, including concrete steps to further develop the industry.

A violation of Republic Act No. 11592 may subject LPG industry participants to a fine ranging from ₱5,000 to ₱1,000,000, depending on the nature and frequency of the offense, and/or imprisonment, as provided by law.

In addition, Republic Act No. 11592 mandates the DOE, the primary agency responsible for the implementation of said law, to regulate, supervise, and monitor the LPG industry and all industry participants to ensure compliance with the health, safety, security, and environmental standards, the applicable Philippine national standards, and other accepted codes and standards. The DOE is also tasked under said law to prepare the LPG industry development plan, in consultation with public and private stakeholders, to ensure existing and projected LPG supply levels will meet demand, including concrete steps to further develop the industry. As such, under the law, LPG industry participants should be registered in a central database to be created by the DOE.

The Implementing Rules and Regulations of the LPG Industry Regulation Act as provided by the DOE-DTI Joint Department Circular No. JDC2022-05-0001 (the "**LPG Industry Regulation IRR**") establishes the regulatory framework for the safe operations of the LPG industry, delineating the powers and functions of various government agencies, defining, and penalizing certain prohibited acts. The circular delineates the roles of each agency: the DOE serves as the primary regulator of industry operations and licensing, while the DTI, through its Bureau of Philippine Standards ("**BPS**"), is responsible for developing and, when necessary, updating the Philippine National Standards ("**PNS**") for (i) facilities, including refining plants, terminals, bulk depots, refilling plants, dealer and retailer outlets, seal manufacturing plants, auto-LPG dispensing stations, LPG pressure vessel and ancillary equipment manufacturing plants or importation warehouses, requalifier shops, repairer shops, auto-LPG conversion shops, and centralized LPG piping systems; (ii) products, such as LPG, LPG pressure vessels, and ancillary equipment; and (iii) codes of safety practice, which cover standards, protocols, and procedures for the safe operation and handling of both facilities and products. The LPG Industry Regulation IRR states that the LPG Regulation Act applies to (a) importation, refining, storing, exporting, refilling, transportation, distribution, and marketing of LPG; (b) importation, manufacture, requalification, repair, exchange, swapping improvement,

and scrappage of LPG pressure vessels, whichever is applicable; and (c) safe operations of the entire LPG industry including all LPG facilities and the residential, commercial, industrial, and automotive use of LPG.

As of date, various circulars are in their implementation stage, including the application guidelines for License to Operate (DOE DC 2022-11-037), establishment of LPG Cylinder Exchange and Swapping Program (DOE Department Circular 2022-11-0002), and Guidelines for the Recognition of LPG Training Institutions (DOE Department Circular 2023-08-0025).

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (the "**ECC**") prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau (the "**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement ("**EIS**") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("**IEE**") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is mandatory. The construction of major roads and bridges are considered environmentally critical projects for which EIS and ECC are mandatory. Presidential Proclamation No. 2146 also classified petroleum and petro-chemical industries as environmentally critical projects.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

The Biofuels Act of 2006

Republic Act No. 9367, also known as "The Biofuels Act of 2006", aims to reduce the dependence of the transport sector on imported fuel and, pursuant to such law, regulations mandate that all premium gasoline fuel sold by every oil company in the Philippines should contain a minimum of 10% blend of bioethanol starting August 6, 2011. For diesel engines, the mandated biodiesel blend in the country was increased from 1% to 2% starting February 2009.

In 2008, Joint Administrative Order No. 2008-1, series of 2008, known as the Guidelines Governing the Biofuel Feedstocks Production and Biofuels and Biofuel Blends Production, Distribution and Sale (the "**Guidelines**") was issued by various Philippine government agencies. The Guidelines mandated oil companies to blend biodiesel

with diesel and bioethanol with gasoline. The Guidelines further required oil companies to source biofuels only from biofuel producers accredited by the DOE or from biofuel distributors registered with the DOE. Moreover, unless authorized by DOE to import in case of shortage of supply of locally-produced bioethanol as provided for under the Biofuels Act of 2006, an oil company's failure to source its biofuels from accredited biofuel producers and/or registered biofuel distributors would constitute a prohibited act under the Guidelines.

In June 2015, the DOE issued Department Circular No. DC 2015-06-0005, or the Amended Guidelines on E-10 Implementation, which temporarily waives compliance by oil companies with the required bioethanol blend for premium plus grade gasoline products when supply of locally produced bioethanol products are insufficient to meet demand.

Further, in June 2015, the DOE issued Department Circular No. DC 2015-06-0007, or the Revised Guidelines on the Utilization of Locally-Produced Bioethanol (the "**Revised Guidelines**"), which repealed Department Circular No. 2011-12-0013, or the "Guidelines on the Utilization of Locally-Produced Bioethanol in the Production of E-Gasoline Consistent with the Biofuels Act of 2006". The Revised Guidelines required oil companies operating within the Philippines to secure and maintain a DOE accreditation as an "Oil Industry Participant in the Fuel Bioethanol Program" and submit to the OIMB certain reports in order for the OIMB to monitor the oil companies' compliance with the Revised Guidelines, including an annual performance compliance report relating to the oil companies' compliance with the minimum biofuel blends and monthly reports on compliance with local monthly allocations for the use of locally-sourced bioethanol. The Revised Guidelines further require oil companies to strictly comply with the Local Monthly Allocation ("**LMA**"). The LMA refers to the local bioethanol volume imposed on oil companies based on the committed volume by the local bioethanol producers of bioethanol available for lifting by the oil companies and computed and circulated by the OIMB. A fine of ₱500.00 shall be imposed for every liter of locally-produced bioethanol not purchased based on the prescribed LMA, reckoned aggregately on a quarterly basis.

In February 2016, the Congress of the Philippines promulgated Republic Act No. 10745, amending the Biofuels Act of 2006. The law allows natural gas power generation plants to use neat diesel (instead of the mandated biofuel blend) as alternative fuel during shortages of natural gas supply. The DOE issued Department Order No. 2016-07-0012 or the Implementing Rules and Regulations for Republic Act No. 10745. This provides that the natural gas power generating plants with duly issued Certificate of Compliance from the Energy Regulatory Commission can avail of the use of neat diesel in the following instances:

1. During maintenance and/or shutdown of facilities used for the supply of natural gas such as pipelines, terminal, etc.;

2. During force majeure which adversely affect the supply of natural gas to natural gas power plants; or

3. Other analogous instances.

All suppliers of natural gas shall submit to the DOE their preventive maintenance schedule indicating the dates when the suppliers of natural gas would be critical. During force majeure events, the DOE shall determine the affected facilities for proper issuance of certification of the shortage of natural gas supplies.

On June 3, 2021, the DOE promulgated Department Circular No. DC2021-06-0014 or the Revised Circular on Accreditation and Submission of Notices and Reports by Refiners, Importers and Own Users of Gasoline and Diesel Pursuant to the Biofuels Act (the "**Revised Circular**"). The Revised Circular expressly repealed DOE Department Circular No. DC2006-08-0011 known as the Interim Guidelines for the Accreditation of Oil Industry Participants in the Fuel Bioethanol Program, Sections 22.4 and 24 of DOE Department Circular No. DC2007-05-0006 or the Implementing Rules and Regulations of the Biofuels Act of 2006, and Section 5 of the Revised Guidelines. Under the Revised Circular, the DOI biofuel participants shall instead secure accreditation from the OIMB and submit required notices and reports under its procedures.

Moreover, on April 30, 2025, the DOE issued Advisory No. 2025-04-004-SEC addressed to all biofuel producers. The DOE stated thereunder that it would begin strictly implementing Section 1(e) of the Guidelines which imposed penalties on the production, distribution, and/or sale of biofuels with the requisite certificate of accreditation, among others. Biofuel producers may avoid these penalties by procuring a Certificate of Energy Project of National Significance ("**CEPNS**"), which grants prioritized and simultaneous processing of permits and other requirements for their COA renewal.

On May 7, 2024, the DOE issued Department Circular No. DC 2024-05-0013, also known as Implementing the Specifications for Blended Automotive Diesel Oil ("**ADOB3**") and CME-Blended Industrial Diesel Oil ("**IDOB3**") which requires all Downstream Oil Industry participants engaged in the sale of ADOB3 and IDOB3 whether in bulk or in retail to comply with the specifications as required by the DOE in PNS/DOE QS 015:2021 ADOB3 – Specification, and PNS/DOE QS 016:2021 IDOB3 – Specification, respectively.

On the same date, the DOE also issued Department Circular No. DC2024-05-0014, which mandates that all Downstream Oil Industry ("**DOI**") participants shall distribute only diesel fuel containing the following biodiesel blends: 3% effective October 1, 2024, 4% effective 01 October 2025, and 5% effective October 1, 2026. The circular likewise authorizes DOI participants to offer, on a voluntary basis, gasoline fuel containing a 20% bioethanol blend.

However, on July 17, 2025, the DOE issued Advisory No. 2025-07-001-SEC, suspending the implementation of the scheduled increases in the mandatory biodiesel blend to 4% and 5%, citing the anticipated significant impact on pump prices and the potential inflationary effects on the national economy.

Philippine Clean Air Act of 1999

Republic Act No. 8749, otherwise known as the "Philippine Clean Air Act", provides more stringent fuel specifications over a period of time to reduce emission that pollutes the air. The Philippine Clean Air Act specifies the allowable sulfur and benzene content for gasoline and automotive diesel. Under the law, oil firms are mandated to lower the sulfur content of automotive diesel oils to 0.05% by weight by January 1, 2004 nationwide. The law also prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or fuel additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for all types of fuel and fuel related products, to improve fuel consumption for increased efficiency and reduced emissions. The committee is guided by strict time-bound and quality-specific targets under the mandate of the Philippine Clean Air Act and the DOE initiative on alternative fuels.

The Philippine Clean Air Act empowers the DOE, together with the DENR, to set the specifications for all types of fuels and fuel-related products, and to prescribe penalties for its violations. Under the Act, no manufacturer, processor or trader of any fuel or additive may import, sell, offer for sale, or introduce into commerce fuel or fuel additives unless the same has been registered with the DOE. Pursuant to such authority, on May 7, 2024, the DOE issued Department Circular No. 2024-04-0013. Department Circular No. 2024-04-0013 requires all DOI participants engaged in the sale of CME Blended Automotive Diesel Oil ("**ADOB3**") and CME Blended Industrial Diesel Oil ("**IDOB3**") to comply with the specifications required by the DOE in PNS/DOE QS 015:2021 ADOB3 and PNS/DOE QS 016:2021 IDOB3 respectively.

Philippine Clean Water Act of 2004

In 2004, Republic Act No. 9275, or the "Philippine Clean Water Act", was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Philippine Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

On May 24, 2016, DENR issued DENR Administrative Order No. 2016-08, otherwise known as the Water Quality Guidelines and General Effluent Standards of 2016 (the "**Water Quality Guidelines**"), which apply to all water bodies in the Philippines. The guidelines set forth, among others: (a) the classification of water bodies in the Philippines, (b) determination of time trends and evaluation of stages of deterioration or enhancement in water quality, (c) the designation of water quality management areas and (d) the general effluent standards. On the general effluent standards, the Water Quality Guidelines provide that discharges from any point of source (regardless of volume) shall, at all times, meet the effluent standards prescribed by the guidelines to maintain the required water quality per water body classification. The general effluent standards apply regardless of the

industry category. For purposes of implementing the Water Quality Guidelines, the DENR has extended a grace period of not more than five years from June 15, 2016 (i.e., the effectivity of the Water Quality Guidelines) to allow establishments to submit to the DENR a compliance action plan and a periodic status of implementation on the steps taken for the establishment's compliance schedule within the grace period. The grace period shall include a moratorium on the issuance of cease and desist and/or closure order, fines and other penalties against the establishment's operations.

In accordance with the Philippine Clean Water Act and DENR Administrative Order No. 2016-08 which mandates the periodic review and modification of the water quality guidelines and general effluent standards, the DENR issued DENR Administrative Order No. 2021-19 which sets forth updated water quality guidelines for selected parameters (including ammonia, boron and sulfate) based on the current classification of water bodies and on its beneficial use. Effluent standards for selected parameters (including ammonia, boron and sulfate) were also updated based on its perceived impact to the activities in the area and to the environment.

LPG Laws and Regulations

Batas Pambansa Blg. 33

B.P. 33, as amended by Presidential Decree No. 1865, provides for certain prohibited acts inimical to public interest and national security involving petroleum and/or petroleum products. These prohibited acts include, among others, (i) illegal trading in petroleum and/or petroleum products; and (ii) underdelivery or underfilling beyond authorized limits in the sale of petroleum products or possession of underfilled liquefied petroleum gas cylinder for the purpose of sale, distribution, transportation, exchange or barter. For this purpose, the existence of the facts hereunder gives rise to the following presumptions:

(a) That cylinders containing less than the required quantity of liquefied petroleum gas which are not property identified, tagged and set apart and removed or taken out from the display area and made accessible to the public by marketers, dealers, sub-dealers or retail outlets are presumed to be for sale;

(b) In the case of a dispensing pump in a petroleum products retail outlet selling such products to the public, the absence of an out-of-order sign, or padlocks, attached or affixed to the pump to prevent delivery of petroleum products therefrom shall constitute a presumption of the actual use of the pump in the sale or delivery of such petroleum products; and

(c) When the seal, whether official or of the oil company, affixed to the dispensing pump, tank truck or liquefied petroleum gas cylinder, is broken or is absent or removed, it shall give rise to the presumption that the dispensing pump is underdelivering, or that the liquefied petroleum gas cylinder is underfilled, or that the tank truck contains adulterated finished petroleum products or is underfilled.

The use of such pumps, cylinders or containers referred to in sub-paragraph (a), (b), and (c) above, to deliver products for sale or distribution shall constitute prima facie evidence of intent of the hauler, marketer, refiller, dealer or retailer outlet operator to defraud.

Under the said law, "illegal trading in petroleum and/or petroleum products" is understood to mean, among others, (1) the sale or distribution of petroleum products without license or authority from the OIMB, (2) non-issuance of receipts by licensed oil companies, marketers, distributors, dealers, subdealers and other retail outlets, to final consumers; provided: that such receipts, in the case of gas cylinders, shall indicate therein the brand name, tare weight, gross weight, and price thereof, (3) refilling of liquefied petroleum gas cylinders without authority from the OIMB, or refilling of another company's or firm's cylinders without such company's or firm's written authorization, and (4) marking or using in such cylinders a tare weight other than the actual or true tare weight thereof.

"Underfilling" or "underdelivery" refers to a sale, transfer, delivery or filling of petroleum products of a quantity that is actually beyond authorized limits than the quantity indicated or registered on the metering device of container. This refers, among others, to the quantity of petroleum retail outlets or to liquefied petroleum gas in cylinder or to lube oils in packages.

The 2019 Revised Implementing Rules and Regulations of the Fire Code of the Philippines of 2008

The 2019 Revised Implementing Rules and Regulations of Republic Act No. 9514 or the Fire Code of the Philippines of 2008 also outlines requirements for storage and handling of LPG by outside bulk LPG stores and filling stations and the transportation of LPG which require among others, that during the unloading or transfer of

LPG, the tank truck shall be located or parked clear of a public thoroughfare, unless (i) the failure to transfer would create a hazard; or (ii) it is impossible due to topography.

LPG Industry Rules

In January 2014, the Department of Energy issued Department Circular 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry (the "**LPG Industry Rules**"). The LPG Industry Rules apply to all persons engaged or intending to engage in any industry activity, i.e., the business of importing, refining, refilling, marketing, distributing, hauling/transporting, handling, storing, retailing, selling and/or trading of LPG.

The LPG Industry Rules also imposes (i) minimum standards and requirements for refilling and transportation of LPG; and (ii) qualifications and responsibilities for LPG industry participants, such as bulk suppliers, refillers, marketers, dealers, and retail outlets.

Brand owners whose permanent mark appears on the LPG cylinder are presumed under the rules as the owner thereof, irrespective of their custody and possession, and shall ensure that their cylinders comply with all required quality and safety standards. The owner of the cylinders is also required to secure product liability insurance for any damage or liability that may result from an unsafe condition of LPG cylinders.

The LPG Industry Rules is supported by more recent issuances from the DOE, such as the Joint Department Circular No. JDC2022 -05-0001 ("**JDC2022 -05-0001**") which is the Implementing Rules and Regulations of Republic Act No. 11592. As mentioned previously, Republic Act No. 11592 and JDC2022 -05-0001 require every LPG industry participant to secure a license to operate. DOE Department Circular No. DC2022-11-0037 ("**DC2022-11-0037**"), issued on 22 November 2022, specifically provides for the guidelines on the registration and issuance of license to operate to qualified DOE-regulated LPG industry participants.

Rules Pertinent to Auto-LPG Motor Vehicles

On 13 February 2007, the DOE issued DOE Circular No. DC 2007-02-0002 entitled "Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas (LPG) for Automotive Use" (the "**Auto-LPG Rules**"). The Auto-LPG Rules govern the business of supplying, hauling, storage, handling, marketing and distribution of LPG for automotive use.

The Auto-LPG Rules also mandates all participants to observe a code of practice consisting of operational guidelines and procedures to ensure the safe operation in the auto LPG business. Illegal trading, adulteration and hoarding are likewise prohibited. Under the Auto-LPG Rules, the following shall constitute prima facie evidence of hoarding: (i) the refusal of auto-LPG dispensing stations to sell LPG products for automotive use shortly before a price increase or in times of tight supply, and in both instances if the buyer or consumer has the ability to pay in cash for the product; (ii) the undue accumulation of auto-LPG dispensing stations of LPG products for automotive use in times of tight supply or shortly before a price increase. Under the Auto LPG Rules, "undue accumulation" shall mean the keeping or stocking of quantities of LPG products for automotive use beyond the inventory levels as required to be maintained by the auto-LPG dispensing stations, for a period of 30 days immediately preceding the period of tight supply or price increase.

The Land Transportation Office ("**LTO**") also issued Memorandum Circular No. RIB-2007-891 or the "Implementing Rules and Regulations in the Inspection and Registration of Auto-LPG Motor Vehicles." The circular requires the device for the use of LPG as fuel by any motor vehicle to be installed only by the conversion/installing shop duly certified by the Bureau of Product and Standards ("**BPS**") of the Philippine Department of Trade and Industry ("**DTI**") under its Philippine Standards Certification Mark scheme. The converted vehicle shall be subjected to an annual maintenance and inspection by the BPS certified conversion/installing shop. The BPS certified conversion/installing shop shall issue a corresponding Certificate of Inspection and Maintenance Compliance.

With the enactment of Republic Act No. 11592, new issuances such as JDC2022-05-0001 and DC2022-11-0037 govern the importation, refinement, storage, exportation, refilling, transportation, distribution and marketing of LPG for among other purposes, automative use. In particular, under JDC2022-05-0001, any LPG industry participant who imports or manufactures Auto-LPG containers, engines, and accessories, installs auto-LPG containers, engines, and accessories, retrofits, motor vehicles with auto-LPG containers, or operates an auto-LPG conversion shall comply with the requirements, quality and safety standards, rules, and regulations issued by the DTI and LTO, and other pertinent government agencies including the BFP. Likewise, any LPG industry

participants who constructs and operates an auto-LPG dispensing station shall comply with the requirements, quality and safety standards, rules, and regulations issued by the DOE, and other relevant government agencies including the BFP.

BFP Guidelines in the Transportation of LPG in Cylinders Using Two- or Three-Wheeled Vehicle

On July 30, 2024, the BFP issued Memorandum Circular No. 2024-017 which covers the fire safety standards for the transportation of the LPG in cylinders using two- or three-wheeled vehicle. The BFP shall issue (a) a fire safety inspection certificate ("**FSIC**") as pre-requisite for the issuance of a business permit by the Business Processing and Licensing Office ("**BPLO**") of the relevant local government unit for business operations and other pertinent permits/certificates/clearances issued by other government agencies and (b) a conveyance clearance to each qualified two- or three-wheeled vehicle used to transport LPG in cylinder.

DTI Rules on Mandatory Certification of LPG Pressure Vessels, Systems, Services and Ancilliary Products

On June 27, 2022, the DTI issued the Department Administrative Order No. 22-11, series of 2022, or The New Technical Regulation Concerning the Mandatory Certification of LPG Pressure Vessels, Systems, Services and Ancillary Products ("**DAO 22-11**"), which aims to strictly ensure that LPG pressure vessels and ancillary products to be imported, manufactured, distributed, or sold in the Philippines, and LPG related systems and services meet the specified quality requirements prescribed by this technical regulation. DAO 22-11 prescribes the Technical Regulation for Mandatory Philippine Standard ("**PS**") Licensing and/or ICC Scheme for LPG pressure vessels, and ancillary products whether locally manufactured or imported and LPG related systems and services covered by the scope of the relevant Philippine National Standards ("**PNS**").

The Bureau of Philippine Standards ("**BPS**") shall implement two (2) product certification schemes. First, the PS Quality Mark Licensing Scheme shall be available to both local and foreign manufacturers selling and/or distributing LPG cylinder and ancillary products in the Philippine market. Second, the Import Commodity Clearance ("**ICC**") Mark Scheme shall be available only to importers duly registered under Philippine laws importing ancillary products selling and/or distributing in the Philippine market. The ICC shall be only issued to an importer found to be compliant with the DTI/BPS rules and regulations, satisfactory results of inspection and compliance of the product with the relevant PNS. For LPG cartridge and other ancillary products covered by DAO 22-11, an importer duly registered under Philippine laws shall secure an ICC and shall only be issued by BPS on per shipment (Bill of Lading or Airway Bill), per product basis prior to selling and/or distribution in the Philippine market.

Oil Pollution Compensation Act of 2007

Republic Act No. 9483, otherwise known as the Oil Pollution Compensation Act of 2007, imposes strict liability on the owner of the ship for any pollution damage caused within the Philippine territory. Pollution damage is the loss or damage caused outside the ship by contamination due to the discharge of oil from the ship, as well as the cost of preventive measures to protect it from further damage, and further loss or damage caused by preventive measures.

The law also provides that any person who has received more than 150,000 tons of "contributing oil" (as explained below) in a calendar year in all ports or terminal installations in the Philippines through carriage by sea shall pay contributions to the International Oil Pollution Compensation Fund in accordance with the provisions of the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (the "**1992 Fund Convention**"). For this purpose, "oil" includes any persistent hydrocarbon mineral oil such as crude oil, fuel oil, heavy diesel oil and lubricating oil, whether carried on board a ship as cargo or in bunkers of such a ship.

A person shall be deemed to have received "contributing oil," for purposes of determining required contributions, if he received such oil from another country or from another port or terminal installation within the Philippines, notwithstanding that this oil had already been previously received by him. Where the quantity of contributing oil received by any person in the Philippines in a calendar year, when aggregated with the quantity of contributing oil received in the Philippines in that year by such person's subsidiaries or affiliates, exceeds 150,000 tons, such person, including its subsidiaries and affiliates, shall pay contributions in respect of the actual quantity received by each, notwithstanding that the actual quantity received by each did not exceed 150,000 tons. Persons who received contributing oil are required to report to the DOE. Contributing oil means crude oil and fuel oil as defined under Republic Act No. 9483.

Republic Act No. 9483 provides for the establishment of a fund to be constituted from, among others, an impost amounting to ten centavos per liter levied on owners and operators and tankers and barges hauling oil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund and administered by the Maritime Industry Authority ("**MARINA**"), is in addition to the requirement under the 1992 International Convention on Civil Liability for Oil Pollution Damage or any amendments thereof, and the 1992 Fund Convention.

In April 2016, the Department of Transportation (then the Department of Transportation and Communications) promulgated the implementing rules and regulations of Republic Act No. 9483. Under the rules, oil companies are required to submit (a) reports on the amount of contributing oil received and (b) sales and delivery reports of persistent oil. Failure to submit such reports will result in the imposition of corresponding penalties.

Other Regulations on Water Pollution

Under Presidential Decree No. 979 or the Marine Pollution Decree of 1976, discharging, dumping or permitting the discharge of oil, noxious gaseous and liquid substances and other harmful substances from or out of any ship, vessel, barge, or any other floating aircraft, by any method, means or manner, upon the navigable waters of the country is an unlawful act, except only in cases of emergency.

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation.

The MARINA is responsible for integrating the development, promotion, and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA issued: (i) Circular No. 2007-01 which mandated the use of double-hull vessels including those below 600 tons deadweight tonnage by April 2008 for transporting black products; and (ii) Circular No. 2010-01 for transporting white products in certain circumstances by 2011. The MARINA further issued Memorandum Circular No. MS-2024-02, series of 2024 to implement guidelines on the carriage of dangerous and/or hazardous cargoes or goods, including gases and flammable liquids, in packaged form on all Philippine-registered ships engaged in international voyages.

The Philippine Coast Guard shall have the primary responsibility of enforcing the laws, rules and regulations governing marine pollution. In a Philippine Coast Guard Memorandum Circular 01-2005, the Philippine Coase Guard provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills. Oil companies, oil explorers, natural gas explorers, power plants/barges and tanker owners are also required to develop contingency plans in case of oil spillages in their areas to be approved by the Philippine Coast Guard.

Moreover, both the Philippine Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution has the primary responsibility of conducting clean-up operations at its own expense.

Foreign Investment Laws and Restrictions

Land Ownership

The ownership of land by foreign nationals is subject to restrictions provided under the Philippine Constitution and related statutes. Under Section 7, Article XII of the Philippine Constitution, in relation to Section 2, Article XII thereof, and Chapter 5 of Commonwealth Act No. 141, private land shall not be transferred or conveyed except to Filipino nationals or to corporations or associations organized under the law of the Philippines and whose capital is least 60% owned by Filipino nationals.

Retail Trade Liberalization Act

Republic Act No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000 ("**R.A. 8762**"), was enacted into law on March 7, 2000. R.A. 8762 liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services, and wider choices. Prior to the passage of R.A. 8762, retail trade was limited to Filipino citizens or corporations that are 100% Filipino-owned.

Under R.A. 8762, "retail trade" covers any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities, or goods for consumption. On July 26, 2021, Republic Act No. 11595 amended the conditions for foreign equity participation in retail trade business. More specifically, foreign-owned partnerships, associations and corporations may, upon registration with the SEC or in case of foreign-owned single proprietorships, upon registration with the DTI, engage or invest in the retail trade business under the following conditions:

(a) a foreign retailer shall have a minimum paid-up capital of ₱25,000,000.00;

(b) the foreign retailer's country of origin does not prohibit the entry of Filipino retailers; and

(c) in the case of foreign retailers engaged in retail trade through more than one physical store, the minimum investment per each store must be at least ₱10,000,000.00, provided that this requirement shall not apply to foreign investors and foreign retailers who are legitimately engaged in retail trade and were not required to comply with the minimum investment per store at the time of the effectivity of Republic Act No. 11595; provided, further, that proof of qualification to engage in retail trade under R.A. 8762 and its implementing rules and regulations is submitted to the DTI.

The prevailing implementing rules of R.A. 11595 define a foreign retailer as a foreign national, partnership, association, or corporation of which more than forty percent (40%) of the capital stock outstanding and entitled to vote is owned and held by such foreign national, engaged in retail trade.

The foreign retailer shall be required to maintain in the Philippines at all times the paid-up capital of ₱25,000,000.00, unless the foreign retailer has notified the SEC or the DTI, whichever is appropriate, of its intention to repatriate its capital and cease operations in the Philippines. The actual use in Philippine operations of the minimum paid-up capital shall be monitored by the SEC, or by the DTI, whichever is appropriate.

Failure to maintain in the Philippines the paid-up capital required in the preceding paragraph, prior to notification of the SEC or the DTI, whichever is appropriate, shall subject the foreign retailer to penalties or restrictions on any future trading activities/business in the Philippines.

For purposes of registration with the SEC or the DTI, the foreign retailer shall submit a certification from the *Bangko Sentral ng Pilipinas* (the "**BSP**") of the inward remittance of its capital investment, or in lieu thereof, such other proof certifying that is capital investment is deposited and maintained in a bank in the Philippines

Foreign Investments Act of 1991

The Foreign Investments Act of 1991 ("**FIA**"), as amended, liberalized the entry of foreign investment into the Philippines. Under the FIA, foreigners can own as much as 100% equity in domestic market enterprises, except in areas specified in the Foreign Investment Negative List. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws.

The oil refining and distribution business is not found in the latest (12th) Negative List of the FIA. However, the Negative List only allows up to 40% foreign equity for the operation of public utilities, which includes (a) distribution of electricity, (b) transmission of electricity, (c) petroleum and petroleum products pipeline transmission system, (d) seaports; and (e) public utility vehicles. Moreover, micro and small domestic market enterprise with paid-in equity capital less than the equivalent of U.S.$200,000 is also reserved to Philippine nationals, unless (i) it involves advanced technology as determined by the Department of Science and Technology, or (ii) it is endorsed as startup or startup enablers by the lead host agencies pursuant to Republic Act No. 11337, otherwise known as the Innovative Startup Act; or (iii) a majority of its direct employees are Filipinos, but in no case shall the number of Filipino employees be less than fifteen (15), than a minimum paid-in capital of U.S.$100,000.00. On March 2, 2022, former President Duterte signed into law Republic Act No. 11647, which introduced amendments to the FIA. Among these amendments are the changes in the definition of the terms

"investment" and "foreign investment". Further, foreign investment in export enterprise whose products and services do not fall within the Negative List is allowed up to 100% ownership.

In connection with the ownership of private land, however, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the FIA as any of the following:

(a) a citizen of the Philippines;

(b) a domestic partnership or association wholly-owned by citizens of the Philippines;

(c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;

(d) a corporation organized abroad and registered as doing business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or

(e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a 100% Filipino-owned corporation. A corporation with more than 40% foreign equity may be allowed to lease private land for a period of 25 years, renewable for another 25 years.

Consumer Act of the Philippines

Republic Act No. 7394, or the Consumer Act of the Philippines (the "**Consumer Act**"), as amended, the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (c) fair and honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labeling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against false, deceptive and misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

Local Government Code

The Local Government Code ("**LGC**") establishes the system and powers of provincial, city, municipal, and *barangay* governments in the country. The LGC general welfare clause states that every local government unit ("**LGU**") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of prosperity, and the promotion of morality, peace, good order, comfort, convenience

and general welfare of the locality and its inhabitants. The LGU can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU through the promulgation of ordinances.

Other Regulatory Requirements

In compliance with the International Maritime Organization's requirements on marine fuel specifications, the DOE issued Department Circulars No. 2025-02-0002 and No. 2025-02-0003, published on February 17, 2025. These circulars provide guidelines for marine bunker fuel traders to comply with the mandatory use of the 0.50% m/m sulphur limit for all fuel used on ships for propulsion (i.e., bunkering).

Philippine government regulations also require the following: fire safety inspection certificates; certificates of conformance of facilities to national or accepted international standards on health, safety and environment; product liability insurance certificates or product certificate of quality; and the ECC issued by the DENR for service stations and for environmentally-critical projects. These certificates have to be submitted to the DOE for monitoring (not regulation) purposes. Reports to the DOE are required for the following activities/projects relating to petroleum products: (a) refining and processing, including recycling and blending; (b) storing/ transshipment; (c) distribution/operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plants; (f) bunkering from freeports and special economic zones; and (g) importations of petroleum products and additives. In addition, importations of restricted goods require clearances from the proper governmental authorities.

Other Relevant Tax-related Regulations

Taxes and duties applicable to the oil industry have had periodic and unpredictable changes over the last several years. The import duty on crude oil increased on January 1, 2005 from 3% to 5%, but was later reduced to 3% effective as of November 1, 2005.

Under Executive Order No. 527 dated May 12, 2006, upon certification by the DOE that the trigger price levels provided therein have been reached, the 3% import duty on crude oil shall be adjusted to 2%, 1% or 0%. Subsequently, Executive Order No. 850, which took effect on January 1, 2010, modified the rates of duty on certain imported articles in order to implement the Philippines' commitment to eliminate the tariff rates on certain products under the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area ASEAN Trade in Goods Agreement ("**ATIGA**"). Under the ATIGA, crude oil and refined petroleum products imported from Association of Southeast Asian Nations ("**ASEAN**") Member States are levied zero rates. To address the tariff distortion between ASEAN and non-ASEAN Member States brought about by the implementation of the zero duty under Executive Order No. 850 and to provide a level playing field for local refiners to compete with importers, the President of the Philippines issued Executive Order No. 890, which also imposed zero duty effective as of July 4, 2010 for imported crude oil and refined petroleum products, except certain types of aviation gas, from Non-ASEAN Member States.

Pursuant to Executive Order No. 113, the DOE issued on May 11, 2020 Department Circular No. DC2020-05-0012 or the Guidelines Implementing the Temporary Modification of Import Duty Rates on Crude and Petroleum Oil and Refined Petroleum Products as Provided Under Executive Order No. 113. This circular mandated the modification of import duty to 0% on the first date of the following month, if the three-week average of the Asian Benchmark Dubai Crude Oil price on any month of the year, based on Mean of Platts Singapore ("**MOPS**"), reaches U.S.$64 per barrel or above which is based on the computed month average of December 2019. This modification is no longer enforceable as Republic Act No. 11469, also known as the Bayanihan to Heal as One Act, ceased to take effect last June 2020.

Republic Act No. 9337, also known as the Expanded VAT Law, imposed a VAT of 10% on certain goods and services, including petroleum products and its raw materials, particularly the sale and importation thereof. The rate was further increased to 12% effective February 1, 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on November 21, 2006, removed the 70% ceiling on the credit of input VAT to output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to ₱ 4.35 per liter of volume capacity.

In February 2012, the BIR issued Revenue Regulation No. 2-2012 stating that VAT and excise taxes due on all petroleum and petroleum products that are imported and/or brought from abroad to the Philippines, including

from the freeport and economic zones shall be paid by the importer to the Bureau of Customs but was later declared unconstitutional by the Philippine Supreme Court in a decision issued in 2016.

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN**"), took effect. The TRAIN Law is the first package under the Comprehensive Tax Reform Program ("**CTRP**") of the Philippine government. The TRAIN law imposed a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three-year period was ₱2.65- ₱2.00-₱1.00/li per year for premium unleaded gasoline, ₱2.50-₱2-₱1.50/li per year for diesel and fuel oil, ₱1.00- ₱1.00-₱1.00/kg per year for LPG, and ₱0.33-₱0-₱0/li per year for jet fuel. The excise tax is further subject to 12% VAT.

The TRAIN law also mandates the implementation of a fuel marking program for diesel, gasoline, and kerosene to help curb illicit trading of fuel products. While the cost for the fuel marker was shouldered by the government in the initial year of implementation, this cost was eventually passed on to oil companies beginning 2020, which resulted in higher fuel prices. The second package of the tax reform program, Republic Act No. 11534 ("Corporate Recovery and Tax Incentives for Enterprise Act" or "**CREATE Act**") took effect on April 11, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives. The corporate income tax rate for domestic corporations and resident foreign corporations has been reduced to 25% effective July 1, 2020 and for non-resident foreign corporations on January 1, 2021. Domestic corporations and resident foreign corporations no longer have the option to be taxed at 15% on gross income and the rate of the minimum corporate income tax ("**MCIT**") was lowered to 1% from July 1, 2020 to June 30, 2023. Subsequently, commencing on July 1, 2023, the MCIT has reverted to its former rate of 2%. The CREATE Act also provides for the rationalization of tax incentives that may be granted by investment promotion agencies (such as the Authority of the Freeport Area of Bataan or "**AFAB**") to qualified registered business enterprises. The following types of tax incentives that may be granted to registered projects or activities are, as follows: (a) Income Tax Holiday; (b) Special Corporate Income Tax rate of 5% based on the Gross Income Earned ("**GIE**") for export enterprises; (c) Enhanced Deductions; (d) Duty exemption on importation of capital equipment, raw materials, spare parts or accessories; and(e) VAT exemption on importation and VAT zero-rating on local purchases of goods and services and exclusively used in the registered project or activity of export enterprises. The period of enjoyment was likewise provided in accordance with the goal of providing a time-bound tax incentive regime. The period of availment is based on the combination of both location and industry priorities, as determined in the Strategic Investment Priority Plan ("**SIPP**").

The CREATE Act also provides that, any law to the contrary notwithstanding, (i) the importation of petroleum products by any person will be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program and/or other tax-exempt sales by the importer under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery—including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process—will be exempt from payment of applicable duties and taxes, provided that the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the Bureau of Internal Revenue.

Republic Act No. 12066, or the CREATE Maximize Opportunities for Reinvigorating the Economy ("**CREATE MORE**"), was signed on November 11, 2024. The law amended several provisions of the CREATE Act to enhance the tax regime and incentive framework to attract both domestic and international investments, particularly, in strategic industries and provide clearer guidelines on excise tax exemptions, VAT zero-rating, and tax refund claims, among others. The following key provisions were introduced, among others:

- International carriers of Philippine or foreign registry directly importing petroleum products, on their use or consumption outside the Philippines are exempt from excise tax;

- VAT-exempt importation of fuel, goods, and supplies used for international shipping or air transport operations applies to all importers and is no longer limited to importers engaged in international shipping or air transport operations;

Those engaged in the (1) export of goods and services; (2) engaged in e-commerce; and (3) those under the jurisdiction of the Large Taxpayer Services shall be required to issue electronic invoices. This is, however,

dependent on the BIR's establishment of a system which is capable of storing and processing the required data. Some provisions are expected to have an impact on the Company, as follows:

- Removal of the minimum creditable withholding tax rate and reducing the maximum creditable withholding tax rate to 15%

- Reduction of the BIR's period to process excise tax refund claims to a period of ninety (90) days from the submission of complete documents supporting the application filed by the taxpayers.

CREATE MORE also provided for an increased threshold for investments that will fall within the approval of Investment Promotion Activities instead of the Fiscal Incentives Review Board ("**FIRB**"). In particular, only those investments amounting to above Php15 billion will go through the FIRB for approval.

Republic Act No. 12214 or The Capital Markets Efficiency Promotion Act ("**CMEPA**") took effect on July 1, 2025 introducing amendments to the Tax Code such as the expansion of the definition of "securities" to include fractional undivided interests in oil, gas, or other mineral rights and other similar instruments as may be determined by the Philippine Securities and Exchange Commission, among others. The following are the salient provisions under the law:

- Clarification of the definition of "deposit substitutes" which excludes reverse purchase agreements entered into by and between the Bangko Sentral ng Pilipinas ("**BSP**") and any authorized agent bank, certificates of assignment or participation, and similar instruments with recourse.

- Definition of "passive income" covers income derived from sources that do not require the taxpayer's active involvement in the conduct of trade or business, and which are not subject to VAT.

- Gross income from compensation shall include equity-based compensation such as stock options, restricted stock units, stock appreciation rights and similar items, provided that equity-based compensation shall be included in the gross income at the time of exercise.

- Exclusions from gross income: (i) interest income and gains from sale of, transfer or disposition of specific bonds issued by the Republic of the Philippines or any of its instrumentalities to finance capital expenditures or programs covered by the Philippine Development Plan and equivalent and other high-level priority programs of the national government and (ii) gains from the redemption of shares or units of participation in mutual funds and UITFs provided that final taxes on realized gains have already been withheld at the level of underlying assets prior to redemption.

- Additional deduction of 50% of the employer's actual contributions made to Personal Equity Retirement Account ("**PERA**") shall be granted to private employers that contribute at least equal to the contributions of the employees, subject to the maximum allowable contribution under Republic Act No. 9505, otherwise known as the PERA Act of 2008.

- Repeal of exemption from final withholding tax on long term deposits of individuals with maturity period of not less than five (5) years. Hence, interest income from long term deposits and investments of individuals shall be subject to 20% final withholding tax.

- Interest income by individuals and corporations, except non-residents, from depository banks under the expanded foreign currency deposit system shall be subject to 20% final withholding tax.

- For sale of shares in domestic or foreign corporations that are not traded in local or foreign stock exchange, 15% CGT shall be imposed on the net capital gains realized during the taxable year from the sale, exchange, or other modes of disposition of shares of stock.

- For domestic shares traded through a local stock exchange, the Stock Transaction Tax rate shall be lowered from 0.6% to 0.1% of the gross selling price. For domestic shares traded through a foreign stock exchange, STT shall be levied, assessed and collected on every sale, exchange, or other disposition of shares of stock other than by a dealer in securities, in lieu of capital gains tax, a tax at the rate of 1/10 of 1% of the gross selling price or gross value in money of the shares of stock sold, exchanged, or otherwise disposed which shall be paid by the seller or transferor.

- DST at a rate of 75% of 1% shall be imposed on the following transactions: (i) original issuance of shares on the par value or actual consideration for no-par shares; (ii) bonds, debentures, certificates of stock or indebtedness issued in a foreign country on the value of the transaction; (iii) debt instruments on the issue price.

- Only one (1) DST shall be imposed on the loan agreement and promissory notes, mortgage, security interest over personal property and other contracts issued to secure such loan.

- DST shall not be imposed on the following transactions: (i) sale, exchange, redemption, or other disposition of shares of stock listed and traded through a local or foreign stock exchange; (ii) original issuance, redemption or other disposition of shares in a mutual fund company; and (iii) issuance of certificate or other evidence of participation in a mutual fund or Unit Investment Trust Funds ("**UITFs**").

Special Economic Zones

Republic Act No. 9728, also known as the Freeport Area of Bataan (FAB) Act of 2009, was enacted into law and converted the then Bataan Economic Zone into the Freeport Area of Bataan ("**FAB**") under the Authority of the Freeport Area of Bataan ("**AFAB**") which was later amended in 2018 by Republic Act No. 11453. FAB registered enterprises are entitled to avail of fiscal incentives under the Special Economic Zone Act of 1995 or the Omnibus Investment Code of 1987.

The Company was granted fiscal incentives by the AFAB as follows: (i) tax and duty-free importation of merchandise; (ii) exemption of non-traditional export goods from wharfage dues, export taxes, imposts, and fees; and (iii) VAT-zero-rating of local purchases. In light of the rationalization of tax incentives under the CREATE Act, the Company will continue to avail of the foregoing fiscal incentives subject to such requirements, rules and regulations that may be issued by the BIR, the Fiscal Incentives Review Board and AFAB.

