PETRON CORPORATION

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

Offer in the Philippines of
15,000,000 Perpetual Preferred Shares Series 3
with Oversubscription Option of up to
5,000,000 Perpetual Preferred Shares Series 3
consisting of
Series 3A Preferred Shares (PRF3A): 6.8713% p.a.
Series 3B Preferred Shares (PRF3B): 7.1383% p.a.
at an Offer Price of ₱1,000.00 per Preferred Share
to be listed and traded on the
Main Board of The Philippine Stock Exchange, Inc.

JOINT ISSUE MANAGERS, JOINT LEAD UNDERWRITERS AND JOINT BOOKRUNNERS[1]

CO-LEAD UNDERWRITER

SELLING AGENTS
Trading Participants of The Philippine Stock Exchange, Inc.

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

This Final Prospectus is dated 30 May 2019.

[1] BPI Capital Corporation, one of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, is the wholly-owned investment banking subsidiary of Bank of the Philippine Islands which is the bank which the Issuer intends to repay using a portion of the proceeds of the Offer.

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Mandaluyong City, Philippines
Telephone number: (632) 884-9200
Corporate website: www.petron.com

This Final Prospectus relates to the offer and sale of up to 20,000,000 cumulative, non-voting, non-participating, non-convertible peso-denominated Perpetual Preferred Shares Series 3 with a par value of ₱1.00 per share (the "**Preferred Shares**" or "**Offer Shares**") of Petron Corporation ("**Petron**", the "**Company**" or the "**Issuer**"), a corporation duly organized and existing under Philippine law. The offer and sale of the Preferred Shares will be by way of an offer of 15,000,000 Preferred Shares (the "**Offer**"). In the event of an oversubscription, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, in consultation with the Company, reserve the right, but do not have the obligation, to increase the Offer size up to an additional 5,000,000 Preferred Shares, subject to the registration requirements of the Securities and Exchange Commission ("**SEC**") (the "**Oversubscription Option**"). The Preferred Shares are to be issued in one or more subseries: Series 3A Preferred Shares and Series 3B Preferred Shares, at a subscription price of ₱1,000.00 per share (the "**Offer Price**"). As of March 31, 2019, the Company has issued 10,000,000 preferred shares consisting of (a) 7,122,320 outstanding Preferred Series 2A (the "**Series 2A Preferred Shares**"), (b) 2,877,680 outstanding Preferred Series 2B (the "**Series 2B Preferred Shares**", and together with Series 2A Preferred Shares, the "**Outstanding Preferred Shares**") and (b) 100,000,000 treasury shares. The Preferred Shares will be issued out of the treasury shares of the Company.

The Preferred Shares are being offered for sale solely in the Philippines through BDO Capital & Investment Corporation ("**BDO Capital**"), BPI Capital Corporation ("**BPI Capital**"), China Bank Capital Corporation ("**China Bank Capital**"), and PNB Capital and Investment Corporation ("**PNB Capital**" and together with BDO Capital, BPI Capital, and China Bank Capital, the "**Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners**"), and Co-Lead Underwriter, and selling agents named herein.

In the event that Oversubscription Option is exercised, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, have the discretion to allocate the Oversubscription Option of up to 5,000,000 Preferred Shares in either Series 3A Preferred Shares or Series 3B Preferred Shares at the end of the Offer Period.

The Preferred Shares will be listed on the Main Board of The Philippine Stock Exchange, Inc. ("**PSE**") on 25 June 2019 ("**Listing Date**") under the trading symbol "**PRF3A**" for the Series 3A Preferred Shares and "**PRF3B**" for the Series 3B Preferred Shares.

Following the Offer, the Company will have (a) 9,375,104,497 common shares and (b) 25,000,000 preferred shares issued and outstanding, and (c) 85,000,000 treasury preferred shares, if the Oversubscription Option is not exercised. On the other hand, if the Oversubscription Option is exercised in full, the Company will have (a) 9,375,104,497 common shares and (b) 30,000,000 preferred shares issued and outstanding, and (c) 80,000,000 treasury preferred shares. Furthermore, following the redemption of the Series 2A Preferred Shares and assuming that the Oversubscription Option is not exercised, the Company will have (a) 9,375,104,497 issued and outstanding common shares and (b) 17,877,680 issued and outstanding preferred shares, exclusive of 92,122,320 treasury shares. On the other hand, if the Oversubscription Option is exercised in full and after the redemption of the Series 2A Preferred Shares, the Company will have (a) 9,375,104,497 issued and outstanding common shares and (b) 22,877,680 issued and outstanding preferred shares, exclusive of 87,122,320 treasury shares.

The holders of the Preferred Shares do not have identical rights and privileges with holders of the existing common shares and existing preferred shares of the Company. Any and all preferred shares of the Corporation shall have preference over common shares in dividend distribution and in case of liquidation or dissolution. For further discussion on the rights and privileges of the Preferred Shares, please refer to the section on "*Description of the Preferred Shares*".

The declaration and payment of cash dividends on the Preferred Shares on each Dividend Payment Date (as defined below) will be subject to the sole and absolute discretion of the Issuer's Board of

Directors (the “**Board**”) to the extent permitted by law, and subject to the covenants (financial or otherwise) in the agreements to which the Company is a party. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders. Some of the Company’s existing loan agreements contain covenants that restrict the declaration or payments of dividends under certain circumstances, such as the occurrence of an event of default under such loan agreements or if such payment would cause an event of default to occur, if certain financial ratios are not met or payment would cause them not to be met. See *“Description of the Preferred Shares”.*

As and if declared by the Board, dividends on the Series 3A Preferred Shares shall be at a fixed rate of 6.8713% per annum, and 7.1383% per annum for Series 3B Preferred Shares, in all cases calculated in respect of each share by reference to the Offer Price thereof for each Dividend Period (as defined below) (each, the “**Initial Dividend Rate**” for the relevant subseries). Subject to the limitations described in this Prospectus, cash dividends on the Preferred Shares will be payable quarterly in arrears on March 25, June 25, September 25 and December 25 of each year (each a “**Dividend Payment Date**”) being the last day of each 3-month period (a “**Dividend Period**”) following the relevant Listing Date.

Unless the Preferred Shares are redeemed by the Issuer on, in respect of the Series 3A Preferred Shares, the 5.5^{th} anniversary of the Listing Date (the “**Series 3A First Optional Redemption Date**”) and in respect of Series 3B Preferred Shares, the 7^{th} anniversary of the Listing Date (the “**Series 3B First Optional Redemption Date**”) or on the next Business Day in case each of the First Optional Redemption Date falls on a non-Business Day, the dividends on each subseries will be adjusted as follows:

(a) For the Series 3A First Optional Redemption Date, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rates of the 7-year BVAL (or if the 7-year BVAL is not available or cannot be determined, any such successor rate as determined by the Bankers Association of the Philippines (“**BAP**”) or the *Bangko Sentral ng Pilipinas* (“**BSP**”)), as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider) for three consecutive days ending on (and including) the 5.5^{th} anniversary from Listing Date, plus 3.25% (the “**PRF3A Step Up Rate**”); and

(b) For the Series 3B First Optional Redemption Date, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any such successor rate as determined by the BAP or the BSP, as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider) for three consecutive days ending on (and including) the 7^{th} anniversary from Listing Date, plus 3.25% (the “**PRF3B Step Up Rate**”).

Provided, that in the event the relevant Series 3A or Series 3B First Optional Redemption Date falls on day that is not a Business Day.

(a) the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date; and

(b) the higher of the applicable initial Dividend Rate and the applicable Step-Up Rate will be applied commencing on the Step-Up Date (which is the 5.5th anniversary date of the Series 3A Preferred Shares, and the 7th anniversary of the Series 3B Preferred Shares).

(each of the PRF3A Step Up Rate and the PRF3B Step Up Rate being a “**Step Up Rate**”) See *“Summary of the Offering”*.

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

As and if approved by the Board (or the Executive Committee), the Issuer may redeem the Preferred Shares as follows:

(a) in whole (not in part) the Series 3A Preferred Shares on the Series 3A First Optional Redemption Date or on any Dividend Payment Date thereafter (each of the Series 3A First Optional Redemption Date and the Dividend Payment Dates thereafter, a "**Series 3A Optional Redemption Date**"); and

(b) in whole (not in part), the Series 3B Preferred Shares on the Series 3B First Optional Redemption Date or on any Dividend Payment Date thereafter (each of the Series 3B First Optional Redemption Date and the Dividend Payment Dates thereafter, a "**Series 3B Optional Redemption Date**")

(each Series 3A Optional Redemption Date and Series 3B Optional Redemption Date, an "**Optional Redemption Date**"),

after giving not less than 30 nor more than 60 days' prior written notice to the intended date of redemption, at a redemption price (the "**Redemption Price**") equal to the relevant Offer Price of the Preferred Shares plus all dividends due them on such Optional Redemption Date as well as all Arrears of Dividends after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption. Such notice to redeem shall be deemed irrevocable upon issuance thereof.

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

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

The Issuer may also redeem the Preferred Shares, in whole but not in part, at any time prior to any Optional Redemption Date if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not more than 60 nor less than 30 days' notice prior to the intended date of redemption. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price which shall be paid within five (5) Business Days of the exercise of the right to redeem the Preferred Shares.

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

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

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

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

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

In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**"), or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem any subseries of the Preferred Shares in whole, but not in part at the Redemption Price ("**Redemption by reason of an Accounting Event**"). See *"Summary of the Offering"* and *"Description of the Preferred Shares"*.

The Preferred Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and ratably without preference or priority among themselves. The Preferred Shares will be subordinated to the US$500 million Senior Perpetual Capital Securities of the Company issued in 2018 ("**Capital Securities**") and any future Senior Capital Securities issued by the Company. See *"Summary of the Offering" and "Description of the Preferred Shares"*.

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

The gross proceeds of the Offer shall be ₱15,000,000,000.00 or, should the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, exercise in full its Oversubscription Option, ₱20,000,000,000.00. The net proceeds from the Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be ₱14.87 billion or, should the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, exercise in full its Oversubscription Option, ₱19.84 billion, and will be used by the Company primarily for the redemption of the outstanding Series 2A Preferred Shares of the Company, repayment of outstanding short-term loans and for general corporate purposes.

BDO Capital, BPI Capital, China Bank Capital, and PNB Capital, acting as Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, shall receive an estimated fee of 0.55% of the gross proceeds of the Offer, inclusive of amounts to be paid to the Co-Lead Underwriter and selling agents.

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

The Company owns land as identified in "Description of Property" on page 112. In connection with the ownership of private land, the 1987 Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Pursuant to regulations, for as long as the percentage of Filipino ownership of the Company's capital stock is at least 60% of (i) the total shares outstanding and voting shares and (ii) the total number of outstanding shares, whether or not entitled to vote, the Company shall be considered as a Filipino-owned corporation qualified to own land.

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

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect. The Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus and in the listing application and all documents submitted to the PSE. The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners have exercised due diligence required by law in ascertaining that all material representations contained in the Prospectus, and any amendment or supplement thereto are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading. No representation, warranty or undertaking, express or implied, is made by any of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, and no responsibility or liability is accepted by any thereof to the accuracy, adequacy, reasonableness or completeness of the information and materials contained herein (excluding any and all information pertaining to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners) or any other information provided by the Company in connection with the Preferred Shares, their distribution or their future performance.

Unless otherwise indicated, all information in the Prospectus is as of December 31, 2018. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company or the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners makes any representation as to the accuracy of such information.

THE SHARES ARE BEING OFFERED ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

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

The Company filed an application with the SEC to register the Preferred Shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799 or the "SRC") and its implementing regulations (the "**SRC Rules**"). The SEC is expected to issue an order rendering the Registration Statement filed by the Company effective and a corresponding permit to offer securities for sale covering the Preferred Shares.

An application to list the Preferred Shares has been filed with the PSE and has been approved by the Board of Directors of the PSE on 29 May 2019. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of the Prospectus. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Preferred Shares by the PSE.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

PETRON CORPORATION

By:

RAMON S. ANG
President

SUBSCRIBED AND SWORN to before me on MAY 3 0 2019 in MANDALUYONG CITY, affiant exhibiting to me his Passport with No. P4589066A issued on 2 October 2017 as competent evidence of identity.

Doc. No. 387;
Page No. 79;
Book No. VI;
Series of 2019.

DON-VIC P. QUEZON
Notary Public for Mandaluyong City
0 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0382-18
Until December 31, 2019.
Attorney's Roll No. 56728
PTR No. 3810644/01-04-19/Mandaluyong
Lifetime IBP No. 08324
MCLE Compliance No. VI-0021520/3-26-2019

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FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical facts 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 Prospectus regarding matters that are not historical fact. These forward- looking statements and any other projections contained in this Prospectus 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"* starting on page 53.

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 cautioned not to place undue reliance on 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 undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

DEFINITION OF TERMS

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

APM..	Malaysian automatic pricing mechanism
Applicant...	A person, whether natural or juridical, who seeks to subscribe for the Offer of the Preferred Shares
BIR	Philippine Bureau of Internal Revenue
Black Products	Fuel oil and asphalts
bpd	Barrels per day
BNM…………………………………..	Bank Negara Malaysia
BSP	*Bangko Sentral ng Pilipinas*
Business Day	A day, other than Saturday, Sunday or legal holiday, on which the facilities of the Philippine banking system are open and available for clearing, and banks are open for business in Metro Manila, Philippines.
BVAL	Bloomberg Valuation Service, the electronic financial information service provider, and when used in connection with the designated page of the Benchmark Rate, the display page so designated on BVAL (or such other page as may replace that page on that service), or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices to that Benchmark Rate
CBAs………………………………….	Collective bargaining agreements
Chevron..	Chevron Philippines, Inc.
CODO...	Company-owned-dealer-operated service stations
Company, Issuer or Petron	Petron Corporation
CSA	Malaysian Control of Supplies Act, 1961
CTA	Philippine Court of Tax Appeals
CTSG	Corporate Technical Services Group
DENR	Philippine Department of Environment and Natural Resources
DODO...	Dealer-owned-dealer-operated service stations
DOE..	Philippine Department of Energy

DOJ	Philippine Department of Justice
DTI..	Philippine Department of Trade and Industry
ECC..	Environmental Compliance Certificate
EIS..	Environment Impact Statement
EMB..	Environmental Management Bureau
EMS…………………………………..	Environmental Management System
EMEPMI………………………………	ExxonMobil Exploration and Production Malaysia Inc.
EPF	Malaysian employees' provident fund
EQA..	Malaysian Environmental Quality Act, 1974
ExxonMobil......................................	Sellers of shares in PMRMB, PFI Malaysia and POM
FIA..	Philippine Foreign Investments Act of 1991 (as amended)
GDP..	Gross domestic product
IMS	Integrated Management System
Innospec...	Innospec, Limited
ISO	International Organization for Standardization
KLIA..	Kuala Lumpur International Airport
Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners ……………	BDO Capital, BPI Capital, China Bank Capital, and PNB Capital
LGC..	Philippine Local Government Code
LGU..	Local Government Unit
Limay Refinery	The Company's refinery in Limay, Bataan, Philippines
Listing Date.....................................	The date when the Preferred Shares are listed in the PSE
LPG	Liquefied petroleum gas
LSWR...	Low-sulfur waxy residue
MARINA	Philippine Maritime Industry Authority
MBIA...	Malaysian Biofuel Industry Act, 2007
MDOE...	Malaysian Department of Environment
MDTCC	Malaysian Ministry of Domestic Trade, Cooperative and Consumerism

Mean of Platts Singapore or MOPS	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
MERALCO	Manila Electric Company
MITI	Malaysian Ministry of International Trade and Industry
MNHPI..	Manila North Harbour Port Inc.
Mogas 95	Formulated unleaded gasoline fuel with an octane index of 95
MPP...	Multi-product pipeline
MT	Metric tonnes
NVRC	New Ventures Realty Corporation
Oil Deregulation Law.......................	Philippine Downstream Oil Industry Deregulation Act of 1998
Ovincor	Overseas Ventures Insurance Corporation Ltd.
PAHL	Petrochemical Asia (HK) Limited
PCERP	Petron Corporation Employees' Retirement Plan
PDA	Malaysian Petroleum Development Act, 1974
PDB	Petronas Dagangan Berhad
PDTC..	Philippine Depository and Trust Corporation
PetroFCC	Petrofluidized catalytic cracking
Petrogen...	Petrogen Insurance Corporation
Petronas	Petroliam Nasional Berhad
Petron Malaysia	Collectively, PMRMB, POM and PFI Malaysia
Petrophil	Petrophil Corporation
PFC	Petron Freeport Corporation
PFI Malaysia	Petron Fuel International Sdn. Bhd.
PFRS..	Philippine Financial Reporting Standards
Philippines	Republic of the Philippines
Philippine Peso, Peso, PHP or ₱....	Philippine Pesos, the legal currency of the Philippines
PMC	Petron Marketing Corporation

PMRMB	Petron Malaysia Refining & Marketing Bhd.
PNOC	Philippine National Oil Company
PNS…………………………………..	Philippine National Standards
POM	Petron Oil (M) Sdn. Bhd.
POME..	Palm oil methyl ester
Port Dickson Refinery	The Company's refinery in Port Dickson, Negeri Sembilan, Malaysia
POS...	Point of sale
PPI...	Philippine Polypropylene Inc.
PSE	The Philippine Stock Exchange, Inc.
PSMA	Malaysian Petroleum (Safety Measures) Act, 1984
Qualified Institutional Buyers ……...	Qualified buyers, as defined in Section 10.1 (l) of the Securities Regulation Code (Republic Act No. 8799).
R.A. 8762	Philippine Retail Trade Liberalization Act of 2000
Registrar, Paying Agent or Stock Transfer Agent..	SMC Stock Transfer Service Corporation
Registration Statement.....................	The registration statement filed with the SEC in connection with the offer and sale to the public of the Preferred Shares
Revised Corporation Code………….	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
RIHL…………………………………..	Robinsons International Holdings Limited
Ringgit Malaysia, Ringgit or RM......	Ringgit Malaysia, the legal currency of Malaysia
RON…………………………………..	Research Octane Number
RMP-2	Phase 2 of the Refinery Master Plan
RTC...	Regional Trial Court
Saudi Aramco.................................	Saudi Arabian Oil Company
SBM...	Single buoy mooring
SBMI..	Special Board of Marine Inquiry
SEA BV	SEA Refinery Holdings B.V.
SEA Refinery ………………………	SEA Refinery Corporation
SEC	Philippine Securities and Exchange Commission
Shell	Pilipinas Shell Petroleum Corporation

Shell Malaysia	Shell Malaysia Trading Sdn Bhd
SJS..	Social Justice Society
SMC	San Miguel Corporation
SMS..	SSHE management system
SRC..	Republic Act No. 8799 otherwise known as the Securities Regulation Code of the Philippines
SSHE..	Safety, security, health and the environment
Tax Code..	Philippine National Internal Revenue Code of 1997 (as amended)
TCCs	Tax Credit Certificates
U.S. dollars, USD or US$................	U.S. Dollars, the legal currency of the United States of America
VAT	Value-Added Tax
White Products	Diesel, gasoline, jet fuel, kerosene and LPG

EXECUTIVE SUMMARY

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

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

Business

Petron Corporation was incorporated under the Corporation Code of the Philippines and registered with the SEC on December 22, 1966. On September 13, 2013, the SEC approved the extension of the 50-year corporate term of the Company to 2066. As a general rule under the Revised Corporation Code, which took effect on February 23, 2019, corporations with certificates of incorporation prior to the effectivity of the Revised Corporation Code, and which continue to exist, shall have perpetual existence. By operation of law therefore, Petron shall now have perpetual existence. As at December 31, 2018, it has a market capitalization of ₱72.3 billion.

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

In the Philippines, the Company operates the largest and most modern refinery in Bataan, the **Limay Refinery**, which supplies approximately 30% of the country's total fuel requirements and has a production capacity of 180,000 bpd. The Company had an overall market share of 28.5%[2] of the Philippine oil market for the year ended December 31, 2018 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the Department of Energy ("**DOE**").

The Limay Refinery processes crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan ("**RMP-2**"), a US$2 billion project for the Limay Refinery, enabled the Company to produce more valuable White Products[3], increase the Company's production of petrochemicals, and made the Company the first oil company in the Philippines capable of producing Euro IV-standard fuels. In 2017, it launched the country's cleanest and most advanced gasoline that meets Euro 6 standards, the most stringent fuel technology and emission benchmark in the world today.

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

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[2] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for FY 2018. Company estimates exclude direct imports of jet fuel by airlines, direct imports of naphtha as feedstock for petrochemical plants, direct imports of condensate as fuel for natural gas power plants, and lubes and greases.
[3] White Products refer to diesel, gasoline, jet fuel, kerosene and LPG.

Through its network of about 2,400 retail service stations in the Philippines as of March 31, 2019, representing approximately 27% of the country's total service station count, the Company sells gasoline, diesel, and kerosene to motorists and to the public transport sector. Approximately 30% of service stations are CODOs and 70% are DODOs[4]. As of March 31, 2019, the Company's LPG distribution network includes more than 1,100 branch stores as well as 34 car care centers, 11 lube centers, and 10 motorcycle centers. The Company also sells its LPG brands *"Gasul"* and *"Fiesta Gas"* to households and other consumers through its extensive dealership network.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of March 31, 2019, the extent of the Company's programs includes about 413,800 fleet cards for the Philippines and 185,800 for Malaysia, about 6 million value cards, and approximately 9.4 million Petron Miles Privilege cards.

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

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

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. For the year ending 2018, the Company ranked third in the Malaysian retail market with a 20.9% market share based on Company estimates using its internal assumptions and calculations and industry data from The Concilium Group Sdn Bhd, a 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 unbranded mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. The Company owns and operates the Port Dickson Refinery, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue ("**LSWR**"). As of March 31, 2019, the Company had 10 product terminals, a network of approximately 650 retail service stations, and about 275 convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

The Company's products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical feedstock, including low-sulfur waxy residue, 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 ₱37.4 billion, or 9% of total sales, in 2017, and ₱51.5 billion, or 9% of total sales, in 2018.

In 2016, 2017 and 2018, the Company's sales were ₱343.8 billion, ₱434.6 billion and ₱557.4 billion, respectively, and net income was ₱10.8 billion, ₱14.1 billion and ₱7.1 billion, respectively.

[4] CODO represents company-owned-dealer-operated service stations and DODO represents dealer-owned-dealer-operated service stations.

Strengths

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

- Market leadership in the Philippine downstream oil sector;
- Established position in the Malaysian downstream oil sector;
- Operating a highly complex refinery;
- Operations in markets with favorable industry dynamics;
- Differentiated service experience driving retail volumes; and
- Experienced management team and employees and strong principal shareholder in San Miguel Corporation.

Areas of Strategic Focus

The Company's principal strategies are set out below:

- Maximize production of high margin refined petroleum products and petrochemicals;
- Further increase market share in the downstream oil markets in the Philippines and in Malaysia;
- Continue investments to improve operational efficiency and profitability and to increase market reach; and
- Pursue selective synergistic acquisitions.

Risks Relating to the Offer

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Preferred Shares. These risks include the following, which are discussed in more detail under the section *"Risk Factors"* starting on page 53.

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 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's business, financial condition and results of operations may be adversely affected by intense competition and cyclicality in global and regional refining capacities;
- 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 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;
- Continued compliance with safety, health, environmental and zoning laws and regulations may adversely affect the Company's results of operations and financial condition;
- Failure to respond quickly and effectively to product substitution or government-mandated product formulations may adversely affect the Company's business and prospects;
- The Company's business strategies require significant capital expenditures and financing, which 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;
- 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 may be adversely impacted by the fluctuations in the value of the Philippine Peso and the Ringgit Malaysia against the U.S. dollar;
- 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's controlling shareholder may have interests that may not be the same as those of

other shareholders;
- The Company may fail to integrate acquired businesses properly, which could adversely affect the Company's results of operations and financial condition;
- If the number or severity of claims for which the Company is self-insured 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 adversely affected;
- 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; and
- Changes in applicable accounting standards may impact the Company's businesses, financial condition and results of operations.

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;
- 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;
- Territorial and other disputes with neighboring states may disrupt the Philippine economy and business environment;
- The occurrence of natural or man-made catastrophes or electricity blackouts may materially disrupt the Company's operations;
- Investors may face difficulties enforcing judgments against the Company; and
- 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.

Risks Relating to the Preferred Shares

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

Corporate Information

Petron Corporation was incorporated under the laws of the Philippines in 1966. The Company's head office and principal place of business is located at the SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City, Philippines. The Company's telephone number at this location is (632) 884 - 9200. The Company's primary website is www.petron.com. Information contained on the Company's website does not constitute a part of this Prospectus. The Company's common and Outstanding Series 2A and Series 2B Preferred Shares are listed and traded on PSE under the symbols "PCOR", "PRF2A" and "PRF2B", respectively. Upon listing, the Series 3A Preferred Shares and Series 3B Preferred Shares shall be traded under the symbols "PRF3A" and "PRF3B", respectively.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information for the Company and should be read in conjunction with the auditors' reports and the Company's consolidated financial statements, including the notes thereto, and the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations" found on page 171 of this Prospectus.

The summary financial information presented below for the years ended December 31, 2016, 2017 and 2018 were derived from the consolidated financial statements of the Company, audited by R.G. Manabat and Co., a member firm of KPMG. The Company's financial information included in this Prospectus has been prepared in accordance with PFRS.

Summary Consolidated Statements of Income Data

	For the years ended December 31		
(*Amounts in millions of ₱, except per share data*)	**2016**	**2017**	**2018**
Sales ……………………………………………………………	343,840	434,624	557,386
Cost of goods sold………………………………………………	306,125	391,969	522,824
Gross profit………………………………………………………	37,715	42,655	34,562
Selling and administrative expenses……………………………	(13,918)	(15,017)	(15,641)
Interest expense and other financing charges…………………	(7,557)	(8,487)	(9,689)
Interest income………………………………………………….	507	535	706
Share in net income (losses) of associates…………………….	66	63	-
Other income (expenses) – net………………………………….	(2,435)	(907)	517
Income before tax………………………………………………	14,378	18,842	10,455
Income tax expense…………………………………………………..	(3,556)	(4,755)	(3,386)
Net income………………………………………………………	10,822	14,087	7,069
Attributable to:			
Equity holders of the Parent Company……………………………………………………….	10,100	12,739	6,218
Non-controlling interests………………………………………	722	1,348	851
	10,822	14,087	7,069
Basic/diluted earnings per common share attributable to equity holders of the Parent Company…………………………..	0.60	0.86	0.28

Summary Consolidated Statements of Comprehensive Income

(*Amounts in millions of ₱*)	For the years ended December 31		
	2016	**2017**	**2018**
Net income…………………………………………………………..	10,822	14,087	7,069
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Equity reserve for retirement plan………………………………..	2,647	(1,142)	(1,133)
Share in other comprehensive income of an associate and a joint venture……………………………………………………...	3	3	-
Income tax benefit (expense) ……………………………………	(794)	346	339
	1,856	(793)	(794)
Items that may be reclassified to profit or loss			
Hedging Reserve…………………………………………………	-	-	(110)
Exchange differences on translation of foreign operations…….	523	3,303	1,372
Net gain on investments in debt securities………………………	(2)	(4)	(10)
Share in other comprehensive loss of a joint venture…………..	-	(1)	-
Income tax benefit………………………………………………..	1	1	36
	522	3,299	1,288
Other comprehensive income – Net of tax………………………	2,378	2,506	494
Total comprehensive income for the year – Net of tax…………	13,200	16,593	7,563
Attributable to:			
Equity holders of the Parent Company…………………………...	12,742	14,772	6,570
Non-controlling interests…………………………………………..	458	1,821	993
	13,200	16,593	7,563

Summary Consolidated Statements of Financial Position Data

(*Amounts in millions of ₱*)	As of December 31 2016	2017	2018
Current assets:			
Cash and cash equivalents…………………………………..	17,332	17,014	17,405
Financial assets at fair value………………………………	221	336	1,126
Investments in debt securities…………………………….	71	199	40
Trade and other receivables – net………………………..	31,548	38,159	42,497
Inventories – net……………………………………………	44,147	56,604	63,873
Other current assets……………………………………….	32,499	33,178	37,081
Total current assets……………………………………….	125,818	145,490	162,022
Noncurrent assets:			
Investments in debt securities…………………………….	408	332	338
Property, plant and equipment – net……………………..	176,604	177,690	163,984
Investments in associates…………………………………	1,883	-	-
Investment property – net………………………………….	91	75	16,536
Deferred tax assets – net………………………………….	194	207	257
Goodwill – net……………………………………………….	7,480	8,277	8,532
Other noncurrent assets – net……………………………	6,415	5,959	6,485
Total noncurrent assets…………………………………..	193,075	192,540	196,132

Total assets……………………………………………	318,893	338,030	358,154
Current liabilities:			
Short-term loans……………………………………………	90,366	69,583	82,997
Liabilities for crude oil and petroleum products…………	29,966	36,920	25,991
Trade and other payables…………………………………	16,161	11,604	28,471
Derivative liabilities…………………………………………	778	1,791	614
Income tax payable………………………………………..	626	808	146
Current portion of long-term debt – net…………………..	20,911	3,789	17,799
Total current liabilities…………………………………...	158,808	124,495	156,018

	As of December 31		
	2016	**2017**	**2018**
Noncurrent liabilities:			
Long-term debt – net of current portion………………………………………………..	58,941	97,916	100,201
Retirement benefits liability………………………………………………..	3,315	4,885	2,433
Deferred tax liabilities - net…………………………………………………	5,726	7,397	8,450
Asset retirement obligation…………………………………………….	2,324	2,681	3,592
Other noncurrent liabilities………………………………………………..	959	1,037	1,274
Total noncurrent liabilities………………………………………………..	71,265	113,916	115,950
Total liabilities……………………………………………..	230,073	238,411	271,968
Equity attributable to equity holders of the Parent Company			
	9,485	9,485	9,485

Capital stock……………………………………………………….			
Additional paid-in capital…………………………………………………….	19,653	19,653	19,653
Capital securities………………………………………………….	30,546	30,546	24,881
Retained earnings…………………………………………………	42,011	49,142	49,491
Equity reserves…………………………………………………	(7,204)	(5,171)	(14,031)
Treasury stock……………………………………………………...	(10,000)	(10,000)	(10,000)
Total equity attributable to equity holders of the Parent Company…………………………………………………	84,491	93,655	79,479
Non-controlling interests…………………………………………………..	4,329	5,964	6,707
Total equity……………………………………………………	88,820	99,619	86,186
Total liabilities and equity……………………………………………………..	318,893	338,030	358,154

Summary of Consolidated Cash Flows Data

(*Amounts in millions of ₱*)	For the years ended December 31 **2016**	**2017**	**2018**
Net cash flows provided by operating activities……………………………………………………..	29,269	15,753	5,047
Net cash flows used in investing activities…………………………………………………….	(19,165)	(11,211)	(11,141)
Net cash flows provided by (used in) financing activities……………………………………………………..	(12,025)	(4,715)	5,949
Effect of exchange rate changes on cash and cash equivalents………………………………………………..	372	(145)	536
Net increase (decrease) in cash and cash equivalents………………………………………………..	(1,549)	(318)	391
Cash and cash equivalents at beginning of period………………………………………………….....	18,881	17,332	17,014
Cash and cash equivalents at end of period…………………………………………………….	17,332	17,014	17,405

SUMMARY OF THE OFFERING

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

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Preferred Shares. Accordingly, any decision by a prospective investor to invest in the Preferred Shares should be based on a consideration of this Prospectus as a whole. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

Issuer	Petron Corporation
Instrument	Cumulative, non-voting, non-participating, non-convertible peso-denominated perpetual preferred shares ("**Preferred Shares**")
Offer Size	15,000,000 Preferred Shares (subject to the Oversubscription Option as provided below), to be issued in one or more subseries: Series 3A Preferred Shares and/or Series 3B Preferred Shares. The Preferred Shares will be issued out of the treasury shares of the Company. In the event that Oversubscription Option is exercised, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, have the discretion to allocate the Oversubscription Option of up to 5,000,000 Preferred Shares in either Series 3A Preferred Shares or Series 3B Preferred Shares at the end of the Offer Period.
Oversubscription Option	In the event of an oversubscription, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, reserve the right, but do not have the obligation, to increase the Offer Size by up to 5,000,000 Preferred Shares, subject to the registration requirements of the SEC.
Registration and Listing	To be registered with the SEC and listed on the PSE, subject to compliance with SEC regulations and PSE listing rules. Upon listing, the Series 3A Preferred Shares and Series 3B Preferred Shares shall be traded under the symbols "PRF3A" and "PRF3B", respectively.