Under the CREATE Act, crude oil imported by the Company to be refined at a Petron Bataan Refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process are exempt from payment of applicable duties and taxes upon importation. Instead, the applicable duties and taxes on petroleum products shall be payable upon lifting of the petroleum products produced from the imported crude oil, subject to the rules and regulations that may be imposed by the Bureau of Customs and the BIR. In addition, persons who directly import petroleum products for resale in the Philippine customs territory and/or in free zones shall be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program, and/or other tax-exempt sales by the importer.

Under the CREATE MORE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to incentives in their certificate of registration or certificate of registration and tax exemption, and allowed to avail, or continue availing, of certain incentives until December 31, 2034. However, in the EOPT Act, a tax refund shall not be given in cases resulting from availment of incentives granted pursuant to special laws for which no actual payment was made.

MALAYSIA

Petroleum Development Act, 1974

The Petroleum Development Act, 1974 (the "**PDA**"), which came into force on October 1, 1974, and the Petroleum Regulation 1974, which was enacted pursuant to the PDA (the "**Petroleum Regulation**"), are the primary legislation governing downstream oil activities in Malaysia. Pursuant to the Petroleum Regulation, two government bodies are vested with powers to regulate all downstream activities, namely:

(a) the Ministry of International Trade and Industry ("**MITI**"), which is responsible for the issuance of licenses for the processing and refining of petroleum and the manufacture of petrochemical products; and

(b) the Ministry of Domestic Trade, Cooperative and Consumerism ("**MDTCC**"), which is responsible for regulating the marketing and distribution of petroleum products.

The Company has obtained specific licenses from the MITI for the production of the Company's products. Specific licenses are required pursuant to Section 6 of the PDA for the business of processing or refining petroleum or manufacturing petrochemical products from petroleum at the Port Dickson Refinery. Contravention of the provisions of the PDA or failure to comply with any term or condition of any permission granted thereunder is an offense and is subject to a fine not exceeding RM1 million or imprisonment for a term not exceeding five years or both.

Petroleum (Safety Measures) Act, 1984

The storage and handling of crude oil and oil products and the utilization of equipment and/or appliances used in the downstream oil industry in Malaysia are controlled and governed by the Petroleum (Safety Measures) Act, 1984 (the "**PSMA**") and the regulations made thereunder. The PSMA also regulates the transportation of petroleum by road, railway, water, air and pipeline. A unit of the MDTCC known as The Petroleum Safety Unit was established to administer the PSMA.

Biofuel Industry Act, 2007

The Biofuel Industry Act, 2007 (the "**MBIA**") was enacted on July 18, 2007. The MBIA provides for the mandatory use of biofuel, the licensing of activities relating to biofuel and other matters connected and incidental thereto. The MBIA is designed to regulate the biofuel industry in Malaysia and to promote the mandatory use of Malaysia's domestic palm biodiesel, which is a blend of 5% POME and 95% diesel. The MBIA empowers the Minister of Plantation Industries and Commodities to prescribe (a) the percentage by volume of palm oil and/or methyl ester to be blended in any fuel; or (b) the activities in which the use of (i) palm oil and/or methyl ester, (ii) palm oil and/or methyl ester blended with any other fuel or (iii) any other biofuel is to be made mandatory. The MBIA limits the percentage of POME that can be used in a biodiesel mix to a maximum of 5%.

In October 2014, the Malaysian Government announced the implementation of the B7 programme (blending of 7% POME and 93% diesel) for the subsidized sector. Implementation was completed in the second quarter of 2015. The use of B7 Bio-Diesel was implemented for use in the industrial sector, with an exception being given to power generation companies or other industries where the use of Bio-Diesel would not be possible due to mechanical specifications. In December 2018, the Government implemented the sale of B10 Bio-Diesel (blending of 10% POME and 90% diesel) from the current B7 Bio-Diesel in service stations.

Sale and Pricing of Refined Petroleum Products

Control of Supplies Act, 1961

The Control of Supplies Act, 1961 (the "**CSA**") was enacted primarily to regulate, prohibit and control the movement of controlled articles in Malaysia. The CSA also regulates the distribution of any controlled article and limits the quantity of any controlled article that may be acquired or held by any person. Petrol, motor spirit, or motor gasoline of all grades, diesel fuel and LPG have all been classified as controlled articles under the CSA.

Pursuant to the Control of Supplies Regulations 1974, issued pursuant to the CSA, a license is required for any person to deal, by wholesale or retail, in any scheduled article (including petrol, motor spirit, or motor gasoline of all grades, diesel fuel and LPG) or to manufacture any scheduled article. A separate license is required for each place of business where the scheduled article is manufactured or sold. The Controller of Supplies has the authority to enforce the rules and regulations provided in the CSA and related regulations.

Price Control and Anti Profiteering Act, 2011

The Price Control and Anti Profiteering Act, 2011 (the "**PCAPA**") replaced the Price Control Act, 1946 and came into force on April 1, 2011. The PCAPA provides for the control of prices of goods, whereby the Malaysian government may, among other things, determine the maximum, minimum or fixed prices for the manufacture, production, wholesale or retail of goods.

The Malaysian government generally mandates fixed prices for (a) sales of formulated unleaded gasoline fuel with an octane index of 95 ("**Mogas 95**") and 97 ("**Mogas 97**"), (b) diesel to retail customers, as well as to the commercial transportation and fisheries sectors, and (c) LPG to retail customers, to ensure that increases in international prices of crude oil and petroleum products are not borne fully by consumers of such products in Malaysia. Subject to a quota, the Malaysian government subsidizes sales of these products using a formula known as the Automatic Pricing Mechanism (APM). A subsidy is payable to the Company pursuant to the APM if the mandated price of the relevant product is less than the total built-up cost (as described below) of such

product. Conversely, a duty is payable by the Company if the mandated price of the relevant product exceeds the total built-up cost of such product.

As of July 2025, the total built-up cost is determined by aggregating the cost of the relevant product and certain predetermined government-specified amounts, as follows:

	Mogas 95	**Mogas 97**	**Diesel**	**Retail LPG**
Cost of Product	Based on MOPS	Based on MOPS	Based on MOPS	Based on Saudi CP
Alpha	5 sen/liter	5 sen/liter	4 sen/liter	USD80.00/MT
Freight, Distribution and Marketing Cost	Peninsular Malaysia: 9.54 sen/liter Sabah: 18.00 sen/liter Sarawak: 15.00 sen/liter	Peninsular Malaysia: 9.54 sen/liter Sabah: 18.00 sen/liter Sarawak: 15.00 sen/liter	Peninsular Malaysia: 13.25 sen/liter Sabah: 18.00 sen/liter Sarawak:15.00 sen/liter	Peninsular Malaysia: 38.95 sen/kg Sabah: 72.10 sen/kg Sarawak: 71.26 sen/kg
Oil company margin	5 sen/liter	5 sen/liter	3.25 sen/liter	11.35 sen/kg
Dealer Margin	15 sen/liter	15 sen/liter	12.8 sen/liter	Peninsular Malaysia: 35.00 sen/kg Sabah: 35.00 sen/kg Sarawak: 35.00 sen/kg

The specified amounts for alpha, freight, distribution and marketing cost, oil company margin and dealer margin are fixed by the Malaysian government and subject to change. The Malaysian government last revised the freight, distribution and marketing cost in January 2024 for Mogas and Diesel in East Malaysia and in January 2025 for Diesel in Peninsular Malaysia. Nationwide revision was also made for Oil Company and Dealer's margin for Diesel in January 2025, while the alpha for Mogas97 was last revised in January 2020 for all states. For retail LPG, the alpha and dealer margin for all states, and the freight, distribution and marketing costs for the states of Sabah and Sarawak, were revised upwards in June 2015.

Effective March 30, 2017, the Malaysian government implemented a managed float system under which the government fixes the government-mandated retail prices for RON 95 and RON 97 petroleum and diesel on a weekly basis based on MOPS. Effective June 10, 2024, the Malaysian government implemented Targeted diesel subsidy (SKDS 2.0) in which diesel subsidies were eliminated in Peninsular Malaysia, while exemptions remained for East Malaysia, public transports, logistics, fishermen and other eligible groups.

As of July 2025, the Malaysian government-mandated ceiling prices for the products that are covered by the APM are at RM 2.05 per liter for Mogas 95; unsubsidized diesel pump price was at RM2.90 per liter. The government-mandated price for LPG is at RM 1.90 per kilogram. The government-mandated price of RM 1.65 per liter for diesel applies to sales to the fisheries sector; and RM 1.8810 (Peninsular Malaysia), RM 1.8840 (Sabah) and RM 1.8780 (Sarawak) per liter for diesel applies to sales to the transport sector.

The amount of the subsidies or duties varies from month to month for Mogas 95 and diesel. There are no duties on LPG and no limit on the subsidies for retail LPG.

The sale of diesel in Malaysia is subject to a quota system to ensure that subsidized diesel is not sold illegally to industrial customers at unregulated prices. Accordingly, the Company is required to manage its subsidized diesel sales on a bi-annual basis to ensure that such sales do not exceed the amount permitted under the approved quotas. The Company has a quota to sell diesel at all of its retail service stations in Malaysia. Customers in the commercial transportation and fisheries sectors are required to obtain their own quotas in order to be able to purchase diesel from the Company. The Company has also been licensed to supply distributors that are appointed by the Malaysian government to sell diesel to unbranded mini stations and to collect subsidies in respect of such sales.

The Company's quotas for subsidized diesel sales are provided and regulated by the MDTCC, which reviews the quotas on a quarterly basis. If the Company requires an increase in its approved quota during any quarter as a result of an increase in demand, it may apply to the MDTCC for a quota increase in respect of a specific month during that quarter. If the Company sells more subsidized diesel than is permitted under the approved quotas, it will not be eligible to receive a government subsidy in respect of the sales that exceed the approved quotas.

Environmental Laws

Environmental Quality Act, 1974

The Environmental Quality Act, 1974 (the "**EQA**") governs the prevention, abatement and control of pollution and enhancement of the environment in Malaysia and covers, among other things, oil spills and pollutants on land and in Malaysian waters. The EQA, which was introduced by the Malaysian government to promote environmentally sound and sustainable development restricts atmospheric, noise, soil and inland-water pollution without a license, prohibits the discharge of oil and waste into Malaysian waters without a license and prohibits open burning. The Department of Environment (the "**MDOE**") is the regulatory body responsible for administering the EQA and any regulations and orders made thereunder.

The MDOE will also have responsibility for monitoring the implementation of and compliance with Euro 4M and Euro 5 standards in Malaysia, which are the Malaysian equivalent of Euro IV and Euro V-standards. The main change from the current Euro 2M standards to Euro 4M and Euro 5 standards for Mogas and diesel will be the reduction in sulfur content, consistent with Euro IV and Euro V standards. Euro 4M for RON 97 was implemented in September 2015. The implementation of Euro 4M and Euro 5 fuels will be in phases: Euro 4M for RON 95 had been implemented since January 1, 2020; while full Euro 5 specifications for Diesel since April 2021. RON 95 and RON 97 is targeted to meet Euro 5 specifications in phases, by the year 2027.

The facilities at the Port Dickson Refinery are enhanced to comply with diesel Euro 5 standards. The current configuration of the facilities allows the Port Dickson Refinery to produce diesel compliant with Euro 5 standards. The formulation of Euro 5 specifications was carried out by SIRIM Berhad in conjunction with other interested parties, including Malaysian oil companies, the Malaysian car manufacturers' association, and regulatory bodies, such as the MDTCC and the DOE. SIRIM Berhad is a wholly owned company of the Malaysian government incorporated under the Malaysian Ministry of Finance.

Other Laws

Companies Act, 2016

The Companies Act which came into effect on January 1, 2017, governs the incorporation and registration of companies in Malaysia. The agency that oversees such incorporation is the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia) ("**CCM**").

Under the Companies Act, a corporation's existence does not have an expiration but may be terminated through dissolution by: (i) the winding up of the company, either voluntarily or pursuant to an order of the court; or (ii) the striking out by the Registrar, in the exercise of its discretionary powers, of the name of the company based on any of the grounds provided under the Companies Act.

Malaysian Corporate Governance Code

The Securities Commission Malaysia released the new Malaysian Code on Corporate Governance ("**MCCG**") on April 26. 2017, which takes effect immediately. The MCCG is a set of best practices to strengthen corporate culture anchored on accountability and transparency.

Other Regulatory Requirements

The Company has a general duty pursuant to the Occupational Safety and Health Act, 1994 and the regulations made thereunder to (a) provide and maintain plants and systems of work that are, to the extent practicable, safe and without risks to health; (b) provide information, instruction, training and supervision to ensure, to the extent practicable, the safety and health of the Company's employees at work; and (c) provide a working environment that is, to the extent practicable, safe, without risk to health and adequate with respect to facilities related to employee welfare at work. The Company also has a duty to ensure, to the extent practicable, that other persons who are not employees of the Company are not affected by, and are not exposed to risks to their safety or health by, the conduct of the Company's business. As the Company employs more than 100 employees in Malaysia, it

must employ a safety and health officer, who is tasked with ensuring the due observance of statutory obligations with respect to workplace health and safety and the promotion of safe work conduct at the workplace.

MANAGEMENT

Directors

The Board of Directors of Petron is composed of 15 members, three (3) of whom are independent directors, in accordance with the requirements of the SRC and the SEC's New Code of Corporate Governance for Publicly Listed Companies. Currently, four (4) of the members are executive directors, occupying the positions of the President and Chief Executive Officer, General Manager, Senior Vice President and Chief Finance Officer and Vice President for Procurement of the Company.

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

Name	Age	Position	Year Appointed as Director
Ramon S. Ang	71	President and Chief Executive Officer and Director	2009
Lubin B. Nepomuceno	74	General Manager and Director	2013
Ron W. Haddock	85	Director	2008
Aurora T. Calderon	71	Director	2010
Mirzan Mahathir	66	Director	2010
Francis H. Jardeleza	75	Director	2020
Virgilio S. Jacinto	68	Director	2010
Nelly F. Villafuerte	88	Director	2011
Jose P. de Jesus	90	Director	2014
John Paul L. Ang	45	Director	2021
Emmanuel E. Eraña	64	Director	2025
Jacqueline L. Ang	39	Director	2025
Artemio V. Panganiban	88	Independent Director	2010
Margarito B. Teves	82	Independent Director	2014
Ricardo C. Marquez	65	Independent Director	2022

Certain information on the business and working experiences of each director, including their qualifications and their current and past positions held as of the date of this Offering Circular, are set out below.

Ramon S. Ang, Filipino, born 1954, has served as the Chief Executive Officer and an Executive Director of the Company since January 8, 2009 and the President of the Company since February 10, 2015. He is also a member of the Company's Executive Committee. In relation to the oil and gas industry, Mr. Ang holds the following positions, among others: Chairman of SEA Refinery Corporation ("**SEA Refinery**"), New Ventures Realty Corporation ("**NVRC**"), Petron Fuel International Sdn. Bhd. (Malaysia) ("**PFISB**"), Petron Malaysia Refining & Marketing Bhd. (Malaysia) ("**PMRMB**"), and Petron Oil (M) Sdn. Bhd. ("**POMSB**") (Malaysia); Director of Las Lucas Construction and Development Corporation ("**LLCDC**"), Petron Oil & Gas Mauritius Ltd. ("**POGM**"), and Petron Oil & Gas International Sdn. Bhd. ("**POGI**"), and Robinson International Holdings Ltd. (Cayman Islands). He also holds the following positions, among others: Chairman and Chief Executive Officer and President and Chief Operating Officer of San Miguel Global Power Holdings Corp. (formerly, SMC Global Power Holdings Corp.), Chairman and President of San Miguel Holdings Corp., SMC SLEX Inc. (formerly, South Luzon Tollway Corporation), San Miguel Equity Investments Inc., San Miguel Properties, Inc., San Miguel Aerocity Inc., Privado Holdings Corporation and SMC Tollways Corporation; Chairman of San Miguel Brewery Inc. ("**SMB**"), San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation ("**SMYPC**"), Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Petrogen Insurance Corporation ("**Petrogen**"), Philippine Diamond Hotel and Resort, Inc., Eagle Cement Corporation, San Miguel Equity Investments Inc., and Northern Cement Corporation; Chairman, President and Chief Executive Officer of SMC TPLEX Corporation (formerly, Private Infra Dev Corporation); Chairman and Chief Executive Officer of SMC Asia Car Distributors Corp; President and Chief Executive Officer of New NAIA Infra Corp. He is a director of Metro Pacific Investments Corp. He is also the sole director and shareholder of Master Year Limited. Mr. Ang formerly held

the following positions, among others: Chairman of Cyber Bay Corporation and Liberty Telecoms Holdings, Inc.; President and Chief Operating Officer of PAL Holdings, Inc., and Philippine Airlines, Inc.; Director of Air Philippines Corporation; Chairman of Manila North Harbour Port Inc. ("**MNHPI**");; Vice Chairman and Director of the Manila Electric Company ("**MERALCO**"). Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University. He holds a doctoral degree in Business Engineering (Honoris Causa, 2018) from the Far Eastern University and a Ph.D. in Humanities (Honoris Causa, October 1, 2006) from the National University.

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

Lubin B. Nepomuceno, Filipino, born 1951, has served as a Director of the Company since February 19, 2013 and the General Manager of the Company since February 10, 2015. He is also a member of the Company's Executive Committee. He holds the following positions, among others: Chairman, President and Chief Executive Officer of Petron Marketing Corporation ("**PMC**"); Director and Chief Executive Officer of PMRMB and member of its Sustainability Committee; Director and Chief Executive Officer of PFISB and POMSB; Director of POGI, LLCDC, NVRC, Philippine Polypropylene Inc. ("**PPI**"), Petrochemical Asia (HK) Ltd. ("**PAHL**"), Mariveles Landco Corporation, Robinson International Holdings, Ltd., Petron Singapore Trading Pte. Ltd. ("**PSTPL**"), SMYPC and San Miguel Yamamura Packaging International, Ltd.; Chairman and Chief Executive Officer of Petron Foundation, Inc. ("**PFI**"); Chairman and President of Mema Holdings, Inc.; Chairman of Overseas Ventures Insurance Corporation Ltd. ("**Ovincor**"), Petron Freeport Corporation ("**PFC**") and Petrofuel Logistics, Inc. ("**PLI**"). Mr. Nepomuceno has held various board and executive positions in the San Miguel Group. He started with SMC as a furnace engineer at the Manila Glass Plant in 1973 and rose to the ranks to become the General Manager of the San Miguel Packaging Group in 1998. He was also formerly the Senior Vice President and General Manager of the Company (September 2009 - February 2013) and the President of the Company (February 2013 - February 2015). He also served as the Chairman of Petrogen (until 2021) and a Director of MNHPI (2012 - 2014). Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and master's degree in Business Administration from the De La Salle University. He also attended the Advanced Management Program at the University of Hawaii, University of Pennsylvania and Japan's Sakura Bank Business Management.

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

Jose P. de Jesus, Filipino, born 1934, has served as a Director of the Company since May 20, 2014. He is an Independent Director and the Chairman of Converge ICT Solutions, Inc. He was the Chairman of Clark Development Corporation (March 2017 – November 2020), the President and Chief Executive Officer of Nationwide Development Corporation (September 2011 - June 2015), the Secretary of the Department of Transportation and Communications (July 2010 - June 2011), the President and Chief Operating Officer of MERALCO (February 2009 - June 2010), the President and Chief Executive Officer of Manila North Tollways Corporation (January 2000 - December 2008), Executive Vice President of the Philippine Long Distance Telephone Company (1993 - December 1999), Chairman of the Manila Waterworks & Sewerage System (1992 - 1993), the Secretary of the Department of Public Works and Highways (January 1991 - February 1993), and the President of the Development Academy of the Philippines (December 1987 – January 1991). He was awarded the Philippine Legion of Honor, Rank of Commander in June 1992 by then President Corazon C. Aquino. He was *Lux in Domino* Awardee (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. He is also a Director of SMC Skyway Corporation, SMC TPLEX Corporation, SMC SLEX, Inc., Comstech Integration Alliance, Inc., AirAsia, Inc., and Philippines AirAsia, Inc., as well as an Independent Director of Alviera Country Club. He is a Trustee of the Kapampangan Development Foundation and Holy Angel University, a Member of the Board of Advisors of Bantayog ng mga Bayani Foundation, an Eisenhower Exchange Fellow (1977 – present), and a member of the Management Association of the Philippines. Mr. de Jesus earned his Bachelor of Arts degree in Economics and holds a Master of Arts in Social Psychology from the Ateneo de Manila University. He also finished Graduate Studies in Human Development from the University of Chicago under university scholarship and Fulbright grant.

Of the companies in which Mr. de Jesus currently holds directorships, Converge Information and Communications Technology Solutions, Inc. is also listed with the PSE.

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

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

Mirzan Mahathir, Malaysian, born 1958, has served as a Director of the Company since August 13, 2010. He is the Chairman and Chief Executive Officer of Crescent Capital Sdn. Bhd and Managing Director of Betamek Berhad. He holds directorships in several public and private companies. He was formerly the Executive Chairman of SBI Offshore Ltd., which is listed on the Singapore Stock Exchange (2017 - 2020) and the Executive Chairman and President of Konsortium Logistik Berhad (1992 - 2007). Mr. Mirzan graduated with a Bachelor of Science (Honours) degree in Computer Science from Brighton Polytechnic, United Kingdom and obtained his master's degree in Business Administration from the Wharton School, University of Pennsylvania, USA.

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

Aurora T. Calderon, Filipino, born 1954, has served as a Director of the Company since August 13, 2010. She is a member of the Executive Committee, the Audit Committee, the Risk Oversight Committee and the Related Party Transaction Committee. She holds the following positions, among others: Senior Vice President and Senior Executive Assistant to the Chairman and Chief Executive Officer of SMC; President of Petrogen; Director of SMC, PMRMB, POGM, POGI, PSTPL, SEA Refinery, NVRC, LLCDC, SMYPC, Thai San Miguel Liquor Co., Ltd., SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., Trans Aire Development Holdings Corp., and various subsidiaries of SMC; Non-Executive Director of San Miguel Brewery Hong Kong Limited; and Director and Treasurer of Petron-affiliate Top Frontier. She has served as a Director of MERALCO (January 2009 - May 2009), Senior Vice President of Guoco Holdings (1994 - 1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981 - 1989). She is a certified public accountant and is a member of the Capital Market Development Committee of the Financial Executives Institute of the Philippines and the Philippine Institute of Certified Public Accountants. She is also a member of the Capital Market Development Committee of the Financial Executives Institute of the Philippines. Ms. Calderon graduated *magna cum laude* from the University of the East in 1973 with a degree in Business Administration major in Accounting and earned her master's degree in Business Administration from the Ateneo de Manila University in 1980.

Of the companies in which Ms. Calderon currently holds directorships other than Petron, SMC and Petron-affiliate Top Frontier are also listed with the PSE, while PMRMB is publicly listed in Malaysia and San Miguel Brewery Hong Kong Limited is publicly listed in Hong Kong.

Francis H. Jardeleza, Filipino, born 1949, has served as a Director of the Company since August 4, 2020. He is likewise a Director of GSMI and SMFB. He is also a director of MORE Electric and Power Corporation. He has been a Professorial Lecturer in Constitutional, Administrative, Remedial and Corporation Law at the University of the Philippines College of Law since 1993. He was formerly the Senior Vice President and General Counsel of SMC (1996 – 2010), a partner of Angara Abello Concepcion Regala and Cruz Law Offices (1975 – 1987), Roco Buñag Kapunan Migallos and Jardeleza Law Offices (1992 – 1995), Jardeleza Sobreviñas Diaz Hayudini and Bodegon Law Offices (1987 – 1990) and Jardeleza Law Offices (1990 – 1992). He is a retired Associate Justice of the Supreme Court of the Philippines (August 19, 2014 – September 25, 2019). He also served as Solicitor General of the Office of the Solicitor General of the Philippines (February 20, 2012 – August 18, 2014) and Deputy Ombudsman for Luzon of the Office of the Ombudsman of the Philippines (July 7, 2011 – February 19, 2012). Justice Jardeleza earned his Bachelor of Laws degree (salutatorian and *cum laude*) from the University of the Philippines in 1974, placed third in the bar exam that same year, and earned his Master of Laws degree from Harvard Law School in 1977.

Of the companies in which Justice Jardeleza currently holds directorships other than Petron, Petron-affiliates GSMI and SMFB are also listed with the PSE.

Virgilio S. Jacinto, Filipino, born 1956, has served as a Director of the Company since August 13, 2010. He is a member of the Corporate Governance Committee of the Company and an alternate member of the Executive

Committee. He holds the following positions, among others: Corporate Secretary, Compliance Officer, Senior Vice President and General Counsel of SMC; Corporate Secretary and Compliance Officer of Top Frontier; Corporate Secretary of GSMI and the other subsidiaries and affiliates of SMC; and Director of various other local and offshore subsidiaries of SMC. Atty. Jacinto has served as a Director and Corporate Secretary of United Coconut Planters Bank, a Director of SMB, and San Miguel Northern Cement, Inc., a Partner of Villareal Law Offices (June 1985 - May 1993) and an Associate of SyCip Salazar Feliciano & Hernandez Law Office (1981 - 1985). Atty. Jacinto was an Associate Professor of Law at the University of the Philippines until October 2021 and is currently a Professorial Lecturer. He obtained his law degree from the University of the Philippines in 1981 (*cum laude*) where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard University.

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

Nelly Favis-Villafuerte, Filipino, born 1937, has served as a Director of the Company since December 1, 2011. She was a columnist with two columns in the Manila Bulletin for more than 34 years and resigned recently. She was also a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2005 until July 2011. She is the President and General Manager of LRV Agri-Science Farm, Inc., a family-owned corporation involved in organic farming, and a Director of Bicol Broadcasting Systems, Inc. (also a family-owned corporation). She is an author of business handbooks on microfinance, credit card transactions, exporting and cyberspace and a four (4)-volume series on the laws on banking and financial intermediaries (Philippines). Atty. Villafuerte has served as Governor of the Board of Investments (1998 - 2005), Undersecretary for the International Sector (Trade Promotion and Marketing Group) of the Department of Trade and Industry ("**DTI**") (July 1998 - May 2000), and Undersecretary for the Regional Operations Group of the DTI (May 2000 - 2005). She holds a master's degree in Business Management from the Asian Institute of Management ("**AIM**") and was a professor of international law/trade/marketing at the graduate schools of AIM, Ateneo Graduate School of Business and De La Salle Graduate School of Business and Economics. Atty. Villafuerte obtained her Associate in Arts and law degrees from the University of the Philippines, Diliman, Quezon City and ranked seventh place in the bar examinations held immediately after graduation.

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

John Paul L. Ang, Filipino, born 1980, was elected as a Director of the Company on March 9, 2021. He is the President and Chief Operating Officer of SMC and has been a director since January 21, 2021. He is Chairman, President and Chief Executive Officer of Southern Concrete Industries, Inc. since May 28, 2024, Vice Chairman of SMC Global Power Holdings Corp. since June 1, 2021 and a member of its Executive Committee, Audit and Risk Oversight Committee, Related Party Transaction Committee and Corporate Governance Committee. He is President and Chief Executive Officer of SMFB since June 5, 2024 and a Director since June 2, 2021; President of San Miguel Equity Investments, Inc. since December 7, 2023; President of Guimaras Ridge Property Development Inc., Lucky Nine Properties, Inc. and Mabini Properties Inc. since September 10, 2024. He is a Director of Top Frontier since July 9, 2021 and a member of its Audit and Risk Oversight Committee, Related Party Transaction Committee and Corporate Governance Committee. He is also a Director of San Miguel Brewery since May 28, 2024 and various SMC subsidiaries such as San Miguel Holdings Corp., SMC Slex Inc., SMC Skyway Corporation, SMC NAIAX Corporation, San Miguel Aerocity Inc. and SMC Tollways Corporation. He holds and has held various positions in Eagle Cement Corporation, such as the President and Chief Executive Officer since 2008, a Director since 2010, a member of the Audit Committee since 2020 and the Chairman of the Executive Committee since February 2017. He also served as a member of the Nomination and Remuneration Committee (February 13, 2017 – July 15, 2020) and the General Manager and Chief Operating Officer (2008 – 2016). He has been the President and Chief Executive Officer of South Western Cement Corporation since 2017 and a Director of KB Space Holdings, Inc. since 2016. He was the Managing Director of Sarawak Clinker Sdn. Bhd. Malaysia (2002 – 2008) and the Purchasing Officer of Basic Cement (2002 – 2003). Mr. Ang has a Bachelor of Arts in Interdisciplinary Studies from the Ateneo de Manila University.

Of the companies in which Mr. Ang currently holds directorships, parent companies Top Frontier and SMC and Petron affiliate SMFB are also listed with the PSE.

Emmanuel E. Eraña, Filipino, born 1960, was elected as director in the annual stockholders' meeting of the Company held on May 2, 2025. He has served as the Senior Vice President and Chief Finance Officer of the Company since January 2009. He holds the following positions, among others: Chairman, President and Chief Executive Officer of LLCDC; Chairman and President of South Luzon Prime Holdings Inc. ("**SLPHI**"), Parkville Estates Development Corporation ("**PEDC**") and Abreco Realty Corporation ("**ARC**"); President and Chief Executive Officer of NVRC; President of PFI and SEA Refinery; Vice President of Ovincor; Director of PFC,

PMC, PPI, Mema, Weldon, PLI, PFISB, POMSB, and Petron Finance (Labuan) Limited; and Alternate Director of POGM and POGI. He was formerly the President of Petrogen. Mr. Eraña also held the following positions in the San Miguel Group: as the Vice President and Chief Information Officer (January 2008 – December 2009), Vice President and Executive Assistant to the Chief Financial Officer, Corporate Service Unit (December 2006 – January 2008), Vice President and Chief Finance Officer of SMFBIL/NFL Australia (May 2005 – November 2006), Vice President and Chief Finance Officer of SMPFC (July 2002 – May 2005), and Assistant Vice President and Finance Officer (January 2001 – June 2002), Assistant Vice President and Finance and Management Services Officer, San Miguel Food Group (2000 – 2001). He also served as a Director of MNHPI (2012 – 2017). Mr. Eraña has a Bachelor of Science degree in Accounting from the Colegio de San Juan de Letran.

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

Jacqueline L. Ang, Filipino, born 1986, was elected as director in the annual stockholders' meeting of the Company held on May 2, 2025. She has served as the Vice President for Procurement of the Company since January 1, 2024. She is also a Director of PMRMB (August 2023 to present) and a member of its Sustainability Committee. She is also a Director of ARC since February 9, 2025, of PFC and PMC since March 11, 2025, and of PAHL since July 30, 2025. Ms. Ang was formerly the Assistant Vice President for Procurement of the Company (March 2018 – December 2023). Her work in Petron started in Procurement in 2015. She worked for San Miguel Corporation in Mergers and Acquisitions (2010-2014) and Corporate Finance (2009). Ms. Ang holds a Bachelor of Arts in Economics from the Ateneo De Manila University.

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

Artemio V. Panganiban, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is the Chairman of the Related Party Transaction Committee and a member of the Audit and Corporate Governance Committees. He is a columnist of the Philippine Daily Inquirer, and an officer, adviser or consultant to several other business, civic, educational and religious organizations. He was the Chief Justice of the Philippines in 2005 - 2006; Associate Justice of the Supreme Court (1995 - 2005); Chairperson of the Philippine House of Representatives Electoral Tribunal (2004 - 2005); Senior Partner of Panganiban Benitez Parlade Africa & Barinaga Law Office (1963-1995); President of Baron Travel Corporation (1967 - 1993); and professor at the Far Eastern University, Assumption College and San Sebastian College (1961 - 1970). He authored over a dozen books and received various awards for his numerous accomplishments, most notably the "Renaissance Jurist of the 21st Century" conferred by the Supreme Court in 2006 and the "Outstanding Manilan" for 1991 by the City of Manila. On September 18, 2024, he was also conferred the Pro Ecclesia Et Pontifice Award granted by Pope Francis and handed to him by Jose F. Cardinal Advincula at the Manila Cathedral. Chief Justice Panganiban earned his Bachelor of Laws degree (*cum laude*) from the Far Eastern University in 1960, placed sixth in the bar exam that same year, and holds honorary doctoral degrees in law from several universities. He co-founded and headed the National Union of Students of the Philippines in 1957-1959.

He is also an independent advisor of Metro Pacific Investments Corporation and an Independent Director of the following non-listed companies: Asian Hospital, Inc., Metro Pacific Tollways Corporation, State Investment House, Inc., State Properties Corporation and TeaM Energy Corporation.

Apart from Petron, Chief Justice Panganiban is an Independent Director of the following listed companies: MERALCO, JG Summit Holdings, Inc., PLDT, Inc., RL Commercial REIT, Inc., GMA Network, Inc., GMA Holdings, Inc., Asian Terminals, Inc. and is a non-executive Director of Jollibee Foods Corporation.

He is also a Senior Adviser to Metrobank and Adviser to DoubleDragon Properties Corporation and MerryMart Consumer Corporation.

Margarito B. Teves, Filipino, born 1943, has served as an Independent Director of the Company since May 20, 2014 and currently sits as the Lead Independent Director of the Company. He is the Chairman of the Audit Committee and is a member of the Corporate Governance, the Related Party Transaction, and the Risk Oversight Committees of the Company. He is also an Independent Director of SMC and Atok Big Wedge Corporation, as well as Alphaland Corporation, and SMC Tollways Corporation. He was the Secretary of the Department of Finance of the Philippine government (2005 - 2010), and was previously the President and Chief Executive Officer of the Land Bank of the Philippines (2000 - 2005), among others. He was awarded as "2009 Finance Minister of Year/Asia" by the London-based *The Banker* Magazine. He holds a Master of Arts degree in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent

to a Bachelor of Science in Business Economics. In June 2011, he was also conferred an Honorary Doctor of Laws degree by Williams College in recognition of his contributions to public service and economic development.

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

Ricardo C. Marquez, Filipino, born 1960, has served as independent director of the Company since May 17, 2022. He currently holds the following positions: an independent director and the Chairman of the Risk Oversight Committee of SMFB (since March 2017); an independent director and the Chairman of the Corporate Governance Committee and Nomination Committee of Eagle Cement Corporation; an independent director of Top Frontier (since June 2022). He served the Philippine National Police ("**PNP**") in various capacities before he became the PNP Chief in July 2015. He was awarded twice the Philippine Legion of Honor by the President of the Philippines, and feted by his alma mater with her highest award, the Cavalier Award as the Most Outstanding Alumnus in Special Operations. He completed the Senior Leadman Course of the University of the Philippines Open University; Leaders in Development Executive Program of the Harvard Kennedy School; the Strategic Business Economics Program of the University of Asia and the Pacific; the 224th Session of the Federal Bureau of Investigation National Academy; and the Senior Crisis Management Course of the Anti-Terrorism Assistance Program, Department of Homeland Security in Washington, D.C. He graduated from the Philippine Military Academy and holds a Master in Management degree from the Philippine Christian University.

Of the companies in which Gen. Marquez currently holds directorships other than Petron, Petron-affiliate SMFB is also listed with the PSE.

Senior Management

Set out below are the name, position and year of appointment of the Executive Officers and senior management of the Company as of the date of this Offering Circular:

Name	Age	Position	Year Appointed as Officer
Ramon S. Ang	71	President and Chief Executive Officer	as President: 2015; as Chief Executive Officer: 2009
Lubin B. Nepomuceno	74	General Manager	2015
Emmanuel E. Eraña	64	Senior Vice President and Chief Finance Officer	2009
Freddie P. Yumang	67	Senior Vice President – Chief Risk Officer	2023
Albertito S. Sarte	58	Deputy Chief Finance Officer and Treasurer	as Treasurer: 2009; as Deputy Chief Finance Officer and Treasurer: 2021
Maria Rowena Cortez	60	Vice President – Supply	2009
Jaime O. Lu	62	Vice President and Executive Assistant to the President on Petron Malaysia Operations and Retail Engineering and Network Development	2018
Maria Rosario D. Vergel de Dios	61	Vice President – Human Resources	2018

Name	Age	Position	Year Appointed as Officer
Myrna C. Geronimo	58	Vice President and Controller	as Controller: 2019; as Vice President: 2020
Allister J. Go	60	Vice President, Refinery	2020
Reynaldo V. Velasco, Jr.	59	Vice President, Refinery Plant Operations	2020
Magnolia Cecilia D. Uy	59	Vice President, Retail Sales	2021
Virgilio V. Centeno	55	Vice President, Industrial Sales	2021
Mark Tristan D. Caparas	42	Vice President and Chief Finance Officer, Petron Malaysia	2022
Jonathan F. Del Rosario	58	Vice President, Operations and Corporate Technical Services Group	2023
Lemuel C. Cuezon	59	Vice President, Marketing	2023
Jacqueline L. Ang	39	Vice President, Procurement	2024
Jhoanna Jasmine M. Javier-Elacio	53	Vice President – General Counsel and Corporate Secretary	As General Counsel and Corporate Secretary: 2022 As Vice President: 2024

Certain information on the business and working experiences of each of the Executive Officers of the Company who are not directors is set out below:

Freddie P. Yumang, Filipino, born 1958, has served as the Senior Vice President – Chief Risk Officer of the Company since January 1, 2023. He held the following positions in the Company: as Petron Consultant (January 2020 – December 2022), Senior Vice President – Bataan Refinery (February 2018 – December 2019) and Vice President – Bataan Refinery (June 2009 – January 2018). He is a Director of MLC, PAHL and RIHL. He was a former President of the National Association of Mapua Alumni Inc, former President of the Foundation of Outstanding Mapuan Inc, former President of Mechanical Engineering Alumni of Mapua Institute of Technology, former President and National Director of the Philippine Society for Mechanical Engineers, former President of Philippine Society of Industrial Plant Specialists and a member of Pambansang Samahan ng Inhenyero Mekanikal. Mr. Yumang is a Professional Mechanical Engineer, a Certified ASEAN Chartered Professional Engineer and a former member of Professional Regulation Commission Career Progression and Specialization Program and Credit Accumulation and Transfer System Committee for Mechanical Engineering. He graduated from the Mapua Institute of Technology, with earned units for a master's degree in Business Administration from the De La Salle University and completed short Management courses at the Asian Institute of Management.

Maria Rowena O. Cortez, Filipino, born 1964, has served as the Vice President for Supply since June 2009. She is also a Director of PSTPL, PPI, PAHL, RIHL and MLC. The various positions she has held in the Company include Vice President for Supply & Operations (July 2010 – November 2013), and various managerial and supervisory positions in the Marketing/Sales and Supply and Operations Divisions of Petron. Ms. Cortez also held

various positions at the Phil. National Oil Company-Energy Research and Development Center from 1986 to 1993. She holds a Bachelor of Science degree in Industrial Engineering and a master's degree in Business Administration both from the University of the Philippines, Diliman. She also took post graduate courses at the AIM, University of Oxford in Oxfordshire, UK and ExecOnline-Columbia University. She has attended local and foreign trainings and seminars on leadership, market research, supply chain, commodity risk management, petroleum, petrochemicals and energy oil trading.

Albertito S. Sarte, Filipino, born 1967, has served as Deputy Chief Finance Officer and Treasurer of the Company since May 4, 2021 and was Vice President – Treasurer since August 2009. He is also the Treasurer of most of the Company's subsidiaries. Mr. Sarte served as Assistant Vice President for SMC International Treasury until June 2009. He graduated from the Ateneo de Manila University in 1987 with a Bachelor of Science degree in Business Management and has attended the Management Development Program of the Asian Institute of Management in 1995.

Jaime O. Lu, Filipino, born 1963, has served as the Company's Vice President and Executive Assistant to the President on Petron Malaysia Operations and Retail Engineering and Network Development (formerly Vice President and Executive Assistant to the President on Petron Malaysia Operations, Refinery Projects and Retail Engineering and Network Development, and other Special Projects) since November 2018. He is also a director of PLI, PFISB and POMSB. Mr. Lu was formerly the Company's Vice President – Country Operations Manager for Petron Malaysia (April 2012 – October 2018), and Vice President - General Manager of PPI (January 2011 – February 2012). He holds a Bachelor of Science degree in Chemical Engineering from the Pamantasan ng Lungsod ng Maynila and a master's degree in Business Administration from the Ateneo de Manila University.

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

Magnolia Cecilia D. Uy, Filipino, born 1966, has served as Vice President for Retail Sales since October 1, 2021. She was formerly the Vice President for Management Services Division of the Company from February 13, 2020 to September 30, 2021. Other positions she has held include Assistant Vice President for Management Services (June 2018 – February 2020), Assistant Vice President for Market Planning, Research and Sales Information and concurrent Head of the Management Information Systems (February 2018 – May 2018) and Assistant Vice President for Market Planning, Research and Sales Information (February 2013 – January 2018). She is Chief Executive Officer and President of PFC; Director of PMC, NVRC and LLCDC; and a Trustee of PFI. She has a Bachelor of Science degree in Computer Science and a master's degree in Business Administration from the University of the Philippines.

Myrna C. Geronimo, Filipino, born 1966, has served as Vice President for Controllers and Controller the Company since February 13, 2020. She holds the following positions, among others: Controller of PFC, PMC, NVRC, LLCDC, MLC, PPI, Mema and PLI; Director, Controller and Treasurer of SLHPI and PEDC; and Director of PSTPL. She is also the Controller of PFI. Ms. Geronimo was formerly the Assistant Vice President for Controllers and Controller of the Company and the Chief Finance Officer of PMRMB, PFISB and POMSB. Ms. Geronimo holds a Bachelor in Accountancy degree *(magna cum laude)* from the Polytechnic University of the Philippines. She is a certified public accountant and a certified management accountant (Australia).

Allister J. Go, Filipino, born 1965, has served as Vice President for Refinery of the Company since February 13, 2020. He is Director of MLC, ARC, PPI, PAHL and RIHL. He is also a Trustee of PFI. Other positions he has held include Head of Refinery Plant Operations (February 2018 – November 2019), Assistant Vice President for Refinery Production A (January 2018), Officer-in-Charge of Refinery Production A (April 2017 – December 2017), Operations Manager of Refinery Production B (July 2014 – March 2017), Project Manager of RMP2 Project (December 2010 – June 2014), Supply Head, Supply Division (June 2010 – November 2010), Manager of Production Division B Expansion Facilities (June 2009 – May 2010), Manager of Refinery Planning and Quality Control (January 2007 – May 2009), Refinery Engineering Technology Manager (April 2003 – Dec 2006), and Assistant Manager of Business Development, Corporate Planning (June 2001 – March 2003), Business Development Officer, Corporate Planning (March 1995 – May 2001). He joined the Company as a Refinery

Process Design Engineer in May 1988 and has handled several positions in the refinery, including Linear Program Engineer, prior to his assignment in Corporate Planning. He graduated from Adamson University in 1987 with a Bachelor of Science degree in Chemical Engineering and placed Top 2 in the November 1987 Chemical Engineering Licensure Exam. He has attended the Management Development Program of the Asian Institute of Management in 2002 as well as several foreign and local trainings and seminars, including an Engineering Design Course at UOP in Illinois, USA in 1993.

Reynaldo V. Velasco, Jr., Filipino, born 1965, has served as Vice President for Refinery Plant Operations (Production A and B) since February 13, 2020. He is a Director of ARC. He was formerly Assistant Vice President – Technical Services Refinery (November 2018 – January 2020), Assistant Vice President – Production B Refinery (January 2018 – October 2018), Officer-in-Charge – Production B Refinery (April 2017 – December 2017), Manager – Technical Services B Refinery (July 2014 – March 2017), Project Manager – Block B RMP 2 Refinery (December 2010 – June 2014), Manager – PBR SPG Technology Operations (November 2009 – November 2010), Area Manager – Operations Process Block 1 (January 2007 – November 2009), Area Manager – Operations Process Block 2 (July 2005 – December 2006), Area Manager – Operations Process Block 1 (July 2003 – June 2005), Process Specialist (January 2002 – June 2003), Senior Process Engineer (April 2000 – December 2001), Shift Supervisor – PBR Operations (November 1998 – March 2000), Operations Engineer – PBR Engineering (September 1993 – October 1998), Process Design Engineer – PBR Engineering (July 1990 – August 1993). He has a Bachelor of Science degree in Chemical Engineering from the University of Sto. Tomas.

Virgilio V. Centeno, Filipino, born 1969, has been serving as Vice President for Industrial Sales since October 1, 2021. Other positions he has held include Vice President for LPG and Strategic Business Development (May 1, 2021 – September 30, 2021), Assistant Vice President – LPG Business Group (September 2019 – April 2021), Assistant Vice President – LPG, Lubes & Greases/Commercial Sales (June 2018 – August 2019), Assistant Vice President – Lubes & Greases/National Sales (September 2016 – May 2018), LPG and Lubes & Greases Trade Manager/National Sales (March 2016 – August 2016), Card Sales Manager/Reseller Trade/National Sales (August 2013 – February 2016), Card Sales Manager/LPG, Lubes & Greases, and Cards/National Sales (July 2012 – July 2013), National Accounts Manager/Industrial Trade (June 2009 – June 2012), Fleet Cards Sales Manager/Cards Business Group (August 2006 – June 2009), Business Development Coordinator/Direct Retail/Convenience Retail (November 2005 – July 2006), IMD Account Executive/Industrial Trade (February 2003 – October 2005), Special Projects Engineer/Technical Services (April 2002 – January 2003), Field Technical Services Engineer/Technical Services (February 1993 – March 2002) and Analyst, EDD/Geothermal (February 1992 – January 1993). Mr. Centeno has a Bachelor of Science degree in Mechanical Engineering from the Bulacan College of Arts and Trades (*magna cum laude*).

Mark Tristan D. Caparas, Filipino, born 1983, has served as Vice President for Petron Malaysia since March 8, 2022. He is the Chief Finance Officer of PMRMB, PFISB and POMSB. He is a Director of SLPHI and PEDC. Other positions he has held include Assistant Vice President and Chief Finance Officer for Petron Malaysia (February 13, 2020 – March 7, 2022), Chief Finance Officer for Petron Malaysia (July 1, 2019 – February 12, 2020), Assistant Controller, Office of the CFO (September 2015 – June 2019), Financial Analysis and Compliance Manager (August 2014 – August 2015), Finance Manager, Philippine Polypropylene Inc./Office of the CFO (July 2010 – July 2014), Financial Analyst (April 2009 – June 2010) and Credit Analyst, Credit/Finance Subsidiaries (February 2006 – March 2009). Mr. Caparas has a Bachelor of Science degree in Business Administration and Accountancy (*magna cum laude*) from the University of the Philippines and has a master's degree in Business Administration from the Ateneo Graduate School of Business and is a certified public accountant.

Jonathan F. Del Rosario, Filipino, born 1967, is the Vice President for Operations and Corporate Technical Services Group of the Company appointed on March 6, 2023 effective April 1, 2023. Other positions he has held include Assistant Vice President for Operations and CTSG OIC (April 1, 2022 – March 2023), Assistant Vice President for Metro Manila and Manufacturing District (March 8 – July 31, 2022), Manager – Metro Manila and Manufacturing District (August 2021 – March 7,2022), Manager – Lube Manufacturing (January 2021 – July 2021), Manager – Special Assignment (November 2020 – December 2020), Manager – Visayas Operations (September 2019 – November 2020), Manager – Batangas Terminal (April 2015 – August 2019), Manager – Limay Terminal (October 2012 – April 2015), Manager – Pandacan Terminal (May 2011 – October 2012), Manager – Limay Terminal (May 2005 – April 2011), Engineer – Luzon Operations (August 2000 – May 2005), Engineer – Luzon Operations/Poro (December 1996 – July 2000) and Engineer – Pandacan Terminal (December 1991 – November 1996). Mr. Del Rosario has a Bachelor of Science degree in Electrical Engineering from the FEATI University.

Lemuel C. Cuezon, Filipino, born 1965, has served as Vice President for Marketing since March 6, 2023. Other positions he has held include Assistant Vice President for Marketing Division of the Company (April 4, 2022 – March 2023), Assistant Vice President – Market Planning, Research and Sales Information (February 13, 2020 – April 3, 2022), National Manager – Market Planning, Research and Sales Information (June 2018 – February 12, 2020), Luzon Regional Manager – Reseller Luzon (December 2017 – May 2018), VisMin Regional Manager – Reseller VisMin (July 2014 – November 2017), Metro Area Sales Manager – Reseller South Metro (February 2012 – June 2014), Mindanao Area Sales Manager – Reseller VisMin (June 2008 – January 2012), Marketing Coordinator – Retail Luzon (November 2003 – May 2008), Planning and Economics Coordinator – MPRAD (June 2003 – October 2003), Pricing and Business Coordinator – MPRAD (January 2001 – May 2003), Senior Pricing and Business Analyst – MPRAD (January 1999 – July 2000) and HR Assistant (February 1989 – December 1993). Mr. Cuezon has a Bachelor of Science degree in Industrial Engineering from the University of the Philippines.

Jhoanna Jasmine M. Javier-Elacio, Filipino, born 1972, has served as the Vice President – General Counsel, Corporate Secretary and Compliance Officer of the Company since May 21, 2024. She was Assistant Vice President – General Counsel, Corporate Secretary and Compliance Officer from March 6, 2023 to May 21, 2024, Corporate Secretary and Compliance Officer from March 31, 2022 to March 5, 2023, and Assistant Corporate Secretary and Alternate Compliance Officer from May 15, 2012 until March 31, 2022. She is also the Corporate Secretary of a number of the domestic subsidiaries of the Company. Atty. Javier-Elacio was also the Legal Manager of Petron Corporation and the Assistant Corporate Secretary of Petron Foundation, Inc. and a number of the domestic subsidiaries of the Company (May 15, 2012 – March 31, 2022). She previously held the positions of Associate General Counsel of San Miguel Yamamura Packaging Corporation (January 2010-February 2012), Manager for Corporate Restructuring and Reorganization of SMC (December 2007-December 2009) and legal counsel of SMC (October 2005-November 2007). She has also acted as Corporate Secretary and Assistant Corporate Secretary of various subsidiaries of SMC. She was a former associate at the law firm Sycip Salazar Hernandez & Gatmaitan. Atty. Javier-Elacio holds a Bachelor of Arts degree in English (*cum laude*) and a Bachelor of Laws degree from the University of the Philippines, and a master's degree in law from the Kyushu University in Fukuoka, Japan.

PRINCIPAL SHAREHOLDERS

As of June 30, 2025, the Company had 8,915,948,400 common shares and 37,427,000 preferred shares issued and outstanding.

The table below sets forth certain information with respect to beneficial ownership of the Company's common shares as of June 30, 2025 for each shareholder known by the Company to hold more than 5% of the Company's common shares.

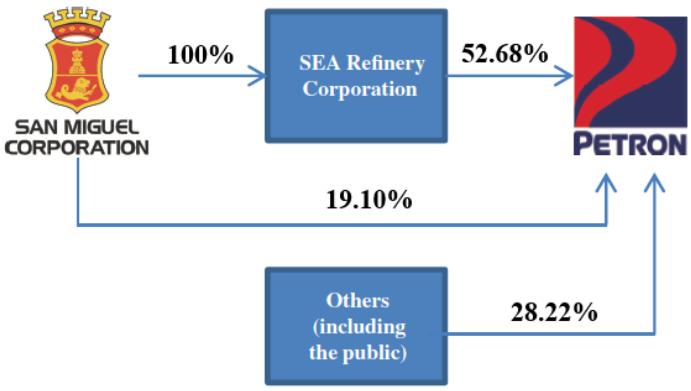
Name	Total Common Shares	Percentage of the issued common share capital of the Company
SEA Refinery Corporation	4,696,885,564	52.68%
San Miguel Corporation	1,702,870,560	19.10%
	6,399,756,124	71.78%

Sea Refinery Corporation is a Philippine company wholly-owned by SMC.

SMC is Southeast Asia's largest publicly listed food, beverage and packaging company. Its broad range of businesses includes properties, fuel and oil, energy, infrastructure, and investment in banking.

SMC became the controlling shareholder of the Company in 2010. Currently, SMC directly owns 4,696,885,564 common shares representing 52.68% of the Company's total issued common share capital. As mentioned above, SMC also owns 100% of Sea Refinery Corporation. Therefore, the total number of common shares beneficially owned, directly and indirectly, by SMC is 6,399,756,124 common shares, representing 71.78% of the Company's total issued common share capital.

The chart below sets forth the ownership structure of the Company's common shares as of the date of this Offering Circular.



RELATED PARTY TRANSACTIONS

The Company engages from time to time in a variety of transactions with related parties. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into under terms comparable to those available from unrelated third parties. For more information regarding the Company's transactions with related parties, see note 28 and note 6 to the Company's audited consolidated financial statements as of December 31, 2024, and for years ended December 31, 2022, 2023 and 2024 and the unaudited interim consolidated financial statements as of and for the period ended June 30, 2025, respectively, included elsewhere in this Offering Circular.

San Miguel Corporation

SMC is a major stockholder of the Company. See "*Principal Shareholders*." The Company has supply agreements with various SMC subsidiaries, under which the Company supplies the diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries. Generally, the pricing formulae under these agreements are based on MOPS. Aggregate revenue with related parties amounted to approximately ₱17,116 million, ₱16,589 million, ₱10,187 million and ₱4,821 million for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. The Company also currently leases office space from an SMC subsidiary pursuant to a lease agreement that was entered into on an arm's length basis.

As of June 30, 2025, the Company's outstanding Redeemable Perpetual Securities ("**RPS**") are at U.S.$160 million. The RPS were fully subscribed by San Miguel Corporation. Distributions are payable quarterly.

New Ventures Realty Corporation

NVRC is a subsidiary of the Company 85.55%-owned by the Company and 14.45%-owned by PCERP. The Company leases from NVRC certain parcels of land where the Petron Bataan Refinery and its service station sites, terminals and bulk plants are located. NVRC is the holder of the lease over the site of the Petron Bataan Refinery of which PNOC is the lessor. Lease expenses in connection with the NVRC leases in 2022, 2023 and 2024 and the six months ended June 30, 2025 amounted to approximately ₱172 million, ₱172 million, ₱163 million, and ₱82 million, respectively.

Petron Singapore Trading Pte. Ltd.

PSTPL is a wholly-owned subsidiary of the Company. The Company acquires crude oil for the Petron Bataan Refinery and certain finished petroleum products through arrangements with PSTPL. The pricing formula for these imports is based on regional benchmark prices. Aggregate purchases from PSTPL amounted to approximately ₱295,863 million, ₱274,647 million, ₱306,817 million and ₱134,588 million for the years ended December 31, 2022, 2023 and 2024 and for the six months ended June 30, 2025, respectively.

TAXATION

The statements herein regarding taxation are based on the laws and administrative guidelines and circulars issued by the relevant authorities in force as of the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or in the interpretation of those laws, guidelines or circulars occurring after such date, which changes could be made on a retroactive basis. See "Risk Factors—Risks Relating to the Company's Business and Operations—Changes in Taxation and certain tax exemptions and tax incentives could increase the Company's operating costs and adversely affect its business, results of operations and financial condition." The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities or dealers which have been granted financial sector tax incentives in Singapore) may be subject to special rules. Prospective purchasers of Securities are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of Securities.

PHILIPPINE TAXATION

As used in this section, the term "resident alien" means an individual whose residence is within the Philippines and who is not a citizen of the Philippines and a "non-resident alien" means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business within the Philippines"; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business within the Philippines." A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines.

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, the CREATE Act. The amendments under the CREATE Act include the reduction of the corporate income tax rate for domestic corporations, resident foreign corporations, and non-resident foreign corporations from 30% to 25%. For domestic corporation, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the Minimum Corporate Income Tax ("**MCIT**") was lowered to 2%, and capital gains from sale of shares of stock not traded in the stock exchange by resident and nonresident foreign corporations are now subject to 15% tax rate.

The CREATE MORE Law, which took effect on November 28, 2024, provides for further amendments regarding corporate income tax rates by giving registered business enterprises ("**RBEs**") the option to choose between the special corporate income tax rate of 5% or the enhanced deduction regime ("**EDR**") at the beginning of their commercial operations. The EDR allows RBEs to avail themselves of the 20% corporate income tax rate from registered projects or activities during each taxable year. Other amendments in the law include the increase in percentage of deductible expense items under the EDR, and the addition of new deductible expense items.

On January 22, 2024, Republic Act No. 11976 or the Ease of Paying Taxes ("**EOPT**") Act was enacted. The EOPT Act introduced administrative tax reforms aimed at modernizing tax administration, improving efficiency, and ensuring fair treatment of taxpayers, among others. The EOPT Act requires the digitalization of Bureau of Internal Revenue ("**BIR**") services, such as the adoption of an integrated and automated system for basic tax services and setting up of electronic and online systems for data exchange. The EOPT Act amends certain provisions of the Tax Code covering income tax, value-add tax, other percentage taxes, and tax compliance. The EOPT Act now mandates all VAT-registered persons, whether engaged in the sale of goods or properties or sale of services, to issue a VAT invoice. VAT-registered persons who are engaged in the sale of services or lease of property are no longer required to issue a VAT official receipt. The relevant rules and regulations implementing the EOPT Act took effect on April 27, 2024.

On May 29, 2025, the President signed into law Republic Act No. 12214 or the Capital Markets Efficiency Promotion Act ("**CMEPA**"), subject to the President's exercise of line-item veto powers. The law took effect on July 1, 2025.

CMEPA introduces, among others, the following amendments to the Tax Code: (i) expansion of the definition of "securities" to include (a) investment contracts, certificates of interest, or participation in a profit-sharing agreement, such as certificates of deposit for a future subscription, (b) fractional undivided interests in oil, gas, or

other mineral rights, (c) certificates of assignment, certificates of participation, trust certificates, voting trust certificates, or similar instruments, and (d) other similar instruments as may be determined by the Securities and Exchange Commission; (ii) removal of the tax exemption enjoyed by taxpayers on interest from long-term deposits and the imposition of a 20% final withholding tax on interest income.; (iii) imposition of a 15% final withholding tax on capital gains from the sale, exchange, or other disposition of shares of stock in a domestic or foreign corporation, except through a local or foreign stock exchange; (iv) a change in the rate of documentary stamp tax for original issuance of shares from ₱2.00 for every ₱200.00 (or fractional part thereof) of the par value, to 75% of 1% of the value of the par value of share such shares of stock; (v) imposition of documentary stamp tax in the amount of 75% of 1% of the value of the transaction for transactions involving selling or transferring bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country; (vi) imposition of documentary stamp tax in the amount of 75% of 1% of the issue price of debt instruments; and (vii) reduction of stock transaction tax from 0.60% to 0.10% for sales of shares of stock listed and traded through the local stock exchange, including transactions regarding shares of domestic corporations through a foreign stock exchange.

The characterization of the Securities and Distributions for tax purposes is not settled under Philippine tax laws and regulations. Subject to definitive law or regulation or a specific ruling issued by Philippine tax authority in respect of the Securities, the Distributions may be treated as dividends or interest for tax purposes. Interest on debt instruments or interest-bearing obligations of residents (corporate or otherwise), and the amount received as dividend from domestic corporations, are generally considered as income derived from a source within the Philippines. Since the Company is a Philippine resident or a domestic corporation, Distributions received by Securityholders will be treated as income derived from a source within the Philippines and will generally be subject to Philippine income tax.

Documentary Stamp Tax

Under the Tax Code, certain documents, instruments, papers, acceptances, assignments, sales and transfers of obligations, rights or property may be subject to documentary stamp tax. Documentary stamp tax will be levied, collected and paid for by the person making, signing, issuing, accepting or transferring the document wherever the document is made, signed, issued, accepted or transferred when the relevant obligation or right arises from a Philippine source or the relevant property is situated in the Philippines.

With the effectivity of the CMEPA, documentary stamp tax on all original issuances of shares of stock shall be at the rate of 75% of 1%, or fractional part thereof, of the par value of such shares of stock or actual consideration for the issuance of the shares (in the case of no-par value shares). On every original issuance of debt instruments, a documentary stamp tax of 75% of 1%, or fractional part thereof, of the issue price of any such debt instruments is imposed under the Tax Code. The original issuance of the Securities (whether treated as shares of stock or debt instruments) will therefore be subject to documentary stamp tax at the foregoing rates based on the issue price of the Securities. The documentary stamp tax due on the original issuance of the Securities will be for the account of the Company.

Transfers of shares of stock by assignment in blank, delivery, or by any paper, agreement or memorandum or other evidence of transfer or sale (including to secure the future payment of money or for the future transfer of stock) is subject to documentary stamp tax at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the par value of such shares of stock, or at an amount equivalent to 50% of the documentary stamp tax paid upon the issuance of the shares in the case of no par value shares. Accordingly, subsequent transfers or dispositions of Securities, if treated as shares of stock for tax purposes, will be subject to documentary stamp tax at these rates.

Under the CMEPA, the sale or transfer of bonds, debentures, and certificates of stock or indebtedness issued in a foreign country is subject to documentary stamp tax of 75% of 1% of the value of the transaction, payable by the person selling or transferring the same.

Distributions on the Securities

Distributions that are characterized as dividends for Philippine tax purposes will be subject to final withholding tax at the rate of (i) 10% if the Securityholder is a Philippine citizen or resident alien or (ii) 20% if the Securityholder is a non-resident alien engaged in trade or business within the Philippines. A non-resident alien not engaged in trade or business within the Philippines is subject to final withholding tax at the rate of 25% regardless of whether the Distributions are characterized as dividends or interest or other fixed or determinable periodic or casual gains or profits. A non-resident foreign corporation is generally taxable on all gross income received from all sources within the Philippines at the rate of 25%; however, if Distributions received by non-resident foreign corporations are regarded as taking the form of dividends for Philippine tax purposes, such

dividends are generally subject to 25% final withholding tax. However, a reduced rate of 15% may be applied, provided that the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation taxes deemed to have been paid in the Philippines equivalent to 10%, representing the difference between the regular income tax rate of 25% and the 15% tax rate on dividends. Distributions received by domestic corporations and resident foreign corporations that are regarded as taking the form of dividends for Philippine tax purposes are not subject to Philippine tax.

On the other hand, the tax treatment of interest generally depends on the type of instrument from which the interest arises and whether the class of taxpayer receiving the interest is a resident or a non-resident for Philippine tax purposes. Interest on debt instruments arising from borrowing from the public (which for this purpose means more than nineteen lenders), long-term deposits or investment certificates, currency bank deposits, trust funds and similar instruments is generally subject to a 20% final withholding tax if received by Philippine citizens, resident aliens, non-resident aliens engaged in trade or business within the Philippines, domestic corporations and resident foreign corporations (all of which may generally be considered as "residents" in respect of taxation of Philippine-sourced income). Interest on debt instruments not covered by the foregoing instruments received by the same categories of residents will form part of their taxable income and will be subject to ordinary income tax rates (at graduated rates from 0% – 35% for individuals and for corporations (i) 25% regular corporate income tax; (ii) 20% regular corporate income tax for domestic corporations with net taxable income not exceeding ₱5 million and with total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million; (iii) 20% regular corporate income tax for RBEs; or (iv) 2% MCIT, as the case may be, for domestic and resident foreign corporations), subject to the withholding by the issuer of an amount equivalent to 15% of such interest, which shall be creditable against the income tax liability of the resident for the relevant taxable year.

Interest on debt instruments received by non-residents will generally be subject to final withholding tax at the rate of (i) 25%, if the holder is a non-resident alien not engaged in trade or business within the Philippines; or (ii) 20%, if the holder is a non-resident foreign corporation on the assumption that the debt instrument is a "foreign loan" granted by such non-resident foreign corporation. "Foreign loans" are defined as loan contracts, including all types of debt instrument, whether in kind or in cash, which are payable in a currency other than the Philippine Peso, entered into by a Philippine resident, corporate or otherwise, with a non-resident. Distributions will be taxed in the manner and at the rate described above if they are characterized as interest. The tax withheld constitutes a final settlement of Philippine tax liability in respect of such interest or dividend income earned by the non-resident individual not engaged in trade or business within the Philippines or by the non-resident foreign corporation. For the purpose of implementing these rules, the Company will determine the holder of the Securities based on the records of the Registrar.

The Company, as required by the Tax Code, will withhold and make payment of the applicable withholding tax described above. However, the Company shall pay Additional Amounts as may be necessary and subject to certain exceptions, so that the net amounts received by Securityholders equal the amounts which would otherwise have been receivable by them had no such deduction or withholding been required. See "*Terms and Conditions of the Securities—Taxation and Gross-up*."

The above-mentioned tax rates are without prejudice to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of the non-resident holder. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest or dividend arises in the Philippines and is paid to a resident of the other contracting state. In addition, some treaties provide that the withholding tax rate may be reduced to 10% in cases where the interest arises in respect of a public issue of bonded indebtedness or in the case of a dividend, where the recipient of the dividend beneficially owns at least 10% or 25% of the issuer, depending on which treaty applies. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest or dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing or dividend-earning interest is effectively connected with such permanent establishment.

The Philippine tax authorities have prescribed a certain procedure for claiming tax treaty benefits for dividend and interest income of non-resident income earners, through the Tax Treaty Relief Application ("**TTRA**") system. The preferential treaty rates for dividend and interest income of non-residents shall be applied and used outright by the withholding agents upon submission by the non-resident of (a) an Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty, along with the other documentary requirements enumerated in Revenue Memorandum Order No. 14-2021, or (b) a Certificate of Entitlement to Treaty Benefits that complies with paragraph II of Revenue Memorandum Circular No. 20-2022, together with proof of compliance with the requisites cited in such certificate

(each in form and substance satisfactory to the Company), as applicable. A Certificate of Entitlement to Treaty Benefits ("**COE**") shall be issued for approved TTRAs which shall contain the factual and legal basis for the approval of the same.

Under Revenue Memorandum Circular No. 20-2022, the BIR clarified that non-resident income earners who have already been issued COEs, the tenor thereof allows the ruling to be applied to subsequent or future income payments, shall no longer file another TTRA every time an income of a similar nature is paid to the same non-resident income earner.

The use of the preferential rates shall be done through withholding final taxes at applicable treaty rates. Withholding agents or income payors can withhold at a reduced rate or exempt the non-resident based on the documents provided by the non-resident. Failure to submit the abovementioned requirements to the withholding agent or income payor within the prescribed deadlines may lead to withholding using the regular rates prescribed under the Tax Code. If the income of the non-resident Securityholder has been subjected to regular rates, the non-resident Securityholder may file a claim for refund of the difference between the amount of withholding tax actually paid in the Philippines and the amount of tax that should have been paid under the treaty after obtaining a certificate from the Bureau of Internal Revenue confirming such Securityholder's entitlement to treaty benefits.

Sale or Other Disposition of the Securities

In general, a Securityholder will recognize a gain or loss upon the sale or other disposition (including a redemption at maturity, an exchange or otherwise) of the Securities in an amount equal to the difference between the amount realized from such disposition and such Securityholder's cost basis in the Securities.

If the Securities are considered shares of stock

The net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, a domestic corporation or resident foreign corporation (other than a dealer in securities), or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE or a foreign stock exchange, are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year.

Meanwhile, the sale or exchange of shares of stock traded through the PSE or a foreign stock exchange (other than a sale by a dealer in securities) shall be subject to a stock transaction tax at the rate of 1/10 of 1% of the gross selling price or gross value in money of the shares of stock sold or exchanged.

Accordingly, if the Securities are regarded as "shares of stock" for Philippine tax purposes, capital gains tax of 15% will be payable on the sale or disposition of the Securities outside the facilities of the PSE or foreign stock exchange, while stock transaction tax of 1/10 of 1% will be imposed if the Securities are sold or traded through the PSE or foreign stock exchange.

If the Securities are considered debt securities

Gains realized from the sale, exchange, or retirement of bonds, debentures, and other certificates of indebtedness form part of the gross income of the taxpayer and therefor subject to Philippine income tax.

The tax treatment of gains from the sale or transfer of the Securities will generally depend on the status of the Securityholder, whether the Securities are held as an ordinary or capital asset, and the place of sale of the Securities.

In the event that the Securities are held as ordinary assets, gains from the sale or transfer of the Securities within the Philippines will be included in the computation of taxable income of certain Securityholders and subject to ordinary income tax rates (at graduated rates from 0% to 35% for citizens, resident aliens, and non-resident aliens engaged in trade or business in the Philippines; 25% for non-resident aliens not engaged in trade or business in the Philippines; 25% regular corporate income tax; or 20% regular corporate income tax for domestic corporations with net taxable income not exceeding ₱5 million and with total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million, RBEs or 2% MCIT, as the case may be, for domestic and resident foreign corporations; and 25% for non-resident foreign corporations).

If the Securityholder is a resident of a country with which the Philippines has an income tax treaty, an exemption from tax on gains from the alienation of personal property (such as the Securities) may be available under the

applicable tax treaty. The procedures for availment of the applicable tax treaty relating to such gains will have to be duly complied with under existing rules.

In the event the Securities are held as capital assets, the tax rates discussed above would apply. However, capital gains recognized can be reduced by any capital loss up to the extent of the capital gain recognized. Further, in case the Securityholder is (i) an individual; (ii) is not a dealer in securities; and (iii) has held the Securities for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in said Securityholder's gross income for Philippine tax purposes.

Gains derived by resident citizens and domestic corporations from the sale or disposition of the Securities outside the Philippines will be subject to ordinary income tax based on the above tax rates, while gains derived by non-resident citizens, aliens and foreign corporations from the sale of the Securities outside the Philippines will not be taxable.

Exchange of Existing Securities

In respect of the Exchange Offer, the exchange of Existing Securities with Exchange Securities may be considered as a sale or disposition of the Existing Securities for Philippine tax purposes. See "*–Philippine Taxation–Sale or Other Disposition of the Securities.*"

Value-Added Tax

The transfer of the Securities in the Philippines by dealers in securities will be subject to value-added tax at the rate of 12% on the gross income they derive from the sale or exchange of the Securities.

Estate and Donor's Tax

Securities issued by a corporation organized or constituted in the Philippines in accordance with Philippine laws are deemed to have a Philippine situs and their transfer by way of succession or donation is subject to Philippine estate and donor's taxes.

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Securities shall be subject to an estate tax which is levied on the net estate of the deceased at a rate of 6%. A Securityholder shall be subject to donor's tax at a rate of 6% based on the total gifts in excess of ₱250,000.00 made during the calendar year on the transfer of the Securities by donation.

The estate tax or donor's tax shall not be collected in respect of intangible personal property situated in the Philippines (such as the Securities) if (a) the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or of the donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the decedent or donor.

In case the Securities are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Securities exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

TAXATION OUTSIDE THE PHILIPPINES

The tax treatment of a non-resident Securityholder in jurisdictions outside the Philippines will vary depending on the tax laws applicable to such Securityholder by reason of domicile or business activities and may vary depending upon such Securityholder's situation. Each Securityholder should consult its own tax advisers as to the particular tax consequences on such holder acquiring, owning and disposing of the Securities, including the applicability and effect of any state, local and national laws.

CLEARANCE AND SETTLEMENT OF THE SECURITIES

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Company believes to be reliable, but neither the Company nor any of the Joint Lead Managers takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Company nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Securities held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Custodial and depositary links have been established with Euroclear and Clearstream to facilitate the initial issue of the Securities and transfers of the Securities associated with secondary market trading.*

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of their participants. Euroclear and Clearstream provide their respective participants with, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Securities held through Euroclear or Clearstream will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant rules and procedures of the institution.

Registration and Form

Book-entry interests in the Securities held through Euroclear and Clearstream will be evidenced by the Global Certificate, registered in the name of nominee of the common depositary of Euroclear and Clearstream. The Global Certificate will be held by a common depositary for Euroclear and Clearstream. Beneficial ownership in the Securities will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream.

The aggregate holdings of book-entry interests in the Securities in Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Securities, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Securities. The Registrar will be responsible for maintaining a record of the aggregate holdings of Securities registered in the name of a common nominee for Euroclear and Clearstream and/or, if individual Global Certificates are issued in the limited circumstances described under "*The Global Certificate—Registration of Title*," holders of Securities represented by those individual Global Certificates. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Company for holders of interests in the Securities holding through Euroclear and Clearstream are credited to Euroclear or Clearstream, as the case may be.

The Company will not impose any fees in respect to the Securities; however, holders of book-entry interests in the Securities may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Notices

So long as all the Securities are represented by the Global Certificate and the same is/are deposited with a nominee for a common depositary and Euroclear and Clearstream, notices to Securityholders shall be given by delivery to Euroclear and Clearstream or such additional or substitute clearing system by the Issuer, for communication by them to entitled accountholders in substitution for publication as required by the Conditions.

Clearance and Settlement Procedures

Initial Settlement

Upon their original issue, the Securities will be in global form represented by the Global Certificate. Interests in the Securities will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Securities through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Securities will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the Closing Date against payment (for value on the Closing Date).

Secondary Market Trading

Secondary market sales of book-entry interests in the Securities held through Euroclear or Clearstream to purchasers of book-entry interests in the Securities through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional participants.

General

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the transfers of interests in the Securities among participants of Euroclear and Clearstream, none of Euroclear and Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee, the Agents or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

SUBSCRIPTION AND SALE

General

The Joint Lead Managers have agreed, severally and not jointly, pursuant to a Subscription Agreement dated September 15, 2025 (the "**Subscription Agreement**") between the Company and the Joint Lead Managers and subject to the satisfaction of certain conditions, to procure subscriptions and payment for the aggregate principal amount of the New Securities and the Company has agreed to sell to such Joint Lead Manager, the principal amount of the New Securities set forth opposite such Joint Lead Manager's name:

Joint Lead Manager	Principal amount of New Securities
The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch	U.S.$20,262,000
DBS Bank Ltd.	U.S.$ 20,258,000
Mizuho Securities Asia Limited	U.S.$ 20,258,000
MUFG Securities EMEA plc.	U.S.$ 20,258,000
SMBC Nikko Securities (Hong Kong) Limited	U.S.$ 20,258,000
Standard Chartered Bank	U.S.$ 20,258,000
UBS AG Singapore Branch	U.S.$ 20,258,000
Total	U.S.$141,810,000

The Subscription Agreement provides that the Company will indemnify the Joint Lead Managers against certain liabilities. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Company.

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and their affiliates have performed and may perform in the future various financial advisory, investment banking and commercial banking services for the Company and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Company, and/or its affiliates in the ordinary course of their business.

The Joint Lead Managers or certain of their affiliates may purchase the New Securities and be allocated New Securities for asset management and/or proprietary purposes but not with a view to distribution. The Joint Lead Managers may pay commissions to certain third parties (including, without limitation, rebates to private banks.) While each Joint Lead Manager and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause a Joint Lead Manager or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the New Securities. Each Joint Lead Manager may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the New Securities.

The Joint Lead Managers or certain of their affiliates may purchase the Securities for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of the Company or its subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities). As a result of such transactions, a Joint Lead Manager or its affiliates may hold long or short positions relating to the Securities. The Joint Lead Managers have entered into certain arrangements with each of BDO Capital & Investment Corporation, China Bank Capital Corporation and PNB Capital and Investment Corporation (the "**Domestic Lead Managers**") in connection with their participation hereunder, for which the Domestic Lead Managers will receive customary fees.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the Joint Lead Managers

or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Company in such jurisdiction.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the New Securities. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Joint Lead Manager accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the New Securities (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the New Securities.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the New Securities, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to:

- Omnibus_bond@hk.mizuho-sc.com
- Asia-Syndicate@hk.sc.mufg.jp
- DCM.SSEA@smbcnikko-hk.com
- SYNHK@sc.com
- ol-dcm_sea@ubs.com

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The relevant Joint Lead Manager may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

Selling Restrictions

None of the Company or the Joint Lead Managers makes any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Company that would permit a public offering of the Securities, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required. Each of the Joint Lead Managers will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes this Offering Circular (in preliminary, proof or final form) or any such other material, in all cases at its own expense. The Joint Lead Managers will also ensure that no obligations are imposed on the Company in any such jurisdiction as a result of any of the foregoing actions. The Company will have no responsibility for, and the Joint Lead Managers will not obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. The Joint Lead Managers are not authorized to make any representation or use any information in connection with the issue, subscription and sale of the Securities other than as contained in, or which is consistent with, the Offering Circular or any amendment or supplement to it.

United States of America

The Securities are being offered and sold only outside of the United States in offshore transactions in reliance on Regulation S. The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of Securities within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and agreed that:

(1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it

in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Company;

(2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and

(3) it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are subject to the offering contemplated in this Offering Circular to any UK retail investor in the United Kingdom.

(a) For the purposes of this provision, the expression "**UK retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU)No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular, or any other document or material in connection with the offer or sale or invitation for subscription or purchase of such Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA; or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275, of the SFA.

Hong Kong

Each of the Joint Lead Managers has represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Each Joint Lead Manager has represented and agreed that it will not offer or sell any Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

European Economic Area

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are subject to the offering contemplated in the Offering Circular to any EEA retail investor in the European Economic Area.

(a) For the purposes of this provision, the expression "**EEA retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities.

Philippines

Under Republic Act No. 8799, known as the Securities Regulation Code of the Philippines (the "**Philippine SRC**"), and its implementing rules and regulations, as amended (the "**Philippine SRC Rules**"), securities, such as the Securities, are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are registered with the Philippine Securities and Exchange Commission (the **"Philippine SEC"**) or are otherwise exempt securities under Section 9 of the Philippine SRC or sold pursuant to an exempt transaction under Section 10 of the Philippine SRC. A confirmation of exemption from the Philippine SEC that the offer for sale, tender for purchase or exchange or distribution of the Securities in the Philippines qualify as an exempt transaction under the Philippine SRC is not required to be, and has not been, obtained. Unless such confirmation of exemption in respect of any offer for sale, tender for purchase or exchange or distribution is issued by the Philippine SEC, any person claiming exemption under Section 10.1 of the Philippine SRC has the burden of proof, if challenged, of showing that it is entitled to the exemption. The Philippine SEC may challenge such exemption at any time.

The Exchange Securities in connection with the Exchange Offer by the Securityholders and the New Securities are not intended to be sold or offered for sale, tendered for purchase or exchange or distribution and should not be sold or offered for sale, tendered for purchase or exchange or distribution within the Philippines.

Each Joint Lead Manager has represented and agreed that (a) it has not sold or offered for sale, exchange or distribution, and will not sell or offer for sale, exchange or distribute, any Exchange Securities in the Philippines; and (b) it has not sold or offered for sale or distribution, and will not sell or offer for sale or distribute, any New Securities in the Philippines, in the case of each limbs (a) and (b) above, except to qualified buyers pursuant to Section 10.1(l) of the Philippine SRC, the Philippine SRC Rules and the issuances of the Philippine SEC.

In respect of the Exchange Securities, where a Securityholder of Existing Securities is a resident of or located in the Philippines and intends to participate in the Exchange Offer, such Securityholder shall represent that: (i) it did not receive, directly or indirectly, any invitation or offer to participate in the Exchange Offer by such means, instrumentality or facility from or within the Philippines or located within the Philippines, or otherwise through materials or documents mailed, transmitted, distributed or forwarded in or to the Philippines; (ii) it is not participating in the Exchange Offer from the Philippines or is otherwise participating in the Exchange Offer under circumstances where the sale or exchange, offer for sale or exchange, and acceptance of the offer for sale or exchange, of the Exchange Securities qualify as an exempt transaction under the Philippine SRC, the Philippine

SRC Rules and other issuances of the Philippine SEC; (iii) it is a "qualified buyer" pursuant to Section 10.1(l) of the Philippine SRC and Rules 10.1.3 and 10.1.11 of the Philippine SRC Rules*;* and (iv) its participation in the Exchange Offer would be, at all times and in all respects, in compliance with the Philippine SRC, Philippine SRC Rules and other applicable laws and regulations.

Moreover, notwithstanding that a particular class of securities is exempt from registration under the Philippine SRC, the Philippine SRC Rules provides that (a) the conduct by any person in the purchase, sale, distribution, settlement and other post-trade activities involving such securities in the Philippines shall comply with the provisions of the Philippine SRC and the rules implementing the Philippine SRC; and (b) the sale or offer for sale of a security in an exempt transaction under the Philippine SRC shall not be exempt from civil liability and related liabilities and other applicable provisions of the Philippine SRC on fraud, among others.

NONE OF THE OFFERING CIRCULAR OR ANY RELATED DOCUMENTS HAS BEEN REVIEWED BY THE PHILIPPINE SEC AND NEITHER THE OFFERS NOR THE SECURITIES BEING REFERRED TO HEREIN, HAVE BEEN AND WILL BE REGISTERED WITH THE PHILIPPINE SEC UNDER THE PHILIPPINE SRC AND THE PHILIPPINE SRC RULES. ANY OFFER OR SALE OF THE SECURITIES IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE PHILIPPINE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE PHILIPPINE SRC.

LEGAL MATTERS

Certain legal matters as to Philippine law will be passed upon for the Company by Picazo Buyco Tan Fider Santos & Dee and for the Joint Lead Managers by Angara Abello Concepcion Regala & Cruz Law Offices (ACCRALAW). Certain legal matters as to the laws of England and Wales will be passed upon for the Joint Lead Managers by Latham & Watkins LLP and for the Trustee by Linklaters.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company prepared in accordance with PFRS as of December 31, 2024 and 2023 and for the years ended December 31, 2022, 2023 and 2024 included in this Offering Circular have been audited by, and the consolidated financial statements as of June 30, 2025 and for the six months ended June 30, 2025 and 2024 included in this Offering Circular have been reviewed by R.G. Manabat & Co., a member firm of KPMG, as indicated in their report with respect thereto included herein.

GLOSSARY

TERM	DEFINITION
APM	Malaysian automatic pricing mechanism.
ASEAN	Association of Southeast Asian Nations.
bbl	Barrel.
BIR	Philippine Bureau of Internal Revenue.
Black Products	Fuel oil and asphalts.
BSP	Bangko Sentral ng Pilipinas.
Clearing Systems	Euroclear and Clearstream.
Clearstream	Clearstream Banking S.A.
CODO	Company-owned-dealer-operated service stations.
CREATE Act	Corporate Recovery and Tax Incentives for Enterprises Act.
DENR	Philippine Department of Environment and Natural Resources.
DENR-EMB	DENR-Environmental Management Bureau.
DODO	Dealer-owned-dealer-operated service stations.
DOE	Philippine Department of Energy.
DOE-OIMB 2024 Report	Report prepared by the DOE Oil Industry Management Bureau (OIMB) for the year ended 2024 (available at https://prod-cms.doe.gov.ph/documents/d/guest/-annex-a-oimb-year-end-comprehensive-report_fy-2024).
DTI	Philippine Department of Trade and Industry.
Euroclear	Euroclear Bank SA/NV.
IEA	International Energy Agency.
IMS	Integrated Management System.
Innospec	Innospec, Limited.
ISO	International Organization for Standardization.
kbpd	Thousand barrels of oil per day.
KLIA	Kuala Lumpur International Airport.
ktoe	Thousand tons of oil equivalent.
LPG	Liquefied petroleum gas.
LPS	Loss prevention system.
mb/d	Million barrels of oil per day.
MMB	Million barrels.
mmbbl	Million barrels of oil.
mmbpd	Million barrels of oil per day
MOPS	Mean of Platts Singapore. The daily average of all trading transactions between a buyer and a seller of petroleum products as assessed and summarized by Standard and Poor's Platts, a Singapore-based market wire service.