Use of Proceeds	The net proceeds of the Offer shall be used primarily for the redemption of the Series 2A Preferred Shares of the Company, repayment of outstanding short-term loans and for general corporate purposes. For further discussion, please refer to the section on "*Use of Proceeds*" of this Prospectus.
Par Value	The Preferred Shares shall have a par value of ₱1.00 per share.
Offer Price	The Preferred Shares shall be offered at a price of ₱1,000.00 per share.
Offer Period	The Offer Period shall commence at 9:00 a.m. on June 3, 2019 and end at 12:00 noon on June 18, 2019. The Issuer and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE, as applicable.
Listing Date	On June 25, 2019, or such other date when the Preferred Shares are listed in the PSE.
Dividend Rate	As and if cash dividends are declared by the Board of Directors, cash dividends on the Preferred Shares shall be at the fixed rate of: • Series 3A Preferred Shares: 6.8713% per annum; • Series 3B Preferred Shares: 7.1383% per annum; in all cases calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (each, the "**Initial Dividend Rate**" for the relevant series). Dividend Rate means (a) from the Listing Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, until the date the Preferred Shares are redeemed, the higher of the Initial Dividend Rate and the Step Up Rate. (Please see below relevant definitions.)
Dividend Payment Dates	Cash Dividends will be payable on March 25, June 25, September 25 and December 25 of each year, each a "**Dividend Payment Date**", being the last day of each 3-month period (a "**Dividend Period**") following the relevant Listing Date, as and if declared by the Board of Directors in accordance with the terms and conditions of the Preferred Shares. The dividends on the Preferred Shares will be calculated on a 30/360-day basis. If the Dividend Payment Date is not a Business Day, dividends will be paid on the next succeeding Business Day, without adjustment as to the amount of dividends to

	be paid.
Conditions on Declaration and Payment of Cash Dividends	The declaration and payment of cash dividends for each Dividend Period will be subject to the sole and absolute discretion of the Board of Directors of the Issuer, to the extent permitted by applicable laws and regulations, and the covenants (financial or otherwise) in the agreements to which the Issuer is a party. The Board of Directors will not declare and pay dividends for any Dividend Period where payment of such dividends would cause the Issuer to breach any of its covenants (financial or otherwise). If in the opinion of the Board of Directors, the Company will not be in a position to pay in full the dividends on the Preferred Shares and the dividends or distributions on any Parity Securities falling due within a six-month period from any Dividend Payment Date, after paying in full an amount equal to all dividends or distributions scheduled to be paid on or before that dividend or distribution payment date on any securities with a right to dividends or distributions ranking in priority to that of the Preferred Shares, the Company shall either (a) not declare the dividends on the Preferred Shares and defer the payment of such dividends or distributions on any Parity Securities, or (b) pay such dividends on the Preferred Shares and the dividends or distributions on any Parity Securities *pro rata* to the amount of the dividends or distributions scheduled to be paid to them within the said period. The amount scheduled to be paid will include the amount of any dividend or distribution due and payable within the said period and any arrears on past cumulative dividends or any deferred distributions.
Optional Redemption and Purchase	As and if approved by the Board of Directors (or the Executive Committee), the Company may redeem in whole (but not in part), any subseries of the Preferred Shares as follows: a. in respect of Series 3A Preferred Shares, on the 5.5th anniversary of the Listing Date (the "**Series 3A First Optional Redemption Date**") or on any Dividend Payment Date thereafter (each of the Series 3A First Optional Redemption Date and the Dividend Payment Dates thereafter, a "**Series 3A Optional Redemption Date**"), and b. in respect of Series 3B Preferred Shares, on the 7th anniversary of the Listing Date (the "**Series 3B First Optional Redemption Date**") or on any Dividend Payment Date thereafter (each of the Series 3B First Optional Redemption Date and the Dividend Payment Dates thereafter, a "**Series 3B Optional Redemption Date**") (each Series 3A Optional Redemption Date and Series 3B Optional Redemption Date, an

	"**Optional Redemption Date**"), after giving not less than 30 nor more than 60 days written notice prior to the intended date of redemption, at a price (the "**Redemption Price**") equal to the Offer Price of the Preferred Shares plus all dividends due them on the actual date of redemption as well as all accumulated dividends due and payable, or Arrears of Dividends after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption. Such notice to redeem shall be deemed irrevocable upon issuance thereof. For the avoidance of doubt, on the applicable Optional Redemption Date, the Issuer has the option to redeem, in whole but not in part, any or both of the subseries. In the event an Optional Redemption Date which the Issuer has chosen as the date to redeem any or both of the subseries falls on a day that is not a Business Day, the redemption shall be made on the next succeeding day that is a Business Day, without adjustment as to the Redemption Price and the amount of dividends to be paid. The Issuer shall likewise have the option to redeem, in whole but not in part, any or both of the subseries (a) in the event payments in respect of the Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer; or (b) in the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**"), or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer. Upon listing on the PSE, the Company reserves the right to purchase the Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Preferred Shares. The Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in this Prospectus) and cancelled or kept as treasury shares, as applicable.

Dividend Rate Step Up	Unless the Preferred Shares shall have been redeemed by the Company on the Series 3A First Optional Redemption Date for the Series 3A Preferred Shares and on the Series 3B First Optional Redemption Date for the Series 3B Preferred Shares, the Initial Dividend Rate shall be adjusted as follows: a. for Series 3A Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 7-year BVAL (or if the 7-year BVAL is not available or cannot be determined, any successor rate as determined by the Bankers Association of the Philippines ("**BAP**") or the *Bangko Sentral ng Pilipinas* ("**BSP**")), as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the rate setting date, plus 3.25%; and b. for Series 3B Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any successor rate as determined by the BAP or the BSP), as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the rate setting date, plus 3.25%. (The date of the listing of Series 3A Preferred Shares and the Series 3B Preferred Shares is referred to as the "**Listing Date**". The 5.5th anniversary from the Listing Date referred to in (a) and the seventh anniversary from the Listing Date referred to in (b) are each referred to as a "**Step Up Date**". The adjusted rates referred to in (a) and (b) are each referred to as a "**Step Up Rate**".) However, if the Initial Dividend Rate is higher than the applicable Step Up Rate, there shall be no adjustment on the Dividend Rate, and the Initial Dividend Rate shall continue to be the Dividend Rate. In the event the relevant Step-up Date falls on a day that is not a Business Day, a. the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date, and

	b. the higher of the applicable Initial Dividend Rate and the applicable Step-Up Rate will be applied commencing on the Step-Up Date (which is the 5.5th anniversary date of the Series 3A Preferred Shares, and the 7th anniversary of the Series 3B Preferred Shares). In the event that BVAL is replaced by a new benchmark rate as determined by the BAP or the BSP, such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the "**New Benchmark Rate**"). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use or apply BVAL, the Company and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.
No Sinking Fund	The Company is not legally required, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Preferred Shares.
Taxation	All payments in respect of the Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippine Government, including, but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Company shall not be liable for, and the foregoing payment undertaking of the Company shall not apply to: a. any withholding tax applicable on dividends earned by or on any amounts payable to the holders of the Preferred Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation; b. any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption of the Preferred Shares or on the liquidating distributions as may be received by a holder of Preferred Shares; c. any expanded value added tax which may be payable by any holder of the Preferred Shares on any amount to be received from the Company under the terms and conditions of the Preferred

	Shares; d. any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividends payable to any holder of Preferred Shares or any entity which is a non-resident foreign corporation; and e. any applicable taxes on any subsequent sale or transfer of the Preferred Shares by any holder of the Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). All sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities. Documentary stamp tax and all other costs and expenses for the issuance of the Preferred Shares and the documentation, if any, shall be for the account of the Company.
Redemption by reason of a Tax Event	In the event payments in respect of the Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem any subseries of the Preferred Shares at any time in whole but not in part, at the Redemption Price. See "*Summary of the Offering*" and "*Description of the Preferred Shares*" of this Prospectus.
Redemption by reason of an Accounting Event	In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Issuer prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice, may redeem any subseries of the Preferred Shares in whole, but not in part at the Redemption Price. See "*Summary of the Offering*" and "*Description of the Preferred Shares*" of this Prospectus.

Form, Title and Registration of the Preferred Shares	The Preferred Shares will be issued in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer, and lodged with Philippine Depository and Trust Corporation as Depository Agent on Listing Date through PSE Trading Participants nominated by the accepted Applicants. For this purpose, Applicants shall indicate in the proper space provided for in the Application to Purchase forms that will be issued and circulated in connection with the Offer (together with the required documents), the name of the PSE trading participants under whose name their shares will be registered. After Listing Date, holders of the Preferred Shares (the "**Shareholders**") may request their nominated PSE Trading Participants to facilitate the conversion of their scripless Preferred Shares into stock certificates. Any expense that will be incurred in relation to such issuance of stock certificates shall be for the account of the requesting Shareholder. Legal title to the Preferred Shares will be shown in an electronic register of shareholders (the "**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a Statement of Account to all shareholders named in the Registry of Shareholders, except certificated shareholders and Depository Participants, confirming the number of Preferred Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of the given date thereof. Any request by a Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.
Selling and Transfer Restrictions	Initial placement and subsequent transfers of interests in the Preferred Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
Governing Law	The Preferred Shares will be issued pursuant to the laws of the Republic of the Philippines.
Features of the Preferred Shares	
Status	The Preferred Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least *pari passu* in all respects and ratably without preference or priority among themselves.

	The Preferred Shares will be subordinated to the US$500 million Senior Perpetual Capital Securities of the Company issued in 2018 ("**Capital Securities**"). The obligations of the Company in respect of the Preferred Shares will, in the event of the winding-up of the Company (subject to and to the extent permitted by applicable law), rank: a. junior to all unsubordinated obligations of the Company (other than Parity Securities) and any obligation assumed by the Company under any guarantee of, or any indemnity in respect of, any obligation or commitment which rank or are expressed to rank senior to the Preferred Shares; b. *pari passu* with each other and with any Parity Securities of the Company; and c. senior only to the Company's Junior Securities. (as defined below). "**Parity Securities**" means: (i) any instrument, security (including preferred shares) or obligation issued or entered into by the Company which ranks, or is expressed to rank, by its terms or by operation of law, *pari passu* with the Preferred Shares; (ii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the Company where the Company's obligations under the relevant guarantee or indemnity rank, or are expressed to rank, *pari passu* with the Company's obligations under the Preferred Shares; and (iii) the Outstanding Preferred Shares of the Company issued and outstanding as of the Listing Date. "**Junior Securities**" means (i) the common shares of the Company;(ii) any instrument, security or obligation issued or entered into by the Company which ranks, or is expressed to rank, junior to the Preferred Shares; and (iii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the Company where the Company's obligations under the relevant guarantee or indemnity rank, or are expressed to rank, junior to the Company's obligations under the Preferred Shares. The Company is at liberty from time to time without the consent of the holders of the Series 3 Preferred Shares to create and issue additional preferred shares or securities either (a) ranking at least *pari passu* in all respects with the Series 3 Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.

Dividend Cumulative	Dividends on the Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Preferred Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the "**Arrears of Dividends**").. Holders of the Preferred Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Preferred Shares. The Company covenants that, in the event (for any reason): a. any dividends due with respect to any Preferred Shares then outstanding for any period are not declared and paid in full when due; b. where there remains Arrears of Dividends; or c. any other amounts payable in respect of the Preferred Shares are not paid in full when due, then the Company will not: a. declare or pay any dividends or other distributions in respect of Parity Securities and Junior Securities (unless such declaration or payment of dividends or distributions in respect of Parity Securities shall be in accordance with "**Conditions on Declaration and Payment of Cash Dividends**"), or b. repurchase or redeem any Parity Securities or Junior Securities (or contribute any moneys to a sinking fund for the redemption of any Parity Securities or Junior Securities), until any and all amounts described in (a), (b) and (c) have been paid to the holders of the Preferred Shares.
No Voting Rights	Holders of the Preferred Shares shall not be entitled to vote at the Company's stockholders' meetings, except as otherwise provided by law.
Non-Participating	Holders of the Preferred Shares shall not be entitled to participate in any other or future dividends beyond the dividends specifically payable on the Preferred Shares.

Non-Convertible	Holders of the Preferred Shares shall have no right to convert the Preferred Shares to any other preferred shares or common shares of the Company.
No Pre-emptive Rights	Holders of the Preferred Shares shall have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued or sold by the Company.
Liquidation Rights	In the event of a return of capital in respect of the Company's winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Company of any of its share capital, the holders of the Preferred Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Company available for distribution to shareholders, together with the holders of any other securities of the Company ranking, as regards repayment of capital, *pari passu* with the Preferred Shares and before any distribution of assets is made to holders of any class of the securities of the Company ranking after the Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Preferred Shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the winding up of the Company or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Company, the amount payable with respect to the Preferred Shares and any other securities of the Company ranking as to any such distribution *pari passu* with the Preferred Shares is not paid in full, the holders of the Preferred Shares and of such other securities will share ratably in any such distribution of the assets of the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Preferred Shares will have no right or claim to any of the remaining assets of the Company and will not be entitled to any further participation or return of capital in a winding up.

Other Terms of the Offer

Minimum Subscription to the Preferred Shares	Each Application shall be for a minimum of 50 Preferred Shares, and thereafter, in multiples of 10 Preferred Shares. No Application for multiples of any other number of Preferred Shares will be considered.
Eligible Investors	Any natural person of legal age, or any corporation, association, partnership, trust account, fund or entity, regardless of nationality, subject to the Company's right to reject an application or reduce the number of

Preferred Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws. In addition, under certain circumstances, the Issuer may reject an application or reduce the number of Preferred Shares applied for subscription.

Law may restrict subscription to the Preferred Shares in certain jurisdictions. Foreign investors interested in subscribing to or purchasing the Preferred Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Preferred Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Preferred Shares. For more information relating to restrictions on the ownership of the Preferred Shares, see *"Regulatory and Environmental Matters".*

Procedure for Application

Applications to Purchase may be obtained from any of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, Co-Lead Underwriter or Selling Agents. All Applications shall be evidenced by the Application to Purchase, duly executed in each case by the Applicant or an authorized signatory of the Applicant and accompanied by two completed specimen signature cards, the corresponding payment for the Preferred Shares covered by the Application to Purchase and all other required documents including documents required for registry with the Registrar and Depository Agent (the "**Application**"). The duly executed Application to Purchase and required documents should be submitted to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, Co-Lead Underwriter or Selling Agents on or prior to set deadlines for submission of Applications. If the Applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:

a. a certified true copy of the Applicant's latest articles of incorporation and by-laws, general information sheet or equivalent constitutive documents, each as amended to date, duly certified by the corporate secretary (or equivalent officer);

b. a certified true copy of the Applicant's SEC certificate of registration, duly certified by the corporate secretary (or equivalent officer); and

c. a duly notarized corporate secretary's certificate setting forth the resolution of the Applicant's board of directors or equivalent body authorizing (i) the purchase of the Preferred Shares indicated in the Application and (ii) the designated signatories authorized for the purpose, including their respective specimen signatures.

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

An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must also submit the documents described on page 78 of this Prospectus.

Payment for the Preferred Shares

The Preferred Shares must be paid for in full upon submission of the Application. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application to Purchase and specimen signature card together with the requisite attachments. Payment for the Preferred Shares shall be made by manager's check/cashier's check, corporate check or personal check drawn against any Bangko Sentral ng Pilipinas authorized bank or any branch thereof. All checks should be made payable to "**Petron Preferred Shares Offe**r", crossed "Payee's Account Only," and dated on or before the date as the Application. The Applications and the related payments will be received at any of the offices of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, Co-Lead Underwriter or Selling Agents. Applicants submitting their Application to a Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner may also remit payment for their Preferred Shares through the Real Time Gross Settlement ("**RTGS**") facility of the BSP to the Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner to whom such Application was submitted or via direct debit to their deposit account maintained with such Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner. Cash payments shall not be accepted.

Should the Applicant elect to pay through RTGS, the Application should be accompanied by an instruction issued by the Applicant to effect payment through RTGS in an amount equal to the total Offer Price of the Shares applied for, to be effected and fully funded not later than 12:00 noon on June 18, 2019.

Should the Applicant elect to pay by a debit memo or instruction, the Application should be accompanied by a debit memo or instruction issued by the Applicant in an amount equal to the total Offer Price applied for in favor of the Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner to whom the Application is submitted, to be effected no later than 12:00 noon on June 18, 2019.

Acceptance/Rejection of Applications	The actual number of Preferred Shares that an Applicant will be allowed to subscribe for is subject to the confirmation of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. The Company, in consultation with the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, reserves the right to accept or reject, in whole or in part, or to reduce any Application due to any grounds specified in the Underwriting Agreement to be entered into by the Company and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any acceptance or receipt of payment pursuant to the Application does not constitute approval or acceptance by the Company of the Application. An Application, when accepted, shall constitute an agreement between the Applicant and the Company for the subscription to the Preferred Shares at the time, in the manner and subject to terms and conditions set forth in the Application to Purchase and those described in the Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription by the Applicant for the Preferred Shares will become effective only upon listing of the Preferred Shares on the PSE and upon the obligations of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement. If such conditions have not been fulfilled on or before the periods provided above, all Application payments will be returned to the Applicants without interest.
Refunds for Rejected Applications	In the event that the number of Preferred Shares to be allotted to an Applicant, as confirmed by a Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner, Co-Lead Underwriter or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund, without interest, within five Business Days from the end of the

Offer Period, all or the portion of the payment corresponding to the number of Preferred Shares wholly or partially rejected. All refunds, without interest, shall be made through the Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner, Co-Lead Underwriter or Selling Agent with whom the Applicant has filed the Application within five (5) Business Days from the end of Offer Period.

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

Process of distributing TP allocation between the Series 3A Preferred Shares and the Series 3B Preferred Shares

Mechanics of Distribution

1. Upon preparation of the Firm Undertaking report, the assigned Joint Issue Manager shall, under the supervision of a representative from the PSE Listings Department, input the number of Offer Shares requested by each TP in a spreadsheet designed for the reservation and allocation of the Offer Shares.

2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process:

    a) If the total number of Offer Shares requested by a Participating TP, based on its Firm Undertaking, does not exceed the allocation per TP, the assigned Joint Issue Manager shall fully satisfy the request of such Participating TP. Each TP is assured of not less than the Allocation per TP. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated.

    b) If the total number of Offer Shares requested by a Participating TP exceeds the allocation per TP, Additional Shares may be sourced from the Offer Shares not taken up by the other TPs. The assigned Joint Issue Manager, under the observation of a representative of the PSE Listings Department, shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders of those TPs who have Firm Orders that are less than or equal to the allocation per TP; and (ii) distributing equitably the remaining TP Allocation to other TPs with orders for Additional Shares, but only up to their respective Firm Order.

c) The allocation will be done based on the total number of shares, regardless of the series.

d) In no case shall any Participating TP be awarded more than the shares indicated in its Firm Undertaking.

e) If the aggregate number of Offer Shares requested by all Participating TPs is less than the TP Allocation, the balance shall be returned to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

3. Unless otherwise determined by the Issuer, the final TP allocation shall be distributed between Series 3A and Series 3B in the same proportion as each Series bears to the TP's aggregate Firm Undertaking, rounded to the prescribed board lot requirement as described in paragraph 10 below.

4. All deadlines indicated in these procedures shall be strictly followed.

Local Small Investors

There will be no allocation to Local Small Investors under the proposed offering.

Expected Timetable

The timetable of the Offer is expected to be as follows:

SEC en Banc approval and issuance of Pre-effective letter	May 17, 2019
PSE Board Approval and issuance of Notice of Approval	May 29, 2019
Dividend Rate Setting	May 30, 2019
Dividend Rate Announcement	May 31, 2019
Issuance of Permit to Sell and Order of Registration	May 31, 2019
Offer Period	June 3 to June 18, 2019

PSE Trading Participants' Submission of Firm Undertaking	June 11, 2019
PSE Trading Participants' Allocation	June 13, 2019
Listing Date and commencement of trading on the PSE	June 25, 2019

Any change in the dates included above may be subject to approval of the SEC and PSE, as applicable, and other conditions.

Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	BDO Capital & Investment Corporation, BPI Capital Corporation, China Bank Capital Corporation and PNB Capital and Investment Corporation. For more information on the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and their underwriting commitments, please see *"Plan of Distribution"*.
Co-Lead Underwriter	First Metro Investment Corporation
Selling Agents	Trading Participants of The Philippine Stock Exchange, Inc.
Depository Agent	Philippine Depository and Trust Corp.
Registrar/Stock Transfer Agent	SMC Stock Transfer Service Corporation
Receiving Agent	SMC Stock Transfer Service Corporation
Counsel to the Issuer	Picazo Buyco Tan Fider & Santos
Counsel to Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners	SyCip Salazar Hernandez & Gatmaitan

DESCRIPTION OF THE PREFERRED SHARES

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

Petron's Share Capital

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

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

As of December 31, 2018, the Company had an authorized capital stock consisting of:

a. 9,375,104,497 common shares with a par value of ₱1.00 per share, which are all issued and outstanding, and
b. 624,895,503 preferred shares with a par value of ₱1.00 per share, of which 10,000,000 preferred shares are issued and outstanding.

The Preferred Shares will be issued out of the treasury shares of the Company. In the event that Oversubscription Option is exercised, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, have the discretion to allocate the Oversubscription Option of up to 5,000,000 Preferred Shares in either Series 3A Preferred Shares or Series 3B Preferred Shares at the end of the Offer Period.

The Preferred Shares

General Features

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

- The Offer Price of the Preferred Shares shall be ₱1,000.00 per Preferred Share;
- The Initial Dividend Rate of the Preferred Shares shall be at a fixed rate of 6.8713% per annum for Series 3A Preferred Shares, and 7.1383%, per annum for Series 3B Preferred Shares, in all cases calculated in respect of each share by reference to the Offer Price thereof in respect of each Dividend Period;
- Cumulative in payment of current dividends as well as any unpaid back dividends;
- Non-convertible into common shares;
- Preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation of the Company and in the payment of the dividend at the rate specified above;
- Subordinated to the Capital Securities;
- Non-participating in any other or further dividends beyond the dividends specifically payable on the Preferred Shares;
- Non-voting except in those cases specifically provided by law;
- No pre-emptive rights to any subsequent issue of the Company's shares (including, without limitation, treasury shares); and
- Redeemable at the option of the Company under such terms and conditions as specified in this Prospectus.

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

Features Specific or Particular to the Preferred Shares

Following are certain features specific or particular to the Preferred Shares.

In General: No Voting Rights

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

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

Dividend Policy in Respect of the Preferred Shares

As and if dividends are declared by the Board, dividends on the Shares shall be at a fixed rate of 6.8713% per annum for Series 3A Preferred Shares, and 7.1383% per annum for Series 3B Preferred Shares, in all cases calculated in respect of each share by reference to the Offer Price thereof in respect of each Dividend Period.

Cash dividends on the Preferred Shares will be payable quarterly in arrears on March 25, June 25, September 25 and December 25 of each year (each a "**Dividend Payment Date**"), each being the last day of each 3-month period (a "**Dividend Period**") following the relevant Listing Date. The dividends on the Shares will be calculated on a 30/360-day basis and will be paid quarterly in arrears on Dividend Payment Date, as and if declared by the Board. If the Dividend Payment Date is not a Business Day, dividends will be paid on the next succeeding Business Day, without adjustment as to the amount of dividends to be paid.

The declaration and payment of cash dividends on each Dividend Period will be subject to the sole and absolute discretion of the Board to the extent permitted by applicable laws and regulations, and subject to the covenants (financial or otherwise) in the agreements to which the Company is a party.

The Board of Directors will not declare and pay dividends for any Dividend Period where payment of such dividends would cause the Issuer to breach any of its covenants (financial or otherwise).

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

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

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

Holders of the Preferred Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Preferred Shares.

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

a. any dividends due with respect to any Preferred Shares then outstanding for any period are not declared and paid in full when due;

b. where there remains Arrears of Dividends; or

c. any other amounts payable in respect of the Preferred Shares are not paid in full when due,

then the Company will not:

a. declare or pay any dividends or other distributions in respect of Parity Securities and Junior Securities (unless such declaration or payment of dividends or distributions in respect of Parity Securities shall be in accordance with "**Conditions on Declaration and Payment of Cash Dividends**"), or

b. repurchase or redeem any Parity Securities or Junior Securities (or contribute any moneys to a sinking fund for the redemption of any Parity Securities or Junior Securities),

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

Optional Redemption of the Preferred Shares

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

a. in respect of Series 3A Preferred Shares, on the 5.5th anniversary of the Listing Date (the "**Series 3A First Optional Redemption Date**") or on any Dividend Payment Date thereafter (each of the Series 3A First Optional Redemption Date and the Dividend Payment Dates thereafter, a "**Series 3A Optional Redemption Date**"), and

b. in respect of Series 3B Preferred Shares, on the 7th anniversary of the Listing Date (the "**Series**

3B First Optional Redemption Date") or on any Dividend Payment Date thereafter (each of the Series 3B First Optional Redemption Date and the Dividend Payment Dates thereafter, a "**Series 3B Optional Redemption Date**")

(each Series 3A Optional Redemption Date and Series 3B Optional Redemption Date, an "**Optional Redemption Date**"),

after giving not less than 30 nor more than 60 days written notice prior to the intended date of redemption, at a price (the "**Redemption Price**") equal to the Offer Price of the Preferred Shares plus all dividends due them on the actual date of redemption as well as all accumulated dividends due and payable, or Arrears of Dividends. Such notice to redeem shall be deemed irrevocable upon issuance thereof.

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

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

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

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

Dividend Rate Step Up

Unless the Preferred Shares shall have been redeemed by the Company on the Series 3A First Optional Redemption Date and on the Series 3B First Optional Redemption Date, the Initial Dividend Rate shall be adjusted as follows:

(a) for Series 3A Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 7-year BVAL (or if the 7-year BVAL is not available or cannot be determined, any successor rate as determined by the Bankers Association of the Philippines ("**BAP**") or the *Bangko Sentral ng Pilipinas* ("**BSP**")), as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the rate setting date, plus 3.25%; and

(b) for Series 3B Preferred Shares, the higher of the (a) applicable Initial Dividend Rate; or (b) the simple average of the closing per annum rate of the 10-year BVAL (or if the 10-year BVAL is not available or cannot be determined, any successor rate as determined by the BAP or the BSP), as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider) for the three (3) consecutive Business Days preceding and inclusive of the rate setting date, plus 3.25%.

(The date of the listing of Series 3A Preferred Shares and the Series 3B Preferred Shares is referred to as the "**Listing Date**". The 5.5th anniversary from the Listing Date referred to in (a) and the seventh anniversary from the Listing Date referred to in (b) are each referred to as a "**Step Up Date**". The adjusted rates referred to in (a) and (b) are each referred to as a "**Step Up Rate**".)

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

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

(a) the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date, and

(b) the higher of the applicable Initial Dividend Rate and the applicable Step-Up Rate will be applied commencing on the Step-Up Date (which is the 5.5th anniversary date of the Series 3A Preferred Shares, and the 7th anniversary of the Series 3B Preferred Shares).

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

Payments on the Preferred Shares

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

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

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

Early Redemption by reason of a Tax Event

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

Early Redemption by reason of an Accounting Event

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

Liquidation Rights in Respect of the Preferred Shares

The Preferred Shares will constitute the direct and unsecured subordinated obligations of the Company ranking at least *pari passu* in all respects and ratably without preference or priority among themselves with all other Preferred Shares issued by the Company and any other Parity Securities issued by the Company. The Preferred Shares will be subordinated to the Capital Securities issued in 2018.

In the event of a return of capital in respect of the Company's winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Company of any of its share capital, the obligations of the Company in respect of the Preferred Shares will, subject to and to the extent permitted by applicable law, rank: (a) junior to all unsubordinated obligations of the Company (other than Parity Securities) and any obligation assumed by the Company under any guarantee of, or any indemnity in respect of, any obligation or commitment which rank or are expressed to rank senior to the Preferred Shares; (b) *pari passu* with each other and with any Parity Securities of the Company; and (c) senior only to the Company's Junior Securities.

The Company is at liberty from time to time without the consent of the holders of the Series 3 Preferred Shares to create and issue additional preferred shares or securities either (a) ranking at least pari passu in all respects with the Series 3 Preferred Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.

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

No Pre-emptive Rights

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

Transfer of Shares and Share Register

The Preferred Shares will be issued in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer, and lodged with Philippine Depository and Trust Corporation ("**PDTC**") as Depository Agent on Listing Date through PSE Trading Participants nominated by the Applicants.

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

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

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

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

Not convertible into Common Shares

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

Other Rights and Incidents Relating to the Preferred Shares

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

Directors

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

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

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

The Company conforms to the requirement under the Revised Corporation Code to have independent directors constituting at least 20% of the board. As of the date of this Prospectus, the Company has four independent directors, namely, Reynaldo G. David, Artemio V. Panganiban, Margarito B. Teves, and Carlos Jericho L. Petilla.

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

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

Shareholders' Meetings

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

Quorum

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

Voting

At each shareholders' meeting, each holder of common shares shall be entitled to vote in person, or by proxy, via remote communication, or in absentia, all shares held by him, upon any matter duly raised in such meeting. Upon the other hand, holders of preferred shares may vote on matters which the Revised

Corporation Code considers significant corporate acts that may be implemented only with the approval or assent of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. *See "Description of the Preferred Share –In General: No Voting Rights*".

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

Fixing Record Dates

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

Appraisal Rights

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

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

- An amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or extension or shortening the term of corporate existence;
- The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all of the assets of the corporation;
- The investment of corporate funds in another corporation or business for any purpose other than the primary purpose for which the corporation was organized; and
- A merger or consolidation.

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

Derivative Rights

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

Accounting and Auditing Requirements/Rights of Inspection

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

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

RISK FACTORS

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

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

The means by which the Company intends to address the risk factors discussed herein are principally presented under "The Company — Strengths" beginning on page 84, "The Company — Areas of Strategic Focus" beginning on page 87, "Management's Discussion and Analysis of Financial Position and Results of Operations" beginning on page 171, "Corporate Governance and Management" on page 142 and "Board of Directors and Management of the Company" beginning on page 143 of this Prospectus.

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

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

General Risk Warning

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments, each of which may carry a different level of risk.

Prudence Required

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

Professional Advice

Investors should seek professional advice if they are uncertain of, or have not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high risk securities.

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 generally accounts for a large portion of the Company's total cost of goods sold. For example, in the year ended December 31, 2018, crude oil accounted for approximately 52% of the Company's total cost of goods sold.

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 and other factors over which the Company has no control. Historically, international crude oil prices have been volatile, and they are likely to continue to be volatile in the future. For example, in the latter part of 2014, the global oil market was especially volatile with crude oil prices plunging by as much as approximately US$40/bbl in just four months. Dubai crude oil price declined from an average of approximately US$102/bbl in August 2014 to an average of approximately US$60/bbl in December 2014. The volatility continued, albeit at a more gradual manner, with oil prices extending their downward trend throughout 2015 until January 2016 when Dubai crude oil price reached a bottom of approximately US$23/bbl. Thereafter, crude prices steadily recovered with Dubai crude oil price averaging US$41/bbl and US$53/bbl in 2016 and 2017, respectively. However, this volatility once again manifested as Dubai crude peaked to an average of US$79//bbl for the month of October 2018 only to drop to an average of US$57/bbl for the month of December of the same year. Prices have since recovered in the first two months of 2019 with Dubai crude averaging approximately US$60/bbl.

The Company holds approximately two months and approximately three weeks of crude oil and finished petroleum products inventory in the Philippines and Malaysia, respectively. 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 along to its consumers in a timely manner, or at all, due to regulatory restrictions or social and competitive concerns. The Philippine government has historically intervened to restrict increases in the prices of petroleum products in the Philippines from time to time. For example, on October 2, 2009, then President Gloria Macapagal-Arroyo declared a state of national calamity in view of the devastation caused by typhoons "Ondoy" and "Pepeng." President Arroyo subsequently issued Executive Order 839 mandating that prices of petroleum products in Luzon be kept at October 15, 2009 levels effective October 23, 2009. As a result of this price freeze, the Company was unable to raise prices for its refined petroleum products, which adversely affected its profitability during the period until the price freeze was lifted on November 16, 2009. Any inability or limitation on the ability to pass on fluctuations in the price of crude oil may have a material adverse effect on the Company's business, results of operations and financial condition. In addition, 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 Malaysia, the Company's operations are subject to government price controls. See "*Risk Factors—Risks Relating to the Company's Business and Operations—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, including price controls, subsidies and quotas".*

Furthermore, a sharp rise in crude 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. Any difficulty 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 minimize 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. A hedging policy developed by the Company's Commodity Risk Management Department is in place. Hedges are intended to protect crude inventories from risks of downward price movements and squeezed margins.

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 purchases a significant portion of the crude oil for its Philippine operations from Saudi Arabian Oil Company ("**Saudi Aramco**"), the state-owned national oil company of Saudi Arabia. For example, in 2018, the Company purchased approximately 46% of the total crude oil supply requirements of the Limay Refinery from Saudi Aramco. Petron has a term contract with Saudi Aramco entered into in 2008 to purchase various Saudi Aramco crudes. Pricing is determined through a formula that is linked to international industry benchmarks. The contract is automatically renewed annually unless either the Company or Saudi Aramco decides to terminate the contract upon at least 60 days' written notice prior to its expiration date. As of March 31, 2019, neither the Company nor Saudi Aramco has terminated the contract.

In addition, the Company also purchases a significant portion of the crude oil for its Philippine operations from Kuwait Petroleum Corporation ("**KPC**"). Petron has a contract with KPC to purchase various Kuwait crude. Pricing is determined through a formula that is linked to international industry benchmarks. The contract is renewable subject to mutual agreement of the parties. As of March 31, 2019, neither the Company nor KPC has terminated the contract.

The supply of crude oil by Saudi Aramco and KPC is subject to a variety of factors beyond the Company's control, including political developments in and the stability of Saudi Arabia, Kuwait and the rest of the Middle East, government regulations with respect to the oil and energy industry in those regions, weather conditions and overall economic conditions in the Middle East.

In Malaysia, the Company purchases a significant portion of its crude oil supply requirements for the Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia, Inc. ("**EMEPMI**") pursuant to a long-term supply contract.

A disruption in the operations of Saudi Aramco, KPC or EMEPMI, or a decision by any of Saudi Aramco, KPC or EMEPMI to amend or terminate their respective contracts with the Company, could negatively impact the Company's crude oil supply. If the Company's supply of crude oil from Saudi Aramco, KPC or EMEPMI 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 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, KPC or EMEPMI, which would adversely affect the Company's financial condition and results of operations.

The Limay Refinery is capable of processing various types of crude oil. The Company's crude oil optimization strategy includes the utilization of various types of crude oil to provide additional value to the Company. The completion of the RMP-2 has given the Limay Refinery greater flexibility to use heavier, more sour alternative crude. The Port Dickson Refinery is designed to process sweet crude oil. The Company's crude oil optimization strategy for the Port Dickson Refinery includes diversification in processing different types of local as well as regional sweet crude oil. However, there can be no assurance that the Company will be able to successfully implement its crude oil optimization strategies and diversify to using other crude oil efficiently or in a timely manner.

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 would be materially and adversely affected.

The Company maintains an inventory management system that allows it to forecast demand with ample lead time to source for supply and meet the needs of its clients.

The Company's business, financial condition and results of operations may be adversely affected by intense competition and cyclicality in global and regional refining capacities.

The Company faces intense competition in the sale of petroleum and other related products in the markets in which it operates. The Company competes with a number of multinational, national, regional and local competitors in the refined petroleum products business for market share of petroleum products sales. See *"Business–Competition"* for more information about the competition faced by the Company. 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. Participants in the reseller and LPG sectors in the Philippines continue to rely on aggressive pricing and discounting in order to expand their market share. The Company's Malaysian operations are subject to government price controls and quotas. As a result, competition in these market sectors is based primarily on the allocation of the applicable quotas by the Malaysian government. See *"Risk Factors—Risks Relating to the Company's Business and Operations—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 will depend on 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. If the Company is unable to compete effectively with its competitors, its financial condition and results of operations, as well as its business prospects could be materially and adversely affected.

In addition, the Philippine oil industry is affected by ongoing smuggling and illegal trading of petroleum products. These illegal activities have resulted in decreases in sales volume and sales price for legitimate oil market participants in the Philippines. 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.

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 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 and implementation of its expansion plans could be adversely affected by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, fires, explosions, release of toxic fumes, engineering and environmental problems, natural disasters and other unforeseen circumstances and problems. For example, in June 2016, there was a fire in the Port Dickson Refinery which necessitated a 10-day plant shutdown. Through the Company's structured safety program, the fire was safely extinguished by trained Petron firefighters and the local fire department as well as personnel from the neighboring oil company. The incident required the activation of the Company's business continuity plan, including repairs and re-starting operations at the Port Dickson Refinery, and in the interim, managing incoming crude supply and continued supply of petroleum products to customers, to ensure the reliable and continuous supply of finished products. Although Port Dickson Refinery underwent a temporary shutdown to facilitate investigations and repair works, there was no significant impact on product supply due to the activation of the Company's business continuity plan. No injury was recorded and the incident left minimal impact on the environment.

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. The Company self-insures some risks which have a low probability of occurring and for which insurance policies are not readily available or are priced unreasonably high.

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 pricing structure through the automatic pricing mechanism ("**APM**"), pursuant to which it mandates (i) the prices of certain refined petroleum products, (ii) quotas and (iii) certain fixed amounts for marketing, transportation and distribution costs in relation to the subsidy structure. 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 so that increases in international crude oil prices are not borne fully by Malaysian consumers. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on 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 a balancing figure to the Malaysian government. On March 2, 2019, the government implemented ceiling prices for RON95 and diesel. See *"Regulatory and Environmental Matters—Malaysia Sale and Pricing of Refined Petroleum Products—Price Control and Anti Profiteering Act, 2011."* A substantial portion of the Company's revenue has been derived from sales of refined petroleum products in Malaysia that are subject to price controls.

In addition, the sale of diesel in Malaysia is subject to a quota system that applies to oil companies and eligible users and customers to ensure that subsidized diesel sold at service stations (meant strictly for road transport vehicles) is not sold illegally to industrial or commercial customers at unregulated prices. Diesel sales at service stations that exceed the volumes permitted under the Company's or its customers' quotas are not eligible for government subsidies. Accordingly, in instances when the government-mandated prices are lower than the Company's total built-up costs, the Company endeavors to limit diesel sales to volumes covered by the quotas. *See "Regulatory and Environmental Matters — Malaysia — Sale and Pricing of Refined Petroleum Products — Price Control and Anti Profiteering Act, 2011."* There can be no assurance that the Malaysian government will increase quotas, grant applications or not decrease the Company's quotas or those of any of its customers in the future. A substantial portion of the Company's revenue is derived from sales of diesel in Malaysia that are subject to the quota system. Accordingly, if the Malaysian government decreases or does not increase the Company's quotas or those of any of its selected transportation sector customers, the Company's financial condition and results of operations may be materially and adversely affected.

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

Continued compliance with safety, health, environmental and zoning laws and regulations may adversely affect the Company's results of operations and financial condition.

The operations of the Company's business are subject to a number of national and local laws and regulations in the countries in which it operates, including safety, health, environmental and zoning laws and regulations. These laws and regulations impose controls on air and water discharges, the storage, handling, discharge and disposal of waste, the location of storage facilities, and other aspects of the Company's business. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the Company, including the revocation or suspension of the Company's licenses or operation of its facilities.

The Company has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. 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—Philippines."* For example, the Company built a light virgin naphtha isomerization unit and a gas oil hydrotreater in 2006 to ensure that the Limay Refinery complied with the standards mandated by the Philippine Clean Air Act. Additional facilities were built from 2014 to 2015 to comply with environmental requirements mainly in relation to the RMP-2. These included a refinery wastewater treatment plant, sour water stripping facilities, sulphur recovery units, a flue gas desulfurizer and a flare system. 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, in November 2001, the City of Manila, citing concerns of safety, security and health, passed an ordinance reclassifying the area occupied by the Company's main storage facility in Pandacan, Manila, from industrial to commercial, thereby prohibiting the continued operation of the Company's facility in Pandacan as a petroleum storage facility and necessitating relocation to other alternative sites in Luzon. In accordance with the Supreme Court decision in the case relating to the petroleum storage facilities in Pandacan, the Company ceased operations of its petroleum storage facilities in Pandacan in August 2015. The Company has also decided to eventually relocate its lubricant blending plant located in Pandacan to another site.

Another example is the mandatory compliance with Euro IV standards in the Philippines in 2016 and the implementation in Malaysia of Euro 4M and Euro 5M compliant fuels in phases from 2014 to 2027. See *"Regulatory and Environmental Matters—Malaysia—Environmental Laws—Environmental Quality Act, 1974."* The Company has made and is making capital expenditures to ensure that its refineries comply with Euro IV standards, Euro 4M and Euro 5M standards, as applicable, as these standards are mandated by the Philippine and Malaysian governments, respectively. 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.

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 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.

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 natural gas, ethanol and palm oil methyl ester fuel blends. If alternative fuels become more affordable and available than petroleum products, customers may shift from petroleum to these alternative fuels not offered by the Company, resulting in lower sales volumes. In recent years, the Philippine government has enacted regulations mandating the inclusion of a specified percentage of alternative fuels in gasoline and diesel fuels sold or distributed by every oil company in the Philippines, and these types of requirements may be increased in the future. In Malaysia, the government initially mandated that all diesel used for automotive purposes be comprised of 5% palm oil methyl ester. This was subsequently increased to 7% in the second half of 2014. 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.

To ensure adherence to government product substitution requirements, the Company monitors government policies and coordinates with regulators.

The Company's business strategies require significant capital expenditures and financing, 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 may be affected by the timely and successful completion of its planned capital expenditure projects. The Company's current business strategies involve, among others, (i) continued investment in the Limay Refinery to support the increased utilization from RMP—2 and improve refinery operations; (ii) continued expansion of its retail service station, LPG and lubes network in the Philippines; (iii) expansion and upgrade of its logistics capacity; and (iv) expansion of Malaysia operations with new service station additions and facilities improvements in Port Dickson Refinery to enable it to produce Euro 5M-compliant fuels. 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 Limay 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 increased production resulting from the completion of RMP-2. 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 debt to finance its capital expenditure projects, a significant portion of which is due in five years or less. 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.

The Company judiciously oversees its capital expenditure projects and ensures progress is on track. The Company likewise practices prudent financial management and continues to develop new sources of financing.

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. For example, duties for the import of crude oil and petroleum products into the Philippines were increased on January 1, 2005 from 3% to 5%, and these duties were subsequently reduced to 0% with effect from July 4, 2010 (except for certain types of aviation gas). Furthermore, the Philippine government imposed an additional 12% value-added tax ("**VAT**") on the sale or importation of petroleum products in 2006.

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN**"), took into effect. The TRAIN amended provisions of the Philippine Tax Code, among others, increasing excise tax rates of petroleum products to take effect on January 1, 2018, January 1, 2019 and January 1, 2020.

The increase in excise tax rates on petroleum products will significantly increase the excise taxes and VAT payable of the Company on its importation and production of petroleum products. However, the scheduled increase shall be suspended when the average Dubai crude oil price based on MOPS for three 3 months prior to the scheduled increase of the month reaches or exceeds USD80/bbl.

Malaysia's system of import duties and sales taxes was replaced by a goods and service tax ("**GST**") effective April 1, 2015. The GST, however, was revoked effective June 1, 2018 and the Sales and Service Tax was issued to take its place effective September 1, 2018. The changes in the GST and Sales and Service Tax did not affect import duty.

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

The substantial majority of the Company's revenues are denominated in either Philippine Pesos or Ringgit Malaysia, while the substantial majority of its expenses, including crude oil purchases and foreign currency denominated debt service costs, are denominated in U.S. dollars. In 2018, approximately 50% of the Company's revenues were denominated in Philippine Pesos, approximately 34% of its revenues were denominated in Ringgit Malaysia, while approximately 71% of its cost of goods sold were denominated in U.S. dollars. In addition, as of 2018, 29% of the Company's outstanding debt was denominated in U.S. dollars. The Company's financial reporting currency is the Peso, and therefore depreciation of the Peso relative to the U.S. dollar would result in increases in the Company's foreign currency denominated expenses as reflected in its Peso financial statements, and could also result in foreign exchange losses resulting from the revaluation of foreign currency denominated assets and liabilities, including increases in the Peso amounts of the Company's U.S. dollar denominated debt obligations, thereby adversely affecting the Company's results of operations and financial condition. In addition, there can be no assurance that the Company could increase its Peso—or Ringgit—denominated product prices to offset increases in its crude oil or other costs resulting from any depreciation of the Peso or the Ringgit, as applicable. From January 1, 2016 to December 31, 2018, the Philippine Peso versus the U.S. dollar fluctuated from a low of ₱ 46.010 per U.S. dollar on June 8, 2016 to a high of ₱ 54.33 per U.S. dollar on October 4, 2018. In the same period, Malaysian Ringgit versus the U.S. dollar fluctuated from a low of RM 3.8430 per U.S. dollar on April 13, 2016, to a high of RM 4.4980 per U.S. dollar on January 4, 2017.[5] While the Company uses a combination of natural hedges, which involve holding U.S. dollar—denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure, its exchange rate exposures are not fully protected. There can be no assurance that the value of the Peso or the Ringgit Malaysia will not decline or continue to fluctuate significantly against the U.S. dollar, and any significant future depreciation of the Peso or the Ringgit Malaysia could have a material adverse effect on the Company's margins, results of operations and financial condition.

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

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

The Company depends on experienced, skilled and qualified personnel for the management and operation of its business. The loss of such experienced, skilled or qualified personnel may lead to operating challenges and increased costs. These challenges include lack of resources, loss of knowledge and lengthy period of time associated with skill development. In this case, costs, including costs related to contract labor, productivity and safety, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or the limited availability 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 could adversely affect the Company's ability to compete in its industry, which in turn could have a material adverse effect on its business, results of operations and cash flows.

In addition, the Company relies, and will likely continue to rely, significantly on the continued individual and collective contributions of its management team. There can be no assurance that the Company will be able to retain its management team. The loss of any of these key employees without a suitable replacement, or the Company's inability to retain these key employees, could have a material adverse effect on its business, results of operations and cash flows.

To mitigate this risk, the Company ensures that its compensation and benefit packages for its management, officers, staff and rank-and-file are competitive and within industry standards. Promotions and pay raises are merit-based and performance appraisals are conducted regularly.

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

San Miguel Corporation ("**SMC**"), directly and indirectly, holds an effective 68.26% of the Company's outstanding common equity as of December 31, 2018. See *"Ownership and Corporate Structure"* of this Prospectus. 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.

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.

[5] According to Bloomberg historical rates of the Philippine Peso Spot Currency and Reuters historical rates of the Malaysian Ringgit Spot Currency

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, 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 for which the Company is self-insured 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 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 interruption 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 self-insurance, reinsurance and purchased insurance to cover its properties and certain potential liabilities. The Company's insurance coverage includes property, marine cargo and third-party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption. One of the main insurance policies of the Company, the Industrial All Risk ("**IAR**") policy covers the Limay Refinery for material damages, machinery breakdown and business interruption. The business interruption coverage under the IAR policy has a US$300.0 million limit. All insurance policies relating to the Company's Philippine operations are written by its wholly owned insurance subsidiary, Petrogen Insurance Corporation ("**Petrogen**"). The majority of the risks insured by Petrogen are reinsured with Standard & Poor's A—rated foreign insurers through Overseas Ventures Insurance Corporation Ltd. ("**Ovincor**"), Petron's Bermuda-based captive insurance subsidiary. 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. If the number or severity of claims for which the Company is self—insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than the original assessments, the Company's financial condition, results of operations and cash flows may be materially and adversely affected.

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

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

From time to time, the Company, its subsidiaries, associates or joint ventures, or directors or key management may be subject to litigation, investigations, claims and other legal proceedings. For a description of certain legal proceedings, see *"Business—Legal Proceedings"* of this Prospectus. 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 business, financial position, results of operations and cash flows. With respect to the ongoing legal cases, while the final outcomes of these legal proceedings are not certain, the Company believes it has strong legal grounds in each of these legal proceedings. In certain cases, the Company has made provisions in its financial statements for possible liabilities arising from adverse results of these legal proceedings.

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

The PFRS Council issues, from time to time, new standards and amendments to existing standards and interpretations. There can be no assurance that the Company's financial condition, results of operations or cash flows will not appear to be materially worse under the new standards. For example, effective January 1, 2019, lessees may no longer classify their leases as either operating or finance leases in accordance with Philippine Accounting Standard 17. Rather, lessees will be required to apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. There can be no assurance that the Company's financial condition and results of operations will not be materially affected under PFRS 16. Furthermore, any failure to successfully adopt the new standards may adversely affect the Company's results of operations or financial condition.

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 2018, the Company derived approximately 64% and 36% of its sales from its Philippine and Malaysian operations, respectively. 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 Ringgit Malaysia, 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. In recent years, there has been political instability in the Philippines, including impeachment proceedings against two (2) former presidents, the Chief Justice of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by current and previous administrations. There can be no assurance that acts of election-related or other political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the impeachment of government officials, 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.

Currently, the Duterte administration is pushing for a shift to a federal form of government. For this purpose, the President created a consultative committee to review the 1987 Constitution and draft a federal constitution.

Recently, the Bangsamoro Organic Law ("**BOL**") was enacted to abolish the Autonomous Region in Muslim Mindanao, and created the Bangsamoro Autonomous Region in Muslim Mindanao ("**BARMM**"). The BARMM will be parliamentary-democratic in form, and will be headed by a chief minister, who will preside over an 80-member parliament. The BOL, however, still has to be cleared by a plebiscite and overcome possible legal challenges.

The upcoming Philippine legislative and local elections are also scheduled on May 2019. There is no assurance that the upcoming elections will be peaceful and free of allegations of fraud and voter disenfranchisement.

In addition, the Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could impact the Company's business.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has been in conflict with various groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines as well as clashes with separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu and a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS affiliated-Maute group, following the government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared Martial Law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on July 22, 2017, both Houses of Congress voted to extend Martial Law until the end of 2017. On October 17, 2017, President Duterte declared the liberation of Marawi City. The clashes resulted in the loss of lives of civilians, soldiers and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents and the reconstruction of the city is on-going. On December 13, 2017, both Houses of Congress again granted President Duterte's request to extend Martial law in Mindanao until December 31, 2018. For the third time on December 17, 2018, Martial Law was extended by both Houses of Congress until December 31, 2019. In January 2019, separate petitions were filed with the Supreme Court challenging the third extension of Martial Law in Mindanao.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to parts of the

Company’s businesses and materially and adversely affect its financial conditions, results of operations and prospects.

These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the AFP, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Company’s business, financial condition, and results of operations.

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

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

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

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine peso or increase in interest rate, may adversely affect consumer sentiment. 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 number of major natural or man—made catastrophes in recent years, including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. Natural catastrophes may disrupt the Company’s ability to produce or distribute its products and impair the economic conditions in affected areas, as well as the overall Philippine and Malaysian economies. The Philippines and Malaysia have both experienced electricity blackouts resulting from insufficient power generation, faulty transmission lines and other disruptions, such as typhoons or other tropical storms. These types of events may materially disrupt the Company’s business and operations and could have a material adverse effect on the Company’s financial condition and results of operations. The Company has insurance policies that cover business interruption and material damage to its facilities caused by natural catastrophes. However, the Company cannot assure prospective investors that the insurance coverage it 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 enforcing judgments against the Company

The Company is organized under the laws of the Philippines and most of its assets are located in the Philippines and Malaysia. It may be difficult for investors to effect service of process outside the Philippines upon the Company with respect to claims pertaining to the Preferred Shares. Moreover, it may be difficult for investors to enforce in the Philippines or Malaysia judgments against the Company obtained outside the Philippines or Malaysia, as applicable, in any actions pertaining to the Preferred Shares, particularly with respect to actions for claims to which the Company has not consented to service of process outside the Philippines or Malaysia, as the case may be.

In addition, substantially all of the directors and senior management of the Company are residents of the Philippines, and all or a substantial portion of the assets of these persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process outside of the Philippines upon such persons or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines.

The Philippines 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 to enforce such judgment, and without re-trial or re-examination of the issues, only if (i) the court rendering such judgment had jurisdiction in accordance with its jurisdictional rules, (ii) the other party had notice of the proceedings, (iii) such judgment was not obtained by collusion or fraud or based on a clear mistake of fact or law and (iv) such judgment was not contrary to public policy or good morals in the Philippines.

A judgment obtained for a fixed sum in a court of a reciprocating country (as listed in the First Schedule of the Reciprocal and Enforcement of Foreign Judgments Act 1958 ("**REJA**")) may be recognized and enforced by the courts of Malaysia upon registration of the judgment with the courts of Malaysia under the REJA 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 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 *Bangko Sentral ng Pilipinas* (the "**BSP**"), with the approval of the President of the Philippines, has statutory authority, in the imminence of or during a foreign exchange crisis or in times of national emergency, to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require delivery of foreign exchange to the BSP or its designee banks. The Philippine government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

There are foreign exchange policies in Malaysia that support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange policies in Malaysia are governed by the Financial Services Act 2013 ("**FSA**") and the Islamic Financial Services Act 2013 ("**IFSA**") and are administered by the Foreign Exchange Administration, an arm of Bank Negara Malaysia ("**BNM**"), which is the central bank of Malaysia. BNM has issued Rules and Notices that regulate foreign exchange dealings in Malaysia pursuant to the powers conferred by the FSA and 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 BNM, there is no restriction for non-residents to invest in Malaysia in any form of Ringgit assets either as direct or portfolio investments, and non-residents are free to repatriate any amount of funds in Malaysia at any time, including capital, divestment proceeds, profits, dividends, rental, fees and interest arising from investment in Malaysia, subject to the applicable reporting requirements and any withholding tax. Repatriation, however, must be made in 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 and Peso—denominated debt obligations that are payable in foreign currency. 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 or Peso-denominated debt obligations that are payable in foreign currency, which could materially and adversely affect its financial condition and results of operations.

Risks Relating to the Preferred Shares

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Preferred Shares, the merits and risks of investing in the Preferred Shares and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preferred Shares and the impact the Preferred Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Preferred Shares, including where the currency for principal or dividend payments is different from the potential investor's currency;
- understand thoroughly the terms of the Preferred Shares and be familiar with the behavior of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

The Preferred Shares are subordinated obligations.

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

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

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

There may be insufficient distributions upon liquidation.

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

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

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

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

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

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

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

The market price of the Preferred Shares could be affected by several factors, including: (i) general market, political and economic conditions; (ii) changes in earnings estimates and recommendations by financial analysts; (iii) changes in market valuations of listed stocks in general and other retail stocks in particular; (iv) the market value of our assets; (v) changes to Government policy, legislation or regulations; and (vi) general operational and business risks.

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

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

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

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

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

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

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

On the Series 3A Optional Redemption Date or Series 3B Optional Redemption Date, as applicable, or at any time a Tax Event or an Accounting Event occurs, the Company may redeem the Preferred Shares for cash at the redemption price See ''*Description of the Preferred Shares''* of this Prospectus. At the time of redemption, dividend rates may be lower than at the time of the issuance of the Preferred Shares and, consequently, the holders of the Preferred Shares may not be able to reinvest the proceeds at a comparable yield or purchase securities otherwise comparable to the Preferred Shares.

The Preferred Shares have no voting rights.

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

USE OF PROCEEDS

The Company estimates that the net proceeds from the Offer shall amount to approximately ₱14.87 Billion after fees, commissions and expenses. Assuming the oversubscription option is fully exercised, the net proceeds of the Offer shall amount to approximately ₱19.84 Billion after fees, commissions, and expenses.

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

Underwriting Fees for the Preferred Shares being sold by the Company	₱82,500,000.00
Taxes to be paid by the Company	₱6,360,000.00
Philippine SEC filing and legal research fee	₱5,618,125.00
PSE filing fee (inclusive of VAT)	₱22,000,000.00
Estimated legal and other professional fees	₱8,500,000.00
Estimated other expenses	₱1,000,000.00
TOTAL	**₱125,978,125.00**

Assuming the oversubscription option is fully exercised:

Underwriting Fees for the Preferred Shares being sold by the Company	₱110,000,000.00
Taxes to be paid by the Company	₱8,480,000.00
Philippine SEC filing and legal research fee	₱5,618,125.00
PSE filing fee (inclusive of VAT)	₱22,000,000.00
Estimated legal and other professional fees	₱8,500,000.00
Estimated other expenses	₱1,000,000.00
TOTAL	**₱155,598,125.00**

The net proceeds of the Offer shall be used primarily for the redemption of the outstanding Series 2A Preferred Shares of the Company, repayment of outstanding short-term loans and for general corporate purposes, as follows:

Purpose	₱ 14.87 Billion Net proceeds of the Offer	₱ 19.84 Billion Net proceeds of the Offer	Estimated Timing of Disbursement
Redemption of the Series 2A Preferred Shares (“**PRF2A**”) • Dividend Rate: 6.3% p.a. subject to Step-up Rate • Optional Redemption Date: November 3, 2019	₱ 7.12 Billion	₱ 7.12 Billion	3 November 2019
Repayment of Outstanding Short-Term Debt from Bank of the Philippine Islands with an aggregate amount of Php6.96 Billion	₱6.96 Billion	₱6.96 Billion	7 June 2019 or up to 1 Business Day after the Issue Date of the Preferred Shares
General corporate purposes (such as, but not limited to, the purchase of crude oil)	₱0.79 Billion	₱5.76 Billion	2nd or 3rd quarter of 2019

Details of the short-term debt from Bank of the Philippine Islands with an aggregate amount of Php6.96

Billion are as follows:

	BPI Short-Term Facility	BPI Revolving Facility
Amount	Php5,000,000,000.00	Php1,960,000,000.00
Tenor	43 days	72 days
Maturity Date	7 June 2019 (*Can be rolled-over should issuance of Preferred Shares be after 7 June 2019*)	7 June 2019 (*Can be rolled-over should issuance of Preferred Shares be after 7 June 2019*)
Purpose	Working capital requirements (i.e. crude importations)	

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

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

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed above. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, PSE and the holders of the Preferred Shares in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Board or the Executive Committee, and disclosed to the PSE. In addition, the Company shall submit via the PSE's online disclosure system, the Electronic Disclosure Generation Technology ("**EDGE**"), the following disclosures to ensure transparency in the use of proceeds:

i. any disbursements made in connection with the planned use of proceeds from the Offer;

ii. quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;

iii. annual summary of the application of the proceeds on or before January 31 of the following year; and

iv. approval by the Board or the Executive Committee of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

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

DETERMINATION OF THE OFFER PRICE

The Offer Price of ₱1,000.00 is at a premium to the Preferred Share's par value per share of ₱1.00. The Offer Price was arrived at by dividing the desired gross proceeds of ₱20 billion by the amount of Preferred Shares allocated for this offering.

The Company's Outstanding Preferred Shares are listed and traded on the PSE under the stock symbol "PRF2A" and "PRF2B". The closing prices of the Outstanding Preferred Shares as of March 29, 2019, the last trading date for the month of March, are ₱985.00 and ₱1,050.00, respectively.

Upon listing, the Series 3A Preferred Shares and Series 3B Preferred Shares shall be traded under the symbols "PRF3A" and "PRF3B", respectively.

PLAN OF DISTRIBUTION

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

Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners: BDO Capital & Investment Corporation ("**BDO Capital**"), BPI Capital Corporation ("**BPI Capital**") China Bank Capital Corporation ("**China Bank Capital**"), and PNB Capital and Investment Corporation ("**PNB Capital**"), have agreed to distribute and sell the Preferred Shares at the Offer Price, pursuant to an Underwriting Agreement to be entered into with Petron (the "**Underwriting Agreement**"). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners have committed to underwrite the following amounts on a firm basis:

BDO Capital	₱3,750,000,000.00
BPI Capital	₱3,750,000,000.00
China Bank Capital	₱3,750,000,000.00
PNB Capital	₱3,750,000,000.00
TOTAL	**₱15,000,000,000.00**

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

The underwriting and selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.55% of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and Co-Lead Underwriter, if any, and commissions to be paid to the Trading Participants of the PSE, which shall be equivalent to 0.125% of the total proceeds of the sale of Preferred Shares by such Trading Participant.

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

The Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners have no direct relations with Petron in terms of ownership by either of their respective major stockholder/s, and have no right to designate or nominate any member of the Board of Directors of Petron.

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

BDO Capital was incorporated in the Philippines in December 1998. It is duly licensed by the SEC to operate as an investment house and was licensed by the SEC to engage in underwriting or distribution of securities to the public. As of December 31, 2017, it had ₱4.2 billion and ₱4.1 billion in consolidated resources and capital, respectively. It has an authorized capital stock of ₱1.1 billion, of which approximately ₱1.0 billion represents its paid-up capital. BDO Capital is the wholly-owned investment banking subsidiary of BDO Unibank, Inc..

BPI Capital is the wholly-owned investment banking subsidiary of the Bank of the Philippine Islands and is duly licensed by the SEC to engage in the underwriting and distribution of securities. BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placement, project finance and loan syndication. It began operations as an investment house in December 1994. BPI is one of the banks which the Issuer intends to repay using the proceeds of the Offer.

China Bank Capital, a subsidiary of China Bank, provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndications, bonds and notes issuances, securitizations, initial and follow-on public offerings, and private equity placements. The Underwriter also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestitures, and joint ventures. It was established and licensed as an investment house in 2015 as the spin-off of China Bank's investment banking group, which was organized in 2012.

PNB Capital, an investment house, was incorporated on July 30, 1997 and commenced operations on October 8, 1997. It is a wholly-owned subsidiary of the Philippine National Bank. Its principal business is providing investment banking services, namely: debt underwriting (bonds, commercial papers), equity underwriting, private placements, loan syndications, project finance, and financial advisory services. PNB Capital is authorized to buy and sell for its own account, securities issued by private corporations and the government of the Philippines. As of December 31, 2018, total assets of PNB Capital were at ₱1.56 billion while total capital was at ₱1.54 billion.

Sale and Distribution

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

Of the 15,000,000 Preferred Shares to be offered, 80% or 12,000,000 Preferred Shares are being offered through the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners and Co-Lead Underwriter for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 3,000,000 Preferred Shares for distribution to the respective clients of the 131 Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated 22,900 Preferred Shares (the "**Allocation per TP**") (computed by dividing the Preferred Shares allocated to the Trading Participants by 131). Trading Participants may undertake to purchase more than their allocation of 22,900 shares. Any requests for shares in excess of 22,900 may be satisfied via the reallocation of any Preferred Shares not taken up by other Trading Participants.

The remainder of 100 Preferred Shares, plus any Preferred Shares allocated to the Trading Participants but not taken up by them, will be allocated first to the Trading Participants who subscribed for their full allotment and indicated additional demand, at the sole discretion of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

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

Local Small Investors

There will be no allocation to Local Small Investors under the proposed offering.

Allocation Process

Mechanics of Distribution

1. Upon preparation of the Firm Undertaking report, the assigned Joint Issue Manager shall, under the supervision of a representative from the PSE Listings Department, input the number of Offer Shares requested by each TP in a spreadsheet designed for the reservation and allocation of the Offer Shares.

2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process:

    a) If the total number of Offer Shares requested by a Participating TP, based on its Firm Undertaking, does not exceed the allocation per TP, the assigned Joint Issue Manager shall fully satisfy the request of such Participating TP. Each TP is assured of not less than the Allocation per TP. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated.

    b) If the total number of Offer Shares requested by a Participating TP exceeds the allocation per TP, Additional Shares may be sourced from the Offer Shares not taken up by the other TPs. The assigned Joint Issue Manager, under the observation of a representative of the PSE Listings Department, shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders of those TPs who have Firm Orders that are less than or equal to the allocation per TP; and (ii) distributing equitably the remaining TP Allocation to other TPs with orders for Additional Shares, but only up to their respective Firm Order.

    c) The allocation will be done based on the total number of shares, regardless of the series.

    d) In no case shall any Participating TP be awarded more than the shares indicated in its Firm Undertaking.

    e) If the aggregate number of Offer Shares requested by all Participating TPs is less than the TP Allocation, the balance shall be returned to the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

3. Unless otherwise determined by the Issuer, the final TP allocation shall be distributed between Series 3A and Series 3B in the same proportion as each Series bears to the TP's aggregate Firm Undertaking, rounded to the prescribed board lot requirement as described in paragraph 10 below.

4. All deadlines indicated in these procedures shall be strictly followed.

Term of Appointment

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

Manner of Distribution

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

No shares are designated to be sold to specific persons.

Offer Period

The Offer Period shall commence at 9:00 a.m. on June 3, 2019 and end at 12:00 noon on June 18, 2019, or such other date as may be mutually agreed between the Company and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

Application to Purchase

All Applications to Purchase the Preferred Shares shall be evidenced by a duly completed and signed Application to Purchase, together with two fully executed specimen signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application to Purchase and specimen signature card together with the requisite attachments. Payment for the Preferred Shares shall be made by manager's check/cashier's check, corporate check or personal check drawn against any Bangko Sentral ng Pilipinas authorized bank or any branch thereof. All checks should be made payable to "Petron Preferred Shares Offer", crossed "Payee's Account Only," and dated on or before the date of submission of the Application. The Applications and the related payments will be received at any of the offices of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. Applicants submitting their Application to a Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner may also remit payment for their Preferred Shares through the RTGS facility of the BSP to the Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner to whom such Application was submitted or via direct debit to their deposit account maintained with such Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner. Cash payments shall not be accepted.

Should the Applicant elect to pay through RTGS, the Application should be accompanied by an instruction issued by the Applicant to effect payment through RTGS in an amount equal to the total Offer Price of the Shares applied for, to be effected and fully funded not later than 12:00 noon on June 18, 2019.

Should the Applicant elect to pay by a debit memo or instruction, the Application should be accompanied by a debit memo or instruction issued by the Applicant in an amount equal to the total Offer Price applied for in favor of the Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner to whom the Application is submitted, to be effected no later than 12:00 noon on June 18, 2019.

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

An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax rates under the Philippine National Internal Revenue Code (NIRC) or tax treaty shall, in addition, be required to submit the following requirements to the relevant Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners (together with their Applications) who shall then forward the same to the Registrar and Depository Agent, subject to acceptance by the Company as being sufficient in form and substance: (i) in the case of tax exemption, a certified true copy of the original tax exemption certificate, ruling or opinion on tax exemption issued by the BIR addressed to the Applicant as certified by its duly authorized officer; (ii) with respect to reduced tax rates if tax sparing applies, (a) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (b) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (c) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends; or (d) proof of filing of an application for ruling with the BIR; and (d) with respect to tax treaty relief, (a) prior to initial dividend payment, 3 original copies of a duly accomplished Certificate of Residence for Tax Treaty Relief ("**CORTT**") Form or the prescribed certificate of residence of their country together with the CORTT Form as required under BIR Revenue Memorandum Order No. 8-2017 and 3 originals of the duly notarized and consularized, if executed outside of the Philippines, Special Power of Attorney executed by the Applicant in favor of its authorized representative (if the CORTT Form and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Applicant is not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) for subsequent dividends due, 3 originals of Part II (D) of the CORTT Form shall be submitted by the Applicant to the Company no later than the 1st day of the month when such subsequent dividends fall due and, if applicable, including any clarification, supplement or amendment thereto; (iii) an original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Company and the Registrar and Depository Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Company, the Registrar and Depository Agent and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities.

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

Minimum Purchase

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

Refunds

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

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

Secondary Market

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

Registry of Shareholders

The Preferred Shares will be issued in scripless form through the electronic book-entry system of SMC Stock Transfer Service Corporation as Registrar for the Offer, and lodged with PDTC as Depository Agent on Listing Date through PSE Trading Participants nominated by the Applicants. Applicants shall indicate in the proper space provided for in the Application to Purchase the name of the PSE Trading Participant under whose name their Preferred Shares will be registered and the relevant PSE Trading Participants shall sign the Application to Purchase on the space provided therefor.

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

Expenses

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

DILUTION

The Preferred Shares will not have any dilutive effect as these are non-voting, non-convertible and non-participating.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Issuer as at December 31, 2018 and as adjusted to give effect to the Offer (assuming the Oversubscription Option is exercised). This table should be read in conjunction with the Issuer's audited condensed consolidated financial statements as at December 31, 2018 included elsewhere in this Prospectus.

	As at December 31, 2018	
	Actual (audited)	**Adjusted[1] for maximum Offer size of ₱20 Billion**
(in ₱ millions)		
Short-term liabilities		
Short-term loans	82,997	82,997
Current portion of long-term debt - net	17,799	17,799
Total short-term debt	100,796	100,796
Long-term liabilities		
Long-term debt – net of current portion	100,201	100,201
Total long-term liabilities	100,201	100,201
Equity		
Equity Attributable to Equity Holders of the Parent:		
Capital stock	9,485	9,485
Additional paid-in capital[2]	19,653	37,497
Capital securities	24,881	24,881
Retained earnings	49,491	49,491
Equity reserves	(14,031)	(14,031)
Treasury stock	(10,000)	(8,000)
Total Equity Attributable to Equity Holders of the Parent	79,479	99,323
Non-controlling interests	6,707	6,707
Total Equity	86,186	106,030
Total capitalization[3]	**287,183**	**307,027**

Notes:
[1]Adjusted amount as at December 31, 2018 includes proceeds of P19.84 billion of the maximum Offer, after deduction of commissions and expenses.
[2] Includes excess of offer price over par
[3]Total capitalization is the sum of debt and equity.