TERM	DEFINITION
MNHPI	Manila North Harbour Port, Inc.
NVRC	New Ventures Realty Corporation.
OECD	Organization for Economic Co-operation and Development.
Ovincor	Overseas Ventures Insurance Corporation Ltd.
PAHL	Petrochemical Asia (HK) Ltd.
PCERP	Petron Corporation Employees' Retirement Plan.
Petrogen	Petrogen Insurance Corporation.
Petron Bataan Refinery	The Company's refinery located in Limay, Bataan, Philippines.
Petrophil	Petrophil Corporation.
PFC	Petron Freeport Corporation.
PFI	Petron Foundation Inc.
PFISB	Petron Fuel International Sdn. Bhd. (formerly known as ExxonMobil Malaysia Sdn. Bhd.).
PFRS	Philippine Financial Reporting Standards.
Philippine SEC	The Securities and Exchange Commission of the Philippines.
Philippine SRC	The Securities Regulation Code of the Philippines.
Philippine Tax Code	Philippine National Internal Revenue Code of 1997, as amended.
PMC	Petron Marketing Corporation.
PMRMB	Petron Malaysia Refining & Marketing Berhad.
PNOC	Philippine National Oil Company.
POGI	Petron Oil & Gas International Sdn Bhd.
POGM	Petron Oil & Gas Mauritius Ltd.
Port Dickson Refinery	The Company's refinery located in Port Dickson, Malaysia.
POS	Point of sale.
Power Plant (Phase III)	The Company's cogeneration power plant, which supplies the steam and power requirements of the Petron Bataan Refinery.
PPI	Philippine Polypropylene Inc.
PSE	The Philippine Stock Exchange, Inc.
PSTPL	Petron Singapore Trading Pte. Ltd.
RMP-2	The second phase of the Company's Refinery Master Plan project.
Saudi Aramco	Saudi Arabian Oil Company.
Saudi CP	Saudi Aramco contract prices.
SEA BV	SEA Refinery Holdings B.V.
Securities Act	U.S. Securities Act of 1933, as amended.

TERM	DEFINITION
Shell	Pilipinas Shell Petroleum Corporation.
SIRIM	Standard and Industrial Research Institute of Malaysia
SMC	San Miguel Corporation.
SRC	SEA Refinery Corporation.
SSHE	Safety, security, health and the environment.
TCCs	Tax Credit Certificates.
TRAIN	Tax Reform for Acceleration and Inclusion.
VAT	Value-added tax.
White Products	Diesel, gasoline, jet fuel, kerosene and LPG.

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REPORT OF INDEPENDENT AUDITORS ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Petron Corporation and Subsidiaries (the "Group"), which comprise the condensed consolidated interim statement of financial position as at June 30, 2025, and the condensed consolidated interim statements of income, condensed consolidated interim statements of comprehensive income, condensed consolidated interim statements of changes in equity and condensed consolidated interim statements of cash flows for the six months ended June 30, 2025 and 2024, and selected explanatory notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Philippine Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with PAS 34, *Interim Financial Reporting*.

Other Matter

We audited the consolidated financial statements of the Group as at and for the year ended December 31, 2024 and expressed an unqualified opinion thereon dated March 19, 2025.

Limitation of Use

The accompanying condensed consolidated interim financial statements were prepared solely for use by the Joint Bookrunners and Dealer Managers in relation to Petron Corporation's Offering of Senior Perpetual Capital Securities and is not intended to be and should not be used by anyone other than for the specified purpose.

R.G. MANABAT & CO.



ROHANIE C. GALICIA
Partner
CPA License No. 0118706

August 30, 2025
Makati City, Metro Manila

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

	Note	**June 30 2025 (Unaudited)**	December 31 2024 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*8, 9*	**P36,435**	P30,389
Financial assets at fair value	*8, 9*	**1,609**	1,044
Trade and other receivables - net	*6, 8, 9*	**69,401**	82,762
Inventories - net		**77,551**	90,570
Other current assets	*6*	**48,667**	51,108
Total Current Assets		**233,663**	255,873
Noncurrent Assets			
Investment in shares of stock of an associate and joint ventures		**1,142**	1,165
Property, plant and equipment - net	*4, 5*	**167,342**	169,302
Right-of-use assets - net		**2,798**	2,925
Investment property - net		**28,461**	28,243
Deferred tax assets - net		**550**	560
Goodwill - net		**8,978**	8,731
Other noncurrent assets - net	*8, 9*	**2,018**	2,003
Total Noncurrent Assets		**211,289**	212,929
		P444,952	P468,802
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	*6, 7, 8, 9*	**P109,200**	P138,906
Liabilities for crude oil and petroleum products	*8, 9*	**55,477**	51,625
Trade and other payables	*6, 8, 9*	**29,215**	29,012
Lease liabilities - current portion	*8, 9*	**1,380**	1,295
Derivative liabilities	*8, 9*	**1,136**	1,699
Income tax payable		**294**	304
Current portion of long-term debt - net	*8, 9*	**37,078**	29,418
Total Current Liabilities		**233,780**	252,259

Forward

	Note	Unaudited June 30 2025	Audited December 31 2024
Noncurrent Liabilities			
Long-term debt - net of current portion	*8, 9*	**P80,975**	P88,025
Retirement benefits liability - net		**3,566**	3,661
Deferred tax liabilities - net		**6,940**	6,719
Lease liabilities - net of current portion	*8, 9*	**11,899**	12,120
Asset retirement obligation		**1,401**	1,321
Other noncurrent liabilities	*8, 9*	**479**	487
Total Noncurrent Liabilities		**105,260**	112,333
Total Liabilities		**339,040**	364,592
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**9,502**	9,502
Additional paid-in capital		**57,698**	57,698
Capital securities	*10*	**34,060**	34,555
Retained earnings		**35,541**	33,715
Equity reserves		**(18,448)**	(19,350)
Treasury stock	*10*	**(22,122)**	(21,003)
Total Equity Attributable to Equity Holders of the Parent Company		**96,231**	95,117
Non-controlling Interests		**9,681**	9,093
Total Equity		**105,912**	104,210
		P444,952	P468,802

See Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME
(Amounts in Million Pesos, Except Per Share Data)

		For the Six Months Ended June 30	
	Note	**2025 (Unaudited)**	2024 (Unaudited)
SALES	*4*	**P386,395**	P444,490
COST OF GOODS SOLD		**362,749**	418,921
GROSS PROFIT		**23,646**	25,569
SELLING AND ADMINISTRATIVE EXPENSES		**(9,448)**	(8,978)
OTHER OPERATING INCOME		**948**	858
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*4*	**(9,388)**	(10,226)
INTEREST INCOME	*4*	**555**	561
SHARE IN NET INCOME OF AN ASSOCIATE AND JOINT VENTURES		**84**	40
OTHER INCOME (EXPENSES) - Net		**193**	(185)
		(17,056)	(17,930)
INCOME BEFORE INCOME TAX		**6,590**	7,639
INCOME TAX EXPENSE	*4*	**1,338**	1,541
NET INCOME		**P5,252**	P6,098
Attributable to:			
Equity holders of the Parent Company		**P4,822**	P5,835
Non-controlling interests		**430**	263
		P5,252	P6,098
BASIC/DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	*11*	**P0.30**	P0.40

See Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements.

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

	For the Six Months Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
NET INCOME	**P5,252**	P6,098
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified to profit or loss		
Equity reserve for retirement plan - net of tax	**-**	(1)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**1,223**	2,075
Share in other comprehensive income (loss) of an associate and joint ventures	**5**	(1)
	1,228	2,074
OTHER COMPREHENSIVE INCOME - Net of tax	**1,228**	2,073
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD - Net of tax	**P6,480**	P8,171
Attributable to:		
Equity holders of the Parent Company	**P5,797**	P7,616
Non-controlling interests	**683**	555
	P6,480	P8,171

See Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements.

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

		For the Six Months Ended June 30										
		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2025 (Audited)		**P9,502**	**P57,698**	**P34,555**	**P3**	**P33,712**	**(P7,670)**	**(P11,680)**	**(P21,003)**	**P95,117**	**P9,093**	**P104,210**
Exchange differences on translation of foreign operations		-	-	-	-	-	-	970	-	970	253	1,223
Share in other comprehensive income of an associate and joint ventures		-	-	-	-	-	-	5	-	5	-	5
Other comprehensive income for the period		-	-	-	-	-	-	975	-	975	253	1,228
Net income for the period		-	-	-	-	4,822	-	-	-	4,822	430	5,252
Total comprehensive income for the period		-	-	-	-	4,822	-	975	-	5,797	683	6,480
Cash dividends	*12*	-	-	-	-	(1,590)	-	-	-	(1,590)	(96)	(1,686)
Distributions paid	*12*	-	-	-	-	(1,405)	-	-	-	(1,405)	-	(1,405)
Acquisition of common treasury shares	*10*	-	-	-	-	-	-	-	(1,119)	(1,119)	-	(1,119)
Repurchase of capital securities	*10*	-	-	(495)	-	-	-	(73)	-	(568)	-	(568)
Appropriation of retained earnings		-	-	-	7	(8)	-	-	-	(1)	1	-
Transactions with owners		-	-	(495)	7	(3,003)	-	(73)	(1,119)	(4,683)	(95)	(4,778)
As of June 30, 2025 (Unaudited)		**P9,502**	**P57,698**	**P34,060**	**P10**	**P35,531**	**(P7,670)**	**(P10,778)**	**(P22,122)**	**P96,231**	**P9,681**	**P105,912**

Forward

For the Six Months Ended June 30

	Note	Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
		Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2024 (Audited)		P9,485	P40,985	P37,529	P3	P31,844	(P6,466)	(P14,794)	(P7,600)	P90,986	P8,674	P99,660
Exchange differences on translation of foreign operations		-	-	-	-	-	-	1,783	-	1,783	292	2,075
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(1)	-	-	(1)	-	(1)
Share in other comprehensive loss of an associate and joint ventures		-	-	-	-	-	-	(1)	-	(1)	-	(1)
Total other comprehensive income (loss) for the period		-	-	-	-	-	(1)	1,782	-	1,781	292	2,073
Net income for the period		-	-	-	-	5,835	-	-	-	5,835	263	6,098
Total comprehensive income (loss) for the period		-	-	-	-	5,835	(1)	1,782	-	7,616	555	8,171
Cash dividends	*12*	-	-	-	-	(1,527)	-	-	-	(1,527)	(205)	(1,732)
Distributions paid	*12*	-	-	-	-	(1,484)	-	-	-	(1,484)	-	(1,484)
Transactions with owners		-	-	-	-	(3,011)	-	-	-	(3,011)	(205)	(3,216)
As of June 30, 2024 (Unaudited)		P9,485	P40,985	P37,529	P3	P34,668	(P6,467)	(P13,012)	(P7,600)	P95,591	P9,024	P104,615

See Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements.

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

		For the Six Months Ended June 30	
	Note	**2025 (Unaudited)**	2024 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P6,590**	P7,639
Adjustments for:			
Interest expense and other financing charges	*4*	**9,388**	10,226
Depreciation and amortization	*4*	**7,274**	6,211
Retirement benefits costs		**194**	153
Allowance for impairment (net reversal) of receivables and inventories		**60**	(3)
Share in net income of an associate and joint ventures		**(84)**	(40)
Interest income	*4*	**(555)**	(561)
Unrealized foreign exchange losses (gains) - net		**(1,374)**	2,959
Other gains - net		**(90)**	(143)
Operating income before working capital changes		**21,403**	26,441
Changes in noncash assets, certain current liabilities and others		**33,414**	(2,276)
Cash generated from operations		**54,817**	24,165
Interest received		**569**	548
Contributions to retirement fund		**(300)**	(100)
Income taxes paid		**(777)**	(398)
Interest paid		**(9,177)**	(9,536)
Net cash flows provided by operating activities		**45,132**	14,679
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from an associate		**113**	-
Proceeds from sale of property and equipment		**2**	-
Additions to property, plant and equipment	*5*	**(3,436)**	(5,010)
Additions to investment property		**(106)**	(140)
Increase in other noncurrent assets		**(3)**	-
Net cash flows used in investing activities		**(3,430)**	(5,150)

Forward

		For the Six Months Ended June 30	
	Note	**2025 (Unaudited)**	2024 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans and advances	*7*	**P148,526**	P179,580
Payments of:			
Loans and bonds	*7*	**(176,570)**	(182,327)
Lease liabilities		**(1,368)**	(1,660)
Cash dividends and distributions	*12*	**(3,683)**	(3,559)
Repurchase of capital securities	*10*	**(568)**	-
Acquisition of common treasury shares	*10*	**(1,119)**	-
Net cash flows used in financing activities		**(34,782)**	(7,966)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(874)**	1,475
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,046**	3,038
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**30,389**	27,519
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P36,435**	P30,557

See Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

1. Reporting Entity

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

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

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

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

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

As of June 30, 2025, the three (3) principal common shareholders of the Company holding at least 5% of its common stock were SEA Refinery Corporation ("SEA Refinery") (52.68%), PCD Nominee Corporation - Filipino (21.28%), and SMC (19.10%). SEA Refinery is wholly-owned by SMC. SMC thus holds an aggregate of 71.78% ownership of the common shares of the Company.

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

2. Basis of Accounting and Accounting Policies

Basis of Accounting

The condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2024 (the "last annual financial statements"). They do not include all the information required for a complete set of financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The condensed consolidated interim financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on August 5, 2025.

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

Accounting Policies

The principal accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards

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

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

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

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

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

New and Amendments to Standards Not Yet Adopted
A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2025 and have not been applied in preparing the condensed consolidated interim financial statements.

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

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

  The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.
  Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

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

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

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

- Annual Improvements to PFRS Accounting Standards - Volume 11. This cycle of improvements contains amendments to two standards:

  - Gain or Loss on Derecognition (Amendments to PFRS 7). The amendments replaced the reference to ‘inputs that were not based on observable market data’ in the obsolete paragraph 27A of PFRS 7, with reference to ‘unobservable inputs’ in paragraphs 72-73 of PFRS 13, *Fair Value Measurement*.

  - Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9). The amendments:

    - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and

- replaced the term 'their transaction price (as defined in PFRS 15, *Revenue from Contracts with Customers*)' with 'the amount determined by applying PFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

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

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1, *Presentation of Financial Statements*. The new standard introduces the following key requirements:

  - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss;

  - Management-defined performance measures are disclosed in a single note to the financial statements; and

  - Enhanced guidance is provided on how to group information in the financial statements.

    In addition, all entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

    PFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with retrospective application required. Early adoption is permitted. The Group is still in the process of assessing the impact of the new standard.

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

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

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

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

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

3. Use of Judgments and Estimates

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the consolidated financial statements as of and for the year ended December 31, 2024.

4. Segment Information

Management identifies segments based on business and geographic locations. These operating segments are monitored, and strategic decisions are made on the basis of adjusted segment operating results.

The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The Group's major sources of revenues are as follows:

a. Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country.

b. Sales of fuel, liquified petroleum gas (LPG), and lubricants to industrial customers including manufacturing, transportation, aviation, and construction sectors.

c. Sales of LPG and lubricants through dealers and distribution network.

d. Lease of real properties and equipment at the service stations and other related structures.

e. Export sales of various petroleum and non-fuel products to other countries such as China, Indonesia, India, Taiwan, Vietnam, Singapore and Malaysia.

Revenues are mainly derived from the sale of petroleum products to retail and commercial customers in various geographical locations.

The Group has no significant remaining performance obligations as it mainly recognizes revenues in amounts that correspond directly to the value of completed performance obligations.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, and property, plant and equipment, net of allowances, depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions
Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Major Customer
The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

The following tables present revenue and income information, certain asset and liability information and other material information regarding the business segments as of and for the periods ended June 30, 2025, December 31, 2024 and June 30, 2024:

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
June 30, 2025					
Revenue:					
External sales	**P384,919**	**P588**	**P405**	**P483**	**P386,395**
Inter-segment sales	**195,574**	**158**	**-**	**(195,732)**	**-**
Operating income	**14,862**	**117**	**9**	**158**	**15,146**
Net income	**5,882**	**64**	**12**	**(706)**	**5,252**
Assets and liabilities:					
Segment assets*	**505,084**	**7,222**	**692**	**(68,596)**	**444,402**
Segment liabilities*	**367,736**	**1,923**	**108**	**(37,667)**	**332,100**
Other segment information:					
Property, plant and equipment - net	**163,099**	**-**	**67**	**4,176**	**167,342**
Depreciation and amortization	**7,153**	**4**	**6**	**111**	**7,274**
Interest expense	**9,459**	**37**	**1**	**(109)**	**9,388**
Interest income	**563**	**3**	**9**	**(20)**	**555**
Income tax expense	**1,295**	**20**	**4**	**19**	**1,338**
Cost of sales:					
Inventories	**349,832**	**-**	**362**	**28**	**350,222**

**excluding deferred tax assets and liabilities*
***revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
December 31, 2024					
Revenue:					
External sales	P864,765	P1,229	P1,163	P809	P867,966
Inter-segment sales	373,179	77	-	(373,256)	-
Operating income	29,052	(90)	16	245	29,223
Net income	11,630	(91)	37	(3,105)	8,471
Assets and liabilities:					
Segment assets*	526,717	7,150	678	(66,303)	468,242
Segment liabilities*	391,070	1,919	105	(35,221)	357,873
Other segment information:					
Property, plant and equipment	165,803	-	72	3,427	169,302
Depreciation and amortization	13,286	121	12	37	13,456
Interest expense	21,116	320	1	(476)	20,961
Interest income	1,207	281	16	(303)	1,201
Income tax expense	4,449	(33)	8	99	4,523
Cost of sales:					
Inventories	797,841	-	780	77	798,698

**excluding deferred tax assets and liabilities*

***revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
June 30, 2024					
Revenue:					
External sales	P442,900	P576	P647	P367	P444,490
Inter-segment sales	182,088	198	-	(182,286)	-
Operating income	17,376	112	15	(54)	17,449
Net income	7,377	71	29	(1,379)	6,098
Assets and liabilities:					
Segment assets*	507,852	9,943	682	(58,466)	460,011
Segment liabilities*	370,223	4,417	118	(27,166)	347,592
Other segment information:					
Property, plant and equipment - net	165,836	-	77	3,386	169,299
Depreciation and amortization	6,132	42	7	30	6,211
Interest expense	10,289	135	1	(199)	10,226
Interest income	558	113	7	(117)	561
Income tax expense	1,523	21	4	(7)	1,541
Cost of sales:					
Inventories	407,486	-	418	27	407,931

**excluding deferred tax assets and liabilities*

***revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

Inter-segment sales transactions amounted to P195,732, P373,256 and P182,286 for the periods ended June 30, 2025, December 31, 2024, and June 30, 2024, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the periods ended June 30, 2025, December 31, 2024, and June 30, 2024:

	Retail	Lube	Gasul	Industrial	Others*	Total
June 30, 2025						
Revenue	**P178,211**	**P806**	**P19,814**	**P81,195**	**P104,893**	**P384,919**
Property, plant and equipment	**8,005**	**307**	**261**	**100**	**154,426**	**163,099**
Capital expenditures	**974**	**266**	**16**	**71**	**3,591**	**4,918**
December 31, 2024						
Revenue	P379,864	P7,452	P38,568	P161,268	P277,613	P864,765
Property, plant and equipment	8,176	223	2,685	79	154,640	165,803
Capital expenditures	1,086	185	16	56	5,578	6,921
June 30, 2024						
Revenue	P196,289	P3,729	P18,876	P84,514	P139,492	P442,900
Property, plant and equipment	8,530	113	2,282	69	154,842	165,836
Capital expenditures	1,204	79	15	48	6,573	7,919

**revenues from consumer loyalty program are presented as part of "Others"*

Geographical Segments

The following table presents segment assets of the Group as of June 30, 2025, December 31, 2024, and June 30, 2024:

	June 30, 2025	December 31, 2024	June 30, 2024
Local	**P341,021**	P360,469	P354,639
International	**103,381**	107,773	105,372
	P444,402	P468,242	P460,011

Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the periods ended June 30, 2025, December 31, 2024, and June 30, 2024:

	Petroleum	Leasing*	Marketing	Elimination/ Others*	Total
June 30, 2025					
Local	**P229,133**	**P746**	**P405**	**(P347)**	**P229,937**
Export/international	**351,360**	**-**	**-**	**(194,902)**	**156,458**
December 31, 2024					
Local	P437,246	P1,306	P1,163	(P815)	P438,900
Export/international	800,698	-	-	(371,632)	429,066
June 30, 2024					
Local	P219,331	P774	P647	(P683)	P220,069
Export/international	405,657	-	-	(181,236)	224,421

**revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

5. Property, Plant and Equipment

The movements and balances as of and for the periods ended June 30, 2025 and December 31, 2024 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, 2024	P27,968	P222,890	P22,759	P9,103	P4,741	P5,057	P292,518
Additions	264	970	1,783	928	151	6,064	10,160
Disposals/reclassifications	619	3,307	(1,337)	(41)	137	(4,286)	(1,601)
Reclassification to/from investment property	(220)	-	-	-	(800)	108	(912)
Currency translation adjustment	331	1,963	725	197	150	80	3,446
December 31, 2024 (Audited)	28,962	229,130	23,930	10,187	4,379	7,023	303,611
Additions	66	189	653	983	41	1,564	3,496
Disposals/reclassifications	532	2,591	131	113	44	(3,589)	(178)
Currency translation adjustment	(95)	796	296	82	57	24	1,160
June 30, 2025 (Unaudited)	**29,465**	**232,706**	**25,010**	**11,365**	**4,521**	**5,022**	**308,089**
Accumulated Depreciation							
January 1, 2024	16,549	84,168	16,354	5,922	1,538	-	124,531
Depreciation	970	7,926	1,028	412	120	-	10,456
Disposals/reclassifications	(241)	(34)	(1,395)	(54)	1	-	(1,723)
Reclassification to/from investment property	137	-	-	-	(774)	-	(637)
Currency translation adjustment	210	920	397	154	1	-	1,682
December 31, 2024 (Audited)	17,625	92,980	16,384	6,434	886	-	134,309
Depreciation	470	4,576	509	262	61	-	5,878
Disposals/reclassifications	52	-	(1)	(39)	(1)	-	11
Currency translation adjustment	(65)	374	178	62	-	-	549
June 30, 2025 (Unaudited)	**18,082**	**97,930**	**17,070**	**6,719**	**946**	-	**140,747**
Carrying Amount							
December 31, 2024 (Audited)	P11,337	P136,150	P7,546	P3,753	P3,493	P7,023	P169,302
June 30, 2025 (Unaudited)	**P11,383**	**P134,776**	**P7,940**	**P4,646**	**P3,575**	**P5,022**	**P167,342**

Certain fully depreciated property, plant and equipment with aggregate costs of P38,282 and P36,040 as of June 30, 2025 and December 31, 2024, respectively, are still being used in the Group's operations.

The Group has no property, plant and equipment pledged as security of its liabilities.

Capital Commitments

As of June 30, 2025 and December 31, 2024, the Group has outstanding commitments to acquire property, plant and equipment amounting to P9,158 and P6,880, respectively.

6. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint ventures and SMC and its subsidiaries, in the normal course of business, purchase products and services from one another. Transactions with related parties are made at market prices and terms. Material related party transactions of the Group are subject to an annual review by an external party, the endorsement of the Board Related Party Transactions Committee, and the approval by the BOD of the Company.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the periods ended June 30, 2025 and December 31, 2024 follow:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement	*a, 10b*	**2025**	**P10**	**P1,119**	**P -**	**P -**	On demand;	Unsecured;
Plan		2024	45	-	894	-	interest bearing	no impairment
	a	**2025**	**-**	**-**	**-**	**-**	On demand;	Unsecured;
		2024	-	-	88	-	non-interest bearing	no impairment
Intermediate	*b, e, f, h, i*	**2025**	**9**	**132**	**16**	**480**	On demand;	Unsecured;
Parent		2024	18	235	15	418	non-interest bearing	no impairment
Under Common	*k*	**2025**	**-**	**149**	**-**	**5,633**	On demand;	Unsecured;
Control		2024	-	321	-	5,785	interest bearing	no impairment
	b, c, d,	**2025**	**4,471**	**4,034**	**3,683**	**2,699**	On demand;	Unsecured;
	h, i, j, k	2024	9,513	6,664	3,992	2,767	non-interest bearing	no impairment
Associate	*b, h, i*	**2025**	**156**	**153**	**129**	**277**	On demand;	Unsecured
		2024	280	296	81	203	non-interest bearing	no impairment
Joint Ventures	*c, g, h*	**2025**	**-**	**39**	**-**	**4**	On demand;	Unsecured
		2024	-	74	-	4	non-interest bearing	no impairment
Associates and Joint Ventures of Entities under Common Control	*l*	**2025**	**-**	**32**	**-**	**-**	Short-term:	Unsecured
		2024	-	41	-	1,100	interest bearing	no impairment
	b, h, i, l	**2025**	**175**	**-**	**72**	**-**	On demand;	Unsecured
		2024	331	-	54	1	non-interest bearing	no impairment
		2025	**P4,821**	**P5,658**	**P3,900**	**P9,093**		
		2024	P10,187	P7,631	P5,124	P10,278		

a. The Parent Company's interest-bearing advances to Petron Corporation Employees' Retirement Plan (PCERP) are included as part of "Trade and other receivables - net" account in the condensed consolidated interim statements of financial position. The outstanding balance was fully settled on March 20, 2025.

b. Revenues pertain to the Parent Company's sales transactions with the Intermediate Parent, various SMC subsidiaries, and an associate which are covered by supply agreements. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.

c. Purchases relate to the goods and services such as power, construction, information technology, shipping and terminalling which the Parent Company acquires from various SMC subsidiaries, a joint venture and an associate.

d. The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for its office space and certain parcels of land where service stations are located.

e. The Parent Company has existing lease agreements with SMC covering certain parcels of land where service stations are located.

f. The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.

g. Terminal Bersama Sdn Bhd (TBSB), an operator of Liquefied Petroleum Gas (LPG) bottling plant, provides bottling services to Petron Fuel International Sdn Bhd (PFISB) and another venturer.

h. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.

i. Amounts owed to related parties consist of trade and non-trade payables.

j. New Ventures Realty Corporation (NVRC) leases out certain parcels of its land to Limay Power, Inc. (formerly SMC Consolidated Power Corporation) for a period of 25 years.

k. Amounts owed to entities under common control include interest-bearing advances from San Miguel Insurance Company Ltd.

l. Amounts owed to associate of entities under common control include interest bearing short-term loans payable to Bank of Commerce.

7. Loans and Borrowings

Short-term Loans
The movements of short-term loans for the six months ended June 30, 2025 follow:

Balance as of January 1, 2025	**P138,906**
Loan availments	**143,569**
Loan repayments	**(173,630)**
Currency translation adjustment	**355**
Balance as of June 30, 2025	**P109,200**

This account pertains to unsecured Philippine peso, US dollar and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 4 to 119 days and annual interest ranging from 3.99% to 7.05% for the period ended June 30, 2025 and 3 to 178 days and annual interest ranging 3.96% to 8.00% for the period ended December 31, 2024. These loans are obtained to fund the importation of crude oil and petroleum products and working capital requirements.

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

The Group has two financial covenants, namely, net leverage ratio not exceeding 6.5x and ratio of consolidated gross debt to consolidated net worth not exceeding 2.75x. The Group's net leverage ratio is tested on incurrence-based, while the ratio of consolidated gross debt to consolidated net worth is tested quarterly.

As of June 30, 2025 and December 31, 2024, the Group has complied with the financial covenants of its debt agreements.

8. Financial Risk Management Objectives and Policies

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

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

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The Board of Directors (BOD) regularly reviews and approves the policies for managing these financial risks. Details of each of these risks are discussed below, together with the related risk management structure.

Risk Management Structure

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

The Group's risk management process is a bottom-up approach, with each risk owner mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As the Group's operation is an integrated value chain, risks emanate from every process, while some could cut across groups. The results of these activities flow up to the Management Committee and, eventually, the BOD through the Group's annual business planning process.

Oversight and technical assistance are likewise provided by corporate units and committees with special duties. These groups and their functions are:

a. The Enterprise-Wide Risk Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.

b. The Risk and Insurance Management Group, which is assigned to identify, assess, manage, and mitigate risks, while ensuring adequate insurance coverage across the company.

c. The Treasurers Department, which is in charge of foreign currency hedging transactions.

d. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.

e. The Corporate Technical and Engineering Services Group, which oversees strict adherence to safety and environmental mandates across all facilities.

f. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.

g. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the BOD, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.

h. Petron Singapore Trading Pte. Ltd. (PSTPL) executes the hedging transactions involving crude and product imports on behalf of the Group.

The BOD also created separate positions and board-level entities with explicit authority and responsibility in managing and monitoring risks, as follows:

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

The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.

c. The Compliance Officer, who is a senior officer of the Parent Company, reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

Foreign Currency Risk

The Parent Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposures to foreign currency risk arise mainly from US dollar-denominated sales as well as purchases principally of crude oil and petroleum products. As a result of this, the Group maintains a level of US dollar-denominated assets and liabilities during the period. Foreign currency risk occurs due to differences in the levels of US dollar-denominated assets and liabilities.

In addition, starting March 31, 2012, the Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

The Group pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

The Group is allowed to engage in active risk management strategies for a portion of its foreign currency risk exposure. Loss limits are in place, monitored daily and regularly reviewed by management.

The Group assesses the existence of an economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of their respective cash flows. For derivatives designated in a hedging relationship, the Group determines whether the derivatives are expected to be highly effective in offsetting the changes in the cash flows of the hedged item using the cumulative dollar-offset method. The dollar-offset method approximates the changes in the fair value of the hedged item using a hypothetical derivative which mirrors the terms of the derivative used as hedging instrument.

For currency hedges, the Group maintains a 1:1 hedge ratio since a similar amount of hedging instrument is expected to offset the changes in the cash flows of the hedged item. The main sources of ineffectiveness are:

a. the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the exchange rates; and

b. changes in the timing of the hedged transactions.

The Group is exposed to foreign currency risk of its short-term loans and US dollar-denominated sales and purchases. On the other hand, both foreign currency and interest rate risks arise in the Group's long-term debts. The Group determined that foreign currency risk is a separately identifiable and measurable risk component eligible for designation since it is caused by fluctuations in US dollar to Philippine peso exchange rates and benchmark closing prices used to measure the fluctuations are available in the market.

Information on the Group's US dollar-denominated financial assets and liabilities and their Philippine peso equivalents are as follows:

	June 30, 2025		December 31, 2024	
	US dollar (in millions)	**Philippine peso Equivalent**	US dollar (in millions)	Philippine peso Equivalent
Assets				
Cash and cash equivalents	**525**	**29,555**	403	23,324
Trade and other receivables	**491**	**27,644**	646	37,341
Other assets	**31**	**1,752**	20	1,184
	1,047	**58,951**	1,069	61,849
Liabilities				
Short-term loans	**-**	**-**	277	16,006
Liabilities for crude oil and petroleum products	**903**	**50,844**	814	47,135
Long-term debt (including current maturities)	**1,157**	**65,174**	1,171	67,717
Other liabilities	**328**	**18,447**	179	10,340
	2,388	**134,465**	2,441	141,198
Net Foreign Currency -denominated monetary Liabilities	**(1,341)**	**(75,514)**	(1,372)	(79,349)

The Group incurred net foreign currency exchange gains of P2,462 and losses of P3,213 for the periods ended June 30, 2025 and June 30, 2024, respectively, which were mainly countered by mark-to-market and hedging gains or losses (Note 9). The foreign currency rates from Philippine peso (PHP) to US dollar (US$) as of reporting dates are shown in the following table:

	PHP to US$
June 30, 2025	**56.330**
December 31, 2024	57.845
June 30, 2024	58.610

Management of foreign currency risk is also supplemented by monitoring the sensitivity of the financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of June 30, 2025 and December 31, 2024:

	P1 Decrease in the US dollar Exchange Rate		**P1 Increase in the US dollar Exchange Rate**	
June 30, 2025	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P277)**	**(P455)**	**P277**	**P455**
Trade and other receivables	**(104)**	**(483)**	**104**	**483**
Other assets	**(17)**	**(27)**	**17**	**27**
	(398)	**(965)**	**398**	**965**
Short-term loans	**-**	**-**	**-**	**-**
Liabilities for crude oil and petroleum products	**389**	**1,194**	**(389)**	**(1,194)**
Long-term debts (including current maturities)	**1,157**	**868**	**(1,157)**	**(868)**
Other liabilities	**13**	**325**	**(13)**	**(325)**
	1,559	**2,387**	**(1,559)**	**(2,387)**
	P1,161	**P1,422**	**(P1,161)**	**(P1,422)**

	P1 Decrease in the US dollar Exchange Rate		P1 Increase in the US dollar Exchange Rate	
December 31, 2024	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P264)	(P337)	P264	P337
Trade and other receivables	(178)	(639)	178	639
Other assets	(10)	(18)	10	18
	(452)	(994)	452	994
Short-term loans	-	277	-	(277)
Liabilities for crude oil and petroleum products	461	1,161	(461)	(1,161)
Long-term debts (including current maturities)	1,171	878	(1,171)	(878)
Other liabilities	22	173	(22)	(173)
	1,654	2,489	(1,654)	(2,489)
	P1,202	P1,495	(P1,202)	(P1,495)

Exposures to foreign currency rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates mainly to long-term borrowings and investment securities. Investments or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investments or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest costs by using a combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rates and ensures that the marked-up rates levied on its borrowings are most favorable and benchmarked against the interest rates charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings prior to deployment of funds to their intended use in operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term volatility on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on the condensed consolidated interim statements of income.

Managing interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity through the retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in consolidated statements of income, if any.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P376 and P727 for the period ended June 30, 2025 and for the year ended December 31, 2024, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table
As of June 30, 2025 and December 31, 2024, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

June 30, 2025	**<1 Year**	**1-<2 Years**	**2-<3 Years**	**3-<4 Years**	**4-<5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso denominated	**P22,800**	**P8,250**	**P11,000**	**P2,000**	**P -**	**P -**	**P44,050**
Interest rate	**3.4% - 8.1%**	**7.2% - 7.5%**	**4.3% - 7.5%**	**7.5%**	**-**	**-**	**-**
Floating Rate							
Philippine peso denominated	**1,000**	**2,667**	**2,667**	**2,666**	**1,000**	**-**	**10,000**
Interest rate	**3, 6 mos. BVAL + margin**	**3, 6 mos. BVAL + margin**	**3, 6 mos. BVAL + margin**	**3, 6 mos. BVAL + margin**	**3, 6 mos. BVAL + margin**		
US$ denominated (expressed in Php)	**13,616**	**22,435**	**17,052**	**8,047**	**4,024**	**-**	**65,174**
Interest rate*	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**		
	P37,416	**P33,352**	**P30,719**	**P12,713**	**P5,024**	**P -**	**P119,224**

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

December 31, 2024	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P22,425	P5,000	P15,750	P2,000	P1,000	P -	P46,175
Interest rate	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	7.5%	7.5%	-	-
Floating Rate							
Philippine peso denominated	-	833	1,667	1,667	833	-	5,000
Interest rate		6 mos. BVAL + margin	6 mos. BVAL + margin	6 mos. BVAL + margin	6 mos. BVAL + margin		
US$ denominated (expressed in Php)	6,595	18,907	23,039	10,123	8,263	-	66,927
Interest rate*	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin		
JPY denominated (expressed in Php)	790	-	-	-	-	-	790
Interest rate*	1, 3, 6 mos. TONA + margin						
	P29,810	P24,740	P40,456	P13,790	P10,096	P -	P118,892

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Group regulates and extends credit only to qualified and credit-worthy customers and counterparties, consistent with established Group credit policies, guidelines and credit verification procedures. Requests for credit facilities from trade customers undergo stages of review by Trade Sales and Finance Divisions. Approvals, which are based on amounts of credit lines requested, are vested among line managers and top management that include the President and the Chairman.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the condensed consolidated interim statements of financial position or in the selected explanatory notes to the condensed consolidated interim financial statements, as summarized below:

	June 30, 2025	December 31, 2024
Cash in banks and cash equivalents	**P34,369**	P28,177
Derivative assets	**1,609**	1,044
Trade and other receivables - net	**69,401**	82,762
Noncurrent deposits	**144**	141
	P105,523	P112,124

Cash and Cash Equivalents, Derivative Assets and Noncurrent Deposits

Cash and cash equivalents, derivative assets and noncurrent deposits are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash and cash equivalents, derivative assets and noncurrent deposits has been measured on a 12-month Expected Credit Loss (ECL) basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents, derivative assets and noncurrent deposits have low credit risk based on the external credit ratings of its counterparties.

Trade and Other Receivables and Long-term Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 4.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

Class A "*High Grade*" are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B "*Moderate Grade*" refer to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Class C "*Low Grade*" are accounts with high probability of delinquency and default.

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables. Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P6,752 and P6,021 as of June 30, 2025 and December 31, 2024, respectively. These securities may only be called on or applied upon default of customers.

Risk Concentration. The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

The tables below present the summary of the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	June 30, 2025				
	Financial Assets at Amortized Cost				
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Financial Assets at Fair Value through Profit or Loss (FVPL)**	**Total**
Cash in banks and cash equivalents	**P34,369**	**P -**	**P -**	**P -**	**P34,369**
Trade and other receivables	**-**	**69,401**	**895**	**-**	**70,296**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**1,609**	**1,609**
Long-term receivables	**-**	**-**	**11**	**-**	**11**
Noncurrent deposits	**144**	**-**	**-**	**-**	**144**
	P34,513	**P69,401**	**P906**	**P1,609**	**P106,429**

	December 31, 2024				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL Credit impaired	Financial Assets at Fair Value through Profit or Loss (FVPL)	Total
Cash in banks and cash equivalents	P28,177	P -	P -	P -	P28,177
Trade and other receivables	-	82,762	894	-	83,656
Derivative assets not designated as cash flow hedge	-	-	-	1,044	1,044
Long-term receivables	-	-	333	-	333
Noncurrent deposits	141	-	-	-	141
	P28,318	P82,762	P1,227	P1,044	P113,351

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of June 30, 2025 and December 31, 2024.

June 30, 2025	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P36,435**	**P36,435**	**P36,435**	**P -**	**P -**	**P -**
Trade and other receivables - net	**69,401**	**69,401**	**69,401**	**-**	**-**	**-**
Derivative assets (including non-current portion)	**1,609**	**1,609**	**1,609**	**-**	**-**	**-**
Proprietary membership shares	**500**	**500**	**-**	**-**	**-**	**500**
Noncurrent deposits	**144**	**144**	**-**	**-**	**4**	**140**
Financial Liabilities						
Short-term loans	**109,200**	**109,200**	**109,200**	**-**	**-**	**-**
Liabilities for crude oil and petroleum products	**55,477**	**55,477**	**55,477**	**-**	**-**	**-**
Trade and other payables*	**17,861**	**17,861**	**17,861**	**-**	**-**	**-**
Cylinder deposits	**3,811**	**3,811**	**3,811**	**-**	**-**	**-**
Derivative liabilities	**1,136**	**1,136**	**1,136**	**-**	**-**	**-**
Long-term debts (including current maturities)	**118,053**	**132,247**	**43,468**	**37,718**	**51,061**	**-**
Lease liability (including current portion)	**13,279**	**20,871**	**2,164**	**2,097**	**5,547**	**11,063**
Cash bonds	**425**	**425**	**-**	**410**	**15**	**-**
Other noncurrent liabilities	**53**	**53**	**-**	**33**	**20**	**-**

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

December 31, 2024	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P30,389	P30,389	P30,389	P -	P -	P -
Trade and other receivables - net	82,762	82,762	82,762	-	-	-
Derivative assets (including non-current portion)	1,044	1,044	1,044	-	-	-
Proprietary membership shares	458	458	-	-	-	458
Noncurrent deposits	141	141	-	-	4	137
Financial Liabilities						
Short-term loans	138,906	140,027	140,027	-	-	-
Liabilities for crude oil and petroleum products	51,625	51,625	51,625	-	-	-
Trade and other payables*	17,060	17,060	17,060	-	-	-
Cylinder deposits	3,432	3,432	3,432	-	-	-
Derivative liabilities	1,699	1,699	1,699	-	-	-
Long-term debts (including current maturities)	117,443	135,521	37,024	29,823	68,674	-
Lease liability (including current portion)	13,415	21,215	2,055	2,042	5,529	11,589
Cash bonds	426	426	-	411	15	
Others under other noncurrent liabilities	61	61	-	25	25	11

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

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material costs and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show mark-to-market losses; however, any loss in the mark-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show mark-to-market gains; however, any gain in the mark-to-market position is offset by the resulting lower selling price.

To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the CRMD is in place. Decisions are guided by the conditions set and approved by the Group's management.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group's capital management policies and programs aim to provide an optimal capital structure that would ensure the Group's ability to continue as a going concern while at the same time provide adequate returns to the shareholders. As such, it considers the best trade-off between risks associated with debt financing and relatively higher cost of equity funds.

An enterprise resource planning system is used to monitor and forecast the Group's overall financial position. The Group regularly updates its near-term and long-term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Group monitors capital via carrying amount of equity as shown in the consolidated interim statements of financial position. The Group's capital for the covered reporting period is summarized below:

	June 30 2025	December 31 2024
Total assets	**P444,952**	P468,802
Total liabilities	**339,040**	364,592
Total equity	**105,912**	104,210
Debt to equity ratio	**3.2:1**	3.5:1
Assets to equity ratio	**4.2:1**	4.5:1

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

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

9. Financial Assets and Financial Liabilities

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

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

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

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

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

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's cash and cash equivalents, trade and other receivables, certain investments in debt instruments at amortized cost, noncurrent receivables and deposits and restricted cash are included under this category.