THE COMPANY

Overview

Petron Corporation was incorporated under the Corporation Code of the Philippines and registered with the SEC on December 22, 1966. On September 13, 2013, the SEC approved the extension of the 50-year corporate term of the Company to 2066. As a general rule under the Revised Corporation Code, which took effect on February 23, 2019, corporations with certificates of incorporation prior to the effectivity of the Revised Corporation Code, and which continue to exist, shall have perpetual existence. By operation of law therefore, Petron shall now have perpetual existence. As at December 31, 2018, it has a market capitalization of ₱72.3 billion.

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

In the Philippines, the Company operates the largest and most modern refinery in Bataan, the **Limay Refinery**, which supplies approximately 30% of the country's total fuel requirements and has a production capacity of 180,000 bpd. The Company had an overall market share of 28.5%[6] of the Philippine oil market for the year ended December 31, 2018 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the DOE.

The Limay Refinery processes crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan ("**RMP-2**"), a US$2 billion project for the Limay Refinery, enabled the Company to produce more valuable White Products[7], increase the Company's production of petrochemicals, and made the Company the first oil company in the Philippines capable of producing Euro IV-standard fuels

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

The map below shows the geographic coverage of the Company's terminals, airport installations, and manufacturing plants in the Philippines as of March 31, 2019.

[6] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for FY2018. Company estimates exclude direct imports of jet fuel by airlines, direct imports of naphtha as feedstock for petrochemical plants, direct imports of condensate as fuel for natural gas power plants, and lubes and greases.

[7] White Products refer to diesel, gasoline, jet fuel, kerosene and LPG.

Through its network of about 2,400 retail service stations in the Philippines as of March 31, 2019, representing approximately 27% of the country's total service station count, the Company sells gasoline, diesel, and kerosene to motorists and to the public transport sector. Approximately 30% of service stations are CODOs and 70% are DODOs[8]. As of March 31, 2019, the Company's LPG distribution network includes approximately than 1,100 branch stores as well as 34 car care centers, 11 lube centers, and 10 motorcycle centers. The Company also sells its LPG brands *"Gasul"* and *"Fiesta Gas"* to households and other consumers through its extensive dealership network.

The Company actively pursues initiatives to improve customer service and promote customer loyalty. As of March 31, 2019, the extent of the Company's programs includes about 413,800 fleet cards, about 6 million value cards, and approximately 9.4 million Petron Miles Privilege cards.

The Company owns and operates a fuel additives blending plant in the Subic Bay Freeport Zone in the Philippines, which has a tolling agreement with Innospec, Limited ("**Innospec**"), a global fuel additives

[8] CODO represents company-owned-dealer-operated service stations and DODO represents dealer-owned-dealer-operated service stations.

supplier. Regional customers of Innospec and the Company's own requirements are served from the output of the Subic plant.

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

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. For the year ending 2018, the Company ranked third in the Malaysian retail market with a 20.9% market share based on Company estimates using its internal assumptions and calculations and industry data from The Concilium Group Sdn Bhd, a 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 unbranded mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. The Company owns and operates the Port Dickson Refinery, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue ("**LSWR**"). As of March 31, 2019, the Company had 10 product terminals, a network of approximately 650 retail service stations, and about 275 convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

The Company's products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical feedstock, including low- sulfur waxy residue, 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 ₱37.4 billion, or 9% of total sales, in 2017, and ₱51.5 billion, or 9% of total sales, in 2018.

In 2016, 2017 and 2018, the Company's sales were ₱343.8 billion, ₱434.6 billion and ₱557.4 billion, respectively, and net income was ₱10.8 billion, ₱14.1 billion and ₱7.1 billion, respectively.

The Company's common shares are listed for trading on the PSE under the symbol "PCOR", while its Series 2 preferred shares are listed and traded on the same exchange under the symbols "PRF2A" and "PRF2B."

The Company's US$500 million senior perpetual capital securities (ISIN: XS1740858540) are listed on The Singapore Exchange Securities Trading Limited.

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

Strengths

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

Market leadership in the Philippine downstream oil sector

With an overall market share of approximately 28.5% of the Philippine oil market for the year ended December 31, 2018 in terms of sales volume, based on Company estimates using its internal assumptions and calculations and industry data from the DOE, the Company believes it is the leader in the Philippine oil industry, ahead of the other two major oil companies and other smaller players operating in the Philippines. In particular, the Company believes that it is the market leader based on domestic sales volume in the retail trade as well as in the industrial and LPG market segments.

In the Philippines, the Company owns and operates the largest petroleum refinery complex, with a total crude oil distillation capacity of 180,000 barrels per day, which is 70,000 barrels per day higher compared to the only other operating petroleum refinery in the Philippines.

The Company has the most extensive distribution network for petroleum products in the Philippines, which allows it to operate and serve its customers across the Philippines. This distribution network includes 32 terminals and 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 the Company's leading position in the Philippines. Since 2011, the Company has focused on expanding its distribution network to accommodate the increasing demand across the Philippines, and will continue to invest in the expansion of its distribution network. The Company's strong participation in the different market segments such as retail, LPG and bulk industrial customer operations also plays a large role in its success in the Philippine downstream oil sector. As of March 31, 2019, the Company had approximately 2,400 retail service stations, an increase of approximately 86% from about 1,288 service stations in 2008, which the Company believes to be greater than any other market participant in the Philippines. As of March 31, 2019, the Company's retail service stations represent approximately 27% of the country's total service station count. The Company intends to grow this number to utilize the increased production from RMP-2.

The Company believes it is the leader in the LPG segment with approximately 1,100 branch stores as of March 31, 2019. The Company's industrial sales cover approximately 800 direct industrial accounts as of December 31, 2018.

Established position in the Malaysian downstream oil sector

The Company has acquired an established position in the Malaysian downstream oil sector through its acquisition of ExxonMobil's downstream oil business in Malaysia, which has a recognized health, safety and environmental track record. This provides geographic diversification to its portfolio, an additional platform to expand its business and added stability to its operations.

For the year 2018, the Company ranked third in the Malaysian retail market with a 20.9% market share based on Company estimates using its internal assumptions and calculations and industry data from The Concilium Group Sdn Bhd, a 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 unbranded mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. The Company owns and operates the Port Dickson Refinery, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and LSWR. As of March 31, 2019, the Company had 10 product terminals, a network of approximately 650 retail service stations, and about 275 convenience stores in Malaysia. The Company has presence in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport. The joint venture through which the Company owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

Operating a highly complex refinery

Over the years, the Company has developed and maintained a strong core base of petroleum products, and consistently made significant investments in upgrading its facilities and focused on increasing production of higher margin White Products and petrochemicals while minimizing production of low margin fuel products.

RMP-2, a US$2 billion project completed in the fourth quarter of 2014, enables the Limay Refinery to further enhance its operational efficiencies, convert its fuel oil production into production of more White Products, and increase the Company's production of petrochemical feedstock like propylene, benzene, toluene and xylene. The completion of RMP-2 has made the Company the first oil company in the Philippines capable of producing Euro IV and Euro VI-standard fuels, the global standard for clean air fuels. The upgraded production capability has improved refinery utilization rate to about 95% and increased White Products to Black Products ratio to approximately 100% for the year ended December 31, 2018, compared to previous operating levels of approximately 57% utilization rate and White Products to Black Products ratio of approximately 80% for the year ended December 31, 2014.

Operations in markets with favorable industry dynamics

The Company operates as an integrated oil refining and marketing company in the Philippines and Malaysia, both of which the Company believes have favorable oil industry dynamics. The Philippines operates under a free market scheme with movements in regional prices and foreign exchange reflected in the pump prices on a weekly basis. Malaysia, on the other hand, operates under a regulated environment and implements an APM that provides stable returns to fuel retailers. According to the International Monetary Fund[9], the Philippine and Malaysian economies are expected to experience stable real GDP growth at annual rates of 6.74% and 4.76%, respectively, from years 2019-2022. This favorable economic backdrop is expected to contribute to energy and petroleum products demand growth in these countries. Both the Philippines and Malaysia are importers of finished petroleum products. The Company believes it is well-positioned to benefit from this supply shortfall with its current production capacities of 180,000 and 88,000 barrels per day in the Philippines and Malaysia, respectively, giving it a significant competitive advantage over its competitors.

Differentiated service experience driving retail volumes

The Company's network of service stations in the Philippines and Malaysia offers differentiated and comprehensive services to customers. Beyond just a petroleum station, the Company's service station provides a one-stop service experience to travelers on the road, offering amenities such as Treats convenience stores, restaurants, and specialty shops. These convenience stores, restaurants and specialty shops help generate non-fuel revenues and improve traffic in the service stations. As of March 31, 2019, the Company has about 2,400 retail service stations in the Philippines representing approximately 27% of the country's total service station count, As of March 31, 2019, the Company's LPG distribution network includes approximately 1,100 branch stores as well as 34 car care centers, 11 lube centers, and 10 motorcycle centers.

In Malaysia, the Company rebranded all ExxonMobil Esso-branded service stations to the Petron brand and refurbished the stations. As of March 31, 2019, 275 of the Company's network of approximately 650 service stations in Malaysia have convenience stores. The Company has also partnered with the Royal Malaysia Police to set up "Go-to Safety Points" at selected Petron stations in Malaysia.

The Company also offers loyalty programs that complement its retail business. 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 program include 24-hour free towing and roadside assistance, reward points for every purchase and complimentary annual personal accident insurance coverage (Philippines). As of March 31, 2019, the extent of the Company's programs includes about 413,800 fleet cards in the Philippines and 185,000 in Malaysia, about 6 million value cards, and approximately 9.4 million Petron Miles Privilege cards.

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 Limay 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

[9] International Monetary Fund as of October 2018

the development of its employees by adopting on-going 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 years for the Philippines and 10 years for Malaysia.

SMC, directly and indirectly, holds an effective 68.26% of the Company's outstanding common equity. See *"Ownership and Corporate Structure."* SMC is amongst the largest and most diversified Philippine conglomerates, with sales equivalent to 5.2% of the country's GDP in 2017. Its broad range of businesses includes beverages, food, packaging, properties, fuel and oil, energy, infrastructure, and investment in banking.

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:

Maximize production of high margin refined petroleum products and petrochemicals

Over the years, the Company has made significant investments in upgrading its facilities and is focused on increasing production of White Products and petrochemicals while minimizing production of low margin fuel products. In recent years, it has shifted production from lower margin fuel oils to higher margin products, including petrochemical feedstock such as propylene, mixed xylene, toluene and benzene. The RMP-2 program, which exemplifies this strategic focus, increases revenues, reduces costs, and places the Limay Refinery's utilization, processing and energy efficiency at par with more advanced refineries in the region, improving its competitiveness. Going forward, the Company expects to continue investing in upgrading its production capability.

In the medium term, the Company will assess the viability of further expanding the Limay Refinery's value generation through upgrading its petrochemicals facilities to increase production of petrochemicals benzene, toluene and mixed xylene, and enable production of higher value para-xylenes.

Further increase market share in the downstream oil markets in the Philippines and in Malaysia

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

The Company believes that the downstream oil market in the Philippines is still underserved and has a strong potential for growth. To capture this growth and further strengthen its market position, the Company will embark on: (i) increasing its retail outlets for fuels and LPG to improve market penetration and arrest the growth of other industry players; (ii) introducing new products with differentiated and superior qualities; (iii) 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; (iv) continuing to expand its non-fuel businesses by leasing additional service station spaces to food chains, coffee shops and other consumer services to provide "value conscious" customers with a one-stop full service experience; and (v) 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.

In Malaysia, the Company intends to increase its market share by expanding its existing Malaysian retail network of approximately 650 retail service stations. The Company plans to strategically increase its presence in developing areas to make its products and services accessible to more Malaysians.

In addition, the Company seeks to maintain and further strengthen its established position in the Philippines and Malaysia by reinforcing business relationships with existing customers, by providing differentiated service offerings in its retail service stations and by promoting enhanced loyalty programs in both countries.

Continue investments to improve operational efficiency and profitability and to increase market reach

The Company has undertaken a number of strategic projects such as the RMP-2 aimed at improving operational efficiency and profitability, and increasing market reach through the expansion of the Company's service station network.

The Company also intends to enhance efficiency and reduce production costs through supply chain improvements and enhancements to its existing facilities through a range of initiatives including: (i) enhancing its crude optimization program (a program which determines the crude mix that will yield the best product value at the lowest cost) and expanding its crude oil supply sources in addition to its major crude oil suppliers; (ii) reducing inventory levels in the Philippines by sourcing feedstock from suppliers located near the Limay Refinery; (iii) investing in new receiving and storage facilities and improving the existing facilities to attain greater sourcing flexibility and support new growth areas; (iv) managing crude oil freight costs and availability of terminal-compliant vessels with contracts of affreightment that guarantee cost competitiveness in the spot market; and (v) reducing distribution costs through rationalization of the terminal network, joint operations with other companies and optimized utilization of its marine and tank truck fleet. The Company also expects to continue utilizing operational synergies by leveraging on SMC's network, products and services.

Pursue selective synergistic acquisitions

In addition to organic growth, the Company will continue to consider and evaluate selective opportunities to expand both within and outside the Philippines through strategic acquisitions that will create operational synergies and add value to the existing business. For example, in March 2010, the Company acquired a 40% stake in Petrochemical Asia (HK) Ltd. ("**PAHL**"), which owned PPI through a wholly owned subsidiary RIHL. PPI operated a polypropylene plant owned by RIHL located in Mariveles, Bataan in the Philippines, which has the capacity to produce 160,000 metric tons of polypropylene resin annually. On July 1, 2014, the Company acquired and took over the operations of the polypropylene plant in order to enhance the overall efficiency of the petrochemical operations of the Company. As of July 25, 2016, the Company had increased its stake in PAHL to 100%. In addition, on March 30, 2012, the Company completed its acquisition of ExxonMobil's downstream business in Malaysia, extending its portfolio of oil refining and marketing businesses outside the Philippines.

On December 23, 2016, the Company acquired from SMC Powergen Inc. a 140MW cogeneration power plant located in the Limay Refinery, which supplies the power and steam requirements of the Limay Refinery. The acquisition is expected to lower steam and power costs.

Corporate History and Milestones

1957	Standard Vacuum Oil Company was granted a concession to build and operate the Limay Refinery in Limay, Bataan owned by Bataan Refining Corporation
1961	The Limay 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 Limay Refinery commenced operations, marking the Company's entry into the petrochemicals market.
2008	The petrofluidized catalytic cracking ("**PetroFCC**") unit in the Limay Refinery

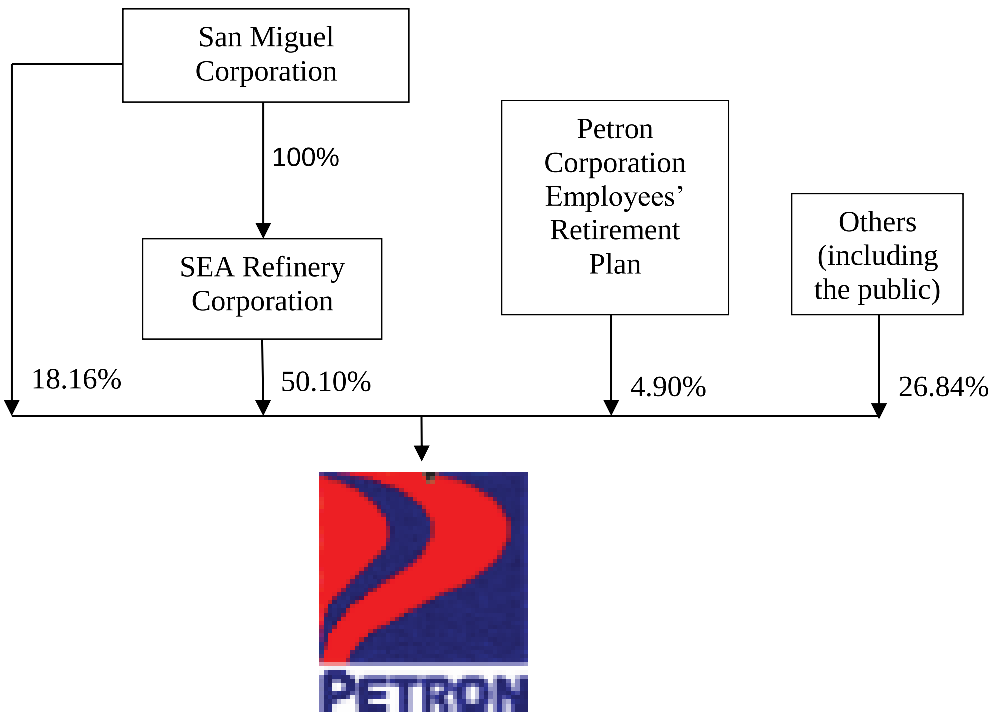
	commenced operations, enabling the Company to convert fuel oil into higher value products such as LPG, gasoline and diesel. The propylene recovery unit in the Limay Refinery commenced operations, enabling the recovery of propylene from the LPG produced by the PetroFCC unit. The fuel additives blending 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 Limay 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 RMP-2, a US$2 billion project designed to enable the Limay 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 ExxonMobil's downstream oil business in Malaysia, extending 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 Limay 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 in the Philippines. Petron Blaze 100 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.

Ownership and Corporate Structure

The Company is a publicly listed company jointly owned by SEA Refinery, PCERP, SMC and others, including the general public. The chart below sets forth the ownership structure of the Company's common shares as of December 31, 2018.



SEA Refinery 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.

PCERP is a tax qualified and fully funded defined pension plan covering all permanent, regular and full-time employees of the Company. It is administered by its board of trustees. Certain members of the Company's management are also trustees of PCERP.

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 Prospectus, as well as their principal businesses and places of incorporation. The Company has two insurance subsidiaries, Petrogen and Ovincor, which were established to support the insurance requirements of the Company and its allied business partners, including contractors, suppliers, haulers and dealers. The Company also has marketing and trading subsidiaries and interests in realty companies to support its core business.

Name of Company	Place (Date) of Incorporation/Form of Organization	Company's Equity Interest	Principal Business
Overseas Ventures Insurance Corporation Ltd. ("**Ovincor**")	Bermuda (1995)/ exempt company	100%	Reinsurance
Petrogen Insurance Corporation ("**Petrogen**")	Philippines (1996)/ company	100%	Insurance
Petron Freeport Corporation ("**PFC**")	Philippines (2003)/ company	100%	Wholesale or retail sale of fuels, operation of retail outlets, restaurants and convenience stores, and the manufacture of fuel additives
Petron Singapore Trading Pte. Ltd. ("**PSTPL**")	Singapore (2010)/ company	100%	Procurement of crude oil, trading of petroleum and petrochemical products, vessel chartering and risk management
Petron Oil & Gas International Sdn Bhd ("**POGI**")	Malaysia (2011)/ company	100% indirect interest	Investment holding
Petron Malaysia Refining & Marketing Bhd ("**PMRMB**")	Malaysia (1960)/ company	73.4% indirect interest (the other 26.6% is owned by the public)	Manufacturing and marketing of petroleum products in Peninsular Malaysia
Petron Fuel International Sdn. Bhd. ("**PFISB**")	Malaysia (1961)/ company	100% indirect interest	Marketing of petroleum products in Peninsular Malaysia
Petron Oil (M) Sdn. Bhd. ("**POMSB**")	Malaysia (1969)/ company	100% indirect interest	Marketing of petroleum products in East Malaysia
New Ventures Realty Corporation ("**NVRC**")	Philippines (1995)/ company	85.55%	Purchase and sale of properties suitable for use as service station sites, bulk plants or sales offices

For the year ended December 31, 2018, the total contribution of the Company's subsidiaries amounted to ₱206 billion or 37% of total revenues. Revenues contributed by the subsidiaries amounted to 34% and 38% of the total revenues for the years ended December 31, 2016 and December 31, 2017, respectively.

Products

Core Products

The Company's core products are categorized into fuels, lubricants and greases, and petrochemicals.

Fuels

The list below sets forth each of the Company's fuels products, as well as a description of each product.

The Philippines

PETRON GASUL is a premium LPG product. It is used as fuel for cooking, lighting and industrial applications and is sold in 2.7-kg, 11-kg, 22-kg and 50-kg cylinders and in bulk.

FIESTA GAS is an economy LPG product. It is used as fuel for cooking, lighting and industrial applications and is sold in 2.7-kg, 11-kg, 22-kg and 50-kg cylinders.

PETRON GAAS is water-white kerosene. It is used as fuel for stoves, lamps and other domestic uses.

PETRON BLAZE 100 Euro 6 is a 100 octane and Euro-6 level premium plus gasoline. It meets European fuel quality standards for Euro-6 technology vehicles. It also meets Euro 6b emission standards.

PETRON XCS is a 95 octane premium gasoline that 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 is a 91 octane regular gasoline that was formulated to provide better engine protection, corrosion control, better power, and improved fuel economy.

PETRON TURBO DIESEL is 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 is a regular diesel fuel formulated with robust multi-functional additive system for optimum engine protection, better power and improved fuel economy.

PETRON AVIATION GASOLINE is a low-lead, high-octane aviation gasoline for aircraft with reciprocating engines.

PETRON JET A-1 is 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 is Malaysia's first 100 octane premium grade gasoline. It meets the Euro 4M and SIRIM MS 118-3:2011 standards. It provides optimum performance in terms of power, acceleration, and combustion efficiency. It has less sulfur and benzene content, making it a very environmentally-friendly product.

PETRON BLAZE 97 is a 97 octane high-performance premium gasoline. It 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 specifications.

PETRON BLAZE 95 is a 95 octane premium gasoline. It contains a high performance detergent additive, friction modifier, and unique gas saving combustion improver that provides better engine protection, optimum power and acceleration, and improved fuel economy.

PETRON TURBO DIESEL EURO 5 is a premium plus diesel fuel with 7% palm oil methyl ester. It is formulated with an advanced additive technology to provide excellent power, improved fuel economy, and reduced exhaust emissions. It also provides better ignition quality and smoother engine run. It is specially designed to meet European fuel quality standards.

PETRON DIESEL MAX is a premium biodiesel mix of 7% palm oil methyl ester and diesel which comply with the requirement under the Malaysia Biofuel Industry Act of 2007. It contains a robust multi-functional detergent additive and a smoke reducing agent to provide improved fuel economy, clean engine, and reduced exhaust emissions.

PETRON DIESEL is a premium diesel fuel with robust and multifunctional additives that provide improved fuel economy and reduced emissions. It is designed to maintain and improve fuel injection system cleanliness through unsurpassed detergency characteristics. It meets Euro 2M and SIRIM MS 123-1:2014 specifications.

PETRON GASUL is a premium LPG product. It is used as fuel for cooking, lighting and industrial applications and is sold in 12-kg, 14-kg and 50-kg cylinders and in bulk. In 2018, the Company introduced an additional product line called F14, which are 14-kg cylinders for forklifts.

PETRON KEROSENE is refined kerosene with clean and efficient burning qualities.

PETRON JET A-1 is a highly-purified kerosene-type aviation fuel used by aircraft with turbo prop and turbojet engines.

LOW SULFUR WAXY RESIDUE 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.

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

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 is a by-product of the Limay Refinery. It is used as precursor to different chemical compounds with a wide variety of applications from sulfuric acid to fertilizers and pharmaceutical drugs.

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

Scope of Business

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

The major markets in the petroleum industry are Retail, Industrial, LPG and Lube Trades. Petron sells its products to 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.

In line with the Company's efforts to increase its presence in the regional market, it exports various petroleum and non-fuel products to Asia-Pacific countries such as, South Korea, Taiwan, China, Vietnam, Singapore, Malaysia, Hong Kong, Thailand 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.

Petron also operates a lube oil blending plant at its Pandacan terminal. Its fuel additives blending plant in Subic Bay Freeport supplies the Company's requirements and serves as Asian supply hub of Innospec.

Production

The Philippines

In the Philippines, the Company owns a petroleum refinery complex located in Limay, Bataan. The Limay Refinery has a crude oil distillation capacity of 180,000 barrels per day. It has its own piers and offshore berthing facilities, one of which can accommodate very large crude oil carriers, or VLCCs.

The Limay Refinery is capable of producing a range of petroleum products such as LPG, naphtha, gasoline, kerosene, jet fuel, and diesel. In 2000, the Limay Refinery commenced petrochemical production with the commercial operation of its mixed-xylene plant, designed to produce 232,000 tons per year of mixed xylene.

The Limay Refinery started producing propylene in 2008 with the commissioning of its first propylene recovery unit, which has a demonstrated capacity of 148,000 tons per year of polymer-grade propylene. Also in 2008, the Limay Refinery started the construction of the benzene-toluene extraction unit to further expand its capability to produce petrochemical feedstock. The benzene-toluene extraction unit, which became operational in May 2009, is designed to produce benzene and toluene at respective capacities of 24,000 and 158,000 tons per year. In early 2011, PPI commissioned a rehabilitated polypropylene plant in Mariveles, Bataan, to capture the incremental margin from converting the Limay Refinery's propylene production into polypropylene. The facility has the capacity to produce 160,000 metric tons of polypropylene resin annually. In July 2014, the Company acquired the polypropylene business of PPI to enhance efficiency. As a result of the acquisition, the operation of the polypropylene plant was integrated into the Limay Refinery's propylene production operation which expanded in 2015 with the commissioning of the second propylene recovery unit, increasing propylene production capacity to 415,000 tons per year. In December 2016, the Company acquired the cogeneration powerplant from SMC Powergen, Inc., which consists of four turbo generators and four fuel fired boilers. This ensures the sufficient and reliable supply of steam, power and other utilities necessary for the continuous and stable operation of the Limay Refinery.

The Company completed a fuel additives blending plant in the Subic Bay Freeport Zone in July 2008 with a capacity of 12,000 metric tonnes per year, which serves the fuel additive requirements of Innospec's customers in the Asia-Pacific region. The Company is Innospec's exclusive blender in the Asia-Pacific region.

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 barrels per day.

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 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 Limay Refinery

The Limay Refinery has implemented various programs and initiatives to achieve key performance indices on reliability, efficiency and safety. These programs include the Reliability Availability Maintenance ("**RAM**") program and the Profitability Improvement Program ("**PIP**"), which were developed and implemented in coordination with KBC Market Services, an independent consulting group. The RAM program resulted in improved operational availability and lower maintenance cost through higher plant reliability and a longer turnaround cycle of four to five years from the previous two years. The PIP likewise significantly improved White Products recovery, particularly diesel and LPG.

The Limay Refinery has adopted a continuous improvement culture. The Limay Refinery's Continuous Improvement Program was one of the finalists for the 2008 Peoples' Program of the Year award sponsored by the People Management Association of the Philippines.

The Limay Refinery achieved its Integrated Management System ("**IMS**") certification issued by TÜV-SÜD-PSB, an internationally recognized certification and inspection body, in 2009. The IMS is an integration of three management systems: (1) Quality ISO 9001:2008; (2) Environment ISO 14001:2004; and (3) Health and Safety OHSAS 18001:2007. The benefits of an IMS for the Limay Refinery include: standardized and more systematized quality, environmental, health and safety work procedures, instructions and practices; improved quality, productivity, environment, health and safety performance through continual improvement and compliance with legal requirements; customer satisfaction; hazard and injury free working environment; and environmentally friendly operations. In 2018, Limay Refinery successfully passed its recertification and surveillance audit, making the refinery IMS-certified for 10 consecutive years.

The Port Dickson Refinery

The Port Dickson Refinery utilizes Quality Management Systems ("**QMS**") in support of its operations. Embedded within the QMS are the Safety, Health and Environmental Management System ("**SMS**"), Control Management System ("**CMS**"), and Product Quality Management System ("**PQMS**"). In addition, the Port Dickson Refinery also practices the Loss Prevention System ("**LPS**"), the Reliability Management System ("**RMS**") and plant optimization initiatives for improved plant efficiency.

The Port Dickson Refinery adopted the QMS in 2016 to align all existing processes under one management system. SMS provides a structured approach to the management of risk related to safety, security, health and the environment ("**SSHE**") and to comply with local SSHE regulations and laws. CMS provides a process for ensuring 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. Adopting QMS was also part of the initiative to obtain ISO 9001:2015 certification. The Port Dickson Refinery was awarded with the certification on December 16, 2016.

In 2018, Port Dickson Refinery had received the Grand Award, the highest accolade by Malaysian Society for Occupational Safety and Health ("**MSOSH**") and the Prime Minister's Hibiscus Award for "Exceptional Achievement in Environmental Performance 2017/2018."

To increase plant reliability, the Port Dickson Refinery adopted the RMS, which utilizes a risk-based equipment strategy and aims to improve mechanical efficiency through routine work planning, scheduling and execution.

The Port Dickson Refinery continuously seeks improvement in the areas of process optimization, and energy conservation through the use of advanced process computer control and an integrated plant information system.

Raw Materials

Philippine Operations

The main raw material used in the Limay Refinery's production process is crude oil. The Company acquires crude oil for the Limay Refinery from foreign sources, through a combination of term purchase contracts and spot market purchases. The Company has a term contract with Saudi Aramco entered into in 2008 to purchase various Saudi Arabian crude. The pricing and payment mechanisms under this contract are consistent with Saudi Aramco's standard practice for its Far East customers. Pricing is determined through a formula that is linked to international industry benchmarks, and payment is on an open account basis secured by an irrevocable standby letter of credit. The contract is automatically renewed annually unless either the Company or Saudi Aramco elects to terminate the contract upon at least 60 days' written notice prior to its expiration date. As of December 31, 2018, neither the Company nor Saudi Aramco had terminated the contract.

The Company also has a term contract with Kuwait Petroleum Corporation ("**KPC**") to purchase Kuwait crude. Pricing is determined through a formula that is linked to international industry benchmarks. The contract is renewable subject to mutual agreement of the parties. As of December 31, 2018, neither the Company nor KPC had terminated the contract. Several other crude oils are purchased on a spot basis from various suppliers.

The Limay Refinery is capable of processing various types of crude oil. The Company's crude oil optimization strategy includes the utilization of various types of crude oil that are not confined to light and sweet crude, which the Limay Refinery had been processing predominantly prior to RMP-2 commissioning, to provide additional value to the Company. The completion of the RMP-2 has given the Limay Refinery greater flexibility to use heavier, more sour alternative crude.

The Company entered into a contract for the 2019 term supply of group I and II base oils (SN500, SN150 and BS150 J500(500N) and J150(150N)) with Shell International Eastern Trading Co. and GS Caltex in December 2018. The term contract is renewable annually, subject to the Company's option, and pricing is calculated using a formula based on an international standard price benchmark for base oils. Group I and II base oils are the Company's main feedstocks for the production of automotive, industrial and marine lubricants.

The Company also imports aviation gas, asphalt and some gasoline blending components. These imports are necessary as the Company does not produce aviation gas and asphalt. The Company ceased producing fuel oil, a lower margin product, upon the completion of the RMP-2. Imports of LPG, diesel, gasoline and jet fuel may also be necessary during maintenance of the Limay Refinery. Pricing is usually based on Mean of Platts Singapore for diesel, gasoline and some gasoline blending components, or Saudi Aramco contract prices ("**Saudi CP**") for LPG.

Malaysian Operations

The main raw materials used in the Port Dickson Refinery's production process are crude oil and condensate. 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 long-term supply contract for Tapis crude oil and Terangganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**"), supplemented by other short-term supply contracts and spot crude purchases. Currently, the Company purchases about 65% of crude and condensate volume from EMEPMI, while the balance is sourced from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks.

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.

A portion of the Company's Palm Oil Methyl Ester ("**POME**") requirements for its bio-diesel mix are sourced from the small POME plant acquired by PMRMB last March 1, 2019. The POME plant is located in Lumut, Perak and has an annual capacity of 60,000 metric tonnes. The Company buys the balance of its POME requirements from Malaysian government-approved local suppliers. POME is the bio-component of the biodiesel mix sold to domestic customers in Malaysia as a replacement for diesel. The Company produces a biodiesel mix initially comprising 5% POME and 95% diesel. Subsequently, the Malaysian Biofuel Industry Act of 2007 changed the mix to 7% POME and 93% diesel. 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. In November 2018, the Malaysian government further announced implementation of Euro 2 B10 for transportation and retail sectors effective February 1, 2019 and Euro 2 B7 for industrial sectors effective July 1, 2019.

The Company also imports LPG, diesel, gasoline, jet fuel and some gasoline blending components into Malaysia since the refinery production is not enough to meet the demand. 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 provide the Limay Refinery's water requirements.

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

Electricity and Steam

The Limay Refinery's electricity and steam requirements are sourced from the Limay Refinery's existing turbo and steam generators as well as from its cogeneration power plant. The cogeneration power plant was acquired by the Company in December 2016 from SMC Powergen Inc., a subsidiary of SMC and an affiliate of the Company. 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 Philippines

In the Philippines, the Company is the leading integrated oil refining and marketing company. The Company had an overall market share of 28.5% of the Philippine oil market for the year ended December 31, 2018 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the DOE.

Retail Service Stations

The Company had approximately 2,400 retail service stations in the Philippines as of March 31, 2019, representing approximately 27% of the country's total service station count, according to the Company's estimates. Most of these stations are located in Luzon, where demand is heaviest.

The Company employs two types of service station operating structures in the Philippines, namely: company-owned-dealer-operated service stations ("**CODO**") and dealer-owned-dealer-operated service stations ("**DODO**"). 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 March 31, 2019, approximately 30% of the Company's retail service stations in the Philippines were CODOs, and approximately 70% were DODOs.

In 2009, the Company launched its pioneering Petron Bulilit Stations, which are small service stations that provide the flexibility to establish a presence even in remote rural areas and make the Company's products and services accessible to more Filipinos.

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. In 2014, the Company opened two bakeshops in Manila under the brand name "Treats" with permission from San Miguel Foods, Inc. for the use of the brand name. As of March 31, 2019, there are about 14 Treats outlets nationwide.

The Company continues to install the point of sale ("**POS**") system across its retail network throughout the Philippines. POS systems are used for gaining efficiencies through automating retail transactions and the proper monitoring of actual sales in service stations. As of March 31, 2019, the Company had installed POS terminals in more than 1,400 retail service stations in the Philippines.

Industrial Sales

The Company believes it is the leading supplier to the Philippine industrial sector, which includes major manufacturing, aviation, marine, and power accounts. The Company had approximately 800 direct industrial account customers as of March 31, 2019.

LPG

The Company is the leading market participant in the Philippine LPG market in terms of market share. The Company has set up approximately 1,100 branch stores through its Gasul and Fiesta Gas LPG dealers as of March 31, 2019. The Company commissioned 8 mini-refilling plants in the Philippines as of March 31, 2019 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 approximately 34 Car Care Centers, 11 Lube Centers, and 10 Motorcycle Centers throughout the Philippines as of March 31, 2019. The Company capitalizes on its expanded LPG-outlet network by utilizing its LPG branch stores as outlets for the Company's lubricants and specialty products. The Company has expanded into blending and export of fuel additives, leveraging on its technology partnership with Innospec, a global fuel additives supplier. The Company also provides technical services to Innospec's customers, and is able to tap the customer base of Innospec in Asia to broaden the market for its own lubricant brands.

The Company exports various petroleum products 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 March 31, 2019, approximately 413,800 and 185,800 Petron Fleet Cards had been issued in the Philippines and Malaysia respectively. 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 the fourth quarter of 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 March 31, 2019, the Company has issued approximately 6 million Petron Value Cards (including Petron Super Driver Cards).

Malaysia

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

Retail Service Stations

The retail business markets fuel and other retail products through a dealer network comprising about 640 retail service stations located throughout Peninsular and East Malaysia. In Malaysia, the Company uses the CODO and DODO operating structures for its retail service stations. As of March 31, 2019, approximately 63% of the Company's retail service stations in Malaysia were CODOs and approximately 37% were DODOs. About 275 of the service station sites had convenience stores, which generate non-fuel revenues and improve traffic in the service stations.

To further enhance the customer service experience in Malaysia, the Company launched the Fuel Happy campaign in March 2015 with many marketing activities and events organized to reward and enchant the customers. Fuel Happy Campaign is on its third year and going strong

In January 2016, the Company pioneered the country's first 100 RON fuel with the roll out of the new Blaze 100 to eight pilot sites in Klang Valley. As of March 31, 2019, Blaze 100 is available in about 80 stations, mainly located in Klang Valley and the southern city, Johor Bahru.

Industrial and Wholesale Fuels

The industrial segment sells diesel and gasoline to unbranded mini-stations and power plants, as well as to the manufacturing, plantation, transportation and construction sectors. The Company's sales of RON95 gasoline and diesel to unbranded mini-stations represented approximately 64% of such sales in Malaysia by volume for 2018. 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. The Company 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. Sales of diesel to selected transportation sectors are priced according to the APM. Since sales to these transportation sectors are limited to a volume granted by the Ministry, sales in excess of the approved quotas are not entitled to subsidies. Accordingly, when the government-mandated prices are lower than the fuel products' built-up costs per the APM, the Company has to manage its sales of subsidized products to ensure that such sales do not exceed the amount permitted under the approved quotas.

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 March 31, 2019, the Company had about 208 active distributors. 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.

In Malaysia's aviation sector, the Company 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, the operator of the KLIA's storage and hydrant facility.

LPG

The Company markets LPG in 12-kg, 14-kg, 14-kg forklift gas and 50-kg cylinders for domestic use through redistribution centers, stockists and dealers. LPG redistribution centers are owned by the Company and distribute bottled LPG to dealers. Stockists are dealer-owned and distribute cylinders to other dealers. Dealers generally collect bottled LPG directly from redistribution centers and stockists for onward sale to domestic consumers. Prices of 12-kg and 14-kg cylinders are regulated under the APM. On April 5, 2018, the Company launched Petron Gasul LPG sales at service stations. It was the first time customers could purchase their LPG cooking gas at service stations.

The Company also sells bulk LPG to industrial users through appointed dealers and to resellers. Prices of 14-kg forklift gas, 50-kg and bulk LPG are not covered by the APM. See "*Sale and Pricing of Refined*

Petroleum Products — Price Control and Anti Profiteering Act, 2011" for a more detailed discussion of the APM and the Malaysian quota system

Lubricants and Specialties

The Company established a lubricants and specialties segment 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, namely, car and motorcycle workshops, transport and fleet operators, manufacturing and industrial accounts. The Company'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.

Loyalty Programs

Since acquiring its Malaysian operations in March 2012, the Company has been actively pursuing initiatives to improve customer service and promote customer loyalty at its Malaysian retail service stations. The Company rebranded its loyalty card programs to Petron Miles Privilege Cards in April 2014 as part of its rebranding program in Malaysia. As of March 31, 2019, approximately 9.4 million Petron Miles Privilege Cards had been issued in Malaysia.

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 32 terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 12 terminals in Luzon, 8 in the Visayas and 8 in Mindanao, as well as two airport installations in Luzon, and two in Mindanao. Terminals have marine receiving facilities, multiple product storage tanks for liquid fuels and LPG, drummed products storage, and warehouses for packaged products, such as lubricants and greases. From the Limay Refinery, refined products are distributed to the various terminals and direct large consumer accounts using a fleet of contracted barges and tankers, and to service stations and industrial accounts through a fleet of contracted tank trucks. The barges and tankers are chartered on term or spot contracts from third party ship owners. From the storage terminals, bulk products are hauled by tank trucks owned by third parties to service stations and industrial accounts. Under the terms of the applicable contracts, the third party owners of the contracted barges and 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, Legaspi City and San Fernando in Pampanga.

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

The Company has airport installations at the Ninoy Aquino International Airport and three other airports located in major urban centers in the Philippines. These installations provide storage of aviation fuels as well as refuelling services for various aircraft. In addition, the Company has presence in the airports of Puerto Princesa and Clark in Luzon, Mactan, Bohol, Kalibo, Caticlan and Iloilo City in the Visayas, as well as in Zamboanga City in Mindanao via mobile into plane refuelling equipment.

Malaysia

Production from the Port Dickson Refinery is distributed to service stations 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 refinery. Refinery production is also sent to Klang Valley Distribution Terminal ("**KVDT**") through a pipeline. Tank trucks lift products from KVDT for delivery to Petron stations. The other terminals source product through imports from Singapore. Products are lifted from the terminals via tank trucks and delivered to service stations.

The map below shows the geographic coverage of the Company's terminals in Malaysia as of March 31, 2019.

Jet fuel is transported from the Port Dickson Refinery to KLIA through a multi-product pipeline (the "**MPP**"), which is partly owned by the Company 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. Aside from transfer through the MPP, jet fuel is also transported by truck from KLIA to Subang Airport.

The joint venture through which the Company owns its interest in the MPP also owns a fuel terminal, the Klang Valley Distribution Terminal, where inventory is commingled. The Company has historically only used the MPP to transport jet fuel to KLIA and not for transporting gasoline or diesel to the Klang Valley Distribution Terminal. In 2015, the Company completed a project linking the Port Dickson Refinery to the MPP in order to improve the Company's logistics and reduce the cost of delivery to service stations in the Klang Valley area, a major market. The Company commenced the transport of gasoline and diesel through the MPP to the Klang Valley Distribution Terminal in the second quarter of 2015.

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. The Company 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 the Company and Boustead Petroleum Marketing Sdn Bhd. Both terminals also load for Bulk LPG customers. The Company has contracted new third party bottling facilities to expand the reach of its Gasul cylinders. Among these are Siraga in Ipoh and Sikap Mawar.

Capital Expenditure Projects

Limay Refinery

The Company completed Phase 1 of the Refinery Master Plan ("**RMP-1**") in May 2009, under which it completed the construction of the PetroFCC unit, the propylene recovery unit and the benzene-toluene extraction unit. RMP-1 enhanced the Limay 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.

The Company completed RMP-2 in the fourth quarter of 2014. RMP-2 was a US$2 billion investment project which enabled the Limay Refinery to further enhance its operational efficiencies, convert its fuel oil production into production of more White Products, and increase the Company's production of petrochemicals. The completion of the RMP-2 made the Company the first oil company in the Philippines capable of producing Euro IV-standard fuels, the global standard for clean air fuels. The Limay Refinery is now also able to produce petcoke, which is used as fuel for the cogeneration power plant for the Limay Refinery, lowering the Company's power generation costs. RMP-2 places the Limay Refinery's utilization, processing and energy efficiency on par with more advanced refineries in the region and improve its competitiveness.

The Company will continue to make investments in the Limay Refinery facilities that will ensure sufficiency of inputs to critical refinery processes, and storage facilities for more crude and petroleum products. In the medium term, the Company will also assess the viability of further improving the Limay Refinery's value generation by upgrading its current petrochemical facilities to increase production of high value petrochemicals, benzene, toluene and mixed xylene, and new capability to produce para-xylenes, feedstock for plastic production.

Philippine Retail Network Expansion

To support growth in sales in the Philippines, the Company intends to continue to increase the number of its service stations in urban and rural areas. LPG and lube outlets will also be expanded for a wider market reach. The retail network expansion will also support the optimized disposition of the increased sales volume from RMP-2.

Logistics Expansion and Upgrade

The Company is continuously upgrading and expanding its storage capacity to support the increase in volume from RMP-2. Investments in new terminals are being considered in different locations, and the rehabilitation and expansion of existing terminals as well as improvements in pier facilities are being done. These logistics expansion and upgrade programs also aim to improve product supply reliability to customers and end-users.

Malaysia Expansion and Improvements

The Company will continue to construct new service stations and expand its retail network in Malaysia. The facilities at the Port Dickson Refinery will also be enhanced to improve operating efficiency. The Company also is currently constructing a new diesel hydroteater to meet Euro-5M regulation by 2020. These projects will be financed through a combination of net cash flows provided by operating activities and debt instruments.

Contribution of foreign sales to revenues

The Company's revenues from foreign sales amounted to ₱244 billion or 44% of total revenues for the year ended December 31, 2018. Revenues contributed by foreign sales amounted to 40% and 38% of the total revenues for the years ended December 31, 2016 and December 31, 2017, respectively.

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. See *"Regulatory and Environmental Matters"* for a more detailed discussion of the oil deregulation law.

The Philippine downstream oil industry is dominated by three major oil companies: the Company, Shell and Chevron, which, based on Company estimates based on its internal assumptions and calculations and industry data from the DOE for the year 2018, together constituted 57.5% of the Philippine market based on sales volume. Deregulation has seen the entry of more than 200 other industry market participants, rendering the petroleum business more competitive. The Company, with total crude oil distillation capacity of 180,000 barrels per day, and Shell, with total crude oil distillation capacity of 110,000 barrels per day, operate the only petroleum refineries 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 approximately 2,400 retail service stations as of March 31, 2019, representing approximately 27% of the country's total service station count of about 9,100, reaching more customers throughout the Philippines. The small market participants continued to grow, with station count increasing from 695 in 2001 to more than 2,500 stations as of December 31, 2018. 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 approximately 50 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 an overall market share of 28.5% of the Philippine oil market in the year ended December 31, 2018. The other two major oil companies have a combined market share of about 29.0%, in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the DOE. Approximately 200 smaller oil market participants, which started operations after the deregulation of the oil industry in 1998, account for the remaining market share. The Company believes that it is the leader in terms of sales volume in the retail, industrial and LPG market segments based on Company estimates using its internal assumptions and calculations and industry data from the DOE in the year ended 2018. The Company's retail sales volumes for the years ended 2016, 2017 and 2018 were approximately 58,000 barrels per day, 63,000 barrels per day, 59,000 barrels per day, respectively. The Company's non-retail sales volumes (including industrial, LPG, and export and supply sales) for the years ended 2016, 2017 and 2018 were approximately 126,000 barrels per day, 117,000 barrels per day, and 118,000 barrels per day, 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.

Malaysia

In the retail service station business, the Company's Malaysian operations compete with four other main participants in the market, namely: subsidiaries of Petronas, Shell, Caltex and BHPetrol. Of these competitors, Petronas also has refinery operations in Malaysia. Market players compete in terms of product quality, customer service, operational efficiency and extent of distribution networks. Pricing of gasoline and diesel at retail service stations is not a competitive factor since the Malaysian government regulates the pricing these products through the APM. See "*Regulatory and Environmental Matters—Malaysia —Sale and Pricing of Refined Petroleum Products— Price Control and Anti Profiteering Act, 2011."*

Despite being the newest participant in the market, the Company continued to grow its retail market share to 20.9%, with approximately 640 service stations in Malaysia as of December 31, 2018. With the Company's customer-centric programs, completion of the rebranding of service stations and facilities, continuous implementation of retail network expansion program, introduction of new product lines, and improvements in logistics and refinery capabilities, the Company believes that it is well positioned to compete in the retail segment.

The Company continues to face intense competition in the industrial, aviation and wholesale market segments from other local and multi-national oil companies. The Company 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, the Company competes with Petronas and NGC Energy Sdn Bhd, among others. The APM applies only for sales of LPG in domestic cylinders while industrial and bulk LPG are not covered. Competition in this market is driven by supply reliability, dealer network efficiency and customer service. The Company, being well established, remains competitive in this segment. Overall, the Company's commercial sales volume registered significant growth in all sectors 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. The Company's retail sales volumes for the years ended 2016, 2017 and 2018 were approximately 68,000 barrels per day, 73,000 barrels per day, 80,000 barrels per day, respectively.

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

Employees

As of March 31, 2019, the Company had 3,290 employees, of which 260 are managerial employees, and 2,996 are rank and file (includes professional/technical and supervisory level) employees. Approximately 81% of the Company's employees are based in the Philippines, with the remaining 19% based in Malaysia and Singapore. The Company believes that it has a well-trained and experienced pool of employees. As of March 31, 2019, approximately 15% of the Company's employees had worked with it for over 20 years. The average tenure of the Company's employees is approximately 8 years in the Philippines and approximately 10 years in Malaysia

The Company has collective bargaining agreements ("**CBAs**") with three labor unions in the Philippines: (1) Petron Employees Association with 189 members is affiliated with the National Association of Trade Unions and has a CBA effective from January 1, 2015 to December 31, 2019; (2) Petron Employees Labor Union with 43 members has a CBA effective from January 1, 2014 to December 31, 2018, currently under discussion for renewal; and (3) the Bataan Refiners Union of the Philippines with 630 members is affiliated with the Philippine Transport and General Workers Organization and has a CBA effective from January 1, 2014 to December 31, 2018, likewise currently subject of discussions for renewal. As of December 31, 2018, approximately 32% of the Company's employees in the Philippines were covered by CBAs.

The Company has CBAs with two labor unions in Malaysia: (1) the National Union of Petroleum and Chemical Industry Workers has 127 members with a CBA effective from January 1, 2017 to December 31, 2019; and (2) the Sabah Petroleum Industry Workers Union has eight members with a CBA effective from May 1, 2017 to April 30, 2020. As of December 31, 2018, approximately 22% of the Company's employees in Malaysia were covered by CBAs.

The Company has not experienced any actual strikes or work stoppages for more than 20 years.

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 5-15% 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 fully-funded 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 January 1, 2018, the Company is expected to contribute ₱837.6 million (US$16 million) to its defined benefit plans in 2019.

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

The Company depends on 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 talent. While the Company's attrition rate is significantly lower than the industry average, it undertakes aggressive talent acquisition activities to maintain an adequate manpower pool. Furthermore, the Company is committed to ensure leadership strength and technical knowledge preservation through an established succession planning program supported by a structured mentoring program for identified replacements of retiring employees. Promising 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 continuous education 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.

Government Approval of Principal Products or Services

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

Effect of existing or probable government regulations on the business

- Tax Reform for Acceleration and Inclusion (the "**TRAIN Law"**). Republic Act No. 10963 or the TRAIN Law, which took effect on January 1, 2018, imposes a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three (3)-year period is P2.65-P2-P1 per liter ("/li") per year for gasoline, P2.50-P2-P1.50/li for diesel and fuel oil, P1-P1-P1/kg for LPG, and P0.33-P0-P0/li for jet fuel. The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene and electric, and gasoline with public transportation as alternative.

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

- Biofuels Act of 2006 (the "Biofuels Act")**.** The Biofuels Act and its implementing circulars mandate that gasoline and diesel volumes contain 10% bioethanol and 2% biodiesel/cocomethyl ester ("CME") components, respectively. To produce compliant fuels, the Company invested in CME injection systems at the Petron Bataan Refinery and the depots. On the bioethanol component, the DOE issued in June 2015 its Circular No. 2015-06-0005 entitled "Amending Department Circular No. 2011-02-0001 entitled Mandatory Use of Biofuel Blend" which currently exempts premium plus gasoline from the 10% blending requirement.

- Renewable Energy Act of 2008 (the "Renewable Energy Act"). The Renewable Energy Act aims to promote development and commercialization of renewable and environment-friendly energy resources (*e.g.,* biomass, solar, wind, hydro, geothermal) through various tax incentives such as seven (7)-year income tax holiday and duty-free importation of renewable energy equipment and machinery. The sale of power generated from these sources is also exempt from value-added tax under the TRAIN Law. The growth in renewable energy may displace or reduce use of oil-based power plants affecting the Company's sales to the power sector.

- Clean Air Act of 1999 (the "Clean Air Act"). The Clean Air Act established air quality guidelines and emission standards for stationary and mobile equipment. It also included the required specifications for gasoline, diesel and IFO to allow attainment of emission standards. Petron invested in a gasoil hydrotreater plant and an isomerization plant to enable it to produce diesel and gasoline compliant with the standards set by law.

- Laws on Controlled Chemicals (Presidential Decree No. 1866 as amended by Republic Act No. 9516). The implementing rules and regulations for this amended law were approved on June 9, 2016 and listed the chemicals under the control of the Philippine National Police. These rules reduced the controlled list from 101 to 32 chemicals and further classified 15 chemicals as high-risk and 17 as low-risk substances. The rules also outline the procedures for regulating, storing, handling and transporting chemicals.

- Compliance with Euro 4 standards. In September 2010, the DENR issued Administrative Order 2010-23 mandating that, by 2016, all new motor vehicles that would be introduced in the market shall comply with Euro 4 emission limits, subject to Euro 4 fuel availability. In June 2015, the DOE issued Circular 2015 - 06-0004 entitled "Implementing the Corresponding Philippine National Standard Specifications (PNS) for the Euro 4/IV PH Fuels Complying with the Euro 4/IV Emissions" directing all oil companies to adopt Euro4-compliant fuels. With its RMP-2, Petron is now producing Euro 4-compliant fuels ahead of the 2016 mandate.

- Department Circular 2014-01-0001. The DOE issued Department Circular 2014-01-0001 directed at ensuring safe and lawful practices by all LPG industry participants as evidenced by standards compliance certificates. The circular also mandates that all persons engaged or intending to engage as a refiller of LPG shall likewise strictly comply with the minimum standards requirements set by the DTI and the DOE. The circular imposes penalties for, among others, underfilling, illegal refilling and adulteration.

- Laws on Oil Pollution. To address issues on marine pollution and oil spillage, the Maritime Industry Authority ("MARINA") mandated the use of double-hull vessels for transporting black products beginning end-2008 and white products by 2011. Petron has been using double-hull vessels in transporting all its products.

- Oil Marine Pollution Circulars. The Philippine Coast Guard has memorandum circulars prescribing the rules and regulations on the prevention, containment, abatement and control of oil marine pollution by all marine vessels, coastal and offshore facilities and other facilities utilizing or storing petroleum products. The circulars identify the prohibited acts and provide the penalties.

- Anti-Competition Law (the "Philippine Competition Act"). The Philippine Competition Act, approved in July 2015, prohibits anti-competitive agreements, abuses of dominant positions, and mergers and acquisitions that limit, prevent, and restrict competition. To implement the national competition policy and attain the objectives and purposes of the law, the Philippine Competition Commission ("PCC") was created. Among the powers of the PCC is the review of mergers and acquisitions based on factors it may deem relevant. The PCC, after due notice and hearing, may impose administrative fines on any entity found to have violated the provisions of the law on prohibited arrangements or to have failed to provide prior notification to the PCC of certain mergers and acquisitions. The PCC is empowered to impose criminal penalties on an entity that enters into any anti-competitive agreement and, when the entities involved are juridical persons, on its officers, directors, or employees holding managerial positions who are knowingly and willfully responsible for such violation.

- Amended Price Freeze Act of 2013. This law mandates the implementation of a 15-day price freeze of basic necessities, including LPG and kerosene, for areas declared under a state of emergency or calamity.

- Executive Order 890: Removing Import Duties on All Crude and Refined Petroleum Products**.** After the ASEAN Trade in Goods Agreement was implemented in 2010, the tariff rate structure in the oil industry was distorted with crude and product imports from ASEAN countries enjoying zero tariff while crude and product imports from outside the ASEAN were levied 3% tariff. To level the playing field, Petron filed a petition with the Tariff Commission to apply the same tariff duty on crude and petroleum product imports, regardless of source. In June 2010, the government approved Petron's petition and issued Executive Order 890 which eliminated import duties on all crude and petroleum products regardless of source. The reduction of duties took effect on July 4, 2010.

- LPG Bill. The LPG Bill, currently pending in the Philippine Congress, will mandate stricter standards on industry practices.

Research and Development

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

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

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

The Company believes that its continued success is influenced in part by its ability to be innovative and attentive to consumer preferences and local market conditions. Expenses relating to research and development amounted to approximately ₱66 million in 2016, approximately ₱65 million in 2017, and approximately ₱86 million in 2018, which are equivalent to 0.02% of total revenues in 2016, 2017, and 2018. The annual increase of expenses relating to research and development is roughly 12% to 13% in the past 3 years.

As of December 31, 2018, R&D has 33 regular employees. Its testing facilities are ISO/IEC17025 certified – a testament to its ability to perform tests and analyses in accordance with global standards. R&D also has long-standing partnerships with leading global technology providers in fuels, lubricants and grease products. In addition, it provides technical training to keep internal and external customers updated of the latest technology trends in the industry.

Intellectual Property

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

<u>Approved Trademark Registrations</u>

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

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

<u>Pending Trademark Registration Applications</u>

Petron has pending applications for registration of the following trademarks: *"Euro 4"* (stylized), *"Resibo Blowout"* and *"Petron Motorsports"*.

The Company also has registered and pending trademarks in Malaysia, Indonesia, Cambodia, Thailand, Myanmar, Australia, China, United Kingdom, India, Japan, Republic of Korea, Singapore, Hong Kong, China and Saudi Arabia.

The Company has filed one hundred seventy nine (179) trademark applications in Malaysia relating to its Malaysian operations. It has obtained copyright protection for the stylized letter *"P"* and has registered trademarks in Malaysia, including the *"Petron (Class 9)"*, *"Petron Logo"*, *"Gas Miles"*, *"Gasul"*, *"Fiesta Gas"*, *"Energen"*, *"Petron Plus (Class 9)"*, *"Perks"*, *"Miles"*, *"Propel"*, *"XCS"*, *"Petromate"*, *"Hydrotur"*, *"Miles with 'P' Logo"*, *"MILES with 'P' Logo and 'Privilege Miles Card' words"*, *"Petroil"*, *"Fuel Journeys"*, *"Better by Miles"*, *"Petron Cares"*, *"DCL 100"*, *"Petromar"*, *"Energy"*, *"Treats with Crocodile Logo"*, *"Petron Greenfuel"*, *"Kedai Mart with P logo"*, *"Rider"*, *"Rider 4T"*, *"Petrolaysia"*, *"Prime"*, *"Petron with Canopy Fascia logo"*, *"Petron Racing"*, *"Sprint 4T"*, *"Rev-X Diesel Engine Oils"*, *"Prestige"*, *"Xtra Mile"*, *"Xtra Unleaded"*, *"Treats* and device*"*, *"Petron Value Card Rewards & Benefits"*, *"Turbo Diesel"*, *"Diesel Maz"*, *"Blaze Gasoline"*, *"Petron XCS3"*, *"Powerburn 2T* and device*"*, *"Racing"*, *"Powerburn"*, *"Petrogrease"*, *"Greaseway"*, *"GEP"*, *"Gearfluid"*, *"Clean 'n Shine"*, *"ATF"*, *"Treats* and device*"*, *"Powered by Petron"*, *"Miles with 'P' Logo and 'Petrol' word"*, *"Petromar HD"*, *"Petrogrease EP"*, *"Blaze with 'P' Logo and 'Petrol' word"*, *"Fuel Trust"*, *"Fuel Success"*, *"Fuel Hope"*, *"Blaze Racing"*, *"Fuel Care"*, *"Treats"*, *"Petron Motorsports"*, *"Fuel Life"*, *"Fueled by Petron"*, *"Miles Better"*, *"Your Fleet Your Rules"*, *"5th year Anniversary Fuel Happy"* and *"Petron Car Care Center"*.

<u>Copyrights</u>

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

Utility Models

Petron has registration for the following utility models: *"Carbon Buster"* (process) and *"Carbon Buster"* (composition). The term of the said utility models is seven (7) years from the date of filing of the application.

DESCRIPTION OF PROPERTY

Operating Sites

The Philippines

In the Philippines, the Company owns a petroleum refinery complex located in Limay, Bataan. The Limay Refinery has a crude oil distillation capacity of 180,000 barrels per day. It has its own piers and off-shore berthing facilities, one of which can accommodate very large crude oil carriers, or VLCCs. The Refinery also has a cogeneration power plant, with four turbo generators and four fuel fired boilers.

The Company also operates a lube oil blending plant in Pandacan, a fuel additives blending plant in Subic Bay Freeport, and a polypropylene plant in Mariveles, Bataan.

Petron operates a network of terminals as bulk storage and distribution points throughout the Philippines, as well as LPG plants in its Pasig, San Fernando and Legaspi terminals. Its airport installations serve the fuel requirements of the airline industry and other aviation accounts.

PETRON TERMINALS, AIRPORT INSTALLATIONS, SALES OFFICES AND MANUFACTURING PLANTS IN THE PHILIPPINES			
	Luzon	**Visayas**	**Mindanao**
Terminals	Legaspi, Albay (LPG only) Limay, Bataan Limay-Panasia, Bataan Mabini, Batangas Navotas, Metro Manila Pasig, Metro Manila (LPG only) Poro Point, La Union Puerto Princesa, Palawan Rosario, Cavite San Fernando, Pampanga (LPG only) Subic, Zambales Tondo, Manila	Anibong, Tacloban City Bacolod, Negros Occidental Culasi, Roxas City (R/A) Iloilo City Isabel, Leyte Mactan, Lapu-Lapu City Mandaue, Cebu Ormoc, Leyte	Bawing, General Santos City Davao City Iligan City, Lanao del Norte Jimenez, Misamis Occidental Nasipit, Agusan del Norte Tagoloan, Misamis Oriental Tagoloan-Phividec, Misamis Oriental Zamboanga City (R/A)
Airport Installations	Laoag, Ilocos Norte Pasay, Metro Manila		Davao City Laguindingan, Misamis Oriental
Sales Offices	Calapan, Oriental Mindoro Mamburao, Occidental Mindoro Masbate, Masbate Pasacao, Camarines Sur (R/A) San Jose, Occidental Mindoro	Amlan, Negros Oriental Tagbilaran City, Bohol (R/A)	
Manufacturing Plants	Mariveles, Bataan Pandacan, Manila Subic, Zambales		

Note: R/A indicates that a rationalization agreement is in place in relation to the relevant terminal, which is a contract between the owner-operator of the terminal and another oil company regarding product supply and the use of the facilities to rationalize operations and reduce costs.

In the retail market, the Company has more than 2,400 retail service stations throughout the Philippines as of March 31, 2019, representing approximately 27% of the country's total service station count of approximately 9,100. Most of these stations are located in Luzon, where demand is heaviest.

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 barrels per day. The Diesel Hydrotreater project that the Port Dickson Refinery embarked on last year is well under way to comply with government's requirement to implement the Euro 5 specifications for diesel by September 1, 2020. Two new product tanks with 250,000 barrels capacity each are currently in construction to meet higher product demand.

Terminals	Bagan Luar Klang Valley Distribution Terminal[10] KLIA Aviation Facility[11] Kuantan Pasir Gudang[12] Port Dickson Westport[13]	Sandakan Sepangar Bay Tawau

The retail business in Malaysia markets fuel and other retail products through a dealer network comprising approximately 640 retail service stations located throughout Peninsular and East Malaysia.

Description of Other Property

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

The Company entered into commercial leases with the PNOC for parcels of land occupied by its Limay Refinery, terminals and certain of its service stations. The lease agreements include upward escalation adjustment of the annual rental rates. In 2009, the Company renewed its lease with PNOC (through NVRC) for the continued use of the Limay 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 Limay Refinery for its expansion projects. On October 20, 2017, the Company filed an action against the PNOC in respect of the leased properties to preserve its rights under the lease agreements. The case is currently undergoing judicial dispute resolution ("**JDR**") proceedings before the courts. The next JDR conference is scheduled on March 28, 2019, without prejudice to any discussion between the parties regarding the settlement of the case. See *"Legal Proceedings—Leases with PNOC."*

The Company leases from NVRC 136 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 ₱236.20 million in 2017 and ₱234.77 million in 2018.

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 December 31, 2018, there were leases covering 744 service stations: 501 in Luzon, 135 in the Visayas and 108 in Mindanao. Expenses under these leases amounted to ₱1,118.17 million in 2017 and ₱1,366.72 million 2018.

[10] Breakdown of equity share as follows: Petron (20%), Shell Malaysia Trading Sdn Bhd (40%), Petronas Dagangan Berhad (40%)
[11] Petron operates within the facility owned by Malaysia Airport Holdings Berhad (MAHB) under an agreement with Kuala Lumpur Aviation Fuelling System Sdn Bhd (KAFS), a subsidiary of Petronas Dagangan Berhad.
[12] Co-share with Chevron Malaysia Limited
[13] Co-share with Boustead Petroleum Marketing Sdn Bhd

In Malaysia, the land on which the Company's retail service stations are based is either owned by the Company or leased from third parties. As of December 31, 2018, the Company owned over 245 parcels of land for service stations and leased approximately 300 parcels of land for its service stations from third parties. Rentals for the service station lands are either paid in advance and amortized over the lease period, or paid over the lease period pursuant to the relevant schedules. Payments under these leases amounted to approximately RM 50 million in 2018. The Port Dickson Refinery occupies a 579-acre site. The Company holds freehold title to 404 acres of this site and leases the remaining 175 acres pursuant to a 99-year lease that expires in 2060.

The Company continuously evaluates available properties for sale based on the needs of the Company's business.

Insurance

The Company's insurance coverage includes property, marine cargo and third-party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption. One of the main insurance policies of the Company, the Industrial All Risk (the "**IAR**") policy, covers the Limay Refinery for material damages, machinery breakdown and business interruption. The business interruption coverage under the IAR policy has a US$300.0 million limit. The Company considers its insurance coverage to be in accordance with industry standards.

All insurance policies relating to the Company's Philippine operations are written by its wholly owned insurance subsidiary, Petrogen. The majority of the risks are reinsured with Standard & Poor's A-rated foreign insurers through Ovincor, Petron's Bermuda-based captive insurance subsidiary. The Company's Malaysian operations are insured with local Malaysian insurance companies, as required by Malaysian law.