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

- the contractual right to receive cash flows from the asset have expired; or

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of June 30, 2025 and December 31, 2024:

	June 30, 2025		December 31, 2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets (FA):				
Cash and cash equivalents	**P36,435**	**P36,435**	P30,389	P30,389
Trade and other receivables - net	**69,401**	**69,401**	82,762	82,762
Noncurrent deposits	**144**	**144**	141	141
FA at amortized cost	**105,980**	**105,980**	113,292	113,292
Proprietary membership shares	**500**	**500**	458	458
Derivative assets not designated as cash flow hedge	**1,609**	**1,609**	1,044	1,044
FA at FVPL	**2,109**	**2,109**	1,502	1,502
Total Financial Assets	**P108,089**	**P108,089**	P114,794	P114,794

	June 30, 2025		December 31, 2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities (FL):				
Short-term loans	**P109,200**	**P109,200**	P138,906	P138,906
Liabilities for crude oil and petroleum products	**55,477**	**55,477**	51,625	51,625
Trade and other payables*	**17,861**	**17,861**	17,060	17,060
Long-term debts including current portion	**118,053**	**118,053**	117,443	117,443
Cash bonds	**425**	**425**	426	426
Cylinder deposits	**3,811**	**3,811**	3,432	3,432
"Others" under other noncurrent liabilities	**53**	**53**	61	61
Other FL	**304,880**	**304,880**	328,953	328,953
Derivative liabilities not designated as cash flow hedge	**1,136**	**1,136**	1,699	1,699
Total Financial Liabilities	**P306,016**	**P306,016**	P330,652	P330,652

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

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

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

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Mark-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties. The fair values of derivative instruments designated as cash flow hedges are computed by discounting the future cash flows and using the valuation model based on applicable market rates of similar instruments.

Financial Assets at FVPL. The fair values of publicly traded instruments and similar investments are based on published market prices.

Long-term Debt - Floating Rate. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Cash Bonds and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rate used as of June 30, 2025 and December 31, 2024 is 9.24% and 9.39%, respectively.

Short-term Loans, Liabilities for Crude Oil and Petroleum Products, Trade and Other Payables and Cylinder Deposits. The carrying amount of short-term loans, liabilities for crude oil and petroleum products and trade and other payables approximates fair value primarily due to the relatively short-term maturities of these financial instruments.

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the “Hedging reserve” account in the consolidated interim statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the condensed consolidated interim statements of income.

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

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

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

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are recognized directly in the condensed consolidated interim statements of income.

Freestanding Derivatives

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

Currency Forwards. As of June 30, 2025 and December 31, 2024, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,652 million and US$1,214 million, respectively, and with various maturities. As of June 30, 2025 and December 31, 2024, the net negative fair value of these currency forwards amounted to P153 and P977, respectively.

Commodity Swaps. The Group has outstanding swap agreements covering its oil requirements, with various maturities. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. Total outstanding equivalent notional quantity covered by the commodity swaps were 58.4 million barrels and 100.6 million barrels as of June 30, 2025 and December 31, 2024, respectively. The estimated net receipts for these transactions amounted to P626 and P322 as of June 30, 2025 and December 31, 2024, respectively.

Embedded Derivatives
Embedded foreign currency derivatives exist in certain US dollar-denominated sales and purchases contracts for various fuel products of the Parent Company. Under the sales and purchases contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of June 30, 2025 and December 31, 2024, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of June 30, 2025 and December 31, 2024, the net fair value of these embedded currency forwards is minimal.

For the periods ended June 30, 2025 and December 31, 2024, the Group recognized mark-to-market gains (losses) from freestanding and embedded derivatives amounting to (P2,531) and P986, respectively.

Fair Value Measurements
The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

The table below analyzes financial instruments carried at fair value, by valuation method, as of June 30, 2025 and December 31, 2024.

	Level 2	
	June 30 2025	December 31 2024
Financial assets:		
FVPL	**P500**	P458
Derivative assets	**1,609**	1,044
Financial liabilities:		
Derivative liabilities	**(1,136)**	(1,699)

The Group has no financial instruments valued based on Level 1 and Level 3 as of June 30, 2025 and December 31, 2024. During the period, there were no transfers out of the Level 2 fair value measurements.

10. Significant Transactions During the Period

a. Loan Drawdown

On February 28, 2025, the Parent Company drew P5,000 from a P5,000 term loan facility which was signed and executed on February 26, 2025. The facility is amortized over 5 years with 10 equal semi-annual installments beginning August 28, 2025. The facility is subject to a floating interest rate, payable quarterly. The proceeds were used to refinance the bridge loan availed in 2024. This facility is subject to a financial covenant ratio of consolidated gross debt to consolidated net worth which must not exceed 2.75x, for which the Group is compliant as of June 30, 2025.

b. Acquisition of Common Treasury Shares

On March 18, 2025, the Parent Company repurchased all of the 459.16 million common shares held by PCERP via a block sale based on the simple average of the three-day close prior to the execution date aggregating to P1,119.

c. Partial Repurchase of Redeemable Perpetual Securities (RPS)

On April 4, 2025, the Parent Company repurchased US$10 million RPS. Related distributions amounting to US$13.09 thousand (P0.74) were also settled.

11. Basic and Diluted Earnings per Share

Basic and diluted earnings per share amounts for the six months ended June 30, 2025 and 2024 are computed as follows:

	2025	2024
Net income attributable to equity holders of the Parent Company	**P4,822**	P5,835
Dividends on preferred shares for the period	**(652)**	(589)
Distributions to the holders of capital securities for the period	**(1,405)**	(1,484)
Net income attributable to common shareholders of the Parent Company (a)	**P2,765**	P3,762
Weighted average number of common shares outstanding (in millions) (b)	**9,107**	9,375
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	**P0.30**	P0.40

As of June 30, 2025 and 2024, the Parent Company has no potential dilutive debt or equity instruments.

12. Cash Dividends and Distributions

Dividends

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

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2025				
Common	**P0.10000**	**March 4, 2025**	**March 18, 2025**	**April 2, 2025**
Series 3B	**17.84575**	**May 6, 2025**	**June 2, 2025**	**June 25, 2025**
Series 4A	**16.76975**	**May 6, 2025**	**June 16, 2025**	**July 7, 2025**
Series 4B	**16.99300**	**May 6, 2025**	**June 16, 2025**	**July 7, 2025**
Series 4C	**17.71525**	**May 6, 2025**	**June 16, 2025**	**July 7, 2025**
Series 4D	**17.09100**	**May 6, 2025**	**May 29, 2025**	**June 23, 2025**
Series 4E	**17.75800**	**May 6, 2025**	**May 29, 2025**	**June 23, 2025**
2024				
Common	P0.10000	March 5, 2024	March 19, 2024	April 4, 2024
Series 3A	17.17825	May 7, 2024	June 3, 2024	June 25, 2024
Series 3B	17.84575	May 7, 2024	June 3, 2024	June 25, 2024
Series 4A	16.76975	May 7, 2024	June 13, 2024	July 8, 2024
Series 4B	16.99300	May 7, 2024	June 13, 2024	July 8, 2024
Series 4C	17.71525	May 7, 2024	June 13, 2024	July 8, 2024
Series 3A	17.17825	August 6, 2024	September 3, 2024	September 25, 2024
Series 3B	17.84575	August 6, 2024	September 3, 2024	September 25, 2024
Series 4A	16.76975	August 6, 2024	September 13, 2024	October 7, 2024
Series 4B	16.99300	August 6, 2024	September 13, 2024	October 7, 2024
Series 4C	17.71525	August 6, 2024	September 13, 2024	October 7, 2024
Series 3A	17.17825	November 5, 2024	November 29, 2024	December 26, 2024
Series 3B	17.84575	November 5, 2024	November 29, 2024	December 26, 2024
Series 3B	17.84575	November 5, 2024	March 3, 2025	March 25, 2025
Series 4A	16.76975	November 5, 2024	December 9, 2024	January 7, 2025
Series 4B	16.99300	November 5, 2024	December 9, 2024	January 7, 2025
Series 4C	17.71525	November 5, 2024	December 9, 2024	January 7, 2025
Series 4A	16.76975	November 5, 2024	March 13, 2025	April 7, 2025
Series 4B	16.99300	November 5, 2024	March 13, 2025	April 7, 2025
Series 4C	17.71525	November 5, 2024	March 13, 2025	April 7, 2025
Series 4D	17.09100	November 5, 2024	November 28, 2024	December 23, 2024
Series 4E	17.75800	November 5, 2024	November 28, 2024	December 23, 2024
Series 4D	17.09100	November 5, 2024	February 28, 2025	March 24, 2025
Series 4E	17.75800	November 5, 2024	February 28, 2025	March 24, 2025

Distributions

Senior Perpetual Capital Securities (SPCS)
Payments of distributions pertaining to SPCS were made on the following dates: April 21, 2025 (P1,234), October 18, 2024 (P1,258) and April 18, 2024 (P1,246).

RPS
Payment of distributions pertaining to RPS were made on June 23, 2025 (P31), May 13, 2025 (P50), April 4, 2025 (P1), March 22, 2025 (P36), February 10, 2025 (P53), December 23, 2024 (P37), November 11, 2024 (P53), October 2, 2024 (P1), September 23 and 25, 2024 (P66), August 12, 2024 (P52), June 21, 2024 (P69), May 10, 2024 (P52), March 22, 2024 (P66), and February 10, 2024 (P51).

13. Commitments and Contingencies

Supply and Lease Agreements

The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase the Company's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), Kuwait Petroleum Corporation (KPC), Iraq Oil Marketing Company (SOMO), Chevron USA Inc. Singapore Branch (Chevron) and Shell International Eastern Trading Company (SIETCO). The contract with Saudi Aramco is from January 1, 2025 to December 31, 2025 with an automatic annual extension thereafter, unless terminated at the option of either party, upon at least 60 days written notice. Meanwhile, the contract with KPC and SOMO are from January 1, 2025 to December 31, 2025. Lastly, the contract with Chevron is from December 1, 2024 to November 30, 2025 and the contract with SIETCO is for three (3) years from November 6, 2023.

Petron Malaysia Refining & Marketing Bhd (PMRMB) acquires crude oil and condensate for its Port Dickson Refinery from various sources through a combination of term purchase contracts and spot market purchases. PMRMB has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobile Exploration and Production Malaysia Inc. ("EMEPMI") for a period of 2 years until March 2026 supplemented by other short-term supply contracts and spot crude purchases. As of June 30, 2025, about 48% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. PMRMB also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

Outstanding liabilities of the Group for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the condensed consolidated statements of financial position as of June 30, 2025 and December 31, 2024.

Oil Spill Incident in Guimaras

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

Complaints for damages and non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at June 30, 2025. In the course of plaintiffs' presentation of evidence in two cases, the plaintiffs moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City (CA). On January 9, 2020, the CA issued a resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending to date. On September 25, 2024, the CA denied the motion for reconsideration of another respondent International Oil Pollution Compensation Funds ("IOPC Funds") and directed IOPC Funds to file its comment. The CA held in abeyance any further action on the petition pending compliance with the directives of the said resolution. In the meantime, proceedings before the trial court continue. In one of the cases, the plaintiffs have already rested its case and trial dates have been set for the presentation of defendants' evidence. In the other case, plaintiffs are already expected to complete the presentation of their evidence. As of June 30, 2025 and December 31, 2024, the Parent Company has not set up any provision related to this case because while the case is still pending, the Parent Company believes the resolution will be in its favor.

Unused Letters of Credit and Outstanding Standby Letters of Credit

The Group has unused letters of credit totaling approximately P27,609 and P41,164 as of June 30, 2025 and December 31, 2024, respectively.

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.

14. Events After the Interim Period

a. Issuance of Bonds

On July 7, 2025, the Parent Company issued P32,000 retail bonds divided into Series G due 2030 (P15,910), Series H due 2032 (P4,604), and Series I due 2035 (P11,486) with interest rates of 6.5945% p.a., 6.9761% p.a., and 7.3896% p.a., respectively. The Bonds are listed on the Philippine Dealing & Exchange Corporation. The proceeds will be used to redeem the Parent Company's Series D and E bonds, to repay other existing indebtedness, and for general corporate purposes.

b. Acquisition of Common Treasury Shares

From July 9 to 21, 2025, the Parent Company purchased a total of 2,623,000 of its own common shares, at an average price of P2.46 per share aggregating to P6.44, pursuant to the common share buyback program approved by the BOD of the Parent Company on March 4, 2025.

c. Dividends

On August 5, 2025, the BOD of the Parent Company approved the declaration of cash dividends to preferred shareholders with the following details:

Type	Per Share	Date of Record	Date of Payment
Series 3B	17.84575	September 4, 2025	September 25, 2025
Series 4A	16.76975	September 16, 2025	October 7, 2025
Series 4B	16.99300	September 16, 2025	October 7, 2025
Series 4C	17.71525	September 16, 2025	October 7, 2025
Series 4D	17.09100	September 2, 2025	September 23, 2025
Series 4E	17.75800	September 2, 2025	September 23, 2025

d. On August 5, 2025, the SEC approved the merger of Abreco Realty Corporation (ARC) and Parkville Estates and Development Corporation (PEDC) to Las Lucas Construction and Development Corporation (LLCDC), as the surviving entity.

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

15. Other Matters

a. Lease Agreements with PNOC

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

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

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

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

The court-mandated mediation in 2018 and the judicial dispute resolution proceedings before the court in 2019 were likewise terminated, after the parties failed to agree to a settlement. The Parent Company filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Parent Company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent Company of all such properties, and (iii) the payment by the Parent Company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent Company all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Parent Company filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Parent Company and PNOC and affirmed the resolution of the trial court as described above. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Parent Company and PNOC. The PNOC filed a petition for review on certiorari with the Supreme Court in December 2022 which the Supreme Court denied on July 25, 2023 on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction.

In a resolution dated November 25, 2024, the Supreme Court denied with finality the motion for reconsideration and the motion to refer to the Supreme Court En Banc that the PNOC filed in December 2023. The November 2024 resolution also ordered the immediate issuance of the entry of judgment and declared that no further pleadings or motions shall be entertained.

On January 21, 2025, PNOC filed a second motion for reconsideration. A second motion for reconsideration is generally prohibited under the Internal Rules of the Supreme Court. As of June 30, 2025, the Parent Company has not received any notice from the Supreme Court on its action on PNOC's second motion for reconsideration.

Given the finality of the Supreme Courts's ruling, the Group recognized in its books the reversal of the conveyance of the land declared as property dividends in 1993 at P143 equivalent to the net book value of the land at the time of dividend declaration, and, instead recognized a liability for cash dividends to PNOC of the same amount plus legal interest of P267 computed from 1993 to 2024. The landholdings were recognized as part of "Property, plant and equipment" and "Investment property" at P110 and P33, respectively. Correspondingly, all accruals related to the lease contracts with PNOC on the subject landholdings of the rescinded deeds of conveyance, namely, lease liabilities of P3,629, asset retirement obligation (ARO) of P2,600 for the cost of land restoration and remediation at the end of lease term, and the corresponding right of use (ROU) assets of P2,720 recognized previously were reversed which resulted in the recognition of gain on lease termination of P3,509.

b. International Tax Reform - Pillar Two Model Rules

In relation to International Tax Reform - Pillar Two Model Rules, the Group, in coordination with its ultimate parent, Top Frontier Holdings, Inc., is still in the process of assessing the potential impact on its tax position as of June 30, 2025. The Group has not recognized deferred tax assets or liabilities in relation to International Tax Reform - Pillar Two Model Rules. Pillar Two legislation has been enacted and effective beginning January 1, 2025 in Hong Kong, Malaysia, and Singapore where the Company's subsidiaries operate. The Group expects to be in a position to disclose any such potential exposure in its annual financial statements.

The Group continues to monitor legislative developments under Pillar Two to evaluate the potential future impact on its consolidated results of operations, financial position, and cash flows.

c. There were no seasonal aspects that had a material effect on the financial position or financial performance of the Group.

d. There were no material off-statements of financial position items, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the notional values of outstanding derivative transactions entered by the Group as of and for the period ended June 30, 2025.

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

Gross Domestic Product (GDP)

The Philippine economy grew by 5.5% year-on-year in the second quarter of 2025, aligning with the lower bound of the government's revised full-year growth target of 5.5% to 6.5%. This was slightly faster than the 5.4% growth in Q1 but slower than the 6.5% expansion recorded in the same period last year. Growth was primarily driven by household consumption and a strong rebound in agriculture, although it was tempered by sluggish capital formation and slower industrial output. The moderation in growth reflects the economy's resilience amid both global and domestic challenges, including trade uncertainties.

	2025			2024	
Economic growth (*in percentage*)	1Q	2Q	1H	2Q	1H
GDP	5.4	5.5	5.4	6.5	6.2
By Expenditure					
Household Consumption	5.3	5.5	5.4	4.8	4.7
Government Consumption	18.7	8.7	13.1	11.9	7.6
Capital Formation	4.0	0.6	2.4	11.5	6.6
Exports	6.2	4.4	5.8	3.9	6.0
Imports	9.9	2.9	5.0	5.3	3.8
By Industry					
Agriculture	2.2	7.0	4.5	(2.3)	(0.9)
Industry	4.5	2.1	3.3	7.9	6.6
Services	6.3	6.9	6.6	6.9	6.9

On the demand side, household consumption rose by 5.5%, up from 4.8% in Q2 2024, supported by easing inflation and improved consumer confidence. Government spending increased by 8.7%, although this marked a slowdown from the 11.9% growth recorded last year, largely due to the Commission on Elections' 45-day ban on public works spending during the recent elections.

Capital formation decelerated sharply to 0.6% from 11.5% growth in the same period last year, reflecting cautious investment sentiment amid global headwinds. Exports grew by 4.4%, outpacing imports at 2.9%, indicating a modest improvement in external trade.

On the supply side, agriculture rebounded strongly with 7.0% growth, reversing a 2.3% contraction last year, mainly driven by the crops and poultry subsectors, as supported by favorable weather conditions and effectiveness of government initiatives and infrastructure projects. The services sector maintained robust growth at 6.9%, led by retail trade, finance, and public administration. However, industry growth slowed to 2.1%, weighed down by declines in manufacturing, particularly in petroleum, chemicals, and basic metals.

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

In 1H 2025, the average rate for 91-day T-Bill rates stood at 5.4%, reflecting a slight decline from 5.6% in the same period last year. Meanwhile, the Bangko Sentral ng Pilipinas reduced its policy rate by 25 basis points, bringing the reverse repurchase rate to 5.25%. This was driven by a more favorable inflation outlook and the need to support domestic economic activity amid global uncertainties.

Peso-Dollar Exchange Rate
The peso averaged P57.1/$ in 1H 2025, representing a 0.4% depreciation from P56.9/$ in the same period last year. The peso depreciation was primarily driven by a sustained strength of the US Dollar amid continued Federal Reserve tightening, expectations of further BSP rate cuts, widened current account deficit due to faster import growth relative to exports and heightened geopolitical tensions.

Inflation
Inflation for goods and services moderated to 1.8% in 1H 2025, down from 3.6% in the same period of the previous year. This deceleration was primarily driven by the declining prices of rice and other key food items, sustained reductions in transport and fuel costs, and stable utility rates. However, upward pressures persisted in select categories such as electricity and personal care products.

Industry Oil Demand
Oil demand in the country increased by 6.1% to 91,771 thousand barrels (MB) in the first half of 2024, up from 86,502 MB in the same period of 2023. This growth was driven by the continued expansion of economic activities following the pandemic.

Oil Market
Year-on-year prices of Dubai declined by 13.6% to $71.9/bbl in 1H 2025 vs. $83.3/bbl in the same period last year due to increased global oil supply, persistent trade tensions, and weakening demand concerns. Meanwhile, 1H 2025 product cracks weakened with gasoline cracks declining from $15.5/bbl in 1H 2024 to $9.6/bbl in 1H 2025, diesel cracks from $18.9/bbl to $15.0/bbl, and kero-jet cracks from $17.2/bbl to $13.7/bbl.

Effect of Existing or Probable Government Regulations on the Business

Extended Producer's Responsibility Act of 2022 (EPR Law). Republic Act No. 11898 or the EPR Law lapsed into law on July 23, 2022. The law, which amends Republic Act No. 9003 or "The Ecological Solid Waste Management Act of 2000", requires product manufacturers and obliged companies to recover a certain portion of their plastic packaging wastes to reduce their plastic footprint. Under the EPR Law, the Company is obliged to comply with target recovery rates starting with 20% in 2023 and gradually increasing to 80% until 2028.

Electric Vehicle Industry Development Act (EVIDA). Republic Act No. 11697 or EVIDA lapsed into law on April 15, 2022. The law provides for a national policy framework to develop the electric vehicle industry in the Philippines. The promotion of the purchase and use of electric vehicles may impact oil industry demand.

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

Corporate Recovery and Tax Incentives for Enterprise Act ("CREATE Act"). Republic Act No. 11534 or the CREATE Act took effect on April 11, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives.

The corporate income tax rate for domestic corporations and resident foreign corporations has been reduced to 25% effective July 1, 2021, and on January 1, 2021, for non-resident foreign corporations. Domestic corporations and resident foreign corporations no longer have an option to be taxed at 15% on gross income and the rate of the minimum corporate income tax (MCIT) was lowered to 1% from July 1, 2021 to June 30, 2023. Subsequently, commencing on July 1, 2023, the MCIT has reverted to its former rate of 2%. Under the CREATE Act, persons who directly import petroleum products for resale in the Philippine customs territory and/or in free zones will be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program and/or other tax-exempt sales by the importer.

The CREATE Act also provides for the rationalization of tax incentives that may be granted by investment promotion agencies (such as the Authority of the Freeport Area of Bataan or AFAB) to qualified registered business enterprises. As part of the rationalization of tax incentives, the CREATE Act provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person will be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, will be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the Bureau of Internal Revenue.

Under the CREATE Act, the Company shall be entitled to, among others: (i) a lower corporate income tax and (ii) the tax exemption for the importation of crude oil to be refined at a local petroleum refinery.

Under the tax regime prior to the effectivity of the CREATE Act, domestic refiners are disadvantaged because they are made to pay VAT upon importation of crude oil which they cannot recover until the finished products refined from them are sold. Compared to non-refiners, which pay VAT upon importation of finished products, domestic refiners are unable to recover the VAT for a longer period. The Company believes that the CREATE Act allows it to be more competitive as domestic petroleum refineries are now taxed on finished products, similar to importers of refined fuel which only pay after-sales tax.

Amendments to the CREATE Law ("CREATE MORE"). Republic Act No. 12066, or the CREATE Maximize Opportunities for Reinvigorating the Economy, was signed on November 11, 2024. The law amended several provisions of the CREATE Law to enhance the tax regime and incentive framework to attract both domestic and international investments, particularly, in strategic industries and provide clearer guidelines on excise tax exemptions, VAT zero-rating, and tax refund claims, among others.

Some provisions are expected to have an impact on the Company, as follows:

- Removal of the minimum creditable withholding tax rate and reducing the maximum creditable withholding tax rate to 15%.
- Reduction of the BIR's period to process excise tax refund claims to a period of ninety (90) days from filing of the application by the taxpayers.

The law also provided for an increased threshold for investments that will fall within the approval of Investment Promotion Activities (IPA) instead of the Fiscal Incentives Review Board (FIRB). In particular, only those investments amounting to above Php15 billion will go thru the FIRB for approval.

LPG Industry Regulation Act. Republic Act No. 11592 or the "LPG Industry Regulation Act", enacted into law on October 14, 2021, aims to ensure health, safety, security, environmental and quality standards in the LPG industry by instituting reforms in the existing standards and practices. The law defines prohibited acts such as engaging in LPG industry activities without the required licenses, certificates, and permits; selling, fabricating, or refilling unfilled LPG cylinders without the approval of the trademark owner; selling, exchanging, possessing empty LPG cylinders that belong to another trademark owner; and non-compliance with standards such as those relating to safety, materials, and markings. It also provides for the establishment of an LPG Cylinder Exchange and Swapping Program for the exchange, swapping, or buyback of LPG cylinders among industry participants and the establishment of accredited swapping centers. As of June 30, 2025, various circulars are in their implementation stage, including the application guidelines for License to Operate (DOE DC 2022-11-037), establishment of LPG Cylinder Exchange and Swapping Program (DOE DC 2022-11-0002), and Guidelines for the Recognition of LPG Training Institutions (DC 2023-08-0025).

*Tax Reform for Acceleration and Inclusion (the "***TRAIN Law"***).* Republic Act No. 10963 or the TRAIN Law, which took effect on January 1, 2018, imposed a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three (3)-year period was P2.65-P2-P1 per liter ("/li") per year for gasoline, P2.50-P2-P1.50/li for diesel and fuel oil, P1-P1-P1/kg for LPG, and P0.33-P0-P0/li for jet fuel. The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene, electricity, and gasoline with public transportation as alternative.

The TRAIN law also mandates the implementation of a fuel marking program for diesel, gasoline, and kerosene to help curb the illicit trading of fuel products. While the cost for the fuel marker would be shouldered by the government in the initial year of implementation, this cost was eventually passed on to oil companies beginning in 2020 which resulted in higher fuel prices.

Biofuels Act of 2006 (the "Biofuels Act"). The Biofuels Act and its implementing circulars mandate that gasoline and diesel volumes contain 10% bioethanol and 2% biodiesel/coco methyl ester ("CME") components, respectively. To produce compliant fuels, the Company invested in CME injection systems at the Petron Bataan Refinery and the depots.

On the bioethanol component, the DOE issued in June 2015 its Circular No. 2015-06-0005 entitled "Amending Department Circular No. 2011-02-0001 entitled Mandatory Use of Biofuel Blend" which currently exempts premium plus gasoline from the 10% blending requirement.

In terms of reportorial requirements, The DOE issued the "Revised Circular for the Accreditation and Submission of Notices and Reports of the Philippine Downstream Oil Industry Pursuant to the Biofuels Act" on July 2, 2021 (Department Circular 2021-06-0014) requiring oil companies to submit notices, accreditation and reportorial requirements using revised templates in relation to the utilization of biofuels. The new circular provides for more stringent penalties and additional monthly and quarterly reports for DOE to monitor compliance with regard to the utilization of biofuels, including compliance to local monthly allocation for ethanol.

- *Department Circular no. 2024-05-0014*. Signed on May 7, 2024, the circular mandates all oil industry players to implement a 3% coco methyl ester (CME) blend, from current B2, beginning October 1, 2024. On May 29, 2025, the National Biofuel Board (NBB) officially deferred the implementation of the 4% and 5% biodiesel blend mandates originally scheduled for October 2025 and October 2026, respectively. This suspension, formalized through Resolution No. 2025-01, Series of 2025, was prompted by concerns over potential increases in pump prices and inflationary effects on the national economy.

  The circular also provides for the shift to E20 from E10, but on a voluntary basis. The current ethanol blend for gasoline has remained at 10% since 2012, while the CME blending last increased to 2% in 2007. This move aims to decrease dependence on imported fuels, reduce greenhouse gas emissions, and bolster the local biodiesel and bioethanol sectors. To ensure a smooth and timely transition to higher biofuel blend percentages, the downstream oil industry must maintain sufficient storage capacity, blending facilities, transport systems, and dedicated storage tanks and dispensing pumps.

  Renewable Energy Act of 2008 (the "Renewable Energy Act"). The Renewable Energy Act aims to promote the development and commercialization of renewable and environment-friendly energy resources (*e.g.,* biomass, solar, wind, hydro, geothermal) through various tax incentives such as seven (7)-year income tax holidays and duty-free importation of renewable energy equipment and machinery. The sale of power generated from these sources is also exempt from value-added tax under the TRAIN Law. The growth in renewable energy may displace or reduce the use of oil-based power plants affecting the Company's sales to the power sector.

  Clean Air Act of 1999 (the "Clean Air Act"). The Clean Air Act established air quality guidelines and emission standards for stationery and mobile equipment. It also included the required specifications for gasoline, diesel, and IFO to allow the attainment of emission standards. Petron invested in a gasoil hydrotreater plant and an isomerization plant to enable it to produce diesel and gasoline compliant with the standards set by law.

  Laws on Controlled Chemicals (Presidential Decree No. 1866 as amended by Republic Act No. 9516). The implementing rules and regulations for this amended law were approved on June 9, 2016, and listed the chemicals under the control of the Philippine National Police. These rules reduced the controlled list from 101 to 32 chemicals and further classified 15 chemicals as high-risk and 17 as low-risk substances. The rules also outline the procedures for regulating, storing, handling, and transporting chemicals.

Compliance with Euro 4 Standards. In September 2010, the DENR issued Administrative Order 2010-23 mandating that by 2016, all new motor vehicles that would be introduced in the market shall comply with Euro 4 emission limits, subject to Euro 4 fuel availability. In June 2015, the DOE issued Circular 2015 - 06-0004 entitled "Implementing the Corresponding Philippine National Standard Specifications (PNS) for the Euro 4/IV PH Fuels Complying with the Euro 4/IV Emissions" directing all oil companies to adopt Euro4-compliant fuels. With its RMP-2, Petron is now producing Euro 4-compliant fuels ahead of the 2016 mandate.

Laws on Oil Pollution. To address issues on marine pollution and oil spillage, the Maritime Industry Authority ("MARINA") mandated the use of double-hull vessels for transporting black products beginning in end-2008 and white products by 2011. Petron has been using double-hull vessels in transporting all its products.

Oil Marine Pollution Circulars. The Philippine Coast Guard has memorandum circulars prescribing the rules and regulations on the prevention, containment, abatement, and control of oil marine pollution by all marine vessels, coastal and offshore facilities, and other facilities utilizing or storing petroleum products. The circulars identify the prohibited acts and provide the penalties.

Compliance with International Maritime Organization (IMO) on Marine Fuel Specifications. The Department of Energy (DOE) issued Department Circulars No. 2025-02-0002 and No. 2025-02-0003, published on February 17, 2025. These circulars provide guidelines for marine bunker fuel traders to comply with the mandatory use of the 0.50% m/m sulphur limit for all fuel used on ships for propulsion (i.e. bunkering).

Anti-Competition Law (the "Philippine Competition Act"). The Philippine Competition Act, approved in July 2015, prohibits anti-competitive agreements, abuses of dominant positions, and mergers and acquisitions that limit, prevent, and restrict competition. To implement the national competition policy and attain the objectives and purposes of the law, the Philippine Competition Commission ("PCC") was created. Among the powers of the PCC is the review of mergers and acquisitions based on factors it may deem relevant. The PCC, after due notice and hearing, may impose administrative fines on any entity found to have violated the provisions of the law on prohibited arrangements or to have failed to provide prior notification to the PCC of certain mergers and acquisitions. The PCC is empowered to impose criminal penalties on an entity that enters into any anti-competitive agreement and, when the entities involved are juridical persons, on its officers, directors, or employees holding managerial positions who are knowingly and willfully responsible for such violation. Currently pending with the House of Representatives are two bills to amend the Philippine Competition Act to, among others, legislate competition policy, amend requirements for PCC notification, and strengthen the powers of the PCC.

Amended Price Freeze Act of 2013. RA 10623 was signed on September 6, 2013, and mandates the implementation of a 15-day price freeze of basic necessities, including LPG and kerosene, for areas declared under a state of emergency or calamity. Further to this, Senior Citizens and PWDs are entitled to a discount for LPG and kerosene as mandated by the following:

- Joint Administrative Order (JAO) 17-01. Issued on February 17, 2020, this Order provides for a 5% special discount for basic necessities, which includes household LPG and kerosene. The discount for 11 kg. can only be availed once every 5 months, while the discount for kerosene can be availed for not more than 2 liters per month.

- An updated JAO was issued on 21 March 2024 (JAO 24-02) to include purchasing limits on other basic necessities but retains the said discount for LPG and kerosene.

- Joint Memorandum Circular ("JMC") 24-02. Issued on 21 March 2024, this joint circular ensures that the discounts and privileges of Senior Citizens and PWDs are recognized if transactions are made online.

Executive Order 890: Removing Import Duties on All Crude and Refined Petroleum Products. After the ASEAN Trade in Goods Agreement was implemented in 2010, the tariff rate structure in the oil industry was distorted with crude and product imports from ASEAN countries enjoying zero tariffs while crude and product imports from outside the ASEAN were levied a 3% tariff. To level the playing field, Petron filed a petition with the Tariff Commission to apply the same tariff duty on crude and petroleum product imports, regardless of source. In June 2010, the government approved Petron's petition and issued Executive Order 890 which eliminated import duties on all crude and petroleum products regardless of source. The reduction of duties took effect on July 4, 2010.

Oil Deregulation Law (RA 8479). Approved on February 10, 1998, the law provides for a liberalized and deregulated framework for the downstream oil industry. Recent circulars that serve as additional and more updated guidelines for implementing the law include:

- *Department Circular 2019-05-008.* This DOE circular requires oil companies to submit a detailed computation, with corresponding explanation and supporting documents, of the cost components of liquid fuel and LPG on a per liter and per product basis. The circular has not been implemented following the temporary restraining orders and writs of preliminary injunction issued by the Regional Trial Courts of Taguig and Mandaluyong.

  On September 10, 2024, the Supreme Court made public its decision dated July 31, 2024 affirming the validity of the circular in one of the cases filed against its implementation.

- *Department Circular 2021-09-0029.* The "Revised Guidelines on Notices and Reportorial Requirements Pursuant to the Oil Deregulation Law", published on November 5, 2021, requires the submission of monthly and annual reports using revised templates for DOE to monitor importation and/or production of oil companies (and for Petron as a refiner) and includes additional reportorial requirements for lubes and blending plants, with more stringent penalties for non-compliance.

Energy Regulatory Commission Resolution 17s2003. The ERC issued a resolution dated September 13, 2023, that provides for revised guidelines for the application and issuance of a Certificate of Compliance (COC) for generation facilities.

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REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the consolidated financial statements of Petron Corporation and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, 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, 2024, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2024, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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

Key Audit Matters

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

Revenue Recognition (P867,966 million)
Refer to Note 3, *Summary of Material Accounting Policies* and Note 37, *Segment Information* to the consolidated financial statements.

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

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

- We tested operating effectiveness of the key controls over revenue recognition. We involved our information technology specialists, as applicable, to assist in the audit of automated controls and the design and operating effectiveness of controls over the recording of revenue transactions.

- We checked on a sampling basis, the sales transactions to the delivery documents for the year.

- We checked sales transactions for the last month of the financial year and also the first month of the following financial year to the delivery documents to assess whether these transactions are recorded in the correct financial year.

- We tested journal entries posted to revenue accounts, including any unusual or irregular items.

- We tested credit notes recorded after the financial year to identify potential reversals of revenue which were inappropriately recognized in the current financial year.

Valuation of Inventories (P90,570 million)
Refer to Note 3, *Summary of Material Accounting Policies*, Note 4, *Use of Judgments, Estimates and Assumptions* and Note 8, *Inventories* to the consolidated financial statements.

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

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

- We obtained and reviewed the calculation of write-down of the Group's raw materials and finished goods based on the net realizable values of finished goods at yearend.

- For raw materials, projected production yield was used to estimate the cost of conversion for the raw materials as at yearend. We assessed the projected yield by comparing it to the actual yield achieved from crude oil production runs during the year. We then compared the estimated costs of finished goods to the net realizable values to determine any potential write-down.

- For finished goods, we assessed the reasonableness of estimated selling prices by checking various products' sales invoices issued around and after yearend. Any write-down is computed based on the difference between the net realizable value and the cost of inventory held at yearend.

Valuation of Goodwill (P8,731 million)
Refer to Note 3, *Summary of Material Accounting Policies*, Note 4, *Use of Judgments, Estimates and Assumptions* and Note 12, *Business Combination, Investment in Shares of Stock of Subsidiaries, Goodwill and Non-Controlling Interests* to the consolidated financial statements.

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

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

- We tested the integrity of the discounted cash flow model used by the Group. This involved the review of component auditor's work and use of their own valuation specialist to assist in evaluating the models used and assumptions applied and comparing these assumptions to external data, where applicable. The key assumptions include sales volume, selling price and gross profit margin.

- We also involved our own valuation specialist to evaluate the key assumptions used by the Group. This involved comparing the Group's assumptions to externally derived data, where applicable, including our own assessments in relation to key inputs such as projected economic growth, competition, cost of inflation and discount rates, as well as performing break-even analysis on the assumptions.

- We also assessed the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

R.G. MANABAT & CO.



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Partner
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Issued July 17, 2024; valid until July 16, 2027
PTR No. MKT 10467177
Issued January 2, 2025 at Makati City

March 19, 2025
Makati City, Metro Manila

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

	Note	December 31 2024	December 31 2023 As restated (Note 40)	January 1 2023 As restated (Note 40)
ASSETS				
Current Assets				
Cash and cash equivalents	*5, 34, 35*	**P30,389**	P27,519	P37,183
Financial assets at fair value	*6, 14, 34, 35*	**1,044**	1,162	1,753
Trade and other receivables - net	*4, 7, 28, 34, 35*	**82,762**	86,479	81,979
Inventories	*4, 8*	**90,570**	77,318	85,347
Other current assets	*14, 28*	**51,108**	40,529	37,025
Total Current Assets		**255,873**	233,007	243,287
Noncurrent Assets				
Investment in shares of stock of an associate and joint ventures	*2, 13*	**1,165**	1,158	1,085
Property, plant and equipment - net	*4, 9, 11, 37, 40*	**169,302**	167,987	171,570
Right-of-use assets - net	*4, 10*	**2,925**	5,286	5,398
Investment property - net	*4, 9, 11*	**28,243**	27,194	28,437
Deferred tax assets - net	*4, 27, 40*	**560**	1,114	1,741
Goodwill - net	*4, 12*	**8,731**	8,093	8,509
Other noncurrent assets - net	*4, 6, 14, 34, 35*	**2,003**	1,930	1,390
Total Noncurrent Assets		**212,929**	212,762	218,130
		P468,802	P445,769	P461,417
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term loans	*15, 33, 34, 35, 37*	**P138,906**	P137,910	P137,886
Liabilities for crude oil and petroleum products	*16, 28, 31, 34, 35*	**51,625**	44,840	51,067
Trade and other payables	*17, 28, 30, 33, 34, 35, 39, 40*	**29,012**	26,454	24,890
Lease liabilities - current portion	*4, 31, 33, 34*	**1,295**	1,566	1,380
Derivative liabilities	*34, 35*	**1,699**	749	723
Income tax payable		**304**	132	204
Current portion of long-term debt - net	*18, 33, 34, 35*	**29,418**	25,642	13,399
Total Current Liabilities		**252,259**	237,293	229,549

Forward

	Note	December 31 2024	December 31 2023 As restated (Note 40)	January 1 2023 As restated (Note 40)
Noncurrent Liabilities				
Long-term debt - net of current portion	*18, 33, 34, 35*	**P88,025**	P83,254	P93,662
Retirement benefits liability - net	*30*	**3,661**	2,621	3,261
Deferred tax liabilities - net	*27, 40*	**6,719**	4,456	3,638
Lease liabilities - net of current portion	*4, 31, 33, 34*	**12,120**	14,378	13,714
Asset retirement obligation	*4, 19*	**1,321**	3,612	3,527
Other noncurrent liabilities	*20, 34, 35, 40*	**487**	495	465
Total Noncurrent Liabilities		**112,333**	108,816	118,267
Total Liabilities		**364,592**	346,109	347,816
Equity Attributable to Equity Holders of the Parent Company	*21*			
Capital stock		**9,502**	9,485	9,485
Additional paid-in capital		**57,698**	40,985	37,500
Capital securities		**34,555**	37,529	62,712
Retained earnings	*40*	**33,715**	31,847	30,382
Equity reserves	*40*	**(19,350)**	(21,260)	(16,891)
Treasury stock		**(21,003)**	(7,600)	(18,000)
Total Equity Attributable to Equity Holders of the Parent Company		**95,117**	90,986	105,188
Non-controlling Interests	*12*	**9,093**	8,674	8,413
Total Equity		**104,210**	99,660	113,601
		P468,802	P445,769	P461,417

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Million Pesos, Except Per Share Data)

	Note	**2024**	2023 As restated (Note 40)	2022 As restated (Note 40)
SALES	*28, 31, 37*	**P867,966**	P801,027	P857,638
COST OF GOODS SOLD	*22*	**821,753**	754,429	823,788
GROSS PROFIT		**46,213**	46,598	33,850
SELLING AND ADMINISTRATIVE EXPENSES	*23, 40*	**(18,757)**	(17,568)	(15,853)
OTHER OPERATING INCOME	*29*	**1,767**	1,683	1,538
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*26, 37*	**(20,961)**	(19,095)	(13,094)
INTEREST INCOME	*26, 37*	**1,201**	1,284	898
SHARE IN NET INCOME OF AN ASSOCIATE AND JOINT VENTURES	*13*	**114**	89	66
OTHER INCOME - Net	*26, 40*	**3,417**	119	1,000
		(33,219)	(33,488)	(25,445)
INCOME BEFORE INCOME TAX		**12,994**	13,110	8,405
INCOME TAX EXPENSE	*27, 36, 37, 40*	**4,523**	2,998	1,480
NET INCOME		**P8,471**	P10,112	P6,925
Attributable to:				
Equity holders of the Parent Company	*32, 40*	**P8,469**	P9,229	P5,952
Non-controlling interests	*12, 40*	**2**	883	973
		P8,471	P10,112	P6,925
BASIC/DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	*32, 40*	**P0.30**	P0.27	P0.04

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Million Pesos)

	Note	**2024**	2023 As restated (Note 40)	2022 As restated (Note 40)
NET INCOME	*40*	**P8,471**	P10,112	P6,925
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*30*	**(1,655)**	(38)	(626)
Income tax benefit	*27*	**409**	9	156
		(1,246)	(29)	(470)
Items that may be reclassified to profit or loss				
Income (loss) on cash flow hedges	*35*	**-**	(68)	73
Exchange differences on translation of foreign operations		**4,171**	(2,418)	2,132
Share in other comprehensive income of an associate and joint ventures		**1**	4	-
Income tax benefit (expense)	27	**-**	18	(19)
	40	**4,172**	(2,464)	2,186
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**2,926**	(2,493)	1,716
TOTAL COMPREHENSIVE INCOME FOR THE YEAR - Net of tax		**P11,397**	P7,619	P8,641
Attributable to:				
Equity holders of the Parent Company	*40*	**P10,765**	P7,146	P7,402
Non-controlling interests	*12*	**632**	473	1,239
		P11,397	P7,619	P8,641

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Million Pesos)