Permits and Licenses

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

1. Certificate of Incorporation issued by the Securities and Exchange Commission ("SEC"), together with the Certificate of Filing Amended Articles of Incorporation dated July 6, 2015

2. Business permits of Petron Corporation ("Petron") and its Philippine operating subsidiaries—New Ventures Realty Corporation, Petrogen Insurance Corporation, and Petron Freeport Corporation ("PFC")

3. Import and Export Certificate of Registration issued by the Bureau of Customs ("BOC") in favor of Petron and PFC

Company	Permit	Permit No.	Registration Date	Valid Until
Petron	BOC Certificate of Registration	CCN: IM0003112039	May 06, 2019	May 5, 2020
Petron	BOC Certificate of Registration	CCN: EX0000007331	March 27, 2019	March 26, 2020
PFC	BOC Certificate of Registration	CCN: IM0006121934	September 28, 2018	September 28, 2019
PFC	BOC Certificate of Registration	CCN: EX0000776475	September 28, 2018	September 28, 2019

4. Permit to discharge and shipside permits from the BOC, in favor of Petron*

5. Certificate of Accreditation as Importer issued by BOC in favor of Petron and PFC

6. Permit to Produce Biofuel- Blended Gasoline (E-10 / E-Gasoline) issued by the Bureau of Internal Revenue ("BIR"), in favor of Petron*

7. Authority to Release Imported Goods issued by BIR (or Subic Bay Metropolitan Authority ("SBMA"), as applicable), in favor of Petron / PFC*

8. Permit to Export issued by BIR (or SBMA, as applicable), in favor of Petron / PFC*

9. BOC Authority to Load and Export Declaration, in favor of Petron*

10. Department of Energy ("DOE") Import Notice, in favor of Petron*

11. BIR and DOE denaturing request for bioethanol, in favor of Petron*

12. BIR permit to transport bioethanol, in favor of Petron *

13. BIR permit to buy local ethanol, in favor of Petron*

14. Environmental Compliance Certificate ("ECC") issued by the Department of Environment and Natural Resources ("DENR")

    a. Refinery

Facility	ECC Number	Date Issued
Petron Bataan Refinery	1002-0007	December 3, 2012

    b. Terminals

Facility	ECC Number	Date Issued
MM&S		
NLOBP	ECC-NCR-1609-0061	October 3, 2016
Pandacan (Grease Plant & LOBP)	ECC-LLDA-2005-209-3540	October 18, 2005
	NCR 2004-01-30-545-219	September 30, 2004
JOCASP	ECC-NCR-1101-0008	January 12, 2011
Navotas	ECC-NCR-1206-0224	December 19, 2014
Rosario	ECC-R4A-1301-0028	June 26, 2013
Subic	R03-1204-0165	October 13, 2015
LPO		
Batangas	ECC-R4A-1402-0115	August 13, 2018
Limay	R03-1111-0550	July 27, 2018
Palawan	ECC-R4B-1804-0005	February 11, 2019
Pasacao	ECC-BDP-99B-05CS-010	February 10, 1999
Poro	ECC-R01-0807-0257-0104	January 9, 2019
Odiongan	ECC-R4B-1810-0008	October 25, 2018
VIS		
Amlan	CNC-OL-R07-2015-03-00069	March 9, 2015

Bacolod	0607-0516-135-120	May 16, 2007
Iloilo	ECC 0607-0516-136-120A	November 19, 2012
Isabel	CNC-RO8-1101-0001	January 7, 2011
Mactan	ECC-R07-0807-0257-104	January 30, 2018
Mandaue	ECC-R07-0902-0063-104	December 18, 2018
Ormoc	ECC-R8-0803-029-6280	May 28, 2008
Roxas	ECC-0604-1117-777-120A	June 7, 2017
Tacloban	ECC-R08-1501-0001	March 2, 2015
Tagbilaran	CNC-R07-1308-0020	September 6, 2013
MIN		
Bawing	ECC-R12-1201-0004	April 30, 2012
Davao	ECC-R11-1707-0012	July 24, 2017
Iligan	ECC-R10-1006-0133	December 3, 2012
Jimenez	96-ECC-LPG/FP-1042-1087	June 21, 2016
Nasipit	ECC-R13-1001-0012	November 14, 2016
Tagoloan	95-ECC-STF/ODE-1043-852	May 11, 2018
Zamboanga	A-2017-017-ZC	August 1, 2017
LPG		
Gasul Pasig	NCR-2005-01-11-002-120	January 11, 2005
Gasul Legazpi	CNC-R05-1007-0007	July 8, 2010
Gasul San Fernando	R03-1105-0249	September 5, 2017
Gasul San Pablo	ECC-R4A-1810-0284	October 29, 2018

c. Company-owned Service Stations

Talisay, Negros Occidental
Angeles, Pampanga
Bacolod, Negros Occidental
Barangay Pampanga, Davao City
Quirino Ilonggot
Amang Rodriguez, Pasig,
Antipolo, Paguntalan
Bacolod City, Taculing, Negros Occidental
Buendia Pasay Triumvirate
Calamba Laguna
Caloocan Congressional
Castillejos Virland
Consolacion, Panabo City
Consolacion, Cebu
East Orient, Lipa
Eusebio Maybunga, Pasig
F. Blumentritt
F. Legaspi, Blackrock
General Trias

Gingoog Villahermosa Misamis
Gonzaga NGC Villamonte Bacolod
Jaro, Iloilo
Kamagong, Makati
Lapaz, Burgos
Lizares, Bacolod
Isabela, Negros Occidental
Mangan-Vaca, Zambales
Mariveles, Bataan
Mayon corner Calamba, Quezon City
Mexico, Pampanga
Murcia, Negros Occidental
Santa Rosa, Nueva Ecija
P. Oliveros, Antipolo City
P. Ocampo, Makati City
Rodriguez Rizal
Pililia, Rizal
Quezon Avenue, Quezon City
Ozamiz, Misamis Occidental
Burgos, Rodriguez, Rizal
East District, Sorsogon
East District, Sorsogon
Sumulong, Antipolo City
Talisay, Tanaun
Tejero Soriano Del Rosario General Trias, Cavite
Tesoro, Davao
Tondo, Manila
Toril, Davao
Triangulo, Naga City, Camarines Sur
Veterans Avenue, Zamboanga
Villamonte, Bacolod
Barangay San Antonio, Davao City
Cabilang Baybay Carmona, Cavite
Mataas na Kahoy, Batangas
Minglanilla Cebu
Bago, Negros
Barangka, Mandaluyong
Blasco, Pili
Bokawkan, Baguio
Canley, Pasig
Kasiglahan Rodriguez, Rizal
Yulo, Calamba
Marawoy Volvo Robledo, Lipa

Regalado corner Pontiac, Quezon City
Regalado, Fairview, Quezon City
Bagumbayan, Quezon City
Levi Mariano, Taguig
Addas Bacoor, Cavite
Alaminos, Laguna
Ayala land Pasong Buaya Imus, Daang Hari, Cavite
Bauang, La Union
Bibiana, General Santos
Blumentritt, San Juan
Central Avenue, Quezon City
Felix Avenue Ignacio, Rizal
Barangay Caniogan, Pasig City
Katipunan, Quezon City
Kauswagan, Cagayan de Oro City, Misamis Oriental
Balintawak, Lipa, Batangas
Maraouy, Batangas
Mobo, Masbate
NS Amoranto, Quezon City
Ortigas Extension, Barangay Rosario, Pasig City
Puerto Princesa, Palawan
V. Rama Cebu
Pulo Diezmo, Laguna
F. Blumentritt cor. San Luis Street, Barangay Tibagan, San Juan City
Sindalan, Pampanga
Sta. Rosa Tagaytay Pulong, Sta. Cruz, Laguna
Sindalan, Pampanga
Tandang Sora, Quezon City
Taytay Highway 2000, Rizal
Dagupan, Pangasinan
Carlatan, San Fernando, La Union
Los Banos
Pio Del Pilar, Makati City
Cupang, Muntinlupa City
Pasay EDSA
Meralco Avenue, Pasig City
Oranbo, Pasig City
Cubao Raptor, Quezon City
Kalayaan, Quezon City
Labangon, Cebu City
Kedtag, General Santos
Lapuz Lapaz, Iloilo
Maguikay, Cebu City

San Agustin, Novaliches, Quezon City
San Isidro, Antipolo
Pulo Diezmo, Laguna
Sta. Barbara, Iloilo
Triangulo Naga, Camarines Sur
V. Rama, Cebu City
Anonas Road, Malabon City

15. DENR foreshore lease agreements (or proof of payment of occupational fees for pending applications for foreshore lease agreements) of Petron and NVRC

Petron

a. Lease contract dated September 21, 1998, covering 7,572 sq.m. of land located at San Antonio, Aparri, Cagayan, valid for a term of 25 years from and including September 21, 1998;

b. Lease contract dated September 21, 1998, covering 15.9 ha. of land located at Punta, Aparri, Cagayan, valid for a term of 25 years from and including September 21, 1998;

c. Provisional permit no. PP No. R8-19-003 (PL) (FLA No. 083747-26) issued by the DENR on April 4, 2018 for the temporary occupation and use of the tract of land located at Rawis, Anibong, Tacloban City;

d. Official receipt dated December 12, 2018 for the payment of annual occupation fee in connection with FLA No. 083747-26 and PPA No. 083747-009 covering tract of land located at Rawis, Anibong, Tacloban City;

e. Provisional permit in connection with provisional permit application no. 042117-2019-002, for the temporary occupation and use of the tract of land located at Wawa, Rosario, Cavite, valid until February 7, 2020;

f. Official receipt dated February 7, 2019 for the payment of occupation fee in connection with Provisional permit application no. 042117-2019-002 covering a tract of land located at Wawa, Rosario, Cavite; and

g. Lease contract dated June 11, 2018, covering parcel of land located in Punta, Aparri, Cagayan, valid for a term of 25 years from June 11, 2018 to June 10, 2043 (for signing by the DENR Secretary).

NVRC

a. Lease contract dated December 23, 2009, covering parcel of land located at Alangan, Limay,Bataan, valid until December 22, 2034;

b. Lease contract dated August 22, 2006, covering parcel of land located at Banago, Bacolod City, valid until August 21, 2031;

c. Lease contract dated February 16, 2007, covering parcel of land located at Bo. Looc, Mandaue City, valid until February 15, 2032;

d. Lease contract dated February 18, 2011, covering parcel of land located at Linao, Ormoc City, valid until February 17, 2036;

e. Lease contract dated December 13, 2005, covering parcel of land located at Tominobo, Iligan City, valid until December 12, 2030;

f. Lease contract dated February 20, 2009, covering parcel of land located at Casinglot, Tagoloan, valid until February 19, 2034; and

g. Lease contract dated June 17, 2005, covering parcel of land located at Baliwasan, Zamboanga City, valid until June 16, 2030.

16. Certificate of Compliance (COC No. 18-03-M-00300L) issued by Energy Regulatory Commission on March 15, 2018 in favor of Petron for its Refinery Solid Fuel-Fired Boiler Power Plant, which is valid for the period covering May 6, 2018 to May 5, 2023.

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

The Company and its subsidiaries have all the applicable and material permits and licenses necessary to operate the respective businesses as currently conducted and such permits and licenses are valid and subsisting.[14]

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 environment policies, as well as ensuring compliance with applicable laws and regulations in the Philippines.

The Philippines

The Company is subject to a number of employee health, safety and environment regulations in the Philippines. For example, the Company is subject to the occupational safety and health standards promulgated by the Philippine Department of Labor and Employment as well as various other regulations on environmental compliance.

The Safety unit of the CTSG ("**CTSG-Safety**") ensures, among others, compliance by the Company's contractors and service station dealers to government-mandated safety standards and regulations, 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 OHSAS 18001. The Limay Refinery passed the Repeat Audit for the Integrated Management System (IMS) Certification to Quality Management System (QMS) ISO-9001 Version 2015 and Occupational Health & Safety Assessment Series OHSAS-18001 Version 2007, and also sustained Surveillance Audit to Environmental Management System (EMS) ISO-14001 Version 2015. 30 terminals and airport installations are certified under the new ISO 9001:2015 (QMS) and ISO 14001:2015 (EMS) standards. In addition, all of the Company's terminals have Philippine Coast Guard-approved Oil Spill Response Contingency Plans.

Furthermore, all 15 Petron pier facilities are currently compliant with the International Ship and Port Facility Security Code and certified by the Office of the Transport Security under the DOTC. 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.

In 2014, CTSG-Safety launched the Safety Management System ("**SMS**") for Service Stations. This program aims to elevate the level of safety awareness among the Company's service station dealers, their

[14] Based on a legal opinion dated 9 May 2019 rendered by an independent counsel.

employees, workers as well as the Company's employees. The SMS, based on OHSAS 18001:2007, is very similar to the Environmental Management System ("**EMS**"), focusing on Hazards Identification and Risk Assessment. It also aims to educate Petron dealers on the Occupational Safety and Health Standards of the Department of Labor and Employment ("**DOLE**").

In 2018, the Company's Terminal Operations Department embarked on a new venture with the implementation of the Loss Prevention System ("**LPS**"). LPS is a system to prevent or reduce losses using behavior-based tools and proven management techniques. With this new system, the Company aims to improve the over-all safety culture of the department, leading to the eventual application of the same system throughout the organization

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 Philippine DOLE.

From January to December 2018, a total of 12,121,674 safe man hours were achieved by the corporate head office, the Limay Refinery and the terminals.

The Environment unit of CTSG ("**CTSG-Environment**") provides, among others, technical assistance and consultancy services in areas of environmental management and conducts environmental awareness training for the Company's employees, contractors and service station dealers. CTSG-Environment is a recognized training organization by DENR-Environment Management Bureau ("**DENR-EMB**") in the conduct of the Basic Pollution Control Officer Training Course for service stations since 2014, when DENR-EMB required national recognition / accreditation of environmental training provider per DAO 2014-22. CTSG-Environment championed the Terminal ECOWATCH Assessment program, a color-coded rating system for all terminals to assess compliance to applicable environmental regulations and the effectiveness of environmental management programs implemented. On its 6th year, the program has recognized (8) Hall of Famers in the area of Environmental Management within the Operations Group. CTSG-Environment conducts compliance monitoring for service stations to measure the effectiveness of trainings conducted. Moreover, CTSG-Environment conducts environmental due diligence audits for contractors, service providers and possible mergers and acquisitions. Furthermore, CTSG-Environment actively participates in the crafting and review of new laws and policies through Industry associations.

CTSG-Safety and CTSG-Environment conduct annual multi-functional audits of the Limay 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 December 2018, the Company is in material compliance with applicable environmental laws in the Philippines. In particular, the Company has spent approximately US$100 million to build a light virgin naphtha isomerization unit and a gas oil hydrotreater in 2006 to ensure compliance with the more stringent requirements of the Philippine Clean Air Act. Additional facilities were also built to comply with environmental requirements mainly in relation to the RMP-2. These included a refinery wastewater treatment plant, sour water stripping facilities, sulphur recovery units, a flue gas desulfurizer and a flare system.

Malaysia

The Company is subject to local safety, health and environmental regulations in Malaysia, including (i) the Factories and Machinery Act 1967 (Act 139), 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, and regulations made pursuant thereto, which are administered by the Malaysian Fire and Rescue Department.

CTSG-Safety and CTSG-Environment conduct multi-functional audits of the Port Dickson Refinery and the other facilities, terminals and service stations in Malaysia every two years. The Company has a corporate safety, security, health and environment department that 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 2018, Port Dickson Refinery received the Grand Award, the highest accolade by Malaysian Society for Occupational Safety and Health ("**MSOSH**") and the Prime Minister's Hibiscus Award for "Exceptional Achievement in Environmental Performance 2017/2018." 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 15 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 strives to achieve and sustain good SSHE performance in Malaysia through the implementation of various key programs including (i) the SMS, 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 Loss Prevention System, 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 certain cases, the Company has made provisions in its financial statements for possible liabilities arising from adverse results of these legal proceedings.

Tax Credit Certificates Related Matters

In 1998, the Philippine Bureau of Internal Revenue ("**BIR**") issued a deficiency excise tax assessment against the Company relating to the Company's use of ₱659 million worth of Tax Credit Certificates ("**TCCs**") to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to the Company by suppliers as payment for fuel purchases. The Company contested the BIR's assessment before the Court of Tax Appeals ("**CTA**"). In July 1999, the CTA ruled that, as a fuel supplier of Board of Investments-registered companies, the Company was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals ("**CA**") promulgated a decision in favor of the Company and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR for deficiency excise taxes in 1998 based on a finding by the BIR that the TCCs used by the Company as payment were fraudulent. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CA in as resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on certiorari dated December 5, 2012. The Supreme Court issued a decision in favor of the Company dated July 9, 2018. No motion for reconsideration was filed by the BIR.

Pandacan Terminal Operations

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

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

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

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

On August 24, 2012, the RTC of Manila ruled that Section 23 of Ordinance 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC upheld the validity of all other provisions of Ordinance 8119. The Company filed with the RTC a Notice of Appeal to the Court of Appeals on January 23, 2013. In a decision dated September 19, 2017, the Court of Appeals denied the appeal of the Company, finding that Manila's Comprehensive Land Use Plan was valid, except for Section 55 of Ordinance 8119. Section 55, which imposed an easement of 10 meters from the riverbank to serve as a linear park, was struck down as invalid because it violated the Water Code which required only a three-meter easement. The Company no longer filed a motion for reconsideration or elevated the matter to the Supreme Court since the issue has already become moot following the cessation by the Company of the operations of its petroleum storage facilities in Pandacan in August 2015.

With regard to Ordinance 8187, petitions were filed before the Supreme Court, seeking its nullification and the enjoinment of its implementation. The Company filed a manifestation on November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of the Company and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented the Company from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), the Company reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

On November 25, 2014, the Supreme Court issued a Decision ("**November 25 Decision**") declaring Ordinance 8187 unconstitutional and invalid with respect to the continued stay of the oil terminals in Pandacan. The Company, Shell and Chevron were given 45 days from receipt of the November 25 Decision to submit a comprehensive plan and relocation schedule to the RTC of Manila and implement full relocation of their fuel storage facilities within six months from the submission of the required documents. On March 10, 2015, acting on a Motion for Reconsideration filed by Shell, a Motion for Clarification filed by Chevron, and a Manifestation filed by the Company, the Supreme Court denied Shell's motion with finality, clarified that relocation and transfer necessarily include removal of the facilities in the Pandacan terminals and should be part of the required comprehensive plan and relocation schedule. On May 14, 2015, the Company filed its submission in compliance with the November 25 Decision.

In a decision dated September 19, 2017, the Court of Appeals denied the appeal of the Company, finding that Ordinance 8119 was valid, except for its Section 55. Section 55, which imposed an easement of 10 meters from the riverbank to serve as a linear park, was struck down as invalid because it violated the Water Code which required only a three-meter easement. The Company no longer filed a motion for reconsideration or elevated the matter to the Supreme Court since the issue had already become moot following the cessation by the Company of the operations of its petroleum storage facilities in Pandacan in August 2015.

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 Department of Transportation and 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.

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 seeks 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.

On December 29, 2017, the trial court mandated the conduct of mediation proceedings. The court-mandated mediation conference held on February 5, 2018 was terminated without any agreement between the parties.

The case is currently undergoing judicial dispute resolution ("**JDR**") proceedings before the courts. The next JDR conference is scheduled on March 28, 2019, without prejudice to any discussion between the parties regarding the settlement of the case.

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.

As of the date of this Prospectus, the Company and its subsidiaries have not been the subject of any receivership or similar proceedings.

REGULATORY AND ENVIRONMENTAL MATTERS

The statements herein are based on the laws in force as of the date of this Prospectus 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 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 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.

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.

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.

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. Under prevailing rules and regulations, new industry participants are given preference in the (i) formulation and implementation 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.

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 Liquid Petroleum Products 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.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. The Prohibited Acts include illegal trading, adulteration, underdelivering, refusal/ obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of Prohibited Acts under the Revised Retail Rules.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (the "**ECC**") prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau (the "**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement ("**EIS**") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("**IEE**") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is mandatory. The construction of major roads and bridges are considered environmentally critical projects for which EIS and ECC are mandatory. Presidential Proclamation No. 2146 also classified petroleum and petro-chemical industries as environmentally critical projects.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

The Biofuels Act of 2006

Republic Act No. 9367, also known as "The Biofuels Act of 2006", aims to reduce the dependence of the transport sector on imported fuel and, pursuant to such law, regulations mandate that all premium gasoline fuel sold by every oil company in the Philippines should contain a minimum 10% blend of bioethanol starting August 6, 2011. For diesel engines, the mandated biodiesel blend in the country was increased from 1% to 2% starting February 2009.

In June 2015, the DOE issued Department Circular No. DC 2015-06-005, or the Amended Guidelines on E-10 Implementation, which temporarily waives compliance by oil companies with the required bioethanol blend for premium plus grade gasoline products when supply of locally produced bioethanol products are insufficient to meet demand.

In 2008, a Joint Administrative Order known as the "Guidelines Governing the Biofuel Feedstock Production and Biofuel Blends Production, Distribution and Sale" (the "**Guidelines**") was issued by various Philippine government agencies. The Guidelines mandate oil companies to blend biodiesel with diesel and bioethanol with gasoline. The Guidelines further require oil companies to source biofuels only from biofuel producers accredited by the DOE or from biofuel distributors registered with the DOE. Moreover, unless authorized by DOE to import in case of shortage of supply of locally-produced bioethanol as provided for under the Act, an oil company's failure to source its biofuels from accredited biofuels producers and/or registered biofuel distributors would constitute a prohibited act.

In June 2015, the DOE issued Department Circular No. DC 2015-06-007, or the Revised Guidelines on the Utilization of Locally-Produced Bioethanol ("**Revised Guidelines**"), which repealed Department Circular No. 2011-12-0013, or the "Guidelines on the Utilization of Locally-Produced

Bioethanol in the Production of E-Gasoline Consistent with the Biofuels Act of 2006". The Revised Guidelines require oil companies operating within the Philippines to secure and maintain a DOE accreditation as an "Oil Industry Participant in the Fuel Bioethanol Program" and submit to the OIMB certain reports in order for the OIMB to monitor the oil companies' compliance with the Revised Guidelines, including an annual performance compliance report relating to the oil companies' compliance with the minimum biofuel blends and monthly reports on compliance with local monthly allocations for the use of locally-sourced bioethanol. The Revised Guidelines further require oil companies to strictly comply with the Local Monthly Allocation ("**LMA**"). The LMA refers to the local bioethanol volume imposed on oil companies based on the committed volume by the local bioethanol producers of bioethanol available for lifting by the oil companies and computed and circulated by the OIMB.

In February 2016, the Congress of the Philippines promulgated Republic Act No. 10745, amending The Biofuels Act of 2006. The law allows natural gas power generation plants to use neat diesel (instead of the mandated biofuel blend) as alternative fuel during shortages of natural gas supply. The DOE issued Department Order No. 2016-07-0012 or the implementing rules and regulations for Republic Act No. 10745. This provides that the natural gas power generating plants with duly issued Certificate of Compliance from the Energy Regulatory Commission can avail of the use of neat diesel in the following instances:

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.

Philippine Clean Air Act of 1999

Republic Act No. 8749, otherwise known as the "Philippine Clean Air Act", provides more stringent fuel specifications over a period of time to reduce emission that pollutes the air. The Philippine Clean Air Act specifies the allowable sulfur and benzene content for gasoline and automotive diesel. Under the law, oil firms are mandated to lower the sulfur content of automotive diesel oils to 0.05% by weight by January 1, 2004 nationwide. The law also prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or fuel additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for all types of fuel and fuel related products, to improve fuel consumption for increased efficiency and reduced emissions. The committee is guided by strict time-bound and quality-specific targets under the mandate of the Philippine Clean Air Act and the DOE initiative on alternative fuels.

Philippine Clean Water Act of 2004

In 2004, Republic Act No. 9275, or the "Philippine Clean Water Act", was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land based

sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Philippine Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

LPG Laws and Regulations

B.P. 33

B.P. 33, as amended by PD 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) under delivery 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:

1. 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;
2. 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

3. 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 “under delivery” 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.

R.A. 9514 - IRR

The Implementing Rules and Regulations of Republic Act No. 9514 or the Fire Code of 2008 also outlines requirements for storage and handling of LPG by outside bulk LPG stores and filling stations and the transportation of LPG which require among others, that during the unloading or transfer of LPG, the tank truck shall be located or parked clear of a public thoroughfare, unless the failure to transfer would create a hazard or it is impossible due to topography.

LPG Industry Rules

In January 2014, the 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 the business of importing, refining, refilling, marketing, distributing, handling, storing, retailing, selling and/or trading of LPG.

A Standards Compliance Certificate ("**SCC**") from the OIMB is required before engaging in any LPG Industry Activity. The SCC is valid for a maximum of three calendar years from date of issue and may be renewed. LPG Industry participants must also submit certain reports to the OIMB.

The LPG Industry Rules also imposes (i) minimum standards and requirements for refilling and transportation of LPG; (ii) qualifications and responsibilities for LPG Industry participants such as bulk suppliers, refillers, marketers, dealers, and retail outlets.

Brand owners whose permanent mark appears on the LPG cylinder are presumed under the rules as the owner thereof, irrespective of their custody, and shall ensure that its cylinders comply with all required quality and safety standards. The owner of the cylinders is also required to secure product liability insurance for any liability that may result from an unsafe condition of LPG cylinders.

Rules Pertinent to Auto-LPG Motor Vehicles

On February 13, 2007, the DOE issued DOE Circular No. DC 2007-02-0002 entitled "Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas (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.

Under the rules, an Auto-LPG Industry Participant is required to secure from the DOE through the OIMB an SCC before it can operate. The Auto-LPG also mandates all participants to observe a code of practice consisting of operational guidelines and procedures to ensure the safe operation in the auto LPG business. Illegal trading, adulteration and hoarding are likewise prohibited. Under the Auto-LPG Rules, the following shall constitute prima facie evidence of hoarding: (i) the refusal of Auto-LPG Dispensing Stations to sell LPG products for automotive use shortly before a price increase or in times of tight supply, and in both instances if the buyer or consumer has the ability to pay in cash for the product; (ii) the undue accumulation of Auto-LPG Dispensing Stations of LPG products for automotive use in times of tight supply or shortly before a price increase. For purposes of this Auto LPG Rules, "undue accumulation" shall mean the keeping or stocking of quantities of LPG products for automotive use beyond the inventory levels as required to be maintained by the Auto-LPG Dispensing Stations, for a period of thirty (30) days immediately preceding the period of tight supply or price increase.

The Land Transportation Office ("**LTO**") also issued Memorandum Circular No. RIB-2007-891 or the "Implementing Rules and Regulations in the Inspection and Registration of Auto-LPG Motor Vehicles." The Circular requires the device for the use of LPG as fuel by any motor vehicle to be installed only by the conversion/installing shop duly certified by the Bureau of Product and Standards ("**BPS**") of the 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.

Oil Pollution Compensation Act of 2007

Republic Act No. 9483, otherwise known as the Oil Pollution Compensation Act of 2007, imposes strict liability on the owner of the ship for any pollution damage caused within the Philippine territory. Pollution damage is the damage caused outside the ship by contamination due to the discharge of oil from the ship, as well as the cost of preventive measures to protect it from further damage.

The law also provides that any person who has received more than 150,000 tons of "contributing oil" (as explained below) in a calendar year in all ports or terminal installations in the Philippines through carriage by sea shall pay contributions to the International Oil Pollution Compensation Fund in accordance with the provisions of the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage. For this purpose, “oil” includes any persistent hydrocarbon mineral oil such as crude oil, fuel oil, heavy diesel oil and lubricating oil, whether carried on board a ship as cargo or in bunkers of such a ship.

A person shall be deemed to have received “contributing oil,” for purposes of determining required contributions, if he received such oil from another country or from another port or terminal installation within the Philippines, notwithstanding that this oil had already been previously received by him. Where the quantity of contributing oil received by any person in the Philippines in a calendar year, when aggregated with the quantity of contributing oil received in the Philippines in that year by such person’s subsidiaries or affiliates, exceeds 150,000 tons, such person, including its subsidiaries and affiliates, shall pay contributions in respect of the actual quantity received by each, notwithstanding that the actual quantity received by each did not exceed 150,000 tons. Persons who received contributing oil are required to report to the DOE. Contributing oil means crude oil and fuel oil as defined under Republic Act No. 9483.

Republic Act No. 9483 provides for the establishment of a fund to be constituted from, among others, an impost amounting to ten centavos per liter levied on owners and operators and tankers and barges hauling oil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund, will be in addition to the requirement under the 1992 Civil Liability Convention and 1992 Fund Convention and will be administered by the Maritime Industry Authority (“**MARINA**”).

In April 2016, the Department of Transportation (then the Department of Transportation and Communications) promulgated the implementing rules and regulations of Republic Act No. 9483. Under the rules, oil companies are required to submit (a) reports on the amount of contributing oil received and (b) sales and delivery reports of persistent oil.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation.

The MARINA is responsible for integrating the development, promotion, and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA issued: (i) Circular No. 2007-01 which mandated the use of double-hull vessels including those below 500 tons deadweight tonnage by the end of 2008 for transporting Black Products; and (ii) Circular No. 2010-01 for transporting White Products in certain circumstances by 2011.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills. Oil companies, oil explorers, natural gas explorers, power plants/barges and tanker owners are also required to develop shipboard oil pollution emergency plans to be approved by the Philippine Coast Guard.

Moreover, both the Philippine Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution have the primary responsibility of conducting clean-up operations at its own expense.

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.

"Retail Trade" is defined by R.A. 8762 to cover any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities, or goods for consumption. The law provides that foreign-owned partnerships, associations and corporations formed and organized under the laws of the Philippines may, upon registration with the SEC and the DTI or in case of foreign- owned single proprietorships, with the DTI, engage or invest in the retail trade business, in accordance with the following categories:

- Category A — Enterprises with paid-up capital of the equivalent in Philippine Pesos of less than US$2.5 million shall be reserved exclusively for Filipino citizens and corporations wholly owned by Filipino citizens

- Category B — Enterprises with a minimum paid-up capital of the equivalent in Philippine Pesos of US$2.5 million but less than US$7.5 million may be wholly owned by foreigners except for the first two years after the effectiveness of R.A. 8762 wherein foreign participation shall be limited to not more than 60% of total equity.

- Category C — Enterprises with a paid-up capital of the equivalent in Philippine Pesos of US$7.5 million or more may be wholly owned by foreigners, provided, that in no case shall the investments for establishing a store in Categories B and C be less than the equivalent in Philippine Pesos of US$830,000;[15] and

- Category D — Enterprises specializing in high-end or luxury products with a paid up capital of the equivalent in Philippine Pesos of US$250,000 per store may be wholly owned by foreigners.

No foreign retailer is allowed to engage in retail trade in the Philippines unless all the following qualifications are met:

- A minimum of US$200 million net worth in its parent corporation for categories B and C, and US$50 million net worth in its parent corporation for category D;

- Five retail branches or franchises in operation anywhere around the world unless such retailers has at least one store capitalized at a minimum of US$25 million;

[15] Category C ceased to be available as a permitted category with effect from March 25, 2002

- Five-year track record in retail; and

- Only nationals from, or judicial entities formed or incorporated in, countries which allow the entry of Filipino retailers, shall be allowed to engage in retail trade in the Philippines.

The implementing rules of R.A. 8762 define a foreign retailer as an individual who is not a Filipino citizen, or a corporation, partnership, association, or entity that is not wholly owned by Filipinos, engaged in retail trade. The DTI is authorized to pre-qualify all foreign retailers, subject to the provisions of R.A. 8762, before they are allowed to conduct business in the Philippines.

Foreign Investments Act of 1991

The Foreign Investments Act of 1991 ("**FIA**") 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 (10th) Negative List of the FIA.

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 citizen of the Philippines;

- a domestic partnership or association wholly owned by citizens of the Philippines;

- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;

- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or

- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% 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.

Land Ownership

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that 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.

Consumer Act of the Philippines

Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines ("**Consumer Act**"), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (c) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labeling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

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 the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Other Regulatory Requirements

Governmental approval of the Company's products and services is generally not required. However, petroleum products refined at the Limay Refinery are subject to Philippine National Standards ("**PNS**") specifications. The DTI, through the Bureau of Products Standards, ensures that all products comply with the specifications of the PNS. The Oil Deregulation Law also requires the registration with the DOE of any fuel additive prior to its use in a product.

On September 7, 2010, the DENR issued Department Order No. 2010-23 on the Revised Emission Standards for Motor Vehicles Equipped with Compression Ignition and Spark Ignition Engines, mandating compliance of all new passenger and light duty motor vehicles with Euro IV (PH) emission limits subject to fuel availability, starting on January 1, 2016. Euro IV vehicle emission technology requires a more stringent fuel quality of 0.005% sulfur content for both diesel and gasoline.

Philippine government regulations also require the following: fire safety inspection certificates; certificates of conformance of facilities to national or accepted international standards on health, safety and environment; product liability insurance certificates or product certificate of quality; and the ECC issued by the DENR for service stations and for environmentally-critical projects. These certificates have to be submitted to the DOE for monitoring (not regulation) purposes. Reports to the DOE are required for the following activities/projects relating to petroleum products: (a) refining, processing, including recycling and blending; (b) storing/ transshipment; (c) distribution/operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plant; (f) bunkering from freeports and special economic zones; and (g) importations of petroleum products and additives. In addition, importations of restricted goods require clearances from the proper governmental authorities.

Other Relevant Tax-related Regulations

Taxes and duties applicable to the oil industry have had periodic and unpredictable changes over the last several years. The import duty on crude oil was increased on January 1, 2005 from 3% to 5%, but was later reduced to 3% effective as of November 1, 2005.

Under Executive Order No. 527 dated May 12, 2006, upon certification by the DOE that the trigger price levels provided therein have been reached, the 3% import duty on crude oil shall be adjusted to 2%, 1% or 0%. Subsequently, Executive Order No. 850, which took effect on January 1, 2010, modified the rates of duty on certain imported articles in order to implement the Philippines' commitment to eliminate the 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.

Republic Act No. 9337, also known as the "Expanded VAT Law", imposed a VAT of 10% on certain goods and services, including petroleum products and its raw materials, particularly the sale and importation thereof. The rate was further increased to 12% effective February 1, 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on November 21, 2006, removed the 70% ceiling on the credit of input VAT to output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to P4.35 per liter of volume capacity.

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN**") took into effect. The TRAIN amended provisions of the Philippine Tax Code, among others, increasing excise tax rates of petroleum products. Excise tax rates on gasoline products were increased from ₱4.35 per liter to ₱7.00 per liter effective January 1, 2018, ₱9.00 per liter on January 1, 2019 and ₱10.00 per liter in January 1, 2020. Diesel and bunker fuel products which were previously not subject to excise taxes were imposed excise taxes at ₱2.50 per liter effective January 1, 2018 and increased further to ₱4.50 per liter on January 1, 2019 and ₱6.00 per liter on January 1, 2020.

Also in compliance with the TRAIN, the Philippine government intends to implement a Philippine Fuel Marking Program in 2019 to mark imported and refined petroleum products such as gasoline, diesel and kerosene to ensure that all downstream fuels are tax and duty paid. Under the latest advisory of the Department of Finance, the Fuel Marking fee will be paid by the government to the Fuel Marking Service Provider for the first year of implementation. For the second to fifth year of implementation, said fee shall be borne by petroleum companies on top of duties and taxes to be collected by the Bureau of Customs or the Bureau of Internal Revenue.

Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001, provides for parity tax treatment among imported oil and indigenous fuels. Prior to the enactment of this law, indigenous fuels were imposed with higher taxes due to royalties to the Philippine government.

Malaysia

Petroleum Development Act, 1974

The Petroleum Development Act, 1974 (the "**PDA**"), which took effect on October 1, 1974, and the Petroleum Regulation 1974, which was enacted pursuant to the PDA (the "**Petroleum Regulation**"), are the primary legislation governing 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 is expected to be implemented in the 3rd quarter of 2019 for use in 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 February 2019, 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**"), (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 crude oil prices 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 APM. A subsidy is payable to the seller 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 balancing figure is payable by the seller if the mandated price of the relevant product exceeds the total built-up cost of such product.