		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of December 31, 2023, as previously reported		P9,485	P40,985	P37,529	P3	P31,831	(P6,466)	(P14,786)	(P7,600)	P90,981	P8,654	P99,635
Effect of prior period adjustments	*40*	-	-	-	-	13	-	(8)	-	5	20	25
As of December 31, 2023, as restated		9,485	40,985	37,529	3	31,844	(6,466)	(14,794)	(7,600)	90,986	8,674	99,660
Exchange differences on translation of foreign operations		-	-	-	-	-	-	3,499	-	3,499	672	4,171
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(1,204)	-	-	(1,204)	(42)	(1,246)
Share in other comprehensive income of an associate and joint ventures		-	-	-	-	-	-	1	-	1	-	1
Other comprehensive income (loss)		-	-	-	-	-	(1,204)	3,500	-	2,296	630	2,926
Net income for the year		-	-	-	-	8,469	-	-	-	8,469	2	8,471
Total comprehensive income (loss) for the year		-	-	-	-	8,469	(1,204)	3,500	-	10,765	632	11,397
Cash dividends	*21*	-	-	-	-	(3,650)	-	-	-	(3,650)	(213)	(3,863)
Distributions paid	*21*	-	-	-	-	(2,951)	-	-	-	(2,951)	-	(2,951)
Issuance of preferred shares	*21*	17	16,713	-	-	-	-	-	-	16,730	-	16,730
Redemption of preferred shares	*21*	-	-	-	-	-	-	-	(13,403)	(13,403)	-	(13,403)
Repurchase of capital securities	*21*	-	-	(2,974)	-	-	-	(386)	-	(3,360)	-	(3,360)
Transactions with owners		17	16,713	(2,974)	-	(6,601)	-	(386)	(13,403)	(6,634)	(213)	(6,847)
As of December 31, 2024		P9,502	P57,698	P34,555	P3	P33,712	(P7,670)	(P11,680)	(P21,003)	P95,117	P9,093	P104,210

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
		Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of December 31, 2022, as previously reported		P9,485	P37,500	P62,712	P7,003	P23,354	(P6,437)	(P10,450)	(P18,000)	P105,167	P8,383	P113,550
Effect of prior period adjustments	*40*	-	-	-	-	25	-	(4)	-	21	30	51
As of December 31, 2022, as restated		9,485	37,500	62,712	7,003	23,379	(6,437)	(10,454)	(18,000)	105,188	8,413	113,601
Other comprehensive loss:												
Exchange differences on translation of foreign operations, as previously reported		-	-	-	-	-	-	(2,004)	-	(2,004)	(410)	(2,414)
Effect of prior period adjustments	*40*	-	-	-	-	-	-	(4)	-	(4)	-	(4)
Exchange differences on translation of foreign operations, as restated	*40*	-	-	-	-	-	-	(2,008)	-	(2,008)	(410)	(2,418)
Net loss on cash flow hedges - net of tax	*35*	-	-	-	-	-	-	(50)	-	(50)	-	(50)
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(29)	-	-	(29)	-	(29)
Share in other comprehensive income of an associate and joint ventures		-	-	-	-	-	-	4	-	4	-	4
Total other comprehensive loss, as restated		-	-	-	-	-	(29)	(2,054)	-	(2,083)	(410)	(2,493)
Net income for the year, as previously reported		-	-	-	-	9,241	-	-	-	9,241	893	10,134
Effect of prior period adjustments	*40*	-	-	-	-	(12)	-	-	-	(12)	(10)	(22)
Net income for the year, as restated	*40*	-	-	-	-	9,229	-	-	-	9,229	883	10,112
Total comprehensive income (loss) for the year, as restated		-	-	-	-	9,229	(29)	(2,054)	-	7,146	473	7,619
Cash dividends	*21*	-	-	-	-	(3,053)	-	-	-	(3,053)	(212)	(3,265)
Distributions paid	*21*	-	-	-	-	(4,569)	-	-	-	(4,569)	-	(4,569)
Reissuance of preferred shares	*21*	-	3,485	-	-	-	-	-	10,400	13,885	-	13,885
Redemption of capital securities	*21*	-	-	(25,183)	-	-	-	(2,286)	-	(27,469)	-	(27,469)
Share issuance cost of a subsidiary		-	-	-	-	(142)	-	-	-	(142)	-	(142)
Reversal of retained earnings appropriation	*21*	-	-	-	(7,000)	7,000	-	-	-	-	-	-
Transactions with owners		-	3,485	(25,183)	(7,000)	(764)	-	(2,286)	10,400	(21,348)	(212)	(21,560)
As of December 31, 2023, as restated		P9,485	P40,985	P37,529	P3	P31,844	(P6,466)	(P14,794)	(P7,600)	P90,986	P8,674	P99,660

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company									Non-controlling Interests	Total Equity
					Retained Earnings		Equity Reserves					
		Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total		
As of December 31, 2021, as previously reported		P9,485	P37,500	P62,712	P7,003	P23,229	(P5,962)	(P12,379)	(P18,000)	P103,588	P7,325	P110,913
Effect of prior period adjustments	*40*	-	-	-	-	(200)	-	-	-	(200)	28	(172)
As of December 31, 2021, as restated		9,485	37,500	62,712	7,003	23,029	(5,962)	(12,379)	(18,000)	103,388	7,353	110,741
Other comprehensive income (loss):												
Exchange differences on translation of foreign operations, as previously reported		-	-	-	-	-	-	1,875	-	1,875	262	2,137
Effect of prior period adjustments	*40*	-	-	-	-	-	-	(4)	-	(4)	(1)	(5)
Exchange differences on translation of foreign operations, as restated	*40*	-	-	-	-	-	-	1,871	-	1,871	261	2,132
Net income on cash flow hedges - net of tax	*35*	-	-	-	-	-	-	54	-	54	-	54
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(475)	-	-	(475)	5	(470)
Total other comprehensive income (loss), as restated		-	-	-	-	-	(475)	1,925	-	1,450	266	1,716
Net income for the year, as previously reported		-	-	-	-	5,727	-	-	-	5,727	970	6,697
Effect of prior period adjustments	*40*	-	-	-	-	225	-	-	-	225	3	228
Net income for the year, as restated	*40*	-	-	-	-	5,952	-	-	-	5,952	973	6,925
Total comprehensive income (loss) for the year, as restated		-	-	-	-	5,952	(475)	1,925	-	7,402	1,239	8,641
Cash dividends	*21*	-	-	-	-	(1,044)	-	-	-	(1,044)	(179)	(1,223)
Distributions paid	*21*	-	-	-	-	(4,545)	-	-	-	(4,545)	-	(4,545)
Share issuance cost of a subsidiary		-	-	-	-	(13)	-	-	-	(13)	-	(13)
Transactions with owners		-	-	-	-	(5,602)	-	-	-	(5,602)	(179)	(5,781)
As of December 31, 2022, as restated		P9,485	P37,500	P62,712	P7,003	P23,379	(P6,437)	(P10,454)	(P18,000)	P105,188	P8,413	P113,601

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Million Pesos)

	Note	**2024**	2023 As restated (Note 40)	2022 As restated (Note 40)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	*40*	**P12,994**	P13,110	P8,405
Adjustments for:				
Interest expense and other financing charges	*26, 37*	**20,961**	19,095	13,094
Depreciation and amortization	*25, 37, 40*	**13,456**	13,292	12,005
Retirement benefits costs	*30*	**270**	257	367
Interest income	*26*	**(1,201)**	(1,284)	(898)
Unrealized foreign exchange losses (gains) - net		**2,043**	(327)	670
Allowance for impairment (net reversal) of receivables and inventories	*7, 8, 40*	**(343)**	29	287
Share in net income of an associate and joint ventures	*13*	**(114)**	(89)	(66)
Gain on lease termination	*26, 40*	**(3,509)**	-	-
Other losses (gains) - net		**592**	154	(775)
Operating income before working capital changes		**45,149**	44,237	33,089
Changes in noncash assets, certain current liabilities and others	*33, 40*	**(11,758)**	(4,986)	(38,582)
Changes in noncash assets and liabilities of new subsidiary	*12*	**-**	-	(3,165)
Cash generated from (used in) operations		**33,391**	39,251	(8,658)
Contribution to retirement fund	*30*	**(1,023)**	(1,015)	(900)
Interest paid		**(19,928)**	(18,264)	(12,086)
Income taxes paid		**(413)**	(948)	(1,001)
Interest received		**1,181**	1,292	840
Net cash flows provided by (used in) operating activities		**13,208**	20,316	(21,805)

Forward

	Note	2024	2023 As restated (Note 40)	2022 As restated (Note 40)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	*9, 40*	**(P9,960)**	(P7,047)	(P6,253)
Proceeds from sale of property and equipment		**12**	49	9
Acquisition of investment property	*11*	**(376)**	(244)	(286)
Proceeds from sale of investment property		**-**	1	12
Dividend received from an associate	*13*	**108**	-	-
Increase in other noncurrent assets		**-**	(9)	(22)
Payment for acquisition of a subsidiary	*12, 40*	**-**	(300)	-
Net cash from consolidation of a new subsidiary	*12*	**-**	-	3,302
Net cash flows used in investing activities		**(10,216)**	(7,550)	(3,238)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans, bonds and advances	*28, 33*	**385,910**	289,660	373,935
Payments of:				
Loans and bonds	*33*	**(377,659)**	(287,868)	(342,654)
Lease liabilities	*29, 33*	**(2,780)**	(2,463)	(2,347)
Cash dividends and distributions	*21, 33*	**(6,723)**	(7,356)	(6,127)
Repurchase of capital securities	*21*	**(3,360)**	(27,469)	-
Issuance/reissuance of preferred shares	*21*	**16,730**	13,885	-
Redemption of preferred shares	*21*	**(13,403)**	-	-
Share issuance cost of a subsidiary		**-**	(142)	(13)
Net cash flows provided by (used in) financing activities		**(1,285)**	(21,753)	22,794
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,163**	(677)	3,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,870**	(9,664)	777
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**27,519**	37,183	36,406
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P30,389**	P27,519	P37,183

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

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

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

Petron operates the modern refinery in Bataan, with a rated capacity of 180,000 barrels a day. Petron's refinery processes crude oil into a full range of world-class petroleum products including liquefied petroleum gas (LPG), gasoline, diesel, jet fuel, kerosene, and petrochemicals. From the refinery, Petron moves its products mainly by sea to more than 30 terminals and facilities strategically located across the country. Through this network, Petron supplies fuels to its service stations and various essential industries such as power-generation, transportation, manufacturing, agriculture, etc. Petron also supplies jet fuel at key airports to international and domestic carriers.

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

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

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

The Parent Company is a public company under Section 17.2 of Securities Regulation Code (SRC) and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE). As of December 31, 2024, the Parent Company's public float stood at 26.71%.

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

As of December 31, 2024, the three (3) principal common shareholders of the Company holding at least 5% of its common stock were SEA Refinery Corporation ("SEA Refinery") (50.10%), PCD Nominee Corporation - Filipino (20.11%), and SMC (18.16%). SEA Refinery is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

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

2. Basis of Preparation

Statement of Compliance

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

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 4, 2025.

Basis of Measurement

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

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

Functional and Presentation Currency

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

Basis of Consolidation

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

Name of Subsidiary	Percentage of Ownership **2024**	Percentage of Ownership 2023	Country of Incorporation
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	**100.00**	100.00	Bermuda
Petron Freeport Corporation (PFC)	**100.00**	100.00	Philippines
Petron Singapore Trading Pte., Ltd. (PSTPL)	**100.00**	100.00	Singapore
Petron Marketing Corporation (PMC)	**100.00**	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	**85.55**	85.55	Philippines
Petron Global Limited (PGL)	**100.00**	100.00	British Virgin Islands
Petron Finance (Labuan) Limited (PFL)	**100.00**	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd. (POGM) and Subsidiaries	**100.00**	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	**100.00**	100.00	Hong Kong
Mema Holdings, Inc. (Mema) and Subsidiaries	**100.00**	100.00	Philippines

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

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

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

NVRC's primary purpose is to acquire real estate and derive income from its sale or lease. As of December 31, 2024 and 2023, NVRC owns 100% of Las Lucas Construction and Development Corporation (LLCDC), Parkville Estates and Development Corporation (PEDC), South Luzon Prime Holdings, Inc. (SLPHI), Abreco Realty Corporation (ARC) and 60% of Mariveles Landco Corporation (MLC).

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

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

As of December 31, 2024 and 2023, POGI owns 73.4% of Petron Malaysia Refining & Marketing Bhd (PMRMB) and 100% of both Petron Fuel International Sdn Bhd (PFISB) and Petron Oil (M) Sdn Bhd (POMSB), collectively hereinafter referred to as "Petron Malaysia".

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

PFL is a holding company incorporated under the laws of Labuan, Malaysia.

PAHL is a holding company incorporated in Hong Kong in March 2008. As of December 31, 2024 and 2023, PAHL owns 100% of Robinsons International Holdings Limited (RIHL) which owns 100% of Philippine Polypropylene, Inc. (PPI) and 40% of MLC.

Mema is a holding company acquired by the Parent Company on June 30, 2022. As of December 31, 2024 and 2023, Mema owns 100% of Weldon Offshore Strategic Limited Incorporated which owns 100% of Petrofuel Logistics, Inc. (PLI). PLI provides logistics and freight forwarding services for the hauling, carriage, transportation, forwarding, and/or storage, and into-plane operation requirements mainly of the Group.

Non-controlling interests represent the interests not held by the Parent Company in NVRC and PMRMB in 2024 and 2023.

3. Summary of Material Accounting Policies

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

Adoption of Amended Standards

The FSRSC approved the adoption of a number of amended standards as part of PFRS Accounting Standards.

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

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

- clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

- provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows,* and PFRS 7, *Financial Instruments: Disclosures).* The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

  Under the amendments, an entity discloses in aggregate for its supplier finance arrangements:

  - the terms and conditions of the arrangements;

  - beginning and ending carrying amounts and associated line items of the financial liabilities that are part of a supplier finance arrangement, distinguishing those for which suppliers were already paid, and range of payment due dates including those for comparable trade payables not part of a supplier finance arrangement; and

  - the type and effect of non-cash changes in the carrying amounts.

  The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

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

New and Amended Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2024 and have not been applied in preparing the consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the consolidated financial statements.

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

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

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

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

  The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

  The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

  Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

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

- Annual Improvements to PFRS Accounting Standards - Volume 11. This cycle of improvements contains amendments to new standards:

  - Gain or Loss on Derecognition (Amendments to PFRS 7 Financial Instruments: Disclosure). The amendments replaced the reference to ‘inputs that were not based on observable market data’ in the obsolete paragraph 27A of PFRS 7, with reference to ‘unobservable inputs’ in paragraphs 72-73 of PFRS 13 Fair Value Measurement.

  - Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7 Financial Instruments: Disclosure). The amendments:

    - clarified that the Guidance on implementing PFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7;

    - made the wordings on the disclosure of deferred difference between fair value and transaction price in paragraph IG14 of PFRS 7 consistent with the requirements in paragraph 28 of PFRS 7 and with the concepts in PFRS 9 Financial Instruments and PFRS 13 Fair Value Measurement; and

    - simplified the wordings on credit risk disclosures in paragraph IG20B that the illustration does not include financial assets that are purchased or originated credit impaired.

  - Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9 Financial Instruments). The amendments:

    - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and

    - replaced the term 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that’s unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

  - Determination of ‘De Facto Agent’ (Amendments to PFRS 10 Consolidated Financial Statements). The amendments revised the wording on whether a party is a de facto agent when directed by ‘those that direct the activities of the investor’ to be non-conclusive given this may require judgement.

  - Cost Method (Amendments to PAS 7 Statement of Cash Flows). The amendments replaced the term 'cost method' with 'at cost' given the definition of ‘cost method’ has previously been removed from PFRS Accounting Standards.

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

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

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

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

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

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1, *Presentation of Financial Statements*. The new standard introduces the following key requirements:

  - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.

  - Management-defined performance measures are disclosed in a single note to the financial statements.

  - Enhanced guidance is provided on how to group information in the financial statements. Additionally, entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

  PFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with retrospective application required. Early adoption is permitted. The Group is still in the process of assessing the impact of the new standard.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

Current versus Noncurrent Classification

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

Financial Liabilities

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

- the 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.

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

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

Impairment of Financial Assets

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

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

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

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

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

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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

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

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

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

The Group has no outstanding derivatives accounted for as cash flow hedge as at December 31, 2024 and 2023 (Note 35).

Inventories

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

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

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

Business Combination

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

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

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

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

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

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

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

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

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

Investments in Shares of Stock of Associates and Joint Ventures

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

The Group's 25.06% interest in Petrogen, accounted for as an investment in an associate, 33.33% joint venture interest in Pandacan Depot Services, Inc. (PDSI) and 50.00% joint venture interest in Terminal Bersama Sdn Bhd (TBSB), included under "Investment in shares of stock of an associate and joint ventures" account in the consolidated statements of financial position, are accounted for under the equity method of accounting. The investment in associate and interest in joint ventures are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net income (loss) of the joint ventures, less any impairment in value. The consolidated statements of income reflect the Group's share in the results of operations of associate and joint ventures are presented as part of "Share in net income of associate and joint ventures" account. As of December 31, 2024 and 2023, the Group has capital commitments amounting to P1.6 and P1.4 for TBSB, respectively. The Group has no contingent liabilities in relation to its interest in these associate and joint ventures.

Property, Plant and Equipment

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

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

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

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

The estimated useful lives of the assets are as follows:

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

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

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

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

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

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

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

Leases

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

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

- the Group has the right to direct the use of the identified asset.

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

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

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

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

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

As of December 31, 2024 and 2023, the Group has existing and pending trademark registration for its products for a term of 10 years and renewable every 10 years. It has copyrights for its 7-kg LPG container, Gasulito with stylized letter “P” and two flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs and Malaysian Card Designs, and Petron font. Copyrights endure during the lifetime of the creator and for another 50 years after creator’s death. It also has registered industrial designs for its certain lubricant and oil bottles and containers, 2.7kg LPG cylinders, gas cylinder and gas cylinder valve.

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

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

Impairment of Nonfinancial Assets

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

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

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

Cylinder Deposits

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

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

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

Fair Value Measurements

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

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

Provisions

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

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

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

Capital Stock

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

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

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

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

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

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

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

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

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

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

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

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

Treasury Stock

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

Revenue

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

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

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

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

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

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

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

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

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

Other sources of revenue are as follows:

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

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

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

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

Cost and Expense Recognition

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

Borrowing Costs

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

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

Employee Benefits

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

Foreign Currency

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

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

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

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

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

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in share of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the profit or loss.

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

Taxes

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

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

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

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

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

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

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

4. Use of Judgments, Estimates and Assumptions

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

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

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

Determining 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. It is the currency that mainly influences the sales price of goods and services and the costs of providing these goods and services.

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

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

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

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

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

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

For the Group’s consumer loyalty program, the Group has determined that it is acting as principal with respect to the loyalty points and the delivery of goods and services to be delivered in exchange for the points. The Group has discretion to establish value of points in the consumer loyalty program and the points issued by the Group can be redeemed for goods and services provided by the Group or by partner merchants at the discretion of the customer.

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

Determining Impairment Indicators of Other Non-financial Assets. PFRS Accounting Standards require that an impairment review be performed on property, plant and equipment, investment in shares of stock of an associate and interest in joint ventures, investment property, right-of-use assets and intangible assets 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.

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.

In the determination of the Group's current taxable income, entities within the Group has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. Entities within the Group, at each taxable year from the effectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year. For 2024, 2023 and 2022, majority of the entities within the Group opted to continue claiming itemized standard deductions except for certain subsidiaries of NVRC such as LLCDC, MLC, SLPHI, ARC and PEDC, as they opted to apply OSD (Note 27).

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

Estimates and Assumptions

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

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

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

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

Net reversal of impairment on trade and other receivables amounted to P9, P14 and P8 in 2024, 2023 and 2022, respectively (Notes 7 and 23). Receivables written-off amounted to P2 in 2024, P7 in 2023 and P97 in 2022 (Note 7).

The carrying amount of trade and other receivables amounted to P82,762 and P86,479 as of December 31, 2024 and 2023, respectively (Note 7).

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

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

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

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

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks, the Government of the Philippines and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2024 and 2023. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2024**	2023
Cash in banks and cash equivalents	*5*	**P28,177**	P24,373
Noncurrent deposits	*14*	**141**	124
		P28,318	P24,497

Net Realizable Values of Inventories. In determining the NRV of inventories, management takes into account the most reliable evidence available at the time the estimates are made. Future realization of the carrying amount of inventories of P90,570 and P77,318 as of the end of 2024 and 2023, respectively (Note 8), is affected by price changes in different market segments for crude and petroleum products. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

The Group recognized loss on inventory write-down amounting to P107 in 2024, P363 in 2023 and P356 in 2022 (Note 8).

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

In 2024, 2023 and 2022, the Group increased/(reduced) the allowance for inventory obsolescence amounting to (P76), P43 and P73, respectively (Note 8).

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

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

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

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

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

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

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

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

There is no change in estimated useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on management's review at the reporting date.

Property, plant and equipment, net of accumulated depreciation, amounted to P169,302 and P167,987 as of December 31, 2024 and 2023, respectively. Accumulated depreciation of property, plant and equipment, amounted to P134,309 and P124,531 as of December 31, 2024 and 2023, respectively (Note 9).

Right-of-use assets, net of accumulated depreciation, amounted to P2,925 and P5,286 as of December 31, 2024 and 2023, respectively. Accumulated depreciation of right-of-use asset amounted to P1,679 and P2,628 as of December 31, 2024 and 2023, respectively (Note 10).

Investment property, net of accumulated depreciation, amounted to P28,243 and P27,194 as of December 31, 2024 and 2023, respectively. Accumulated depreciation of investment property amounted to P24,657 and P21,184 as of December 31, 2024 and 2023, respectively (Note 11).

Intangible assets with finite useful lives, net of accumulated amortization, amounted to P68 and P101 as of December 31, 2024 and 2023, respectively (Note 14). Accumulated amortization of intangible assets with finite useful lives amounted to P861 and P780 as of December 31, 2024 and 2023, respectively.

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

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

Estimated fair values of investment property amounted to P66,809 and P55,065 as of December 31, 2024 and 2023, respectively (Note 11).

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

The recoverable amount of goodwill arising from the acquisition of Petron Malaysia has been determined based on the value in use using discounted cash flows (DCF). Assumptions used in the DCF include terminal growth rate of 3% in 2024 and 2023, respectively, and discount rates of 7.7% and 8.4% in 2024 and 2023, respectively (Note 12).

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

No impairment losses were recognized in 2024, 2023 and 2022 in relation to the goodwill arising from the acquisition of Petron Malaysia which accounts for almost 99% of goodwill in the consolidated statements of financial position as of December 31, 2024 and 2023.

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 P560 and P1,114 as of December 31, 2024 and 2023, respectively (Note 27).

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

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

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

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

Retirement benefits costs recognized in the consolidated statements of income amounted to P417, P454 and P519 in 2024, 2023 and 2022, respectively. Remeasurement losses of the net defined retirement obligation recognized in OCI amounted to P1,655, P38 and P626 in 2024, 2022 and 2022, respectively. The retirement benefits liability amounted to P3,785 and P2,684 as of December 31, 2024 and 2023, respectively (Notes 17 and 30).

Asset Retirement Obligation (ARO). The Group has ARO arising from the refinery, leased service stations, terminals and blending plant. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of ARO based on the dismantling costs as estimated by the operating unit responsible for the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.24% to 7.18% depending on the life of the capitalized costs. The Group also conducts periodic review of the estimates of dismantling costs to consider actual expenses incurred during the actual retirement of assets and uses this as input in determining future liability. 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 P1,379 and P3,658 as of December 31, 2024 and 2023, respectively (Notes 17 and 19).

5. Cash and Cash Equivalents

This account consists of:

	Note	**2024**	2023
Cash on hand		**P2,212**	P3,146
Cash in banks		**9,410**	7,899
Short-term placements		**18,767**	16,474
	34, 35	**P30,389**	P27,519

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term placement rates ranging from 1.00% to 6.00% in 2024, 1.00% to 6.94% in 2023, and 0.05% to 6.32% in 2022 (Note 26).

6. Financial Assets at Fair Value

This account consists of:

	Note	**2024**	2023
Derivative assets not designated as cash flow hedge		**P1,044**	P1,162
Proprietary membership shares		**458**	389
	34, 35	**1,502**	1,551
Less: noncurrent portion	*14*	**458**	389
		P1,044	P1,162

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

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

Changes in fair value of assets at FVPL recognized in the consolidated statements of income in 2024, 2023, and 2022 amounted to P70, P37, and P54, respectively (Note 26).

7. Trade and Other Receivables

This account consists of:

	Note	**2024**	2023
Trade	*34*	**P57,652**	P55,659
Related parties - trade	*28, 34*	**3,782**	3,646
Allowance for impairment loss on trade receivables		**(690)**	(702)
		60,744	58,603
Government		**19,968**	24,351
Related parties - non-trade	*28*	**1,049**	995
Others		**1,205**	2,730
Allowance for impairment loss on non-trade receivables		**(204)**	(200)
		22,018	27,876
	34, 35	**P82,762**	P86,479

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

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

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

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

A reconciliation of the allowance for impairment losses at the beginning and end of 2024 and 2023 is shown below:

	Note	**2024**	2023
Balance at beginning of year		**P1,211**	P1,251
Additions	*23*	**8**	17
Write off	*4*	**(2)**	(7)
Reversal		**(17)**	(31)
Currency translation adjustment		**27**	(19)
Balance at end of year		**1,227**	1,211
Less noncurrent portion for long-term receivables	*34*	**333**	309
		P894	P902

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

The following table provides information about the exposure to credit risk and ECL of trade and other receivables as of December 31, 2024 and 2023:

	Weighted Average Loss Rate	**Gross Carrying Amount**	**ECL**
December 31, 2024			
Retail	**1.03%**	**P9,123**	**P94**
Lubes	**0.05%**	**2,063**	**1**
Gasul	**4.05%**	**1,557**	**63**
Industrial	**0.90%**	**24,437**	**221**
Others	**1.11%**	**46,476**	**515**
		P83,656	**P894**

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2023			
Retail	1.07%	P7,866	P84
Lubes	0.07%	1,499	1
Gasul	3.67%	1,442	53
Industrial	1.10%	23,106	254
Others	0.95%	53,468	510
		P87,381	P902

8. Inventories

This account consists of:

	2024	2023
Crude oil and others	**P46,757**	P30,862
Petroleum	**34,947**	36,997
Materials and supplies	**5,295**	5,061
Lubes, greases and aftermarket specialties	**3,571**	4,398
	P90,570	P77,318

The cost of these inventories amounted to P91,288 and P78,363 as of December 31, 2024 and 2023, respectively.

If the Group had used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other products would have increased by P167 and P1,522 as of December 31, 2024 and 2023, respectively.

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P798,698, P731,648, and P803,977 in 2024, 2023, and 2022, respectively (Note 22).

Research and development costs on these products constituted the expenses incurred for internal projects in 2024, 2023 and 2022 (Note 23).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2024 and 2023 are as follows:

	Note	**2024**	2023
Balance at beginning of year		**P1,045**	P999
Additions/reductions:			
Inventory obsolescence	*4*	**(76)**	43
Inventory write-down	*4*	**107**	363
Reversals		**(363)**	(356)
Translation adjustment		**5**	(4)
Balance at end of year		**P718**	P1,045

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

9. Property, Plant and Equipment

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

	Note	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	CPIP	Total
Cost								
January 1, 2023, as previously reported		P27,116	P212,844	P20,478	P7,199	P4,472	P13,630	P285,739
Effect of prior period adjustment	*40*	-	-	2,165	-	-	-	2,165
January 1, 2023, as restated		27,116	212,844	22,643	7,199	4,472	13,630	287,904
Additions, as restated	*40*	295	1,179	1,325	2,027	167	2,471	7,464
Disposals/reclassifications, as restated	*40*	429	10,145	(682)	13	168	(11,110)	(1,037)
Reclassification to/from investment property	*11*	232	-	-	-	31	104	367
Currency translation adjustment, as restated	*40*	(104)	(1,278)	(527)	(136)	(97)	(38)	(2,180)
December 31, 2023, as restated		27,968	222,890	22,759	9,103	4,741	5,057	292,518
Additions	*39*	264	970	1,783	928	151	6,064	10,160
Disposals/reclassifications		619	3,307	(1,337)	(41)	137	(4,286)	(1,601)
Reclassification to/from investment property	*11*	(220)	-	-	-	(800)	108	(912)
Currency translation adjustment		331	1,963	725	197	150	80	3,446
December 31, 2024		**28,962**	**229,130**	**23,930**	**10,187**	**4,379**	**7,023**	**303,611**
Accumulated Depreciation								
January 1, 2023, as previously reported		15,871	77,063	15,550	5,730	1,372	-	115,586
Effect of prior period adjustment	*40*	-	-	748	-	-	-	748
January 1, 2023, as restated		15,871	77,063	16,298	5,730	1,372	-	116,334
Depreciation, as restated	*40*	996	7,628	1,212	306	105	-	10,247
Disposals/reclassifications, as restated	*40*	(85)	30	(809)	(15)	-	-	(879)
Reclassification to/from investment property	*11*	(170)	-	-	-	61	-	(109)
Currency translation adjustment, as restated	*40*	(63)	(553)	(347)	(99)	-	-	(1,062)
December 31, 2023, as restated		16,549	84,168	16,354	5,922	1,538	-	124,531
Depreciation		970	7,926	1,028	412	120	-	10,456
Disposals/reclassifications		(241)	(34)	(1,395)	(54)	1	-	(1,723)
Reclassification to/from investment property	*11*	137	-	-	-	(774)	-	(637)
Currency translation adjustment		210	920	397	154	1	-	1,682
December 31, 2024		**17,625**	**92,980**	**16,384**	**6,434**	**886**	**-**	134,309
Carrying Amount								
December 31, 2023, as restated	*40*	P11,419	P138,722	P6,405	P3,181	P3,203	P5,057	P167,987
December 31, 2024		**P11,337**	**P136,150**	**P7,546**	**P3,753**	**P3,493**	**P7,023**	**P169,302**

In 2024 and 2023, certain property, plant and equipment were reclassified to/from investment property due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 11).

No impairment loss was required to be recognized in 2024, 2023 and 2022 based on management's assessment of impairment indicators.

Certain fully depreciated property, plant and equipment with aggregate costs of P36,040 and of P31,610 as of December 31, 2024 and 2023, respectively, are still being used in the Group's operations.

The Group capitalized interest amounting to P90, P417 and P536 in 2024, 2023, and 2022, respectively (Notes 15, 18, 26 and 29). The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.81% to 9.43% in 2024 and from 2.83% to 9.52% in 2023.

Capital Commitments
As of December 31, 2024 and 2023, the Group has outstanding commitments to acquire property, plant and equipment amounting to P6,880 and P7,535, respectively.

10. Right-of-Use Assets

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

	Note	Land	Buildings and Improvements and Related Facilities	Service Stations and Other Equipment	Total
Cost					
January 1, 2023		P6,434	P1,188	P71	P7,693
Additions		720	40	-	760
Remeasurements/ expiration		(491)	(2)	-	(493)
Currency translation adjustment		(40)	(4)	(2)	(46)
December 31, 2023		6,623	1,222	69	7,914
Additions		351	6	-	357
Cancellation/termination	*39*	(3,796)	-	-	(3,796)
Remeasurements/ expiration		469	(419)	-	50
Currency translation adjustment		66	9	4	79
December 31, 2024		**3,713**	**818**	**73**	**4,604**
Accumulated Depreciation					
January 1, 2023		1,798	482	15	2,295
Remeasurements/ expiration		(292)	-	-	(292)
Depreciation		407	228	4	639
Currency translation adjustment		(13)	(1)	-	(14)
December 31, 2023		1,900	709	19	2,628
Remeasurements/ expiration		(4)	(421)	-	(425)
Cancellation/termination	*39*	(1,184)	-	-	(1,184)
Depreciation		407	218	6	631
Currency translation adjustment		26	3	-	29
December 31, 2024		**1,145**	**509**	**25**	**1,679**
Carrying Amount					
December 31, 2023		P4,723	P513	P50	P5,286
December 31, 2024		**P2,568**	**P309**	**P48**	**P2,925**

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

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

The Group had total cash outflows for leases of P3,386, P2,988 and P2,746 in 2024, 2023 and 2022, respectively (Note 29).

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

11. Investment Property

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

	Note	Land	Land and Leasehold Improvements	Buildings and Improvements	Right-of-Use	CPIP	Total
Cost							
January 1, 2023		P9,326	P4,164	P19,037	P15,525	P350	P48,402
Additions		-	-	137	1,473	107	1,717
Disposals/reclassifications/ remeasurements		(17)	-	(14)	(172)	-	(203)
Reclassifications from/to property, plant and equipment	*9*	-	(31)	(232)	-	(104)	(367)
Currency translation adjustment		(173)	-	(525)	(465)	(8)	(1,171)
December 31, 2023		9,136	4,133	18,403	16,361	345	48,378
Additions	*39*	40	-	169	1,743	201	2,153
Disposals/reclassifications/ remeasurements		6	-	(2)	(485)	-	(481)
Reclassifications from/to property, plant and equipment	*9*	-	800	220	-	(108)	912
Currency translation adjustment		299	-	818	806	15	1,938
December 31, 2024		**9,481**	**4,933**	**19,608**	**18,425**	**453**	**52,900**
Accumulated Depreciation							
January 1, 2023		-	874	11,469	7,622	-	19,965
Depreciation		-	30	663	1,249	-	1,942
Disposals/reclassifications/ remeasurements		-	-	208	(487)	-	(279)
Reclassifications from/to property, plant and equipment	*9*	-	(61)	170	-	-	109
Currency translation adjustment		-	-	(533)	(20)	-	(553)
December 31, 2023		-	843	11,977	8,364	-	21,184
Depreciation		-	13	670	1,354	-	2,037
Disposals/reclassifications/ remeasurements	*39*	-	-	218	(351)	-	(133)
Reclassifications from/to property, plant and equipment	*9*	-	774	(137)	-	-	637
Currency translation adjustment		-	-	537	395	-	932
December 31, 2024		**-**	**1,630**	**13,265**	**9,762**	**-**	**24,657**
Carrying Amount							
December 31, 2023		P9,136	P3,290	P6,426	P7,997	P345	P27,194
December 31, 2024		**P9,481**	**P3,303**	**P6,343**	**P8,663**	**P453**	**P28,243**

In 2024 and 2023, certain investment property were reclassified from/to property, plant and equipment due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 9).

No impairment loss was required to be recognized in 2024, 2023 and 2022 based on management's assessment of impairment indicators.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2024, 2023 and 2022.

The fair value of investment property amounting to P66,809 and P55,065 as of December 31, 2024 and 2023, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

For properties with available appraisal reports, the fair value of investment property amounting to P34,272 and P24,902 as of December 31, 2024 and 2023, respectively, were determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property on a regular basis. The fair value of investment property amounting to P19,234 and P19,091 as of December 31, 2024 and 2023, respectively, were determined by using the depreciated replacement cost method. The net present value of lease liability recognized in investment property as of December 31, 2024 and 2023 represents the remaining fair value amounting to P13,303 and P11,072, respectively.

Valuation Technique and Significant Unobservable Inputs
The valuation of investment property applied the following approaches below:

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

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

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

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

Business Combination and Investment in Shares of Stock of Subsidiaries

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

Mema

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

The fair value of net assets acquired amounted to P426 on June 30, 2022. The Group recognized P22 gain on acquisition, presented under "Other income - net" in the consolidated statement of income in 2022, which pertains to the excess of fair value of assets acquired and liabilities assumed over the consideration paid/accrued.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	June 30, 2022
Assets	
Cash and cash equivalents	P3,406
Accounts and other receivables	2,034
Prepaid expenses and other current assets	69
Property, plant and equipment - net	219
Other noncurrent assets	15
Liabilities	
Accounts and other payables	(5,303)
Other liabilities	(14)
Total Identifiable Net Assets	**P426**

The fair value of trade and other receivables amounted to P2,034. None of the receivables has been impaired and the full amount is expected to be collected. As of December 31, 2024, P2,034 was already collected and minimal amount is still outstanding.

Accounts and other payables amounting to P5,198 was settled as of December 31, 2024 from the existing cash and the collected receivables.

The fair value of the acquired property, plant and equipment was measured using depreciated replacement cost by considering the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Mema has contributed to Group's net income of P26 from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Group's revenue and net income in 2022 would have been P857,638 and P6,921, respectively. Mema has no contribution to consolidated sales since the entity provides hauling and logistics services to the Parent Company.

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

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

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

The application for the merger is ongoing as of December 31, 2024.

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

	2024	2023
Cost		
Balance at beginning of year	**P8,093**	P8,509
Translation adjustments	**638**	(416)
Net Carrying Amount at End of Year	**P8,731**	P8,093

Impairment of Goodwill from Petron Malaysia
Goodwill arising from the acquisition of Petron Malaysia, which accounts for 99% of total goodwill in the consolidated statements of financial position as of December 31, 2024 and 2023, is allocated at the POGI Group cash generating unit (CGU) instead of each individual acquiree company's CGU as it is expected that the POGI Group CGU will benefit from the synergies created from the acquiree companies in combination.

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

- Cash flows were projected based on past experience, actual operating results, and reasonable and justifiable assumptions for future business performance but excluding net cash inflows from expansion projects like new stations. The cash flows are based on long range plan anchored on budget approved by the Management for the first five (5) years.

- A discount rate of 7.7% and 8.4% in 2024 and 2023, respectively, was applied based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM).

- The Group used terminal growth rate of 3% in 2024 and 2023 because it is in the process of increasing its network of service stations and upgrading its facilities and hence foresees growth in cash flows generated perpetually.

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

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

No impairment losses were recognized in 2024, 2023 and 2022 in relation to the goodwill arising from the acquisition of Petron Malaysia.

Non-controlling Interests

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

	December 31, 2024		December 31, 2023	
	NVRC	**PMRMB**	NVRC	PMRMB As restated (Note 40)
Non-controlling Interests Percentage	**14.45%**	**26.60%**	14.45%	26.60%
Carrying amount of non-controlling interest	**P443**	**P8,650**	P481	P8,193
Current assets	**P472**	**P32,022**	P667	P30,567
Noncurrent assets	**6,678**	**28,397**	9,357	25,736
Current liabilities	**(962)**	**(25,347)**	(1,146)	(23,843)
Noncurrent liabilities	**(1,042)**	**(4,337)**	(3,586)	(3,316)
Net assets	**P5,146**	**P30,735**	P5,292	P29,144
Net income (loss) attributable to non-controlling interests	**(P29)**	**P31**	P8	P875
Other comprehensive income (loss) attributable to non-controlling interests	**P -**	**P630**	P -	(P410)
Sales/Revenues	**P77**	**P198,763**	P395	P209,861
Net income (loss)	**(P91)**	**P219**	P133	P3,308
Other comprehensive income	**-**	**1**	-	1
Total comprehensive income (loss)	**(P91)**	**P220**	P133	P3,309
Cash flows provided by operating activities	**P115**	**P330**	P195	2,740
Cash flows provided by (used in) investing activities	**(42)**	**(1,842)**	3	(1,061)
Cash flows provided by (used in) financing activities	**(107)**	**1,896**	(119)	(2,688)
Effects of exchange rate changes on cash and cash equivalents	**-**	**-**	-	(8)
Net increase (decrease) in cash and cash equivalents	**(P34)**	**P384**	P79	(P1,017)

13. Investment in Shares of Stock of an Associate and Joint Ventures

This account consists of:

	2024	2023
Investment in an associate	**P1,155**	P1,153
Investment in joint ventures	**10**	5
	P1,165	P1,158

Investment in Shares of Stock of an Associate
As of December 31, 2024 and 2023, the Parent Company owns 25.06% of Petrogen accounted for as an investment in an associate. Petrogen was incorporated and registered with the Philippine SEC on August 23, 1996 primarily to engage in the business of non-life insurance and re-insurance.

Following are the condensed financial information of Petrogen as of and for the years ended December 31, 2024 and 2023:

	2024	2023
Percentage of ownership	**25.06%**	25.06%
Current assets	**P6,955**	P5,482
Noncurrent assets	**1,990**	1,921
Current liabilities	**(4,337)**	(2,806)
Net assets	**P4,608**	P4,597
Revenue	**P662**	P475
Net income	**P439**	P337
Other comprehensive loss	**P -**	(P24)
Share in net assets	**P1,155**	P1,153
Carrying amount of investment in shares of stock of an associate	**P1,155**	P1,153

The Group recognized P110, P84 and P63 in 2024, 2023 and 2022, respectively, as share in net income of Petrogen and received dividends of P108 in 2024 accounted for using equity method.

Investment in Joint Ventures
Investment in joint ventures pertains to 33.33% and 50.00% equity interest in PDSI and TBSB, respectively. PDSI is a Philippine company engaged in the business of receiving, storing and handling the out-loading of petroleum products of the three major oil companies to serve the fuel requirement of their respective customers. TBSB is a Malaysian company operating as a liquified petroleum gas bottling plant.

On June 22, 2022, the Bureau of Internal Revenue (BIR) has approved the cancellation of PDSI's registration.

The Group recognized P4, P5 and P3 in 2024, 2023 and 2022, respectively, as share in net income of joint ventures accounted for using equity method.

14. Other Assets

This account consists of:

	Note	**2024**	2023
Current			
Prepaid taxes		**P42,212**	P36,360
Input VAT		**6,946**	2,310
Prepaid expenses	*28*	**1,584**	1,384
Special-purpose fund		**351**	170
Others - net	*28*	**15**	305
		P51,108	P40,529
Noncurrent			
Catalyst - net		**P515**	P629
Proprietary membership shares	*6*	**458**	389
Prepaid rent		**233**	165
Noncurrent deposits	*34, 35*	**141**	124
Intangibles - net	*4*	**68**	101
Input VAT		**27**	43
Others - net	*28*	**561**	479
		P2,003	P1,930

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

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

The “Others - net” under “Noncurrent” account includes marketing assistance to dealers and other prepayments amounting to P223, P287 and P256 as of December 31, 2024, 2023 and 2022, respectively, net of amortization amounting to P27, P108 and P47 in 2024, 2023 and 2022, respectively.

The amortization of prepaid rent amounted to P36 in 2024, P70 in 2023 and nil in 2022.