As of June 2015, 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**	**Diesell**	**Retail LPG**
Cost of Product	Based on MOPS	Based on MOPS	Based on MOPS	Based on Saudi CP
Alpha	5 sen/liter	15 sen/liter	4 sen/liter	USD80.00/MT
Freight, Distribution and Marketing Cost	Peninsular Malaysia: 9.54 sen/liter Sabah: 8.98 sen/liter Sarawak: 8.13 sen/liter	Peninsular Malaysia: 9.54 sen/liter Sabah: 9.54 sen/liter Sarawak: 9.54 sen/liter	Peninsular Malaysia: 9.54 sen/liter Sabah: 8.98 sen/liter Sarawak: 8.13 sen/liter	Peninsular Malaysia: 38.95 sen/kg Sabah: 72.10 sen/kg Sarawak: 71.26 sen/kg
Oil company margin	5 sen/liter	5 sen/liter	2.25 sen/liter	11.35 sen/kg
Dealer Margin	12.19 sen/liter	12.19 sen/liter	7 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 dealer margin in June 2008, while the alpha, freight, distribution and marketing cost, and oil company margin were last revised in June 2015. 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.

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 monthly 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 selected transportation 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 5M 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 5M 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 5M fuels will be in phases: Euro 4M for RON 95 by January 1, 2020, Euro 5M (sulfur specification only) for Diesel by September 1, 2020, Euro 5M (sulfur specification only) for RON 95 and RON 97 by September 1, 2025, and Euro 5M (of all other parameters) for Diesel, RON 95 and RON 97 by the year 2027.

The Malaysian government has mandated that Diesel, RON 95 and RON 97 sold in Malaysia must comply with Euro 5M specifications by 2027. The Malaysian government, however, has proposed to accelerate the date of implementation, subject to the agreement of all stakeholders, to 2025. This is in line with the move by downstream oil companies in Malaysia, including the Company, that introduced and supplied Euro 5M standards earlier in service stations.

The facilities at the Port Dickson Refinery are being enhanced to comply with Euro 4M standards, and these enhancements are expected to be completed before Euro 4M standards come into force. The current configuration of the facilities will allow the Port Dickson Refinery to produce gasoline compliant with Euro 4M standards. The formulation of Euro 4M 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 MDOE. SIRIM Berhad is a wholly owned company of the Malaysian government incorporated under the Malaysian Ministry of Finance. The Port Dickson Refinery plans to implement Euro 5M standards by the fourth quarter of 2020.

Other Laws

Companies Act, 2016

The Companies Act of 1965 was repealed and the new Companies Act of 2016 came into effect in January 2017. It governs the incorporation, registration, administration and dissolution of companies and corporations 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. The Company is moving to adopt the principles and recommendations elaborated in the MCCG and as required, report the same in the Company's 2017 Annual Report (to be released in 2018).

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.

<u>**CORPORATE GOVERNANCE AND MANAGEMENT**</u>

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

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

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

With the election of four (4) independent directors to the Company's Board of Directors; the election of the members of the Audit, Risk Oversight, Related Party Transaction and Corporate Governance Committees; the conduct of regular board meetings and committee meetings, and the faithful attendance of the directors at such meetings; the proper discharge of duties and responsibilities by the directors; the conduct of a regular training/seminar for corporate governance for directors and key officers; and adherence to national and local laws pertaining to its business operations, including applicable accounting standards and disclosure requirements, the Company is in compliance with its Company Corporate Governance Manual.

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

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

BOARD OF DIRECTORS AND MANAGEMENT OF THE COMPANY

Directors

The Board of Directors of Petron is composed of 15 members, four (4) of whom are independent directors. Currently, only two (2) of the members are executive directors, occupying the positions of the President and Chief Executive Officer and the General Manager of the Company.

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

Name	Position	Year Appointed as Director
Eduardo M. Cojuangco, Jr.	Chairman of the Board of Directors	2009
Ramon S. Ang	President and Chief Executive Officer and Director	2009
Lubin B. Nepomuceno	General Manager and Director	2013
Ron W. Haddock	Director	2008
Estelito P. Mendoza	Director	2009
Aurora T. Calderon	Director	2010
Mirzan Mahathir	Director	2010
Virgilio S. Jacinto	Director	2010
Nelly F. Villafuerte	Director	2011
Jose P. de Jesus	Director	2014
Horacio C. Ramos	Director	2018
Reynaldo G. David	Lead Independent Director	2009
Artemio V. Panganiban	Independent Director	2010
Margarito B. Teves	Independent Director	2014
Carlos Jericho L. Petilla	Independent Director	2018

Certain information on the business and working experiences of each Director is set out below.

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

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

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

(Malaysia) ("**PFISB**"), Petron Malaysia Refining & Marketing Bhd. (Malaysia), Petron Oil (M) Sdn. Bhd. ("**POMSB**") (Malaysia), and Philippine Polypropylene Inc. ("**PPI**"); Director of Las Lucas Construction and Development Corporation ("**LLCDC**"), Petron Oil & Gas Mauritius Ltd. ("**POGM**") and Petron Oil & Gas International Sdn Bhd. ("**POGI**"). He also holds the following positions, among others: Chairman and President of SMC Global Power Holdings Corp., San Miguel Holdings Corp., San Miguel Equity Investments Inc., and San Miguel Properties, Inc.; Chairman of San Miguel Brewery Inc. ("**SMB**"), San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel and Resort, Inc., andPrivado Holdings, Corp.; President and Chief Executive Officer of Northern Cement Corporation; and President of Ginebra San Miguel, Inc., and San Miguel Northern Cement, Inc. He is also the sole director and shareholder of Master Year Limited; Mr. Ang formerly held the following positions, among others: Chairman of Liberty Telecoms Holdings, Inc.; President and Chief Operating Officer of PAL Holdings, Inc., and Philippine Airlines, Inc.; Director of Air Philippines Corporation; Chairman of Cyber Bay Corporation; Vice Chairman of MERALCO, and Chairman of Manila North Harbour Port Inc. ("**MNHPI**") (2015 - 2017) Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University.

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

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

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

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

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

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

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

Aurora T. Calderon, Filipino, born 1954, has served as a Director of the Company since August 13, 2010. She is a member of the Audit Committee, the Risk Oversight Committee and the Related Party Transaction Committee. She holds the following positions, among others: Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of SMC; Director of SMC, PMRMB, POGM, POGI, PMC, PFC, PSTPL, SEA Refinery, NVRC, LLCDC, Thai San Miguel Liquor Co., Ltd., SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., Trans Aire Development Holdings Corp., Vega Telecom, Inc., Bell Telecommunications Company, Inc., A.G.N. Philippines, Inc. and various subsidiaries of SMC; and Director and Treasurer of Petron-affiliate Top Frontier. She has served as a Director of MERALCO (January 2009 - May 2009), Senior Vice President of Guoco Holdings (1994 - 1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981 - 1989). A certified public accountant, Ms. Calderon graduated magna cum laude from the University of the East in 1973 with a degree in Business Administration major in Accounting and earned her master's degree in Business Administration from the Ateneo de Manila University in 1980. She is a member of the Financial Executives and the Philippine Institute of Certified Public Accountants.

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

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

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

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

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

Nelly F. Villafuerte, Filipino, born 1937, has served as a Director of the Company since December 1, 2011. She is also a columnist for the Manila Bulletin and was a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2005 until July 2011. She is the President and General Manager of LRV Agri-Science Farm, Inc. (a family-owned corporation). She is an author of business handbooks on microfinance, credit card transactions, exporting and cyberspace and a four (4)-volume series on the laws on banking and financial intermediaries (Philippines). Atty. Villafuerte has served as Governor of the Board of Investments (1998 - 2005), Undersecretary for the International Sector (Trade Promotion and Marketing Group) of the Department of Trade and Industry ("**DTI**") (July 1998 - May 2000), Undersecretary for the Regional Operations Group of the DTI (May 2000 - 2005) and Director of Top Frontier (2013 - February 2019). She holds a master's degree in Business Management from the Asian Institute of Management ("**AIM**") and was a professor of international law/trade/marketing at the graduate schools of AIM, Ateneo Graduate School of Business and De La Salle Graduate School of Business and Economics. Atty. Villafuerte obtained her Associate in Arts and law degrees from the University of the Philippines and ranked within the top 10 in the bar examinations.

Atty. Villafuerte does not hold 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 also the Chairman of Clark Development Corporation, Converge ICT Solutions, Inc. and Metroworks ICT Construction, Inc. (May 2014 - present). He was the President and Chief Executive Officer of Nationwide Development Corporation (September 2011 - December 2015), the Secretary of the Department of Transportation and Communications (July 2010 - June 2011), the President and Chief Operating Officer of MERALCO (February 2009 - June 2010), the President and Chief Executive Officer of Manila North Tollways Corporation (January 2000 - December 2008), Executive Vice President of the Philippine Long Distance Telephone Company (1993 - December 1999), Chairman of the Manila Waterworks & Sewerage System (1992 - 1993) and the Secretary of the Department of Public Works and Highways (January 1990 - February 1993). He was awarded the Philippine Legion of Honor, Rank of Commander in June 1992 by then President Corazon C. Aquino. He was Lux in Domino Awardee (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. He is also a Director of Citra Metro Manila Tollways Corporation, Private Infra Development Corporation and South Luzon Tollway Corporation. He is a Trustee of Bantayog ng mga Bayani Foundation, Kapampangan Development Foundation and Holy Angel University. Mr. de Jesus earned his Bachelor of Arts degree in Economics and holds a Master of Arts in Social Psychology from the Ateneo de Manila University. He also finished Graduate Studies in Human Development from the University of Chicago.

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

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

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

Reynaldo G. David, Filipino, born 1942, has served as an Independent Director of the Company since May 12, 2009. He is the Chairman of the Audit Committee and likewise a member of the Risk Oversight Committee, the Corporate Governance Committee and the Related Party Transaction Committee. He is also an Independent Director and a member of the Audit Committee, Nomination and Compensation Committee of SMC. He has previously held, among others, the following positions: Philippine Special Trade Representative with the rank of Special Envoy, President and Chief Executive Officer of the Development Bank of the Philippines; Chairman of NDC Maritime Leasing Corporation; Director of DBP Data Center, Inc. and Al-Amanah Islamic Bank of the Philippines. Other past positions include: Independent Director of ISM and Atok Big Wedge Corporation ("**Atok**"), Chairman of LGU Guarantee Corporation, Vice Chairman, Chief Executive Officer and Executive Committee Chairman of Export and Industry Bank (September 1997 - September 2004), Director and Chief Executive Officer of Unicorp Finance Limited and Consultant of PT United City Bank (concurrently held from 1993 - 1997), Director of Megalink Inc., Vice President and FX Manager of the Bank of Hawaii (April 1984 - August 1986), various directorships and/or executive positions with The Pratt Group (September 1986 - December 1992), President and Chief Operating Officer of Producers Bank of the Philippines (October 1982 - November 1983), President and Chief Operation Officer of International Corporation Bank (March 1979 - September 1982), and Vice President and Treasurer of Citibank N. A. (November b1964 - February 1979). He was conferred with the Presidential Medal of Merit in 2010. A Ten Outstanding Young Men awardee for Offshore Banking in 1977, he was also awarded by the Association of Development Financing Institutions in Asia & the Pacific as the Outstanding Chief Executive Officer in 2007. A certified public accountant since 1964, he graduated from the De La Salle University with a combined Bachelor of Arts and Bachelor of Science in Commerce degrees in 1963 and attended the Advanced Management Program of the University of Hawaii (1974). He was conferred with the title Doctor of Laws, honoris causa, by the Palawan State University in 2005 and the title Doctor of Humanities, honoris causa, by the West Visayas State University in 2009.

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

Artemio V. Panganiban, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is the Chairman of the Risk Oversight Committee and a member of the Audit and Corporate Governance Committees. He is a columnist for the Philippine Daily Inquirer and officer, adviser or consultant to several businesses, civic, educational and religious organizations. He is also an adviser of Metropolitan Bank and Trust Company and Bank of the Philippine Islands. He was formerly the Chief Justice of the Supreme Court of the Philippines (2005 - 2006); Associate Justice of the Supreme Court (1995 - 2005); Chairperson of the Philippine House of Representatives Electoral Tribunal (2004 - 2005); Senior Partner of Panganiban Benitez Parlade Africa & Barinaga Law Office (1963-1995); President of Baron Travel Corporation (1967 - 1993); and professor at the Far Eastern University, Assumption College and San Sebastian College (1961 - 1970). He is an author of over 10 books and has received various awards for his numerous accomplishments, most notably the "Renaissance Jurist of the 21st Century" conferred by the Supreme Court in 2006 and the "Outstanding Manilan" for 1991 by the City of Manila. Chief Justice Panganiban earned his Bachelor of Laws degree (cum laude) from the Far Eastern University in 1960, placed sixth in the bar exam that same year, and holds honorary doctoral degrees in law from several universities.

Apart from Petron, he is an Independent Director of the following listed companies: MERALCO, First Philippine Holdings Corp., Philippine Long Distance Telephone Co., Metro Pacific Investment Corp., Robinsons Land Corp., GMA Network, Inc., GMA Holdings, Inc., Asian Terminals, Inc. and a non-executive Director of Jollibee Foods Corporation.

Margarito B. Teves, Filipino, born 1943, has served as an Independent Director of the Company since May 20, 2014. He is the Chairman of the Corporate Governance and the Related Party Transaction

Committees and a member of the Audit Committee of the Company. He is also an Independent Director of SMC and Atok, as well as Alphaland Corporation, Alphaland Balesin Island Club, Inc., AB Capital Investment Corp. and Atlantic Atrium Investments Philippines Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of Think Tank Inc. He was the Secretary of the Department of Finance of the Philippine government (2005 - 2010), and was previously the President and Chief Executive Officer of the Land Bank of the Philippines (2000 - 2005), among others. He was awarded as "2009 Finance Minister of Year/Asia" by the London-based The Banker Magazine. He holds a Master of Arts degree in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

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

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

Mr. Petilla does not hold a directorshipin any company listed with the PSE other than Petron.

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 Prospectus:

Name	Position	Year Appointed as Officer
Ramon S. Ang	President and Chief Executive Officer	2015
Lubin B. Nepomuceno	General Manager	2015
Emmanuel E. Eraña	Senior Vice President and Chief Finance Officer	2009
Freddie P. Yumang	Senior Vice President, Operations for Refinery Division	2009
Susan Y. Yu	Vice President, Procurement	2009
Albert S. Sarte	Vice President and Treasurer	2009
Maria Rowena O. Cortez	Vice President, Supply	2009
Archie B. Gupalor	Vice President, Retail Sales	2018
Joel Angelo C. Cruz	Vice President, General Counsel & Corporate Secretary/Compliance Officer	2010
Julieta L. Ventigan	Vice President, Business Planning and Development	2015
Rolando B. Salonga	Vice President, Operations and Corporate Technical Services Group	2017
Fernando S. Magnayon	Vice President, Commercial Sales	2018
Maria Rosario D. Vergel de Dios	Vice President, Human Resources Management	2018
Dennis S. Janson	Assistant Vice President and Controller	2015

Certain information on the business and working experiences of each of the Executive Officers of the Company who are not directors is set out below:

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

Freddie P. Yumang, Filipino, born in 1958, has served as the Senior Vice President for Refinery Operations of the Company effective February 2018. He is also a Director of PPI, Mariveles Landco Corporation, Robinson International Holdings Ltd. and PAHL. He is the lead of the Company's RMP-2 project and has held various positions in the Company, including Vice President, Operations Manager and Technical Services Manager, and different supervisory and managerial positions at the Limay Refinery. Mr. Yumang is currently a Director of the National Association of Mapua Alumni and was formerly National Director of the Philippine Society for Mechanical Engineers (2006 - 2007). He is a Mechanical Engineering graduate of the Mapua Institute of Technology and earned units for a master's degree in Business Administration from the De La Salle University. He also attended the Basic Management and Management Development Programs of the AIM in 1992 and 2002, respectively, in which he received separate awards for superior performance.

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

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

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

Archie B. Gupalor, Filipino, born 1968, has served as the Vice President for Retail Sales of the Company since June 2018. He holds the following positions, among others: President and Chief Executive Officer of PFC and Director of PMC, NVRC and LLCDC. He was previously the Vice President for National Sales.

Mr. Gupalor served the following positions in the San Miguel Group: He has been with the San Miguel Group since 1991. Prior to his appointment in the Company, he held the position of Vice President and General Manager of San Miguel Integrated Sales of San Miguel Foods, Inc. He earned his Bachelor of Science degree in Industrial Psychology at the University of San Carlos and attended several programs here and abroad, including the Executive Management Development Program of the Harvard Business Publishing.

Joel Angelo C. Cruz, Filipino, born 1961, has served as the Vice President of the Office of the General Counsel of the Company since March 2013 and the Corporate Secretary and Compliance Officer of the Company since April 2010. He holds the following positions, among others: Corporate Secretary and Compliance Officer of Petrogen, Corporate Secretary of LLCDC, NVRC, PMC, and PFC; and Corporate Secretary of Petron Global Limited. Atty. Cruz was formerly the Assistant Vice President of the Office of the General Counsel, Assistant Corporate Secretary and Legal Counsel of the Company, and Assistant Corporate Secretary of all the Company's subsidiaries. He also served as Assistant Corporate Secretary of MNHPI (2012 - 2017). He is a member of the Integrated Bar of the Philippines. Atty. Cruz holds a Bachelor of Arts degree in Economics from the University of the Philippines and a Bachelor of Laws degree from San Beda College. He attended the Basic Management Program of the AIM in 1997 as well as numerous local and foreign training and seminars.

Julieta L. Ventigan, Filipino, born 1959, has served as the Vice President for Business Planning and Development of the Company since September 2015. She previously held the position of Assistant Vice President for Business Planning and Development from October 2010 until August 2015. The various positions she has held in the Company include Head of Business Planning and Development (August 2010 - September 2010), Manager for Corporate Planning/Business Planning and Analysis (January 2010 - July 2010) and Manager for Corporate Planning/Strategic Planning (April 2003 - December 2009). She has a Bachelor of Science degree major in Agricultural Economics from the University of the Philippines in Los Baños and a master's degree in Business Administration from the Ateneo Graduate of School of Business.

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

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

Maria Rosario D. Vergel de Dios, Filipino, born 1963, has served as Vice President for Human Resources Management of the Company since November 16, 2018. Other positions she has held include Assistant Vice President for Human Resources (July 2012 - November 15, 2018), Head for Human Resources

(October 2011 - June 2012), Human Resources Planning and Services Manager (October 2008 - September 2011), Payroll and Benefits Officer (January 2002 - September 2008), Payroll Officer (February 1997 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.

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

Share Ownership

The following table sets forth the share ownership of the Company's Directors and Executive Officers as of March 31, 2019:

Directors

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

Series 2B Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Reynaldo G. David	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Carlos Jericho L. Petilla	Filipino	500	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.

Officers

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

Directors and Executive Officers as a Group	Common	**1,701,389**		**0.00%**
	Series 2A Preferred	**25,000**		**0.55%**
	Series 2B Preferred	**0**		**0.00%**

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors and/or executive officers of the Company.

Committees of The Board

Pursuant to the Company's new Manual on Corporate Governance adopted on May 8, 2017, the Board created each of the following committees and appointed Board members thereto.

Audit Committee

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.

As of the date of this Prospectus, the chairman of the Audit Committee is Reynaldo G. David and its members are Margarito B. Teves, Artemio V. Panganiban, Estelito P. Mendoza and Aurora T. Calderon. Ferdinand K. Constantino, a former Director, serves as an advisor to the Audit Committee.

Executive Committee

The Executive Committee has been delegated the authority to exercise certain powers of the Board of Directors in the management of the business and affairs of the Company while the Board is not in session. As of the date of this Prospectus, the chairman of the Executive Committee is Eduardo M. Cojuangco, Jr. and its members are Ramon S. Ang, and Lubin B. Nepomuceno. Aurora T. Calderon and Virgilio S. Jacinto act as alternate members of the Executive Committee.

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the board of directors in the performance of its corporate governance, nomination and remuneration responsibilities and ensure compliance with and proper observance of corporate governance principles and practices. As of the date of this Prospectus, the chairman of the Corporate Governance Committee is Margarito B. Teves and its members are Reynaldo G. David, Artemio V. Panganiban, Virgilio S. Jacinto and Estelito P. Mendoza.

Risk Oversight Committee

The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Company to ensure its functionality and effectiveness. As of the date of this Prospectus, the chairman of the Risk Oversight Committee is Artemio V. Panganiban and its members are Reynaldo G. David and Aurora T. Calderon.

Related Party Transaction Committee

The Related Party Transaction Committee is tasked with reviewing all material related party transactions of the Company. As of the date of this Prospectus, the chairman of the Related Party Transaction Committee is Carlos Jericho L. Petilla and its members are Reynaldo G. David and Aurora T. Calderon.

Compensation

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

Name & Principal Position		Year	Salary (₱ millions)	Bonus (₱ millions)
Ramon S. Ang	President & Chief Executive Officer	2019 (est.)	111.67	27.92
Lubin B. Nepomuceno	General Manager			
Emmanuel E. Eraña	Senior Vice President & Chief Finance Officer			
Freddie P. Yumang	Senior Vice President - Refinery			
Archie B. Gupalor	Vice President – Retail Sales			
Ramon S. Ang	President & Chief Executive Officer	2018	105.42	66.04
Lubin B. Nepomuceno	General Manager			
Emmanuel E. Eraña	Senior Vice President & Chief Finance Officer			
Freddie P. Yumang	Senior Vice President - Refinery			
Archie B. Gupalor	Vice President – Retail Sales			
Ramon S. Ang	President & Chief Executive Officer	2017	96.32	60.09
Lubin B. Nepomuceno	General Manager			
Emmanuel E. Eraña	Senior Vice President & Chief Finance Officer			
Freddie P. Yumang	Senior Vice President - Refinery			
Archie B. Gupalor	Vice President – Retail Sales			
All other officers and directors of the Company (unnamed)		2019 (est.)	91.35	19.28
		2018	86.59	46.75
		2017	58.72	50.27

Standard Arrangements

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

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

Other Arrangements

There are no other arrangements for which the Directors are compensated by the Company for services other than those provided as a Director.

Employment Contract

In lieu of an employment contract, the Directors are elected at the annual meeting of stockholders for a one-year term until their successors shall have been duly elected and qualified pursuant to the Company's

By-Laws. Any Director elected in the interim will serve for the remaining term until the next annual meeting.

Warrants or Options

There are no warrants or options held by Directors or Executive Officers.

CERTAIN RELATIONSHIPS AND RELATED 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 to the Company's audited consolidated financial statements as of and for the period ended December 31, 2018 included elsewhere in this Prospectus.

Petron Corporation Employees' Retirement Plan

In July 2010, PCERP acquired from SEA BV 24.28% of the common shares in the Company. PCERP to date holds common shares comprising 4.90% of the outstanding common stock of the Company.

A significant portion of the ₱20.8 billion advance from the Company to PCERP was used to fund the purchase. The advance bears interest at market rates.

The proceeds of the sales of the Company's common shares by PCERP were used partially to repay advances made by the Company in 2010.

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 bunker fuel oil, diesel fuel and lubricant 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 ₱6.90 billion, ₱3.61 billion and ₱6.75 billion for the years ended December 31, 2016, 2017 and 2018, 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.

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 Limay Refinery and its service station sites, terminals and bulk plants are located. NVRC is the holder of the lease over the site of the Limay Refinery of which PNOC is the lessor. Lease expenses in connection with the NVRC leases in 2016, 2017, and 2018 amounted to approximately ₱409.80 million, ₱415.12 million and ₱489.12 million, respectively.

MARKET PRICE OF AND DIVIDENDS ON THE ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of March 31, 2019, the Company had 9,375,104,497 common shares and 10,000,000 preferred shares issued and outstanding. The table below sets forth the Company's top 20 holders of common shares as of March 31, 2019:

	Stockholder Name	No. of shares	% to Total
1	SEA Refinery Corporation	4,696,885,564	50.100%
2	PCD Nominee Corp. (Filipino)	1,767,926,534	18.858%
3	San Miguel Corporation	1,702,870,560	18.164%
4	Petron Corporation Employees Retirement Plan	378,818,699	4.041%
5	PCD Nominee (Non-Filipino)	378,379,296	4.036%
6	F. Yap Securities, Inc.	12,704,918	0.136%
7	Ernesto Chua Chiaco &/or Margaret Sy Chua Chiaco	6,000,000	0.064%
8	Sysmart Corp.	4,000,000	0.043%
9	Margaret S. Chuachiaco	3,900,000	0.042%
10	Raul Tomas Concepcion	3,504,000	0.037%
11	Genevieve S. Chuachiaco	2,735,000	0.029%
12	Ernesson S. Chuachiaco	2,732,000	0.029%
13	Q-Tech Alliance Holdings, Inc.	2,648,500	0.028%
14	Genevieve S. Chua Chiaco	2,490,000	0.266%
15	Benedict Chua Chiaco	2,365,000	0.025%
16	Anthony Chua Chiaco	2,008,000	0.021%
17	Shahrad Rahmanifard	2,000,000	0.021%
18	Manuel Awiten Dy	2,000,000	0.021%
19	Kristine Chua Chiaco	1,956,000	0.021%
20	Ching Hai Go &/or Martina Go	1,500,000	0.016%

As at March 31, 2019, the Issuer had 145,681 shareholders of its common shares. The foreign ownership level of total outstanding voting shares in the Issuer was 4.09%.

The table below sets forth the Company's top 20 holders of the preferred shares as of March 31, 2019:

Series 2A Preferred Shares

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	6,326,705	88.829%
2	San Miguel Corporation Retirement Plan-FIP	400,000	5.616%
3	San Miguel Brewery Inc. Retirement Plan	200,000	2.808%
4	San Miguel Corporation Retirement Plan-STP	60,000	0.842%
5	San Miguel Foods Inc. Retirement Plan	50,000	0.702%
6	San Miguel Yamamura Packaging Corp. Retirement Plan	40,470	0.568%
7	PCD Nominee Corporation (Non-Filipino)	33,875	0.476%
8	Knights of Columbus Fraternal Association of the Phils., Inc.	3,200	0.045%
9	Sylvia Lopez Alejandro	1,000	0.014%
10	BCS Realty Holdings & Development Corporation	1,000	0.014%
11	Zenaida M. Postrado or Renato Postrado	1,000	0.014%
12	Samuel L. Santos or Ma. Paulina Isabel P. Santos	750	0.011%
13	Irma T. San Juan	500	0.007%
14	Sta. Maria Della Strada Parish Garden Sanctuary	420	0.006%
15	Agnes L. Baniqued	300	0.004%
16	Evelyn A. Gesmundo or Dominador A. Gesmundo, Jr.	300	0.004%
17	Rafael C. Bueno, Jr.	300	0.004%
18	Alfrito D. Mah or Agueda G. Mah	300	0.004%
19	Arnel Jose S. Banas or Rufina S. Elcano or Meliza B. Zulueta	150	0.002%
20	Ma. Teresa L. Yusingco	150	0.002%

Series 2B Preferred Shares

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	2,754,415	95.717%
2	Knights of Columbus Fraternal Association of The Phils., Inc.	45,440	1.579%

3	PCD Nominee Corporation (Non-Filipino)	23,910	0.831%
4	Marcelino R. Teodoro	12,500	0.434%
5	First Life Financial Co., Inc.	7,000	0.243%
6	Ben Tiuk Sy or Judy Y. Sy	6,400	0.222%
7	Reynaldo Garcia Alejandro &/or Sylvia L. Alejandro	5,000	0.174%
8	Alexander T. Solis &/or Gina T. Sinfuego	5,000	0.174%
9	Francisco S. Alejo &/or Cynthina Alejo &/or Anna Melissa A. Acop	3,000	0.104%
10	Antonio T. Chua	2,500	0.087%
11	Enrique Dela Llana Yusingco	2,000	0.070%
12	Justinano B. Panambo, Jr.	1,920	0.067%
13	Felix B. Chavez &/or Aida T. Chavez or Irene T. Chavez	1,500	0.052%
14	Dewey T. Tan	1,000	0.035%
15	Romeo V. Jacinto	1,000	0.035%
16	Zenaida M. Postrado or Renato Postrado	1,000	0.035%
17	Evelyn A. Gesmundo or Dominador A. Gesmundo	720	0.025%
18	Ronne T. Sy Su or Chadwick C. Sy Su	700	0.024%
19	Roberto D. De Leon	650	0.023%
20	Conchita Go Teng or Chloe Louise C. Say	350	0.012%

As at March 31, 2019, the Issuer had 76 shareholders of its Outstanding Preferred Shares. The foreign ownership level of total Outstanding Preferred Shares of the Issuer was 0.58%.

Dividends and Dividend Policy

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

The dividends for the Outstanding Preferred Shares is fixed at the rate of 6.3000% per annum for the Series 2A Preferred Shares ("**PRF2A**") and 6.8583% for the Series 2B Preferred Shares ("**PRF2B**"), each calculated in reference to the offer price of ₱1,000 per share on a 30/360-day basis and payable quarterly in arrears, as and if declared by the Board. If the dividend payment date is not a Business Day, dividends will be paid on the next succeeding Business Day, without adjustment as to the amount of dividends to be paid. Since the listing of the Outstanding Preferred Shares in November 2014, cash dividends have been paid out in February, May, August, and November of each year.

Dividend Declarations and Payments

2018

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

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

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

2017

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

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

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

Distributions under Capital Securities

The table below sets forth the distributions paid to holders of the Company's Undated Subordinated Capital Securities ("**USCS**") and Senior Perpetual Capital Securities ("**SPCS**") for the past three (3) years:

	2018 (in USD Millions)	**2017 (in USD Millions)**	**2016 (in USD Millions)**
USCS	40.00	56.25	56.25
SPCS	11.50	-	-

Dividends Declared by Subsidiaries

As of date, the Company's subsidiaries have not established any specific dividend policy. The table below sets forth the dividends declared by the subsidiaries for the past three (3) years:

Subsidiary	2018 (in Millions)	2017 (in Millions)	2016 (in Millions)
Overseas Ventures Insurance Corporation Ltd	-	-	167
Petron Marketing Corporation	-	-	72
Petron Freeport Corporation	115	100	11
Petron Oil & Gas (Mauritius) Ltd.	3,692	750	1,462
Petron Singapore Trading Pte Ltd	1,353	1,278	1,989

Market Price of the Issuer's Equity

The Company's common and preferred shares are principally traded at the PSE. As of March 29, 2019, the last trading date for the month of March, the closing price of the Company's common shares was ₱6.49 and the closing price of the Outstanding Preferred Shares was ₱985.00 for Series 2A and ₱1,050.00 for Series 2B.

The high and low prices of the common shares for each quarter of the last three fiscal years are indicated in the table below:

	2018		2017		2016	
(in ₱)	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	9.80	8.68	10.30	8.57	10.96	5.36
2nd Quarter	9.62	8.72	11.26	8.62	11.88	9.86
3rd Quarter	9.15	8.60	10.68	9.35	11.46	9.40
4th Quarter	8.69	7.66	10.46	9.16	10.80	9.10

The high and low prices of the PRF2A for each quarter of the last three fiscal years are indicated in the table below:

	2018		2017		2016	
(in ₱)	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	1,070.00	1,034.00	1,089.00	1,045.00	1,084.00	1,020.00
2nd Quarter	1,050.00	1,020.00	1,075.00	1,020.00	1,079.00	1,000.00
3rd Quarter	1,045.00	1,000.00	1,090.00	1,030.00	1,140.00	1,040.00
4th Quarter	1,010.00	932.00	1,070.00	1,049.00	1,100.00	1,029.00

The high and low prices of the PRF2B for each quarter of the last three fiscal years are indicated in the table below:

	2018		2017		2016	
(in ₱)	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1st Quarter	1,175.00	1,066.00	1,180.00	1,096.00	1,100.00	1,056.00
2nd Quarter	1,164.00	1,000.00	1,150.00	1,000.00	1,160.00	1,030.00
3rd Quarter	1,074.00	1,010.00	1,129.00	1,100.00	1,239.00	1,050.00

4th Quarter	1,490.00	950.00	1,175.00	1,140.00	1,229.00	1,070.00

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

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

The securities discussed below were either offered in the Philippines to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers and/or to any number of qualified buyers as defined in the Code. Thus, the subject securities were either exempt securities pursuant to Section 9 of the Code and Rule 9.2 of the Amended SRC Rules or their offer and sale qualified as an exempt transaction pursuant to Sections 10.1 (k) and 10.1(l) of the Code and Rule 10.1 of the Amended SRC Rules. In the case of the subject exempt transactions, a confirmation of exemption from the SEC that the offer and sale of the securities in the Philippines qualify as an exempt transaction under the Code was not required to be, and had not been, obtained. Nevertheless, in compliance with the Amended SRC Rules, notices of exemption were filed after the issuance of the securities qualifying as exempt transactions.

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

US$500,000,000 Senior Perpetual Capital Securities

On January 19, 2018, Petron issued US$500,000,000.00 Senior Perpetual Capital Securities with an initial rate of distribution of 4.6% per annum. On January 22, 2018, the Senior Perpetual Capital Securities were listed in the Singapore Stock Exchange ("**SGX-ST**"). The net proceeds were applied for the repurchase, refinancing and/or redemption of undated subordinated capital securities.

Updates on Certain Securities of the Company

The Company issued undated subordinated capital securities with an amount of US$500,000,000 and US$250,000,000 on February 6, 2013 and March 11, 2013, respectively. A portion of the securities in the total amount of US$401,957,000 was purchased by the Company on January 22, 2018 pursuant to a tender offer made by the Company. The remaining securities in the aggregate amount of US$348,043,000 were fully redeemed by the Company on August 6, 2018. The securities were delisted from The Stock Exchange of Hong Kong Limited on August 16, 2018.

Apart from the foregoing, there are no recent sales of unregistered or exempt securities, including recent issuances of securities constituting an exempt transaction. The Company has no registered debt securities.

Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

As at March 31, 2019, the following are the owners of the Issuer's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common Shares	**SEA Refinery Corporation ("SEA Refinery")** 19/F Liberty Center Dela Costa St., Salcedo Village, Makati City Major Stockholder	SEA Refinery Corporation	Filipino	4,696,885,564	50.10%
Common Shares	**PCD Nominee Corporation** (Filipino) 37th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paso de Roxas, Makati City Major Stockholder	PCD Nominee Corporation	Filipino	1,767,926,534	18.86%
Common Shares	**San Miguel Corporation ("SMC")** SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Major Stockholder	San Miguel Corporation	Filipino	1,702,870,560	18.16%

Security Ownership of Management

As at March 31, 2019, the following are the number of shares owned of record by the Issuer's directors and key executive officers:

<u>Directors</u>

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Directors					
Common	Eduardo M. Cojuangco, Jr.	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.

Series 2B Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 2A Preferred			2,500	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500 / 225,000	D / I	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Horacio C. Ramos	Filipino	500	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Reynaldo G. David	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Carlos Jericho L. Petilla	Filipino	500	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.

Officers

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Executive Officers					
Common	Emmanuel E. Eraña	Filipino	-	-	0.00%
Series 2A Preferred			2,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Susan Y. Yu	Filipino	591,600	I	0.00%
Series 2A Preferred			10,500	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Albertito S. Sarte	Filipino	765,500	I	0.00%
Series 2A Preferred			5,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 2A Preferred			600	I	0.00%
Series 2B Preferred			-	-	N.A.

Common	Freddie P. Yumang	Filipino	73,600	I	0.00%
Series 2A Preferred			3,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Archie B. Gupalor	Filipino	3,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Joel Angelo C. Cruz	Filipino	-	-	N.A.
Series 2A Preferred			400	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Rolando B. Salonga	Filipino	845	D	N.A.
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Dennis S. Janson	Filipino	163 / 15,000	D / I	N.A.
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Julieta L. Ventigan	Filipino	2,100	D	N.A.
Series 2A Preferred			1,000	I	N.A.
Series 2B Preferred			-	-	N.A.
Directors and Executive Officers as a Group		Common	**1,701,389**		**0.00%**
		Series 2A Preferred	**25,000**		**0.55%**
		Series 2B Preferred	**0**		**0.00%**

Voting Trust Holders of 5% or More

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

Change in Control

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

Warrants and Options

As of the date of this Prospectus, there are no existing or planned stock options / stock warrant offerings.

INDUSTRY OVERVIEW

The information and data contained in this section has been taken from sources in the public domain, including BP Statistical Review of World Energy, International Energy Agency, International Monetary Fund, Malaysia Energy Information Hub, Energy Commission of Malaysia and the Philippine Department of Energy, unless indicated otherwise. The Company does not have any knowledge that the information herein is inaccurate in any material respect. Neither the Company and the JLUs nor any of their respective affiliates or advisors has independently verified the information included in this section.

GLOBAL AND REGIONAL OIL MARKET

According to the International Energy Agency ("IEA"), global oil demand is estimated to grow by 1.3mb/d to reach 99.2mb/d in 2018, slightly down from the growth rate of 1.5mb/d observed in 2017 due to higher average oil prices in 2018. Apart from the five-year high growth rate of 1.9mb/d observed in 2015 when oil prices fell dramatically, 2018 growth rate is largely in line with the historical average oil demand growth rates between 1.3mb/d – 1.5mb/d over the past few years.

In 2019, the rate of growth for global oil demand is expected to rise slightly to 1.4mb/d. Factors driving the demand growth outlook are the prospect of lower prices and the start-up of petrochemical investments in China, offset by the slight downward revision to global GDP growth and significant downward revisions to demand in Turkey and Venezuela.

Non-OECD nations are expected to contribute to the majority of demand growth in 2018, with 0.9 mb/d out of the global 1.3mb/d yoy gain. Demand for non-OECD nations is forecasted to accelerate to 1.1mb/d in 2019 on the back of lower prices and robust growth in key countries like India and China.

Global Oil Demand (2017 – 2019E)

(Million barrels per day, except percentages)

*	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
Africa	4.4	4.3	4.2	4.3	4.3	4.3	4.3	4.2	4.4	4.3	4.5	4.4	4.3	4.4	4.4
Americas	30.9	31.6	31.7	31.8	31.5	31.6	31.7	32.3	32.4	32.0	31.9	32.1	32.5	32.5	32.3
Asia/Pacific	34.2	34.1	33.4	34.7	34.1	35.0	34.6	34.3	35.1	34.8	35.7	35.3	35.0	36.0	35.5
Europe	14.5	15.0	15.5	15.2	15.0	14.8	14.9	15.4	15.0	15.1	14.8	15.2	15.6	15.2	15.2
FSU	4.3	4.5	4.7	4.6	4.5	4.5	4.6	4.9	4.8	4.7	4.5	4.7	5.0	5.0	4.8
Middle East	8.2	8.7	8.9	8.2	8.5	8.1	8.5	8.7	8.3	8.4	8.1	8.6	8.9	8.2	8.5
World	**96.6**	**98.1**	**98.4**	**98.7**	**98.0**	**98.4**	**98.7**	**99.8**	**100.1**	**99.2**	**99.5**	**100.3**	**101.2**	**101.4**	**100.6**
Annual Chg (%)	1.0	2.1	1.5	1.6	1.6	1.9	0.6	1.4	1.4	1.3	1.1	1.7	1.4	1.3	1.4
Annual Chg (mb/d)	1.0	2.0	1.5	1.6	1.5	1.8	0.6	1.4	1.4	1.3	1.1	1.6	1.4	1.3	1.4
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0

* Including biofuels

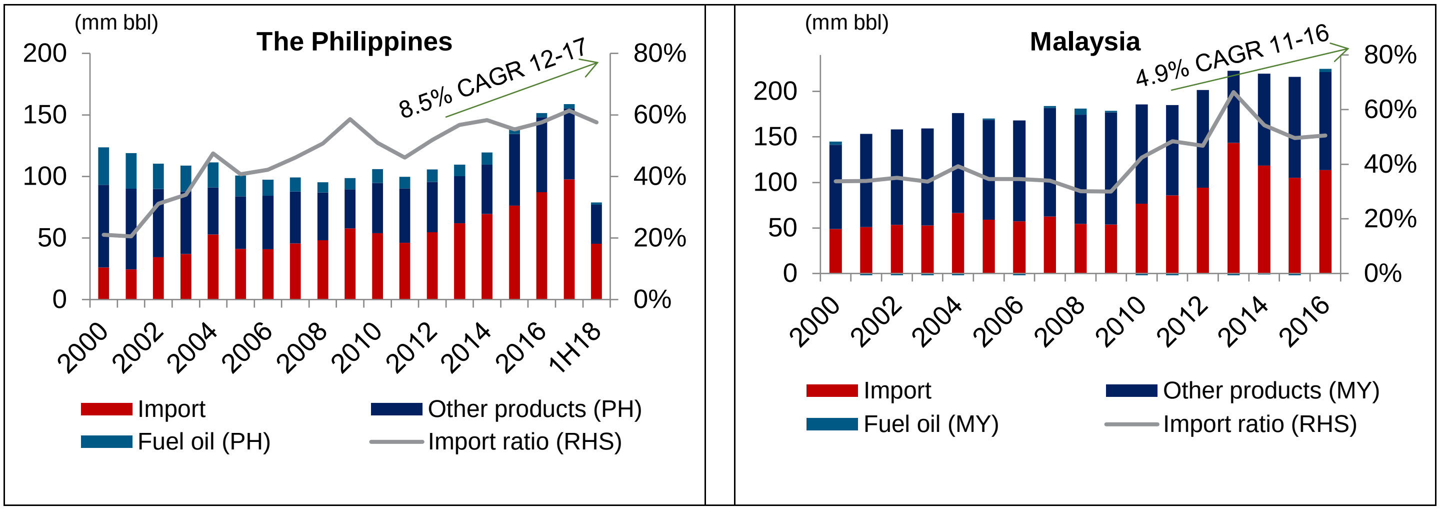
Note: Figures from the fourth quarter of 2018 onwards are estimates.

Asian oil demand has continued to drive growth in 2018 supported by strong growth in India and China. China's total oil product demand is estimated to have grown by 444 kb/d in 2018 to 13.0mb/d. Demand growth in China is expected to grow by 453 kb/d in 2019 on the back of stronger environmental policies and the move to more consumer-oriented development. Additionally, weaker consumer confidence and a government crackdown on peer-to-peer lending platforms may impact the auto loans market and consequent motor vehicle demand. In India, total oil product demand is estimated to have grown by 210 kb/d in 2018 to 4.8 mb/d and is expected to grow at a similar pace of 240 kb/d in 2019.

THE PHILIPPINE AND MALAYSIAN OIL MARKETS

The Philippines and Malaysia are major importers of finished petroleum products, importing over 50% of their total consumption requirements. The charts below show demand, imports, and imports as a percentage of demand, for the periods indicated.

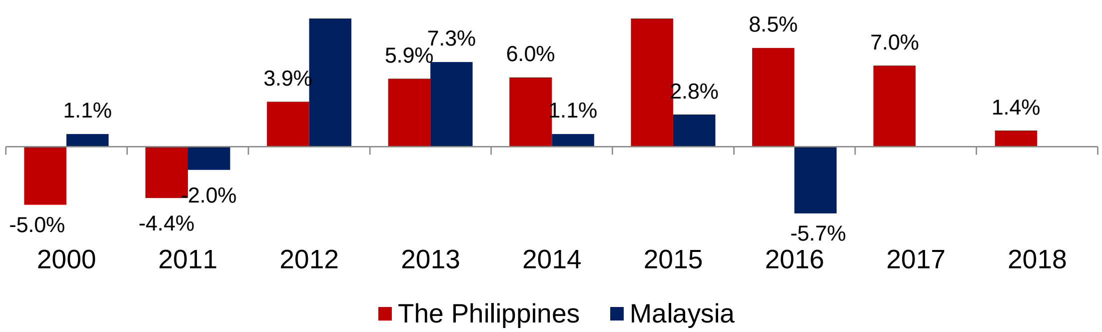
Figure 1: Gross Imports as a Percentage of Total Petroleum Products Consumption in the Philippines and Malaysia



Source: Philippine Department of Energy, Malaysia Energy Information Hub

Petroleum products demand in the Philippines and Malaysia have generally experienced growth, as shown in the chart below.

Figure 2: Petroleum Products Demand Growth

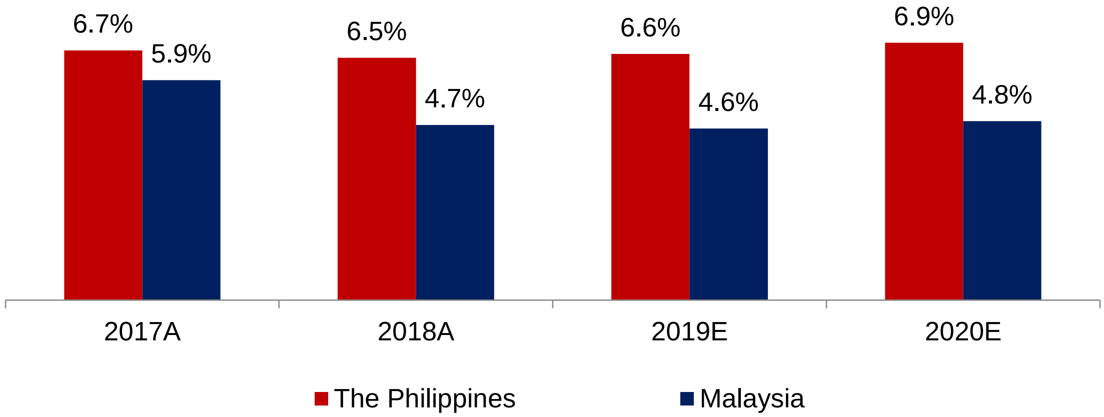


Source: Philippine Department of Energy, Malaysia Energy Information Hub

Real GDP growth

According to the IMF, the Philippine and Malaysian economies are expected to exhibit stable real GDP growth at annual rates of 6.6% and 4.6%, respectively, as indicated in the chart below. This favorable economic backdrop is expected to contribute to energy and petroleum products demand growth in these countries.

Figure 3: Real GDP Growth (2017 to 2020E)



Source: International Monetary Fund

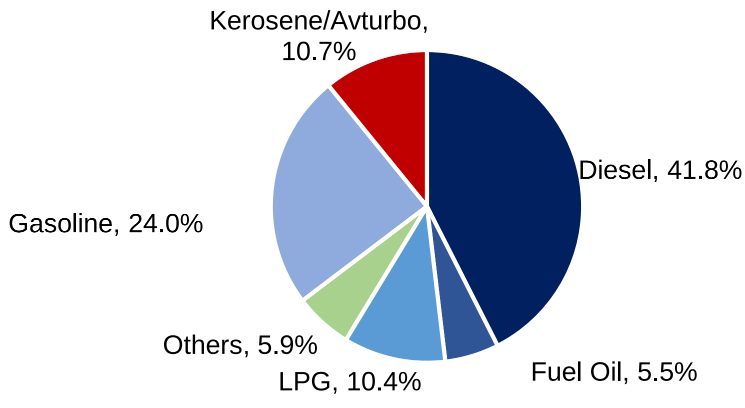
Philippine Oil Market

Based on data from the Philippine DOE, the country's crude oil imports reached 85.75 MMbbl in 2018, an increase of 10.4% from 77.64 MMbbl in 2017. Historically, the majority of crude oil imports to the Philippines has been from the Middle East of which, in 2018, 33.7% (28.88 MMbbl) was sourced from Saudi Arabia, the top supplier of crude oil for the country, followed by Kuwait, UAE, Qatar and Oman with a 26.3%, 20.7%, 4.9% and 1.3% share respectively. On the other hand, 3.8 MMbbl of crude oil was imported from ASEAN and from local production equivalent to 0.1% of the total crude mix. The remaining 9.7% was sourced from Russia, Nigeria, Oman, Taiwan and South Korea.

The current maximum working crude distillation capacity in the Philippines is 285.2 thousand barrels per stream day, based on data from the DOE.

Due to the shortfall in domestic supply, the Philippines is an importer of finished products. Product imports in 2018 totalled 97.57 MMbbl, slightly above 97.42 MMbbl in 2017. Imports of gasoline, LPG, kerosene/avturbo increased by 10.7%, 9.4% and 3.8%, respectively. However, imports of diesel oil and fuel oil decreased by 3.3% and 24.2%, respectively. In 2018, total demand of petroleum products grew by 1.4% to 168.81MMbbl from 166.54 MMbbl in 2017. The chart below shows the demand mix for 2018.

Figure 4: Philippine Demand Breakdown by Product (2018)

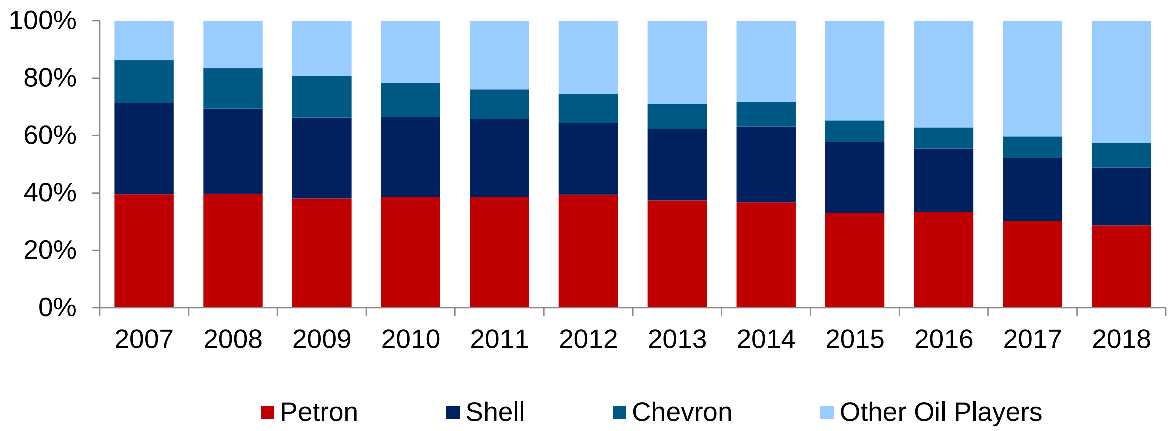


Source: Philippine Department of Energy

Petroleum product exports from the Philippines have not been historically significant. For 2018, exports increased by 16.7% from 14.6 MMbbl in 2017 to 17.0 MMbbl. The largest components of the export mix for 2018 were condensate (23.2%), gasoline (11.2%), propylene (10.8%), naphtha (9.9%) and mixed xylene (9.7%). Oil refiners accounted for 60.4% of the total export mix while the remaining 39.6% was accounted to export of other players, according to the DOE.

The Company has historically maintained a leading market share in the Philippine oil industry, with an overall market share of 28.5% as of 2018 in terms of sales volume sold by oil players. The chart below provides market share data for the Philippine oil industry for the periods indicated.

Figure 5: Philippine Petroleum Product Sales Market Share of Oil Players (2005 – 2018)



Source: Philippine Department of Energy (Others – includes imports of end-users)

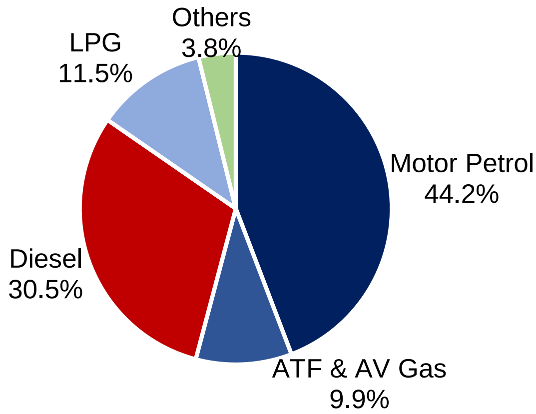
Malaysia Oil Market

Malaysia is one of the largest producers of oil and gas in Southeast Asia. According to the 2018 BP Statistical Review of World Energy, Malaysia had proven oil reserves of 3.6 billion barrels and proven gas reserves of 2.7 trillion cubic meters as of end 2017. The country's natural gas production grew by 4.1%, to 78.4 billion cubic metres in 2017. The majority of Malaysia's crude oil comes from offshore fields, predominantly in the Malaya basin. Malaysia's benchmark crude oil is the Tapis Blend, which is categorized as light and sweet.

The oil, gas and energy sectors are significant contributors to Malaysia's national GDP. Petronas is Malaysia's integrated national oil and gas company and is the exclusive holder of ownership rights to all oil and gas exploration and production projects. The company is also responsible for all licensing procedures in Malaysia.

According to the Malaysia Energy Information Hub, the final consumption of petroleum products in Malaysia grew by 5.7% to 30,349 thousand tons of oil equivalent ("ktoe") in 2016. Motor petrol accounted for the largest consumption at 44.2%, followed by diesel at 30.5%, LPG at 11.5% and ATF & AV gas at 9.9%. In terms of a regional breakdown, Peninsular Malaysia accounted for 87% of petroleum product sales, with Sabah and Sarawak accounting for 6% and 7% in 2016, respectively, according to the National Energy Balance by the Suruhanjaya Tenaga (Energy Commission of Malaysia).

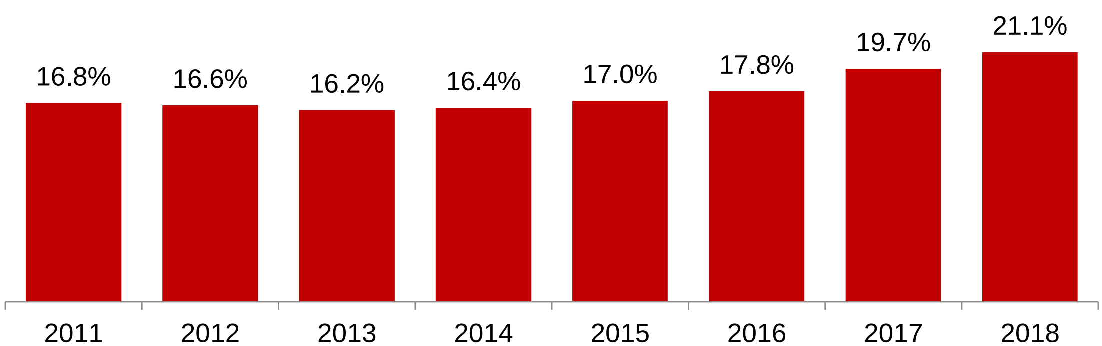
Figure 6: Breakdown of Consumption of Petroleum Products in Malaysia (2016)



Source: Malaysia Energy Information Hub

The Malaysian oil industry is dominated by Shell and Petronas, followed by the Company. In the retail segment, the Company had a retail market share of 20.9% for the year 2018 pursuant to Company estimates based on its internal assumptions and calculations and industry data from The Concilium Group Sdn Bhd, a market research consultant appointed by Malaysian retail market participants to compile industry data. The following table shows the historical retail market share for the Company's Malaysian operations, which the Company acquired in March 2012.

Figure 7: Petron Malaysia / ExxonMobil Malaysia Historical Retail Market Share (2011 – 2018)



Source: Company estimates based on Company information and data from Fahrenheit Research and The Concilium Group Sdn Bhd

Over the last two years, Malaysia has been a net importer of gasoline, with imports mainly from Singapore. It has also been a net importer of LPG and ATF and AV gas. Conversely, Malaysia has been a net exporter of diesel, fuel oil and jet fuel/kerosene. Exports have predominantly been to countries in Asia, particularly India, Japan, Singapore, South Korea and Thailand.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Overview

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

Petron operates the Philippines' largest and most modern refinery in Bataan, the Limay Refinery, which supplies approximately 30% of the country's total fuel requirements and has a production capacity of 180,000 bpd. The Company had an overall market share of 28.5% of the Philippine oil market for the year ended December 31, 2018 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the DOE.

The Limay Refinery processes crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene. The completion of RMP-2, a US$2 billion project for the Limay Refinery, enabled the Company to produce more valuable White Products, increase the production of petrochemicals, and made the Company the first oil company in the Philippines capable of producing Euro 4-standard fuels. In 2017, it launched the country's cleanest and most advanced gasoline that meets Euro 6 standards, the most stringent fuel technology and emission benchmark in the world today.

From the Limay Refinery, the Company moves its products, mainly by sea, to 32 terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 12 terminals in Luzon, eight in the Visayas and eight in Mindanao, as well as two airport installations in Luzon and two in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. The Company also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

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

The Company manufactures lubricants and greases through its blending plant in Pandacan in the Philippines, and these products are sold through the Company's service stations and sales centers. The Company owns and operates a fuel additive blending plant in the Subic Bay Freeport Zone in the Philippines, which has a tolling agreement with Innospec, Limited ("**Innospec**"), a global fuel additives supplier. Regional customers of Innospec and the Company's own requirements are served from the output of the Subic plant.

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

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. With this acquisition, the Company extended its portfolio of oil refining and marketing businesses outside the Philippines. The Company owns and operates the Port Dickson Refinery, 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 low-sulfur waxy residue ("**LSWR**"). As of December 31, 2018, the Company had 10 product terminals and a network of over 640 retail service stations in Malaysia. For the year ended December 31, 2018, the Company ranked third in the Malaysian retail market with a 20.9% share of the Malaysian retail market based on Company estimates using its internal assumptions and calculations and industry data from The Concilium Group Sdn Bhd, a market research consultant appointed by Malaysian retail market participants to compile industry data.

The Company's products are primarily sold to customers in the Philippines and Malaysia. The Company also exports various petroleum products and petrochemical feedstock, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. The Company's revenues from these export sales amounted to ₱37.4 billion, or 9% of total sales in 2017, and ₱51.5 billion, or 9% of total sales in 2018.

In 2016, 2017 and 2018, the Company's sales were ₱343.8 billion, ₱434.6 billion and ₱557.4 billion, respectively, and net income was ₱10.8 billion, ₱14.1 billion and ₱7.1 billion, respectively.

Factors affecting results of operations

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

Crude Oil Prices

Crude oil generally accounts for a large portion of the Company's total cost of goods sold. In 2018, crude oil accounted for approximately 52% 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 three weeks in Malaysia. The prices at which the Company sells its products generally rise and fall in line with international crude oil prices. Accordingly, since the Company accounts for its inventory using the first-in-first-out method, a sharp drop in crude oil prices would adversely affect the Company, as it would require the Company to sell its refined petroleum products produced with higher-priced crude oil at lower prices. See "*Risk Factors — Risks Relating to the Company's Business and Operations — Volatility of the price of crude oil and petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition.*" Furthermore, a sharp rise in oil prices would increase the Company's requirements for short-term financing for working capital and may result in higher financing costs for the Company.

The Company enters into commodity swaps and options to manage the price risks of crude oil and finished petroleum products. In 2013, the Company also started implementing measures to shorten the pricing cycle gap between its crude oil purchases and finished petroleum product sales. However, volatile crude oil prices could still adversely affect the Company, as the Company may not be able to pass on the effects of crude oil price changes to consumers in a timely manner.

Results of Operations

2018 vs. 2017

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

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

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

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

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

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

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

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

2017 vs 2016

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

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

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

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

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

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

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

2016 vs 2015

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

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

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

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

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

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

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

Financial Position

2018 vs 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>2017 vs 2016</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>2016 vs 2015</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Cash Flows</u>

<u>2018 vs 2017</u>

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

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

<u>2017 vs 2016</u>

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

<u>2016 vs 2015</u>

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

Discussion of the Company's key performance indicators:

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

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

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

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

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

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

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

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

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

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

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

INTEREST OF NAMED EXPERTS

Legal Matters

All legal issues relating to the issuance of the Preferred Shares which are subject of this Offer shall be passed upon by SyCip Salazar Hernandez & Gatmaitan ("**SyCip Law**") for the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, and Picazo Buyco Tan Fider & Santos ("**Picazo Law**") for the Company.

SyCip Law and Picazo Law have no direct or indirect interest in Petron. However, SyCip Law and Picazo Law may, from time to time be engaged by the Company to advise on the transactions of the Company and perform legal services on the same basis that SyCip Law and Picazo Law provide such services to its other clients.

Independent Auditors

The consolidated financial statements of Petron as at December 31, 2016, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018 have been audited by R.G. Manabat & Co., a member firm of KPMG, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The Company's Audit and Risk Management Committee of the Board reviews and approves the scope of audit work of the independent auditors and the amount of audit fees for a given year. The financial statements will then be presented for approval by the stockholders in the annual meeting. As regards to services rendered by the external auditor other than the audit of financial statements, the scope of and amount for the same are subject to review and approval by the Audit and Risk Management Committee.

The Company's audit fees for each of the last two fiscal years for professional services rendered by the external auditor were ₱6.8 million, ₱6.8 million and ₱7.0 million for 2016, 2017 and 2018, respectively. Said fees include compensation for audit services and other related services such as review and agreed-upon procedures. There were no fees paid for accounting, compliance, advisory, planning and any other form of tax. There were no other fees paid to the independent auditors other than for the above-described services.

Changes in and Disagreements with Accountants

The Company has not had any changes in or disagreements with its independent accountants/auditors on any matter relating to financial or accounting disclosures.

No interest in the Company

There is no arrangement that any of the foregoing experts shall receive a direct or indirect interest in the Company or was a promoter, co-manager, voting trustee, director, officer, or employee of the Company.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Preferred Shares. The statements made regarding taxation in the Philippines are based on the laws in force at the date of this Prospectus and are subject to any changes in law occurring after such date. The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Shares. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Preferred Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates or tax incentives under special laws. Prospective purchasers of the Preferred Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Preferred Shares.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines". A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

The term "non-resident holder" means a holder of the Preferred Shares:

- *who is an individual who is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- *should an income tax treaty be applicable, whose ownership of the Preferred Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

Philippine Taxation

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN**") took effect. The TRAIN amended various provisions of the Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax.

Sale, Exchange or Disposition of Shares after the Listing

Taxes on Transfer of Shares Listed and Traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (*please see discussion below on tax treaties)*, a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

In addition, Value-Added Tax (VAT) of 12% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client, the seller or transferor.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that immediately after December 31, 2012, the Philippine SEC shall impose a trading suspension for a period of not more than six (6) months, on shares of a listed company who has not complied with the Rule on Minimum Public Ownership ("**MPO**") which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10% of the listed companies issued and outstanding shares at all times. The sale of such listed company' shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax and documentary stamp tax, and may even include donor's tax).

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 ("**R.R. 16-12**") provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Capital Gains Tax, if the Sale Was Made outside the PSE

The net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to the following rates:

Not over ₱100,000 …………………………. 5%
On any amount in excess of ₱100,000……… 10%

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (*Please see discussion below on tax treaties.)*

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a Certificate Authorizing Registration ("**CAR**").

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to income tax while those received by a non-resident foreign corporation are generally subject to income tax at a final withholding tax rate of 30%. The 30% income tax rate for dividends paid to a non-resident foreign corporation may be reduced to a lower rate of 15% if tax sparing applies, which is when (i) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends or (ii) the country of domicile of the non-resident foreign corporation allows at least 15% credit equivalent for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Circular No. 80-91 (*Publishing the Resolution of the Supreme Court dated March 7, 1990 in G.R. No. 76573 entitled "Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24 (b)(1) [now Sec. 25(b)(5)(B)] of the Tax Code, as amended* dated August 12, 1991) states that the non-resident foreign holder has to submit the following documents to the payor of the cash dividends: (i) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (ii) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (iii) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends. The income recipient may also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with Revenue Memorandum Order No. 9-2014 (*Requests for Rulings with the Law and Legislative Division* dated February 6, 2014) and other relevant BIR issuances. The income recipient should thereafter provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder. *(Please see discussion on tax treaties below.)*

If the regular tax rate is withheld by the Company instead of the reduced rates applicable under an income tax treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g. documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	**Stock transaction tax on sale or disposition effected through the PSE (%)(9)**	**Capital gains tax due on disposition of shares outside the PSE (%)**
Canada	25(1)	0.6	May be exempt(13)
China	15(2)	Exempt(10)	May be exempt(13)
France	15(3)	Exempt(11)	May be exempt(13)
Germany	15(4)	Exempt(12)	May be exempt(13)
Japan	15(5)	0.6	May be exempt(13)
Singapore	25(6)	0.6	May be exempt(13)
United Kingdom	25(7)	0.6	Exempt(14)
United States	25(8)	0.6	May be exempt(13)

Notes:

(1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.

(4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.

(6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

(9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.

(10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.

(11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.

(12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.

(13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption ruling from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 72-2010 (*Guidelines on the Processing of Tax Treaty Relief Applications (TTRA) Pursuant to Existing Philippine Tax Treaties* dated August 25, 2010), BIR Form No. 0901-C, and other BIR issuances. These include proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which in respect of capital gains tax, is before the deadline for the payment of the documentary stamp tax on the sale of shares.

With respect to the availment of preferential rates for dividends under an income tax treaty, most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (*Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners*, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief (CORTT) Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit within 30 days an original copy of the duly accomplished CORTT Form.

Documentary Stamp Tax

Beginning 1 January 2018, the original issue of shares is subject to a documentary stamp tax ("**DST**") of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The Philippines imposes a **DST** upon the transfer outside the PSE of shares issued by a Philippine corporation at the rate of ₱1.50 on each ₱200, or a fractional part thereof, of the par value of the shares.

The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by either or both the vendor or the vendee of the shares.

However, the sale, barter or exchange of shares of stock listed and traded at the PSE is exempt from documentary stamp tax.

Estate and Gift Taxes

Shares issued by a domestic corporation are deemed to have a Philippine situs and their transfer by way of a succession or donation is subject to Philippine estate and donor's taxes.

The transfer by a deceased Philippine resident to his heirs of the Preferred Shares shall be subject to an estate tax which is levied on the net estate of the deceased at a rate of 6.0%. A holder of the Preferred Shares who is a Philippine resident shall be subject to donor's tax based on the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year on the transfer of the Preferred Shares by donation at a rate of 6.0%.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Preferred Shares, shall not be collected: (1) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the Preferred Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Preferred Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Preferred Shares, based on Section 100 of the Philippine Tax Code, 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

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE PREFERRED SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners, or any of their respective subsidiaries, affiliates or advisors in connection with the offer and sale of the Preferred Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of ₱120 million, of which 61.2 million shares were subscribed and fully paid-up as of June 30, 2018. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE adopted a new online disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In December 2013, the PSE Electronic Disclosure Generation Technology (EDGe), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ's X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the Exchange received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices

The table below sets out movements in the composite index as of the last business day of each calendar year from 2006 to 2018, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	PSEi Level	Number of Listed Companies	Market Capitalization (in ₱ billion)	Value Turnover (in ₱ billion)
2006	2,982.54	239	7,173.19	572.63
2007	3,621.60	244	7,976.84	1,338.25
2008	1,872.85	246	4,072.16	763.90
2009	3,052.68	248	6,032.22	994.15
2010	4,201.14	253	8,866.11	1,207.38
2011	4,371.96	253	8,696.96	1,422.59
2012	5,812.73	254	10,930.09	1,771.71
2013	5,889.83	257	11,931.29	2,546.18
2014	7,230.57	263	14,251.72	2,130.12
2015	6,952.08	265	13,465.57	2,151.41
2016	6,840.64	265	14,438.77	1,929.50
2017	8,558.42	267	17,583.13	1,958.36
2018	7,466.00	267	16,150.00	1,740.00

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session, and resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price);

otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.

- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("**SCCP**") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;

- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and

- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the nine existing Settlement Banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc., Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement ("**CCCS**") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("**PCD Nominee**"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.
- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (i) individuals (for as long as the shares held are not of a significant size (i.e., less than 10%) and are non-strategic in nature; (ii) trading participants (for as long as the shares held are non-strategic in nature); (iii) investment and mutual funds; (iv) pension funds; (v) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal stockholder); and (vi) social security funds.

Listed companies which become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six (6) months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 issued on December 1, 2017, the MPO requirement on initial public offerings is increased from 10% to 20%. For existing publicly listed companies, the existing rules and/or guidelines of an exchange on minimum public float duly approved by the SEC still apply. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the PSE. As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 15%, such proposed rules on MPO is yet to be issued by SEC for comments by the public.

ANNEXES

PETRON CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2016, 2017, AND 2018

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China Bank Capital Corporation
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