Amortization of intangibles, marketing assistance to dealers, other prepayments included as part of “Depreciation and amortization” under “Selling and administrative expenses” account in the consolidated statements of income amounted to P76, P130 and P58 in 2024, 2023 and 2022, respectively (Notes 23 and 25).

Amortization of catalyst, intangibles and other prepayments included as part of “Depreciation and amortization” under “Cost of goods sold” account in the consolidated statements of income amounted to P256, P334 and P236 in 2024, 2023 and 2022, respectively (Notes 22 and 25).

15. Short-term Loans

This account pertains to unsecured Philippine peso and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 3 to 178 days and annual interest ranging from 3.96% to 8.00% in 2024, from 4 to 180 days and 3.71% to 7.53% in 2023, and from 5 to 181 days and 1.28% to 6.88% in 2022 (Note 26). These loans are intended to fund the importation of crude oil and petroleum products (Note 8) and working capital requirements.

Interest expense on short-term loans amounted to P8,144 in 2024, P7,835 in 2023, and P4,316 in 2022 (Note 26). Interest expense amounting to P42 was capitalized as part of property, plant and equipment in 2024 while P176 in 2023 and P169 in 2022 (Note 9).

16. Liabilities for Crude Oil and Petroleum Products

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

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

	Note	**2024**	2023
Third parties		**P51,601**	P44,832
Related parties	*28*	**24**	8
	34, 35	**P51,625**	P44,840

17. Trade and Other Payables

This account consists of:

	Note	**2024**	2023 As restated (Note 40)
Trade		**P8,948**	P6,693
Specific taxes and other taxes payable		**4,468**	7,852
Due to related parties	*28*	**7,788**	5,099
Cylinder deposits	*40*	**3,432**	2,564
Accrued interest		**1,153**	1,375
Dividends payable	*33*	**1,039**	948
Deferred liability on consumer loyalty program		**831**	747
Accrued rent		**223**	499
Accrued payroll		**149**	211
Retirement benefits liability	*30*	**124**	63
Asset retirement obligation - current	*19*	**58**	46
Retention payable		**241**	24
Insurance liabilities		**3**	3
Others	*12, 39*	**555**	330
	34, 35	**P29,012**	P26,454

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

Cylinder deposits pertain to deposits made by the dealers for the LPG cylinders loaned to them. These deposits are non-interest bearing and are refundable to dealers upon surrender of the LPG cylinders subject to certain conditions (Note 40).

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

The Group recognized revenue that was included in the deferred liability on consumer loyalty program amounting to P1,475 and P1,468 in 2024 and 2023, respectively (Note 37).

18. Long-term Debt

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

	Note	**2024**	2023
Unsecured Peso-Denominated (net of debt issue costs)			
Fixed retail bond of 3.4408% due until 2025 and 4.3368% due until 2027	*(e)*	**P17,917**	P17,869
Term loan of 7.4941% due in 2029	*(m)*	**6,959**	-
Fixed rate retail bonds of 7.8183% due in 2024 and 8.0551% due in 2025	*(b)*	**6,788**	19,948
Floating rate term loan due in 2029	*(n)*	**4,969**	-
Term loan of 7.1663% due until 2027	*(f)*	**4,483**	4,975
Term loan of 7.4206% due until 2027	*(g)*	**3,114**	4,355
Term loan of 7.5496% due until 2027	*(h)*	**3,114**	4,355
Term loan of 6.4920% due in 2025	*(i)*	**2,371**	2,365
Term loan of 4.5900% due until 2025	*(d)*	**624**	1,872
Term loan of 6.8672% due in 2025	*(j)*	**624**	622
Term loan of 5.5276% due until 2024	*(a)*	**-**	1,606
Unsecured Foreign Currency-Denominated (net of debt issue costs)			
Floating rate dollar loan - US$500 million due until 2029	*(o)*	**28,347**	-
Floating rate dollar loan - US$669 million due until 2027	*(k)*	**27,118**	36,245
Floating rate dollar loan - US$225 million due in 2028	*(l)*	**10,227**	12,172
Floating rate yen loan - JP¥15 billion due until 2025	*(c)*	**788**	2,512
	33, 34, 35	**117,443**	108,896
Less current portion		**29,418**	25,642
		P88,025	P83,254

a. On July 25, 2017, the Parent Company drew P15,000 from a P15,000 term loan facility which was signed on July 14, 2017 and executed on July 17, 2017. The facility is amortized over 7 years and is subject to a fixed interest rate of 5.5276% per annum. The proceeds were used to refinance the bridge loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-Fired Power Plant in 2016. The Parent Company has fully settled the facility as of December 31, 2024.

b. On October 19, 2018, the Parent Company offered P20,000 fixed retail bonds (the "Offer Bonds") divided into Series C (P13,200) bearing interest at 7.8183% per annum and Series D (P6,800) bearing interest at 8.0551% per annum. The Series C Offer Bonds matured on April 19, 2024 (5.5-year term) while the Series D Offer Bonds is due on October 19, 2025 (7-year term). Interests on these Offer Bonds are payable quarterly, commencing on January 19, 2019, and thereafter, on April 19, July 19, October 19 and January 19 of each year. The net proceeds from the issuance of the Offer Bonds were used primarily to settle short-term loans availed by the Parent Company to fund crude oil purchases and redeem a portion of the Parent Company's remaining Undated Subordinated Capital Securities (USCS) (Note 21), and the balance for general corporate purposes. The Offer Bonds were listed with the Philippine Dealing & Exchange Corp. on October 19, 2018.

c. On April 22, 2020, the Parent Company drew JP¥15 billion from a JP¥15 billion term loan facility signed and executed on March 27, 2020. The proceeds were used to partially prepay its US$1 billion term loan facility. The JP¥ facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 27, 2022. It is subject to a floating interest rate based on JP¥ LIBOR plus a spread, repriced every 1, 3 or 6 months. Due to the global discontinuation of JPY LIBOR by December 31, 2021, an amendment was made to the JPY Facility adopting the Tokyo Overnight Average Rate (TONA) as the new benchmark rate. Beginning December 29, 2021, the floating interest rate on the JPY15 billion facility is based on TONA plus a spread, repriced every 1, 3 or 6 months. The Parent Company has paid the principal amortizations amounting to JP¥4.29 billion each in 2024 and 2023.

d. On April 27, 2020, the Parent Company drew P5,000 from a P5,000 term loan facility which was signed and executed on April 23, 2020. The facility is subject to a fixed interest rate of 4.59% per annum and amortized over 5 years with a 12-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning July 27, 2021. The proceeds were used for general corporate purposes. The Parent Company has paid the principal amortizations amounting to P1,250 each in 2024 and 2023.

e. On October 12, 2021, the Parent Company issued P18,000 retail bonds divided into Series E due in 2025 (P9,000) and Series F due in 2027 (P9,000) with interest rates of 3.4408% p.a. and 4.3368% p.a., respectively. The Bonds are listed on the Philippine Dealing & Exchange Corp. The proceeds were used for the redemption of the Company's Series A Bonds, the partial financing of a power plant project and payment of existing indebtedness.

f. On May 19, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on May 17, 2022. The facility is subject to a fixed interest rate of 7.1663% per annum and amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 semi-annual payments beginning May 19, 2024. The proceeds were used for partial financing of a power plant project. As of December 31, 2024, the P500 portion of the facility has already been paid.

g. On June 15, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 10, 2022. The facility is subject to a fixed interest rate of 7.4206% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payment beginning September 15, 2023. The proceeds were used to partially pay the US$1,000 million term loan facility. The Parent Company has paid the principal amortizations amounting to P1,250 and P625 in 2024 and 2023, respectively.

h. On June 16, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 7, 2022. The facility is subject to a fixed interest rate of 7.5496% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 16, 2023. The proceeds were used to pay balances of the US$1,000 million and various loan facilities. The Parent Company has paid the principal amortizations amounting to P1,250 and P625 in 2024 and 2023, respectively.

i. On September 8, 2022, the Parent Company drew and availed a P2,375 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.4920% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.

j. On September 30, 2022, the Parent Company drew and availed a P625 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.8672% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.

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

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

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

l. On July 13, 2023, the Parent Company made a full drawdown of US$225 million term loan which was used to partially fund the redemption of US$500 million SPCS. The facility was signed on March 28, 2023, which subsequently increased from US$150 million to US$225 million on June 8, 2023. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning on March 28, 2025. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months. In 2024, the Parent Company has prepaid portion of the facility amounting to US$45 million.

m. On March 6, 2024, the Parent Company made a full drawdown of P7,000 unsecured term loan facility signed and executed on January 16, 2024. The facility is amortized over 5 years with 2 years grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 6, 2026. The facility is subject to interest payable in semi-annual amortizations with fixed interest rate of 7.4941% per annum for the first 2 years and will thereafter be repriced to a new fixed rate until maturity on March 6, 2029. The proceeds were used to partially redeem Series C Offer Bonds on April 19, 2024.

n. On April 18, 2024, the Parent Company made a full drawdown of P5,000 unsecured term loan facility signed and executed on April 15, 2024. The facility is amortized over 5 years with 2.5 years grace period, after which the total principal will be amortized in 6 equal semi-annual installments beginning October 18, 2026. The facility is subject to a floating interest rate payable in semi-annual amortizations. The proceeds were used to partially redeem Series C Offer Bonds on April 19, 2024.

o. The Parent Company drew US$133 million, US$96 million, US$130 million and US$141 million on July 23, July 30, September 12 and October 28, 2024, respectively, from a US$500 million term loan facility signed and executed on July 11, 2024. The facility is amortized over 5 years with 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning July 11, 2026. The facility is subject to a floating interest rate payable monthly based on SOFR plus a spread, repriced every 1, 3 or 6 months. The proceeds were partially used to repay outstanding indebtedness and settle liabilities for crude oil importations.

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

The Group has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. In November 2020, the Group secured consent to amend the testing of its net leverage ratio from semi-annual to incurrence-based, while the ratio of consolidated gross debt to consolidated net worth remained to be tested quarterly.

As of December 31, 2024 and 2023, the Group has complied with the financial covenants of its debt agreements.

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P9,005, P8,331 and P6,165 in 2024, 2023 and 2022, respectively (Note 26). Interest amounting to P38 was capitalized in 2024, P187 in 2023 and P269 in 2022 (Note 9).

Movements in debt issue costs follow:

	Note	**2024**	2023
Balance at beginning of year		**P1,366**	P1,335
Additions		**721**	616
Amortization for the year	*26*	**(638)**	(585)
Balance at end of year		**P1,449**	P1,366

Repayment Schedule
As of December 31, 2024 and 2023, the annual maturities of long-term debt are as follows (Note 34):

2024

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

2023

Year	Gross Amount	Debt Issue Costs	Net
2024	P26,035	P393	P25,642
2025	37,411	557	36,854
2026	18,923	237	18,686
2027	26,113	175	25,938
2028 and beyond	1,780	4	1,776
	P110,262	P1,366	P108,896

19. Asset Retirement Obligation

Movements in the ARO are as follows:

	Note	**2024**	2023
Balance at beginning of year		**P3,658**	P3,559
Accretion for the year	*26*	**207**	226
Additions		**75**	6
Effect of change in estimates	*4*	**58**	(264)
Translation adjustment		**21**	(13)
Settlement		**(1)**	-
Effect of change in discount rate		**(39)**	144
Derecognition	*39*	**(2,600)**	-
Balance at end of year including current portion		**P1,379**	P3,658

20. Other Noncurrent Liabilities

This account consists of:

	Note	2024	2023 As restated (Note 40)
Cash bonds		**P426**	P439
Others		**61**	56
	34, 35	**P487**	P495

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

Others account includes liability to a contractor and supplier.

21. Equity

a. Capital Stock

Common Shares
Pursuant to the registration statement rendered effective by the SEC on May 18, 1995 and the permit to sell issued by the SEC dated May 30, 1995, 10,000,000,000 common shares of the Parent Company with par value of P1.00 per share were offered for sale at an offer price of P1.00 per share. As of December 31, 2024 and 2023, the Parent Company had 97,572 and 97,977 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 AOI to reclassify 624,895,503 unissued common shares into preferred shares with a par value of P1.00 per share, as part of its authorized capital stock. On February 12, 2010, the SEC issued an order permitting the Parent Company's offer and sale of 50,000,000 peso-denominated, cumulative, non-participating and non-voting preferred shares, with an oversubscription option of 50,000,000 preferred shares (collectively, the "2010 Preferred Shares") to the public at an issue price of P100.00 per share. Proceeds from issuance in excess of par value less related transaction costs amounting to P9,764 was recognized as additional paid-in capital. Dividend rate of 9.5281% per annum computed in reference to the issue price was payable every March 5, June 5, September 5 and December 5 of each year, when declared by the Parent Company's BOD. The 2010 Preferred Shares were listed with PSE on March 5, 2010.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2024 and 2023, the Parent Company had 37,427,000 and 34,000,000 (P1 par value) issued and outstanding preferred shares, respectively. The total number of preferred shareholders with at least one board lot at the PSE as of December 31, 2024 and 2023 are as follows:

	2024	2023
Series 3A Preferred Shares	**-**	14
Series 3B Preferred Shares	**25**	25
Series 4A Preferred Shares	**4**	3
Series 4B Preferred Shares	**13**	13
Series 4C Preferred Shares	**27**	27
Series 4D Preferred Shares	**22**	-
Series 4E Preferred Shares	**26**	-
	117	82

b. Retained Earnings

Declaration of Cash Dividends

On various dates in 2024, 2023 and 2022, the Parent Company's BOD approved the declaration of cash dividends for common and preferred shareholders with the following details:

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

Forward

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2022				
Series 3A	P17.17825	August 1, 2022	August 31, 2022	September 26, 2022
Series 3B	17.84575	August 1, 2022	August 31, 2022	September 26, 2022
Series 3A	17.17825	November 8, 2022	November 29, 2022	December 26, 2022
Series 3B	17.84575	November 8, 2022	November 29, 2022	December 26, 2022
Series 3A	17.17825	November 8, 2022	March 2, 2023	March 27, 2023
Series 3B	17.84575	November 8, 2022	March 2, 2023	March 27, 2023

Total cash dividends declared by the Parent Company amounted to P3,650 in 2024, P3,053 in 2023 and P1,044 in 2022.

Appropriation for Capital Projects

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

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

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

On October 7, 2021, the BOD of PEDC approved the appropriation of its retained earnings amounting to P3 for acquisition of three lots located in Bulacan. As of December 31, 2024, these lots are expected to be acquired by the second half of 2025.

The appropriated retained earnings attributable to the equity holders of the Parent Company amounted to P3 as of December 31, 2024 and 2023.

c. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries, joint ventures and an associate amounting to P49,533, P48,107 and P43,690 as of December 31, 2024, 2023 and 2022, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

d. Equity reserves comprise of the following:

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

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

	2024	2023 As restated (Note 40)	2022 As restated (Note 40)
Balance at beginning of year, as previously reported	**(P14,786)**	(P10,450)	(P12,379)
Effect of prior period adjustments	**(8)**	(4)	-
Balance at beginning of year, as restated	**(14,794)**	(10,454)	(12,379)
Net income (loss) on cash flow hedges, net of tax	**-**	(50)	54
Cumulative translation adjustment	**3,499**	(2,008)	1,871
Share in other comprehensive income of an associate and joint venture	**1**	4	-
Repurchase of capital securities	**(386)**	(2,286)	-
Balance at end of year	**(P11,680)**	(P14,794)	(P10,454)

e. SPCS

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

Holders of the SPCS are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 4.6% per annum, subject to a step-up rate. The Parent Company has a right to defer the distribution under certain conditions.

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

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

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

Payments of distributions pertaining to US$500 million SPCS were made on the following dates: July 19, 2023 (P797), January 19, 2023 (P841), July 18, 2022 (P864), January 18, 2022 (P787), July 16, 2021 (P770), and January 15, 2021 (P737).

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

Payments of distributions pertaining to US$550 million SPCS was made on October 18, 2024 (P1,258), April 18, 2024 (P1,246), October 19, 2023 (P1,238), April 19, 2023 (P1,224), October 18, 2022 (P1,286) and April 18, 2022 (P1,140).

These SPCS were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, the sale of SPCS was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the SRC was required to be filed with the SEC.

f. RPS

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

Holders of the RPS are conferred a right to receive distributions on a quarterly basis, every February 27, May 27, August 27 and November 27. The Parent Company has a right to defer the distribution under certain conditions.

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

Distributions to holders of the RPS were made on May 26, 2023 (P3), February 27, 2023 (P3), November 25, 2022 (P3), August 30, 2022 (P3), May 27, 2022 (P3), March 1, 2022 (P3), November 27, 2021 (P3), August 27, 2021 (P3), May 27, 2021 (P3), and February 27, 2021 (P3).

On June 22, 2020, the Parent Company issued US$130 million RPS used for general corporate purposes. Holders of the RPS are conferred a right to receive distributions on a quarterly basis every March 22, June 22, September 22 and December 22.

On September 25, 2024 and October 2, 2024, the Parent Company partially repurchased US$40 million (P1,983) and US$20 million (P991) RPS.

Payment of distributions pertaining to RPS were made on December 23, 2024 (P37), October 2, 2024 (P1), September 23 and 25, 2024 (P66), June 21, 2024 (P69), and March 22, 2024 (P66), December 22, 2023 (P65), September 22, 2023 (P67), June 22, 2023 (P65), March 22, 2023 (P64), December 22, 2022 (P65), September 22, 2022 (P69), June 22, 2022 (P64) and March 22, 2022 (P62).

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

Holders of the RPS were paid on November 11, 2024 (P53), August 12, 2024 (P52), May 10, 2024 (P52), and February 10, 2024 (P51), November 10, 2023 (P51), August 10, 2023 (P51), May 10, 2023 (P51), February 10, 2023 (P49), November 10, 2022 (P53), August 10, 2022 (P50), May 10, 2022 (P47) and February 10, 2022 (P46).

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

22. Cost of Goods Sold

This account consists of:

	Note	**2024**	2023	2022
Inventories	*8*	**P798,698**	P731,648	P803,977
Depreciation and amortization	*25*	**8,824**	8,420	7,078
Materials and supplies		**5,317**	6,209	5,397
Personnel expenses	*24*	**2,275**	1,839	1,564
Purchased services and utilities		**2,204**	2,589	2,683
Others	*29, 31*	**4,435**	3,724	3,089
		P821,753	P754,429	P823,788

Distribution or transshipment costs included as part of inventories amounted to P18,974, P17,113 and P13,329 in 2024, 2023 and 2022, respectively.

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

23. Selling and Administrative Expenses

This account consists of:

	Note	**2024**	2023 As restated (Note 40)	2022 As restated (Note 40)
Depreciation and amortization	*25*	**P4,632**	P4,872	P4,927
Purchased services and utilities		**5,155**	4,309	3,857
Personnel expenses	*24*	**4,378**	3,892	3,858
Maintenance and repairs		**1,879**	1,960	1,624
Advertising		**837**	530	464
Materials and office supplies		**625**	791	359
Rent	*29*	**525**	497	381
Taxes and licenses		**509**	608	350
Net reversal of impairment on trade and other receivables	*4, 7*	**(9)**	(14)	(8)
Others	*8*	**226**	123	41
		P18,757	P17,568	P15,853

Selling and administrative expenses include research and development costs amounting to P87, P87 and P61 in 2024, 2023 and 2022, respectively (Note 8).

24. Personnel Expenses

This account consists of:

	Note	**2024**	2023	2022
Salaries, wages and other employee costs	*28*	**P6,290**	P5,386	P4,972
Retirement benefits costs - defined benefit plan	*28, 30*	**270**	257	367
Retirement benefits costs - defined contribution plan	*28*	**93**	88	83
		P6,653	P5,731	P5,422

The above amounts are distributed as follows:

	Note	**2024**	2023	2022
Costs of goods sold	*22*	**P2,275**	P1,839	P1,564
Selling and administrative expenses	*23*	**4,378**	3,892	3,858
		P6,653	P5,731	P5,422

25. Depreciation and Amortization

This account consists of:

	Note	**2024**	2023 As restated (Note 40)	2022 As restated (Note 40)
Cost of goods sold:				
Property, plant and equipment	*9*	**P8,342**	P7,957	P6,702
Right-of-use assets	*10*	**226**	129	140
Other assets	*14*	**256**	334	236
	22	**8,824**	8,420	7,078
Selling and administrative expenses:				
Property, plant and equipment	*9*	**2,114**	2,290	2,376
Right-of-use assets	*10*	**405**	510	507
Investment property	*11*	**2,037**	1,942	1,986
Intangible assets and others	*14*	**76**	130	58
	23	**4,632**	4,872	4,927
	37	**P13,456**	P13,292	P12,005

26. Interest Expense and Other Financing Charges, Interest Income and Other Expenses

This account consists of:

	Note	**2024**	2023	2022
Interest expense and other financing charges:				
Long-term debt	*18*	**P8,331**	P7,574	P5,320
Short-term loans	*15*	**8,102**	7,659	4,147
Bank charges		**1,535**	1,470	1,453
Accretion on lease liability	*29*	**1,259**	1,124	1,065
Amortization of debt issue costs	*18*	**636**	570	576
Advances from a related party	*28*	**321**	167	35
Defined benefit obligation	*30*	**303**	303	225
Accretion on ARO	*19*	**207**	226	216
Others	*39*	**267**	2	57
	37	**P20,961**	P19,095	P13,094
Interest income:				
Short-term placements	*5*	**P933**	P990	P720
Plan assets	*30*	**156**	106	73
Advances to related parties	*28*	**53**	45	58
Trade receivables	*7*	**44**	40	20
Cash in banks	*5*	**10**	9	10
Hedging		**5**	94	17
	37	**P1,201**	P1,284	P898
Other income - net:				
Gain on lease termination	*39*	**P3,509**	P -	P -
Marked-to-market gains (losses) - net	*35*	**986**	(133)	4,673
Changes in fair value of financial assets at FVPL	*6*	**70**	37	54
Hedging gains (losses) - net		**3**	(104)	(739)
Foreign currency losses - net	*34*	**(1,771)**	(509)	(3,678)
Others - net		**620**	828	690
		P3,417	P119	P1,000

Bank charges amounting to P5 was capitalized as part of property, plant and equipment in 2024 while P28 in 2023 and P46 in 2022 (Note 9).

Also included in “Others - net” were the following: (i) rental income amounting to P69 in 2024 while P63 each in 2023 and 2022 (Note 29); (ii) gain (loss) on sale of fixed asset amounting to (P53) in 2024 and P33 in 2023; and (iii) gain on acquisition of Mema amounting to P22 in 2022 (Note 12).

27. Income Taxes

Deferred tax assets and liabilities are from the following:

2024

	January 1 2024 As restated (Note 40)	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**December 31 2024**
Net retirement benefits liability	**P1,747**	**(P140)**	**P409**	**P -**	**P2,016**
Rental	**1,651**	**(704)**	**-**	**-**	**947**
NOLCO	**6,214**	**(3,250)**	**-**	**-**	**2,964**
Various allowances, accruals and others	**(2,880)**	**3,174**	**-**	**13**	**307**
Inventory differential	**253**	**(273)**	**-**	**-**	**(20)**
MCIT	**1,021**	**357**	**-**	**-**	**1,378**
ARO	**622**	**(398)**	**-**	**-**	**224**
Unutilized tax losses	**626**	**(50)**	**-**	**-**	**576**
Unrealized foreign exchange gains - net	**(183)**	**477**	**-**	**-**	**294**
Capitalized taxes and duties on inventories deducted in advance	**(958)**	**(62)**	**-**	**-**	**(1,020)**
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	**(3,359)**	**327**	**-**	**-**	**(3,032)**
Excess of double-declining over UPM and straight-line method of depreciation and amortization	**(8,096)**	**(2,697)**	**-**	**-**	**(10,793)**
	(P3,342)	**(P3,239)**	**P409**	**P13**	**(P6,159)**

2023

	January 1 2023 As restated (Note 40)	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31 2023 As restated (Note 40)
Net retirement benefits liability	P1,910	(P172)	P9	P -	P1,747
Rental	1,545	106	-	-	1,651
NOLCO	6,654	(440)	-	-	6,214
Various allowances, accruals and others	535	(3,428)	-	13	(2,880)
Inventory differential	651	(398)	-	-	253
MCIT	508	513	-	-	1,021
ARO	519	103	-	-	622
Unutilized tax losses	453	173	-	-	626
Fair market value adjustments on business combination	(27)	27	-	-	-
Unrealized foreign exchange gains - net	22	(223)	18	-	(183)
Capitalized taxes and duties on inventories deducted in advance	(848)	(110)	-	-	(958)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,524)	165	-	-	(3,359)
Excess of double-declining over UPM and straight-line method of depreciation and amortization	(10,295)	2,199	-	-	(8,096)
	(P1,897)	(P1,485)	P27	P13	(P3,342)

2022

	January 1 2022	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31 2022 As restated (Note 40)
Net retirement benefits liability	P1,883	(P135)	P156	P6	P1,910
Rental	1,262	283	-	-	1,545
NOLCO	7,793	(1,139)	-	-	6,654
Various allowances, accruals and others	509	187	-	(161)	535
Inventory differential	(172)	823	-	-	651
MCIT	689	(181)	-	-	508
ARO	444	75	-	-	519
Unutilized tax losses	402	51	-	-	453
Fair market value adjustments on business combination	(27)	-	-	-	(27)
Unrealized foreign exchange gains - net	(240)	281	(19)	-	22
Capitalized taxes and duties on inventories deducted in advance	(764)	(84)	-	-	(848)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,605)	81	-	-	(3,524)
Excess of double-declining over UPM and straight-line method of depreciation and amortization	(9,786)	(509)	-	-	(10,295)
	(P1,612)	(P267)	P137	(P155)	(P1,897)

The above amounts are reported in the consolidated statements of financial position as follows:

	2024	2023 As restated (Note 40)
Deferred tax assets - net	**P560**	P1,114
Deferred tax liabilities - net	**(6,719)**	(4,456)
	(P6,159)	(P3,342)

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:

	2024	2023 As restated (Note 40)	2022 As restated (Note 40)
Current	**P1,284**	P1,513	P1,213
Deferred	**3,239**	1,485	267
	P4,523	P2,998	P1,480

In 2024, the Parent Company made provision for impairment of deferred tax asset for a portion of its NOLCO and MCIT incurred in 2020 and 2022, respectively, which is due to expire in the succeeding year. Details of unrecognized deferred tax assets as of December 31, 2024 are as follows:

	Tax Base		
Year Incurred	**NOLCO**	**MCIT**	**Tax Effect**
2020	**P5,206**	**P -**	**P1,302**
2022	**-**	**310**	**310**
	P5,206	**P310**	**P1,612**

As of December 31, 2024, the NOLCO and MCIT of the Parent Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	**Carryforward Benefits Up To**	**NOLCO**	**MCIT**
2020	December 31, 2025	**P15,384**	**P -**
2021	December 31, 2026	**1,678**	**-**
2022	December 31, 2025	**-**	**310**
2023	December 31, 2026	**-**	**513**
2024	December 31, 2027	**-**	**865**
		P17,062	**P1,688**

As of December 31, 2023, the NOLCO and MCIT of the Parent Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2020	December 31, 2025	P23,163	P -
2021	December 31, 2026	1,678	-
2021	December 31, 2024	-	198
2022	December 31, 2025	-	310
2023	December 31, 2026	-	513
		P24,841	P1,021

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act (RA) No. 11494, otherwise known as the Bayanihan to Recover as One Act, relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five consecutive taxable years following the year such loss was incurred.

A reconciliation of tax on the pretax income computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2024	2023 As restated (Note 40)	2022 As restated (Note 40)
Statutory income tax rate	**25.00%**	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to lower final tax	**(0.09%)**	(0.16%)	(0.11%)
Nontaxable income	**(6.91%)**	(4.47%)	(6.94%)
Nondeductible expense	**3.09%**	4.33%	(8.13%)
Nondeductible interest expense	**0.08%**	0.10%	0.09%
Write-off of NOLCO and MCIT	**-**	-	7.28%
Unrecognized deferred tax assets on NOLCO and MCIT	**14.08%**	-	-
Income subject to income tax holiday (ITH)	**(0.30%)**	-	-
Others, mainly income subject to different tax rates	**(0.14%)**	(1.93%)	0.42%
Effective income tax rate	**34.81%**	22.87%	17.61%

OSD

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or 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 (Note 4).

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

The CREATE Act, which seeks to reduce the corporate income tax rates and rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax.

Effective July 1, 2023, MCIT rate was reverted from 1% to 2% of gross income as prescribed by BIR Revenue Memorandum Circular (RMC) No. 69-2023 issued on June 20, 2023.

28. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint ventures and SMC and its subsidiaries in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the years ended December 31 follow:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	*7, 30, a*	**2024**	**P45**	**P -**	**P894**	**P -**	On demand; interest bearing	Unsecured; no impairment
		2023	45	-	894	-		
		2022	58	-	894	-		
	a	**2024**	**-**	**-**	**88**	**-**	On demand; non-interest bearing	Unsecured; no impairment
		2023	-	-	43	-		
		2022	-	-	-	-		
Intermediate Parent	*b, e, f, h, i*	**2024**	**18**	**235**	**15**	**418**	On demand; non-interest bearing	Unsecured; no impairment
		2023	29	221	18	461		
		2022	20	207	16	453		
Under Common Control	*14, b, c, d, h, i, j, k*	**2024**	**9,513**	**6,664**	**3,992**	**2,767**	On demand; non-interest bearing	Unsecured; no impairment
		2023	15,949	5,808	3,801	2,638		
		2022	16,473	4,625	6,278	2,178		
	k	**2024**	**-**	**321**	**-**	**5,785**	On demand; interest bearing	Unsecured; no impairment
		2023	-	167	-	3,322		
		2022	-	35	-	3,345		
Associate	*b, h*	**2024**	**280**	**296**	**81**	**203**	On demand; non-interest bearing	Unsecured; no impairment
		2023	240	210	54	73		
		2022	200	100	90	56		
Joint Ventures	*c, g, h*	**2024**	**-**	**74**	**-**	**4**	On demand; non-interest bearing	Unsecured; no impairment
		2023	-	65	1	-		
		2022	-	-	2	-		
Associates and Joint Ventures under Common Control	*b, h, l*	**2024**	**331**	**-**	**54**	**1**	On demand; non-interest bearing	Unsecured; no impairment
		2023	326	-	87	1		
		2022	365	-	71	19		
	l	**2024**	**-**	**41**	**-**	**1,100**	Short-term; interest bearing	Unsecured; no impairment
		2023	-	112	-	1,100		
		2022	-	101	-	2,865		
		2024	**P10,187**	**P7,631**	**P5,124**	**P10,278**		
		2023	P16,589	P6,583	P4,898	P7,595		
		2022	P17,116	P5,068	P7,351	P8,916		

a. As of December 31, 2024 and 2023, the Parent Company has interest bearing advances to PCERP, included as part of “Trade and other receivables - net” in the consolidated statements of financial position, for some investment opportunities (Notes 7 and 30).

b. Sales relate to the Parent Company’s supply agreements with the Intermediate Parent, various SMC subsidiaries, and an associate. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.

c. Purchases relate to purchase of goods and services such as power, construction, information technology, shipping and terminalling from a joint venture and various SMC subsidiaries.

d. The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for office space and certain parcels of land where service stations are located.

e. The Parent Company has existing lease agreements with SMC covering certain parcels of land where service stations are located.

f. The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.

g. TBSB provides bottling services to PFISB and another venturer.

h. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.

i. Amounts owed to related parties consist of trade and non-trade payables.

j. NVRC leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.

k. Amounts owed to entities under common control include interest-bearing advances from San Miguel Insurance Company Ltd.

l. Amounts owed to associate of entities under common control include interest-bearing short-term loans payable to Bank of Commerce.

m. The compensation and benefits of key management personnel of the Group, by benefit type, included in the "Personnel expenses" account as follows (Note 24):

	2024	2023	2022
Salaries and other short-term employee benefits	**P1,010**	P906	P906
Retirement benefits costs - defined benefit plan	**105**	116	139
Retirement benefits costs - defined contribution plan	**42**	37	35
	P1,157	P1,059	P1,080

29. Lease Commitments

Group as Lessee

The Group entered into commercial leases on office space, buildings, machinery and equipment, service stations and certain parcels of land for its refinery and service stations (Notes 10 and 31). These leases' life ranges from one to 999 years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The lease agreements include upward escalation adjustments of the annual rental rates.

Amounts recognized in profit or loss:

	Note	**2024**	2023	2022
Interest on lease liabilities	*10*	**P1,259**	P1,124	P1,065
Income from sub-leasing		**(1,696)**	(1,608)	(1,275)
Expenses relating to the variable portion of lease payments		**6**	4	4
Expenses relating to short-term leases		**586**	491	385
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		**14**	30	10
		P169	P41	P189

Rent expense amounting to P81 is included in "Cost of goods sold – others" account in 2024, P28 in 2023 and P18 in 2022 (Note 22). Interest expense amounting to P5 was capitalized as part of property, plant and equipment in 2024, P26 in 2023 while P52 in 2022 (Note 9).

Amounts recognized in consolidated statements of cashflows:

	Note	**2024**	2023	2022
Interest paid under operating activities	*33*	**P1,264**	P1,150	P1,083
Cash outflows for short term, low value leases and variable portion of lease payments		**606**	525	399
Principal lease payments under financing activities	*33*	**1,516**	1,313	1,264
	10	**P3,386**	P2,988	P2,746

Group as Lessor - Operating Lease

The Group has entered into lease agreements on its service stations and other related structures. The non-cancellable leases have remaining terms of between three to ten years. All leases include a clause to enable upward escalation adjustment of the annual rental rates.

The following table sets out a maturity analysis of lease payments, showing undiscounted lease payments to be received after the reporting period.

	2024	2023
Less than one year	**P1,421**	P1,238
One to two years	**628**	585
Two to three years	**378**	329
Three to four years	**474**	289
Four to five years	**330**	287
More than five years	**2,415**	2,316
	P5,646	P5,044

Rent income recognized in profit or loss amounted to:

	Note	**2024**	2023	2022
Other operating income		**P1,767**	P1,683	P1,538
Others - net	*26*	**69**	63	63
		P1,836	P1,746	P1,601

30. Retirement Plan

The succeeding tables summarize the components of net retirement benefits costs (income) under defined benefit retirement plans recognized in consolidated statements of income and the funding status and amounts of retirement plans recognized in the consolidated statements of financial position. The Parent Company has a funded, noncontributory, defined benefit retirement plan while several subsidiaries have unfunded, noncontributory, defined benefit retirement plans. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is as of December 31, 2024. Valuations are obtained on a periodic basis.

The Parent Company's Retirement Plan is registered with the BIR as a tax-qualified plan under Republic Act (RA) No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT), as appointed by the BOD of the Parent Company. The BOT of the retirement plan, who exercise voting rights over the shares and approve material transactions, are also officers of the Parent Company, while 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			Net Defined Benefit Retirement Asset (Liability)		
	2024	2023	2022	**2024**	2023	2022	**2024**	2023	2022
Balance at beginning of year	**(P4,815)**	(P4,500)	(P4,486)	**P2,131**	P1,173	P1,027	**(P2,684)**	(P3,327)	(P3,459)
Recognized in Profit or Loss									
Current service cost	**(270)**	(257)	(263)	**-**	-	-	**(270)**	(257)	(263)
Past service cost - plan amendment*	**-**	-	(104)	**-**	-	-	**-**	-	(104)
Interest expense	**(303)**	(303)	(225)	**-**	-	-	**(303)**	(303)	(225)
Interest income	**-**	-	-	**156**	106	73	**156**	106	73
	(573)	(560)	(592)	**156**	106	73	**(417)**	(454)	(519)
Recognized in Other Comprehensive Income									
Remeasurements:									
Actuarial gains (losses) arising from:									
Experience adjustments	**(729)**	(233)	(127)	**-**	-	-	**(729)**	(233)	(127)
Changes in financial assumptions	**(209)**	(162)	267	**-**	-	-	**(209)**	(162)	267
Changes in demographic assumptions	**(88)**	22	2	**-**	-	-	**(88)**	22	2
Return on plan asset excluding interest	**-**	-	-	**(629)**	335	(768)	**(629)**	335	(768)
	(1,026)	(373)	142	**(629)**	335	(768)	**(1,655)**	(38)	(626)
Others									
Benefits paid	**563**	565	476	**(526)**	(498)	(359)	**37**	67	117
Contributions	**-**	-	-	**1,023**	1,015	1,200	**1,023**	1,015	1,200
Translation adjustment	**(89)**	53	(40)	**-**	-	-	**(89)**	53	(40)
	474	618	436	**497**	517	841	**971**	1,135	1,277
Balance at end of year	**(P5,940)**	(P4,815)	(P4,500)	**P2,155**	P2,131	P1,173	**(P3,785)**	(P2,684)	(P3,327)

**In 2022, the Parent Company added disability benefit for employees hired before January 1, 2022 resulting in the recognition of past service cost.*

The above net defined benefit retirement liability was recognized in the consolidated statements of financial position as follows:

	Note	**2024**	2023
Trade and other payables	*17*	**P124**	P63
Retirement benefits liability (noncurrent portion)		**3,661**	2,621
		P3,785	P2,684

Retirement benefits costs (income) recognized in the consolidated statements of income by the Parent Company amounted to P194, P181, P294 in 2024, 2023 and 2022, respectively, including past service cost on plan amendment amounting to P104 in 2022.

Retirement benefits costs recognized in the consolidated statements of income by the subsidiaries amounted to P76, P76, P73 in 2024, 2023 and 2022, respectively.

The carrying amounts of the Parent Company's retirement fund approximate fair values as of December 31, 2024 and 2023.

Plan assets consist of the following:

	2024	2023
Shares of stock:		
Quoted	**60%**	67%
Unquoted	**15%**	13%
Government securities	**19%**	14%
Cash and cash equivalents	**5%**	4%
Others	**1%**	2%
	100%	100%

Investment in Shares of Stock. As of December 31, 2024 and 2023, the Group's plan assets include 459,156,097 common shares of Petron with fair market value per share of P2.43 and P3.55 as of December 31, 2024 and 2023, respectively, and 14,250,900 common shares of SMC with fair market value per share of P86.00 and P102.10 as of December 31, 2024 and 2023, respectively.

The Parent Company's plan recognized a gain (loss) on the investment in marketable securities of Petron and SMC amounting to (P744), P658 and (P666) in 2024, 2023 and 2022, respectively, mainly as a result of marked-to-market remeasurements.

Dividend income from the investment in shares of stock of Petron and SMC amounted to P66 in 2024, P66 in 2023, and P15 in 2022.

Government Securities represents debt instruments issued by sovereign government mainly held by two trustee banks of the plan.

Others include receivables, unit investment trust funds, and debt instruments which earn interest.

The 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 P536 to its defined benefit retirement plan in 2025.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

The retirement plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risk. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2024	2023	2022
Discount rate	**4.34% to 6.15%**	5.00% to 6.58%	5.00% to 7.41%
Future salary increases	**5.00% to 7.00%**	5.00% to 8.00%	5.00% to 6.50%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit obligation is from 6.60 to 12.30 years as of December 31, 2024 and 5.50 to 14.90 years as of December 31, 2023.

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	
2024	**1 Percent Increase**	**1 Percent Decrease**
Discount rate	**(P95)**	**P155**
Salary increase rate	**461**	**(408)**

	Defined Benefit Liabilities	
2023	1 Percent Increase	1 Percent Decrease
Discount rate	(P91)	P130
Salary increase rate	354	(315)

The Parent Company has advances to PCERP amounting to P982 and P937 as of December 31, 2024 and 2023, respectively, included as part of "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 7 and 28). The advances are subject to interest of 5% in 2024 and 2023 (Note 28).

In 2022, portion of the Parent Company's interest-bearing advances to PCERP were converted into contribution to the retirement plan (Note 28).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2024 and 2023 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, 2024, 2023 and 2022.

31. Significant Agreements

Supply Agreements. The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase the Company's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), Kuwait Petroleum Corporation (KPC), Abu Dhabi National Oil Company (ADNOC), Chevron USA Inc. Singapore Branch (Chevron) and Shell International Eastern Trading Company (SIETCO). The contract with Saudi Aramco is from January 1, 2024 to December 31, 2024 with an automatic annual extension thereafter, unless terminated at the option of either party, upon at least 60 days written notice. The contract with Saudi Aramco has been extended for another year. The contract with KPC from July 1, 2023 to December 31, 2024 was renewed from January 1, 2025 to December 31, 2025 while the contract from ADNOC from January 1, 2024 to December 31, 2024 has been terminated. Lastly, the contract with Chevron is from December 1, 2024 to November 30, 2025 and the contract with SIETCO is for three (3) years from November 6, 2023.

PMRMB acquires crude oil and condensate for the Port Dickson Refinery from various sources through a combination of term purchase contracts and spot market purchases. PMRMB has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobile Exploration and Production Malaysia Inc. ("EMEPMI") for a period of 2 years until March 2026 supplemented by other short-term supply contracts and spot crude purchases. As of December 31, 2024, about 45% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. PMRMB also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

Outstanding liabilities of the Group for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the consolidated statements of financial position as of December 31, 2024 and 2023 (Note 16).

Toll Service Agreement with Innospec Limited (Innospec). PFC entered into an agreement with Innospec, a leading global fuel additives supplier, in December 2006. Under the agreement, PFC shall be the exclusive toll blender of Innospec's fuel additives sold in the Asia-Pacific region consisting of the following territories: South Korea, China, Taiwan, Singapore, Cambodia, Japan and Malaysia.

PFC 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 P49, P76 and P110 in 2024, 2023 and 2022, respectively.

Lease Agreements with Philippine National Oil Company (PNOC). On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest valuation of the property conducted by a third-party appraiser acceptable to both parties, the annual rental shall be P238 retroactive to year 2022, payable on the 15th day of January each year without the necessity of demand. This lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. As of December 31, 2024, said lease contract along with the lease contracts for its bulk plants and service stations which are the subject landholdings of the rescinded deeds of conveyance were considered deemed canceled with the Supreme Court's ruling in favor of Petron (Note 39). As of December 31, 2024 and 2023, Petron leases other parcels of land from PNOC for its pipeline right-of-way and service stations.

32. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share amounts are computed as follows:

	2024	2023 As restated (Note 40)	2022 As restated (Note 40)
Net income attributable to equity holders of the Parent Company	**P8,469**	P9,229	P5,952
Dividends on preferred shares for the year	**(2,713)**	(2,115)	(1,044)
Distributions to the holders of capital securities	**(2,951)**	(4,569)	(4,545)
Net income attributable to common shareholders of the Parent Company (a)	**P2,805**	P2,545	P363
Weighted average number of common shares outstanding (in millions) (b)	**9,375**	9,375	9,375
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	**P0.30**	P0.27	P0.04

As of December 31, 2024, 2023 and 2022, the Parent Company has no potential dilutive debt or equity instruments.

33. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	Note	**2024**	2023	2022
Decrease (increase) in assets:				
Trade and other receivables		**P5,108**	(P5,075)	(P25,889)
Inventories		**(12,391)**	7,946	(16,479)
Other assets		**(9,482)**	(2,516)	(4,915)
Increase (decrease) in liabilities:				
Liabilities for crude oil and petroleum products		**5,117**	(5,696)	(458)
Trade and other payables and others		**(110)**	355	9,159
	40	**(P11,758)**	(P4,986)	(P38,582)

b. Changes in liabilities arising from financing activities:

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2024	**P948**	**P15,944**	**P3,362**	**P137,910**	**P108,896**	**P267,060**
Changes from financing cash flows:						
Payment of principal	**-**	**(1,516)**	**-**	**-**	**-**	**(1,516)**
Proceeds from availment of loans/advances	**-**	**-**	**2,243**	**343,474**	**40,193**	**385,910**
Payments of loans	**-**	**-**		**(343,142)**	**(34,517)**	**(377,659)**
Dividends and distributions declared	**6,814**	**-**	**-**	**-**	**-**	**6,814**
Dividends and distributions paid	**(6,723)**	**-**	**-**	**-**	**-**	**(6,723)**
Total changes from financing cash flows	**91**	**(1,516)**	**2,243**	**332**	**5,676**	**6,826**
New leases	**-**	**2,492**	**-**	**-**	**-**	**2,492**
Interest expense	**-**	**1,264**	**-**	**-**	**-**	**1,264**
Interest paid	**-**	**(1,264)**	**-**	**-**	**-**	**(1,264)**
Effects of changes in foreign exchange rates	**-**	**124**	**-**	**664**	**2,233**	**3,021**
Lease termination	**-**	**(3,629)**	**-**	**-**	**-**	**(3,629)**
Amortization of debt issue costs	**-**	**-**	**-**	**-**	**638**	**638**
Balance as of December 31, 2024	**P1,039**	**P13,415**	**P5,605**	**P138,906**	**P117,443**	**P276,408**

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2023	P470	P15,094	P3,362	P137,886	P107,061	P263,873
Changes from financing cash flows:						
Payment of principal	-	(1,313)	-	-	-	(1,313)
Proceeds from availment of loans/advances	-	-	-	268,329	21,331	289,660
Payments of loans	-	-	-	(268,078)	(19,790)	(287,868)
Dividends and distributions declared	7,834	-	-	-	-	7,834
Dividends and distributions paid	(7,356)	-	-	-	-	(7,356)
Total changes from financing cash flows	478	(1,313)	-	251	1,541	957
New leases	-	2,234	-	-	-	2,234
Interest expense	-	1,150	-	-	-	1,150
Interest paid	-	(1,150)	-	-	-	(1,150)
Effects of changes in foreign exchange rates	-	(71)	-	(227)	(291)	(589)
Amortization of debt issue costs	-	-	-	-	585	585
Balance as of December 31, 2023	P948	P15,944	P3,362	P137,910	P108,896	P267,060

34. Financial Risk Management Objectives and Policies

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

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

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The BOD regularly reviews and approves the policies for managing these financial risks. Details of each of these risks are discussed below, together with the related risk management structure.

Risk Management Structure

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

The Group's risk management process is a bottom-up approach, with each risk owner mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As the Group's operation is an integrated value chain, risks emanate from every process, while some could cut across groups. The results of these activities flow up to the Management Committee and, eventually, the BOD through the Group's annual business planning process.

Oversight and technical assistance is likewise provided by corporate units and committees with special duties. These groups and their functions are:

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 Treasurers Department, which is in charge of foreign currency hedging transactions.

c. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.

d. The Corporate Technical and Engineering Services Group, which oversees strict adherence to safety and environmental mandates across all facilities.

e. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.

f. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the BOD, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.

g. PSTPL executes the hedging transactions involving crude and product imports on behalf of the Group.

The BOD also created separate positions and board-level entities with explicit authority and responsibility in managing and monitoring risks, as follows:

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

   The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.

c. The Compliance Officer, who is a senior officer of the Parent Company reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

Foreign Currency Risk

The Parent Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposures to foreign currency risk arise mainly from US dollar-denominated sales as well as purchases principally of crude oil and petroleum products. As a result of this, the Group maintains a level of US dollar-denominated assets and liabilities during the year. Foreign currency risk occurs due to differences in the levels of US dollar-denominated assets and liabilities.

In addition, starting March 31, 2012, the Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

The Group pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

The Group is allowed to engage in active risk management strategies for a portion of its foreign currency risk exposure. Loss limits are in place, monitored daily and regularly reviewed by management.

The Group assesses the existence of an economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of their respective cash flows. For derivatives designated in a hedging relationship, the Group determines whether the derivatives are expected to be highly effective in offsetting the changes in the cash flows of the hedged item using the cumulative dollar-offset method. The dollar-offset method approximates the changes in the fair value of the hedged item using a hypothetical derivative which mirrors the terms of the derivative used as hedging instrument.

For currency hedges, the Group maintains a 1:1 hedge ratio since a similar amount of hedging instrument is expected to offset the changes in the cash flows of the hedged item. The main sources of ineffectiveness are:

a. the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the exchange rates; and

b. changes in the timing of the hedged transactions.

The Group is exposed to foreign currency risk of its short-term loans and US dollar-denominated sales and purchases. On the other hand, both foreign currency and interest rate risks arise in the Group's long-term debts. The Group determined that foreign currency risk is a separately identifiable and measurable risk component eligible for designation since it is caused by fluctuations in US dollar to Philippine peso exchange rates and benchmark closing prices used to measure the fluctuations are available in the market.

Information on the Group's US dollar-denominated financial assets and liabilities and their Philippine peso equivalents are as follows:

	2024		2023	
	US Dollar (in millions)	**Phil. Peso Equivalent**	US Dollar (in millions)	Phil. Peso Equivalent
Assets				
Cash and cash equivalents	**403**	**23,324**	376	20,804
Trade and other receivables	**646**	**37,341**	752	41,644
Other assets	**20**	**1,184**	23	1,285
	1,069	**61,849**	1,151	63,733
Liabilities				
Short-term loans	**277**	**16,006**	223	12,366
Liabilities for crude oil and petroleum products	**814**	**47,135**	767	42,490
Long-term debts (including current maturities)	**1,171**	**67,717**	940	52,030
Other liabilities	**179**	**10,340**	116	6,425
	2,441	**141,198**	2,046	113,311
Net Foreign Currency-Denominated Monetary Liabilities	**(1,372)**	**(79,349)**	(895)	(49,578)

The Group incurred net foreign currency losses amounting to P1,771, P509, and P3,678 in 2024, 2023 and 2022, respectively (Note 26), which were mainly countered by marked-to-market and realized hedging gains (losses) (Note 26). The foreign currency rates from Philippine peso (PhP) to US dollar (US$) as of December 31 are shown in the following table:

	PHP to US$
December 31, 2024	**57.845**
December 31, 2023	55.370
December 31, 2022	55.755

Managing of foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings and equity reserves arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of December 31, 2024 and 2023:

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
2024	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P264)**	**(P337)**	**P264**	**P337**
Trade and other receivables	**(178)**	**(639)**	**178**	**639**
Other assets	**(10)**	**(18)**	**10**	**18**
	(452)	**(994)**	**452**	**994**
Short-term loans	**-**	**277**	**-**	**(277)**
Liabilities for crude oil and petroleum products	**461**	**1,161**	**(461)**	**(1,161)**
Long-term debts (including current maturities)	**1,171**	**878**	**(1,171)**	**(878)**
Other liabilities	**22**	**173**	**(22)**	**(173)**
	1,654	**2,489**	**(1,654)**	**(2,489)**
	P1,202	**P1,495**	**(P1,202)**	**(P1,495)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
2023	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P263)	(P310)	P263	P310
Trade and other receivables	(193)	(774)	193	774
Other assets	(10)	(21)	10	21
	(466)	(1,105)	466	1,105
Short-term loans	-	223	-	(223)
Liabilities for crude oil and petroleum products	289	984	(289)	(984)
Long-term debts (including current maturities)	940	705	(940)	(705)
Other liabilities	10	143	(10)	(143)
	1,239	2,055	(1,239)	(2,055)
	P773	P950	(P773)	(P950)

Exposures to foreign currency rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates mainly to long-term borrowings and investment securities. Investments or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investments or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest costs by using a combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rates and ensures that the marked-up rates levied on its borrowings are most favorable and benchmarked against the interest rates charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings prior to deployment of funds to their intended use in operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term volatility on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated statements of income.

Managing interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity through the retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported consolidated statements of income, if any.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P727 and P520 in 2024 and 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

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

2024	**<1 Year**	**1 - <2 Years**	**2 - <3 Years**	**3 - <4 Years**	**4 - <5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso denominated	**P22,425**	**P5,000**	**P15,750**	**P2,000**	**P1,000**	**P -**	**P46,175**
Interest rate	**3.4% - 8.1%**	**7.2% - 7.5%**	**4.3% - 7.5%**	**7.5%**	**7.5%**	**-**	**-**
Floating Rate							
Philippine peso denominated	**-**	**833**	**1,667**	**1,667**	**833**	**-**	**5,000**
Interest rate		**6 mos. BVAL + margin**	**6 mos. BVAL + margin**	**6 mos. BVAL + margin**	**6 mos. BVAL + margin**		
US$ denominated (expressed in Php)	**6,595**	**18,907**	**23,039**	**10,123**	**8,263**	**-**	**66,927**
Interest rate*	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**		
JP¥ denominated (expressed in Php)	**790**	**-**	**-**	**-**	**-**	**-**	**790**
Interest rate*	**1, 3, 6 mos. TONA + margin**						
	P29,810	**P24,740**	**P40,456**	**P13,790**	**P10,096**	**P -**	**P118,892**

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

2023	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P19,057	P22,425	P3,000	P13,750	P -	P -	P58,232
Interest rate	4.6% - 7.8%	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	-	-	-
Floating Rate							
US$ denominated (expressed in Php)	5,292	14,143	15,923	12,363	1,780	-	49,501
Interest rate*	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin		
JP¥ denominated (expressed in Php)	1,686	843	-	-	-	-	2,529
Interest rate*	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin				
	P26,035	P37,411	P18,923	P26,113	P1,780	P -	P110,262

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Group regulates and extends credit only to qualified and credit-worthy customers and counterparties, consistent with established Group credit policies, guidelines and credit verification procedures. Requests for credit facilities from trade customers undergo stages of review by Trade Sales and Finance Divisions. Approvals, which are based on amounts of credit lines requested, are vested among line managers and top management that include the President and the Chairman.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the consolidated statements of financial position or in the notes to the consolidated financial statements, as summarized below:

	Note	**2024**	2023
Cash in banks and cash equivalents	*5*	**P28,177**	P24,373
Derivative assets	*6*	**1,044**	1,162
Trade and other receivables - net	*7*	**82,762**	86,479
Noncurrent deposits	*14*	**141**	124
		P112,124	P112,138

Cash and Cash Equivalents, Derivative Assets and Noncurrent Deposits
Cash and cash equivalents, derivative assets and noncurrent deposits are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash and cash equivalents, derivative assets and noncurrent deposits has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents, derivative assets and noncurrent deposits have low credit risk based on the external credit ratings of its counterparties.

Trade and Other Receivables and Long-term Receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 37.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

Class A "*High Grade*" are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B "*Moderate Grade*" refers to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Class C "*Low Grade*" are accounts with high probability of delinquency and default.

Below is the credit quality profile of the Group's trade accounts receivable as of December 31, 2024 and 2023:

	Trade Accounts Receivables Per Class			
	Class A	**Class B**	**Class C**	**Total**
December 31, 2024				
Retail	**P3,437**	**P4,155**	**P1,530**	**P9,122**
Lubes	**736**	**323**	**1,005**	**2,064**
Gasul	**892**	**494**	**170**	**1,556**
Industrial	**15,375**	**3,593**	**5,469**	**24,437**
Others	**15,574**	**7,732**	**949**	**24,255**
	P36,014	**P16,297**	**P9,123**	**P61,434**

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
December 31, 2023				
Retail	P2,568	P2,635	P2,663	P7,866
Lubes	405	288	806	1,499
Gasul	947	339	156	1,442
Industrial	17,483	32	5,591	23,106
Others	11,783	7,524	6,085	25,392
	P33,186	P10,818	P15,301	P59,305

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables (Note 7). Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P6,021 and P5,669 as of December 31, 2024 and 2023, respectively. These securities may only be called on or applied upon default of customers.

Risk Concentration. The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2024				
	Financial Assets at Amortized Cost				
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash in banks and cash equivalents	**P28,177**	**P -**	**P -**	**P -**	**P28,177**
Trade and other receivables	**-**	**82,762**	**894**	**-**	**83,656**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**1,044**	**1,044**
Long-term receivables	**-**	**-**	**333**	**-**	**333**
Noncurrent deposits	**141**	**-**	**-**	**-**	**141**
	P28,318	**P82,762**	**P1,227**	**P1,044**	**P113,351**

	2023				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash in banks and cash equivalents	P24,373	P -	P -	P -	P24,373
Trade and other receivables	-	86,479	902	-	87,381
Derivative assets not designated as cash flow hedge	-	-	-	1,162	1,162
Long-term receivables	-	-	309	-	309
Noncurrent deposits	124	-	-	-	124
	P24,497	P86,479	P1,211	P1,162	P113,349

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of December 31, 2024 and 2023.

2024	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P30,389**	**P30,389**	**P30,389**	**P -**	**P -**	**P -**
Trade and other receivables	**82,762**	**82,762**	**82,762**	**-**	**-**	**-**
Derivative assets (including non-current portion)	**1,044**	**1,044**	**1,044**	**-**	**-**	**-**
Proprietary membership shares	**458**	**458**	**-**	**-**	**-**	**458**
Noncurrent deposits	**141**	**141**	**-**	**-**	**4**	**137**
Financial Liabilities						
Short-term loans	**138,906**	**140,027**	**140,027**	**-**	**-**	**-**
Liabilities for crude oil and petroleum products	**51,625**	**51,625**	**51,625**	**-**	**-**	**-**
Trade and other payables*	**17,060**	**17,060**	**17,060**	**-**	**-**	**-**
Derivative liabilities	**1,699**	**1,699**	**1,699**	**-**	**-**	**-**
Long-term debts (including current maturities)	**117,443**	**135,521**	**37,024**	**29,823**	**68,674**	**-**
Lease liability (including current portion)	**13,415**	**21,215**	**2,055**	**2,042**	**5,529**	**11,589**
Cash bonds	**426**	**426**	**-**	**411**	**15**	
Cylinder deposits	**3,432**	**3,432**	**3,432**	**-**	**-**	**-**
"Others" under other noncurrent liabilities	**61**	**61**	**-**	**25**	**25**	**11**

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

2023 (As restated)	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	P27,519	P27,519	P27,519	P -	P -	P -
Trade and other receivables	86,479	86,479	86,479	-	-	-
Derivative assets (including non-current portion)	1,162	1,162	1,162	-	-	-
Proprietary membership shares	389	389	-	-	-	389
Noncurrent deposits	124	124	-	4	-	120
Financial Liabilities						
Short-term loans	137,910	139,785	139,785	-	-	-
Liabilities for crude oil and petroleum products	44,840	44,840	44,840	-	-	-
Trade and other payables*	12,008	12,008	11,904	-	104	-
Derivative liabilities	749	749	749	-	-	-
Long-term debts (including current maturities)	108,896	126,412	32,516	42,316	51,580	-
Lease liability (including current portion)	15,944	25,098	2,256	2,113	6,048	14,681
Cash bonds	439	439	-	424	15	-
Cylinder deposits	2,564	2,564	2,564	-	-	-
"Others" under other noncurrent liabilities	56	56	-	18	27	11

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

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the CRMD is in place. Decisions are guided by the conditions set and approved by the Group's management.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group's capital management policies and programs aim to provide an optimal capital structure that would ensure the Group's ability to continue as a going concern while at the same time provide adequate returns to the shareholders. As such, it considers the best trade-off between risks associated with debt financing and relatively higher cost of equity funds.

An enterprise resource planning system is used to monitor and forecast the Group's overall financial position. The Group regularly updates its near-term and long-term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Group monitors capital via carrying amount of equity as shown in the consolidated statements of financial position. The Group's capital for the covered reporting period is summarized below:

	2024	2023 As Restated
Total assets	**P468,802**	P445,769
Total liabilities	**364,592**	346,109
Total equity	**104,210**	99,660
Debt to equity ratio	**3.5:1**	3.5:1
Assets to equity ratio	**4.5:1**	4.5:1

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

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

35. Financial Assets and Financial Liabilities

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

		2024		2023	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	*5*	**P30,389**	**P30,389**	P27,519	P27,519
Trade and other receivables	*7*	**82,762**	**82,762**	86,479	86,479
Noncurrent deposits	*14*	**141**	**141**	124	124
FA at amortized cost		**113,292**	**113,292**	114,122	114,122
Proprietary membership shares	*6*	**458**	**458**	389	389
Derivative assets not designated as cash flow hedge	*6, 14*	**1,044**	**1,044**	1,162	1,162
FA at FVPL		**1,502**	**1,502**	1,551	1,551
Total financial assets		**P114,794**	**P114,794**	P115,673	P115,673

		2024		2023	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities (FL):					
Short-term loans	*15*	**P138,906**	**P138,906**	P137,910	P137,910
Liabilities for crude oil and petroleum products	*16*	**51,625**	**51,625**	44,840	44,840
Trade and other payables*	*17*	**17,060**	**17,060**	12,008	12,008
Long-term debt including current portion	*18*	**117,443**	**117,443**	108,896	108,896
Cash bonds	*20*	**426**	**426**	439	439
Cylinder deposits	*17*	**3,432**	**3,432**	2,564	2,564
"Others" under other noncurrent liabilities	*20*	**61**	**61**	56	56
Other FL		**328,953**	**328,953**	306,713	306,713
Derivative liabilities not designated as cash flow hedge		**1,699**	**1,699**	749	749
Total financial liabilities		**P330,652**	**P330,652**	P307,462	P307,462

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

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents and Trade and Other Receivables. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments.

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Marked-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties. The fair values of derivative instruments designated as cash flow hedges are computed by discounting the future cash flows and using the valuation model based on applicable market rates of similar instruments.

Financial Assets at FVPL. The fair values of publicly traded instruments and similar investments are based on published market prices.

Long-term Debt - Floating Rate. The carrying amount of floating rate loans with quarterly interest rate repricing approximate their fair value.

Cash Bonds and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rate of 9.39% is used in 2024 and 2023.

Short-term Loans, Liabilities for Crude Oil and Petroleum Products and Trade and Other Payables and Cylinder Deposits. The carrying amount of short-term loans, liabilities for crude oil and petroleum products, trade and other payables and cylinder deposits approximates fair value due to the relatively short-term maturities of these financial instruments.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group has no outstanding derivative instruments accounted for as cash flow hedges as of December 31, 2024 and 2023.

The table below summarizes the amounts pertaining to the designated hedging instrument as of December 31, 2023.

December 31, 2023	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve to Profit or Loss	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign Currency and Interest Rate Risks									
Cross currency swap	US$ -	P -	P -	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	P -	P31	P -	(P9)	Interest expense and other financing charges, Other income - net
Interest Rate Risk									
Interest rate collar	-	-	-	Derivative liabilities, Other noncurrent assets	-	21	-	(21)	Interest expense and other financing charges

No hedging ineffectiveness was recognized in the 2023 consolidated statements of income.

The table below provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	December 31, 2023	
	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	P67	(P17)
Changes in fair value:		
Foreign currency risk and interest rate risk	(28)	31
Interest rate risk	(62)	21
Amount reclassified to profit or loss:		
Foreign currency risk and interest rate risk	-	(9)
Interest rate risk	-	(21)
Income tax effect	23	(5)
Balance at end of year	P -	P -

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Cross Currency Swaps. As of December 31, 2023, the Group has an outstanding cross currency swap with notional amount of $10 million and net fair value of P34.

Interest Rate Collar. As of December 31, 2023, the Group has an outstanding interest rate collar with notional amount of $15 million and net fair value of P12.

Freestanding Derivatives

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

Currency Forwards. As of December 31, 2024 and 2023, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US$2,138 million and US$913 million, respectively, and with various maturities in 2025 and 2024. As of December 31, 2024 and 2023, the net fair value of these currency forwards amounted to (P977) and (P371), respectively.

Commodity Swaps. The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2025 and 2024. 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 100.6 million barrels and 51.1 million barrels for 2024 and 2023, respectively. The estimated net receipts for these transactions amounted to P322 and P738 as of December 31, 2024 and 2023, respectively.

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

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

Embedded Derivatives
Embedded foreign currency derivatives exist in certain US dollar-denominated sales and purchases contracts for various fuel products of the Parent Company. Under the sales and purchase contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of December 31, 2024 and 2023, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2024 and 2023, the net fair value of these embedded currency forwards is minimal.

For the years ended December 31, 2024, 2023 and 2022, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P986, (P133) and P4,673, respectively (Note 26).

Fair Value Changes on Derivatives not Designated as Cash Flow Hedge
The net movements in the fair value of derivative transactions in 2024 and 2023 are as follows:

	Note	**2024**	2023
Fair value at beginning of year		**P413**	P534
Net changes in fair value during the year	*26*	**986**	(133)
Fair value of settled instruments		**(2,054)**	12
Fair value at end of year		**(P655)**	P413

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, 2024 and 2023. 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.

	2024	2023
	Level 2	Level 2
Financial Assets		
FVPL	**P458**	P389
Derivative assets	**1,044**	1,162
Financial Liabilities		
Derivative liabilities	**(1,699)**	(749)

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2024 and 2023. During the years, there were no transfer out of the Level 2 measurement.

36. Registration with the Authority of the Freeport Area of Bataan (AFAB) and Board of Investments (BOI)

Petron Bataan Refinery

In December 2021, the Petron Bataan Refinery (PBR) renewed its registration with the AFAB as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. As a registered domestic market enterprise engaged in the oil refinery facility as its registered business activity, PBR, under Sec. 311 of Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, is granted duty-free importation of merchandise, including capital equipment, raw materials, spare parts, and accessories, subject to compliance with conditions specified under the CREATE Act. Meanwhile, pursuant to Section 295(G) of the Tax Code, as amended by the CREATE Act, PBR's crude oil importations are exempt from duties and taxes, while applicable taxes are paid upon withdrawal of finished products sourced from the crude oil importation.

Petron Solid Fuel-Fired Power Plant

On October 11, 2019, the BOI approved the Parent Company's application under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987 as a New Operator of its 44.4 MegaWatt Solid Fuel-Fired Power Plant. The BOI is extending the following major incentives:

a. Income Tax Holiday (ITH) for four years from January 2024 or actual start of commercial operations, whichever is earlier, but availment shall in no case earlier than the date of registration. Income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from the net capacity of the registered project; with optional bonus year on specific cases provided that the aggregate ITH availment (regular and bonus year) shall not exceed eight years.
b. Importation of capital equipment, spare parts and accessories at zero duty under Executive No. 85 and its Implementing Rules and Regulations; provided that such capital equipment shall be for the direct and exclusive use of the registered activity.
c. Importation of consigned equipment for a period of ten years from date of registration subject to posting of the appropriate re-export bond.

The project commenced its commercial operation in January 2023 and the Parent Company availed of the ITH in 2024.

Certificate of entitlement has been timely obtained by the Parent Company to support its ITH incentive.

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 and equipment 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 countries such as China, Taiwan, Malaysia, South Korea, Singapore, Japan, Indonesia, and India.

Revenues are mainly derived from the sale of petroleum products to retail and commercial customers in various geographical locations.

The Group has no significant remaining performance obligations as it mainly recognized revenues in amounts that correspond directly to the value of completed performance obligations.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions
Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Major Customer
The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the years ended December 31, 2024, 2023 and 2022.

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
2024					
Revenue:					
External sales	**P864,765**	**P1,229**	**P1,163**	**P809**	**P867,966**
Inter-segment sales	**373,179**	**77**	**-**	**(373,256)**	**-**
Operating income	**29,052**	**(90)**	**16**	**245**	**29,223**
Net income	**11,630**	**(91)**	**37**	**(3,105)**	**8,471**
Assets and liabilities:					
Segment assets*	**526,717**	**7,150**	**678**	**(66,303)**	**468,242**
Segment liabilities*	**391,070**	**1,919**	**105**	**(35,221)**	**357,873**
Other segment information:					
Property, plant and equipment	**165,803**	**-**	**72**	**3,427**	**169,302**
Depreciation	**13,286**	**121**	**12**	**37**	**13,456**
Interest expense	**21,116**	**320**	**1**	**(476)**	**20,961**
Interest income	**1,207**	**281**	**16**	**(303)**	**1,201**
Income tax expense	**4,449**	**(33)**	**8**	**99**	**4,523**

**excluding deferred tax assets and liabilities*
***revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

	Note	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
2023, as restated						
Revenue:						
External sales		P798,032	P1,158	P1,143	P694	P801,027
Inter-segment sales		326,025	395	-	(326,420)	-
Operating income		30,486	227	11	(11)	30,713
Net income		11,906	133	20	(1,947)	10,112
Assets and liabilities:						
Segment assets*		495,603	10,025	673	(61,646)	444,655
Segment liabilities*		367,064	4,573	138	(30,122)	341,653
Other segment information:						
Property, plant and equipment	*40*	164,951	-	83	2,953	167,987
Depreciation	*40*	13,239	85	13	(45)	13,292
Interest expense		19,228	282	2	(417)	19,095
Interest income		1,290	231	15	(252)	1,284
Income tax expense	*40*	2,961	42	8	(13)	2,998

**excluding deferred tax assets and liabilities*
***revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

	Note	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
2022, as restated						
Revenue:						
External sales		P854,712	P1,173	P1,221	P532	P857,638
Inter-segment sales		378,045	397	-	(378,442)	-
Operating income		19,220	242	42	31	19,535
Net income		8,741	137	42	(1,995)	6,925
Assets and liabilities:						
Segment assets*		519,370	9,959	644	(70,297)	459,676
Segment liabilities*		377,986	4,646	131	(38,585)	344,178
Other segment information:						
Property, plant and equipment	*40*	170,416	-	90	1,064	171,570
Depreciation	*40*	12,071	85	14	(165)	12,005
Interest expense		13,240	292	2	(440)	13,094
Interest income		965	229	5	(301)	898
Income tax expense	*40*	1,440	41	8	(9)	1,480

**excluding deferred tax assets and liabilities*
***revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

Inter-segment sales transactions amounted to P373,256, P326,420, and P378,442 for the years ended December 31, 2024, 2023 and 2022, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the years ended December 31, 2024, 2023 and 2022:

	Note	Retail	Lube	Gasul	Industrial	Others*	Total
2024							
Revenue		**P379,864**	**P7,452**	**P38,568**	**P161,268**	**P277,613**	**P864,765**
Property, plant and equipment		**8,176**	**223**	**2,685**	**79**	**154,640**	**165,803**
Capital expenditures		**1,086**	**185**	**16**	**56**	**5,578**	**6,921**
2023, as restated							
Revenue		367,013	6,462	33,267	146,980	244,310	798,032
Property, plant and equipment	*40*	7,880	62	2,079	62	154,868	164,951
Capital expenditures		1,237	34	10	40	3,645	4,966
2022, as restated							
Revenue		395,183	6,403	33,126	156,307	263,693	854,712
Property, plant and equipment	*40*	7,920	27	1,566	23	160,880	170,416
Capital expenditures		1,170	4	-	1	12,360	13,535

**revenues from consumer loyalty program are presented as part of "Others"*

Geographical Segments

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

	2024	2023 As Restated
Local	**P360,469**	P340,109
International	**107,773**	104,546
	P468,242	P444,655

Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the years ended December 31, 2024, 2023 and 2022.

	Petroleum	Leasing*	Marketing	Elimination/ Others*	Total
2024					
Local	**P437,246**	**P1,306**	**P1,163**	**(P815)**	**P438,900**
Export/international	**800,698**	**-**	**-**	**(371,632)**	**429,066**
2023					
Local	411,588	1,553	1,143	(1,109)	413,175
Export/international	712,469	-	-	(324,617)	387,852
2022					
Local	412,845	1,570	1,221	(2,893)	412,743
Export/international	819,912	-	-	(375,017)	444,895

**revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

38. Events After the Reporting Date

a. On February 10, 2025, the Parent Company paid distributions amounting to US$906 thousand (P53) to the holders of the US$100 million RPS.

b. On February 28, 2025, the Parent Company made a full drawdown from the P5,000 unsecured term loan facility signed and executed on February 26, 2025. The facility is amortized over 5 years in 10 equal semi-annual installments beginning August 28, 2025, and is subject to a floating interest rate, payable quarterly. The proceeds were used to refinance the bridge loan availed on September 3, 2024, which had been used to fund working capital requirements and the payment of existing indebtedness. This facility is subject to a financial covenant ratio of consolidated gross debt to consolidated net worth, which must not exceed 2.75x.

c. On March 4, 2025, the BOD of the Parent Company approved the following:

   i. Declaration of P0.10/share cash dividends to common stockholders to be paid on April 2, 2025.

   ii. Public offer and issuance of up to P25,000 peso retail bonds with an oversubscription option of up to P7,000, to be taken from the bond shelf registration rendered effective by the SEC and valid until September 2025.

   iii. Common share buyback program of up to 620 million shares as follows, with terms and conditions to be determined by Management: (a) up to 167 million shares (the “Maximum Volume” or about P400 (the “Maximum Amount”) and during a period of up to six months or until the Maximum Volume or the Maximum Amount is exhausted or unless earlier terminated by Management; and (b) repurchase of all of the 459.16 million common shares held by PCERP via a block sale based on the simple average of the three-day close prior to the execution date.

39. Litigations, Contingencies and Other Matters

a. Lease Agreements with PNOC

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

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

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

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

The court-mandated mediation in 2018 and the judicial dispute resolution proceedings before the court in 2019 were likewise terminated, after the parties failed to agree to a settlement. The Parent Company filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Parent Company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent Company of all such properties, and (iii) the payment by the Parent Company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent Company all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Parent Company filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Parent Company and PNOC and affirmed the resolution of the trial court as described above. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Parent Company and PNOC. The PNOC filed a petition for review on certiorari with the Supreme Court in December 2022 which the Supreme Court denied on July 25, 2023 on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction.

In a resolution dated November 25, 2024, the Supreme Court denied with finality the motion for reconsideration and the motion to refer to the Supreme Court *En Banc* that the PNOC filed in December 2023. The November 2024 resolution also ordered the immediate issuance of the entry of judgment and declared that no further pleadings or motions shall be entertained.

On January 21, 2025, PNOC filed a second motion for reconsideration. A second motion for reconsideration is generally prohibited under the Internal Rules of the Supreme Court.

Given the finality of the Supreme Courts's ruling, the Group recognized in its books the reversal of the conveyance of the land declared as property dividends in 1993 at P143 equivalent to the net book value of the land at the time of dividend declaration and instead recognized a liability for cash dividends to PNOC of the same amount plus legal interest of P267 computed from 1993 to 2024. The landholdings were recognized as part of "Property, plant and equipment" and "Investment property" at P110 and P33, respectively (Notes 9 and 11). Correspondingly, all accruals related to the lease contracts with PNOC on the subject landholdings of the rescinded deeds of conveyance, namely, lease liabilities of P3,629 (Notes 29 and 33), asset retirement obligation (ARO) of P2,600 (Note 19) for the cost of land restoration and remediation at the end of lease term, and the corresponding right of use (ROU) assets of P2,720 (Notes 10 and 11) recognized previously were reversed which resulted in the recognition of gain on lease termination of P3,509 (Note 26).

b. Oil Spill Incident in Guimaras

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

Complaints for damages for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at December 31, 2024. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City. On January 9, 2020, the CA issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending as of December 31, 2024. On September 25, 2024, the CA denied the motion for reconsideration of another respondent International Oil Pollution Compensation ("IOPC") Funds and directed IOPC to file its comment. The CA held in abeyance any further action on the petition pending compliance with the directives of the said resolution. In the meantime, proceedings before the trial court continue. In one of the cases, the plaintiffs have already rested its case and trial dates have been set for the presentation of defendants' evidence. In the other case, plaintiffs are already expected to complete the presentation of their evidence testified so far. As of December 31, 2024 and 2023, the Group has not set up any provision related to this case because while the case is still pending, Petron believes the resolution will be in its favor.

c. Other Proceedings

The Group is also a party to certain other proceedings arising out of the ordinary course of its business, including legal proceedings with respect to tax, regulatory and other matters. While the results of litigation cannot be predicted with certainty, management believes that the final outcome of these other proceedings will not have a material adverse effect on the Group's business financial condition or results of operations.

d. The Group has unused letters of credit totaling approximately P41,164 and P35,445 as of December 31, 2024 and 2023, respectively.

40. Prior Period Adjustments

In 2024, the Group performed a reassessment of its accounting policy for LPG cylinders which was being recognized as an outright expense. The Group took into consideration the legal ownership of LPG cylinders, compliance with regulatory requirements under the LPG Industry Regulation Act and alignment with the recent interpretation of the Securities and Exchange Commission on the matter. As a result thereof, the Group changed its accounting policy on LPG cylinders to recognize these as assets under PAS 16, *Property, Plant, and Equipment.*

The LPG cylinders are recognized under the "Service stations and other equipment" asset class in the "Property, plant and equipment - net" account (Note 9). The related cylinder deposits liability was also recognized (Note 17).

The following table summarizes the impact of the change on the Group's consolidated statements of financial position as of December 31, 2023 and January 1, 2023:

	December 31 2023 As Previously Reported	Adjustments	December 31 2023 As Restated
Noncurrent Assets			
Property, plant and equipment - net	P166,046	P1,941	P167,987
Deferred tax assets - net	1,190	(76)	1,114
Current Liabilities			
Trade and other payables	23,890	2,564	26,454
Noncurrent Liabilities			
Deferred tax liabilities - net	4,432	24	4,456
Other noncurrent liabilities	1,243	(748)	495
Equity			
Retained earnings	31,834	13	31,847
Equity reserves	(21,252)	(8)	(21,260)
Non-controlling interests	8,654	20	8,674

	January 1 2023 As Previously Reported	Adjustments	January 1 2023 As Restated
Noncurrent Assets			
Property, plant and equipment - net	P170,153	P1,417	P171,570
Deferred tax assets - net	1,812	(71)	1,741
Current Liabilities			
Trade and other payables	22,896	1,994	24,890
Noncurrent Liabilities			
Deferred tax liabilities - net	3,601	37	3,638
Other noncurrent liabilities	1,201	(736)	465
Equity			
Retained earnings	30,357	25	30,382
Equity reserves	(16,887)	(4)	(16,891)
Non-controlling interests	8,383	30	8,413

The following table summarizes the impact of the change on the movements of the Group's property, plant and equipment - net for the year ended December 31, 2023:

	As Previously Reported	Adjustments	As Restated
Cost			
Additions	P6,652	P812	P7,464
Disposals/reclassifications	(1,012)	(25)	(1,037)
Currency translation adjustment	(2,147)	(33)	(2,180)
Accumulated Depreciation			
Depreciation	9,985	262	10,247
Disposals/reclassifications	(874)	(5)	(879)
Currency translation adjustment	(1,035)	(27)	(1,062)

The following table summarizes the impact of the change on the Group's consolidated statements of income for the years ended December 31, 2023 and 2022:

	2023 As Previously Reported	Adjustments	2023 As Restated
Selling and administrative expenses	(P17,560)	(P8)	(P17,568)
Other income (expense) - net	139	(20)	119
Income tax expense	3,004	(6)	2,998
Net Income Attributable to:			
Equity holders of the Parent Company	9,241	(12)	9,229
Non-controlling interests	893	(10)	883
	10,134	(22)	10,112
Basic/Diluted Earnings per Common Share Attributable to Equity Holders of the Parent Company	P0.27	P0.00	P0.27

	2022 As Previously Reported	Adjustments	2022 As Restated
Selling and administrative expenses	(P16,175)	P322	(P15,853)
Other income (expense) - net	1,018	(18)	1,000
Income tax expense	1,404	76	1,480
Net Income Attributable to:			
Equity holders of the Parent Company	5,727	225	5,952
Non-controlling interests	970	3	973
	6,697	228	6,925
Basic/Diluted Earnings per Common Share Attributable to Equity Holders of the Parent Company	P0.01	P0.03	P0.04

The following table summarizes the impact of the change on the Group's consolidated statements of other comprehensive income for the years ended December 31, 2023 and 2022:

	2023 As Previously Reported	Adjustments	2023 As Restated
Net income	P10,134	(P22)	P10,112
Other Comprehensive Loss			
Items that will not be reclassified to profit or loss	(29)	-	(29)
Items that may be reclassified to profit or loss	(2,460)	(4)	(2,464)
	(2,489)	(4)	(2,493)
Total comprehensive income for the year - net of tax	7,645	(26)	7,619
Attributable to:			
Equity holders of the Parent Company	7,162	(16)	7,146
Non-controlling interests	483	(10)	473
	P7,645	(P26)	P7,619

	2022 As Previously Reported	Adjustments	2022 As Restated
Net income	P6,697	P228	P6,925
Other Comprehensive Income (Loss)			
Items that will not be reclassified to profit or loss	(470)	-	(470)
Items that may be reclassified to profit or loss	2,191	(5)	2,186
	1,721	(5)	1,716
Total comprehensive income for the year - net of tax	8,418	223	8,641
Attributable to:			
Equity holders of the Parent Company	7,181	221	7,402
Non-controlling interests	1,237	2	1,239
	P8,418	P223	P8,641

The changes in the Group's consolidated statements of cash flows for the years ended December 31, 2023 and 2022 include the following:

a. Impact of the change in the accounting policy for LPG cylinders.
b. Reclassification of payment for acquisition of a subsidiary from operating to investing activities reflecting the nature of the cash flow (Note 12).
c. Presentation of allowance for impairment (net reversal) of receivables and inventory as adjustment to income before income tax from "Changes in noncash assets, certain current liabilities and others" under operating activities.

	2023 As Previously Reported	Adjustments	2023 As Restated
Net Cash Flows Provided by Operating Activities			
Income before income tax	P13,138	(P28)	P13,110
Depreciation and amortization	13,030	262	13,292
Allowance for impairment (net reversal) of receivables and inventory	-	29	29
Other losses (gains) - net	(424)	578	154
Changes in noncash assets, certain current liabilities and others	(5,257)	(271)	(4,986)
Net Cash Flows Used in Investing Activities			
Additions to property, plant and equipment	(6,235)	(812)	(7,047)
Payment for acquisition of a subsidiary	-	(300)	(300)

	2022 As Previously Reported	Adjustments	2022 As Restated
Net cash Flows Used in Operating Activities			
Income before income tax	P8,101	P304	P8,405
Depreciation and amortization	11,876	129	12,005
Allowance for impairment (net reversal) of receivables and inventory	-	287	287
Other losses (gains) - net	(1,198)	423	(775)
Changes in noncash assets, certain current liabilities and others	(38,295)	(287)	(38,582)
Net Cash Flows Used in Investing Activities			
Additions to property, plant and equipment	(5,397)	(856)	(6,253)

The following table summarizes the impact of the change on the Group's consolidated statements of changes in equity for the years ended December 31, 2023 and 2022:

	2023 As Previously Reported	Adjustments	2023 As Restated
Unappropriated Retained Earnings			
As of December 31, 2022	P23,354	P25	P23,379
Net income attributable to equity holders of the Parent Company	9,241	(12)	9,229
Transactions with owners	(764)	-	(764)
As of December 31, 2023	31,831	13	31,844
Other Reserves			
As of December 31, 2022	(10,450)	(4)	(10,454)
Other comprehensive loss attributable to equity holders of the Parent Company	(2,050)	(4)	(2,054)
Transactions with owners	(2,286)	-	(2,286)
As of December 31, 2023	(14,786)	(8)	(14,794)
Non-controlling Interests			
As of December 31, 2022	8,383	30	8,413
Total comprehensive income attributable to non-controlling interests	483	(10)	473
Transactions with owners	(212)	-	(212)
As of December 31, 2023	P8,654	P20	P8,674

	2022 As Previously Reported	Adjustments	2022 As Restated
Unappropriated Retained Earnings			
As of December 31, 2021	P23,229	(P200)	P23,029
Net income attributable to equity holders of the Parent Company	5,727	225	5,952
Transactions with owners	(5,602)	-	(5,602)
As of December 31, 2022	23,354	25	23,379
Other Reserves			
As of December 31, 2021	(12,379)	-	(12,379)
Other comprehensive income attributable to equity holders of the Parent Company	1,929	(4)	1,925
As of December 31, 2022	(10,450)	(4)	(10,454)
Non-controlling Interests			
As of December 31, 2021	7,325	28	7,353
Total comprehensive income attributable to non-controlling interests	1,237	2	1,239
Transactions with owners	(179)	-	(179)
As of December 31, 2022	P8,383	P30	P8,413

The Group is still compliant with the financial covenants of its debt agreements after considering the impact of the above restatements as of December 31, 2023 and January 1, 2023.

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