

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

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

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter

PETRON CORPORATION

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

Philippines

4. SEC Identification Number

31171

5. BIR Tax Identification Code

000-168-801

6. Address of principal office

San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City

Postal Code

1550

7. Registrant's telephone number, including area code

(63 2) 8884-9200

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

May 18, 2021, 2:00pm, Livestream via <https://www.petron.com/2021asm/>

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

Apr 12, 2021

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
---------------------	---

COMMON (PCOR)	9,375,104,497
PREFERRED SERIES 2B (PRF2B)	2,877,680
PREFERRED SERIES 3A (PRF3A)	13,403,000
PREFERRED SERIES 3B (PRF3B)	6,597,000
PCOR SERIES A BONDS DUE 2021 (IN MIL PESO)	13,000
PCOR SERIES B BONDS DUE 2023 (IN MIL PESO)	7,000
PCOR SERIES C BONDS DUE 2024 (IN MIL PESO)	13,200
PCOR SERIES D BONDS DUE 2025 (IN MIL PESO)	6,800
TOTAL DEBT AS OF DEC 31, 2020 (IN MIL PESO-CONSO)	197,158

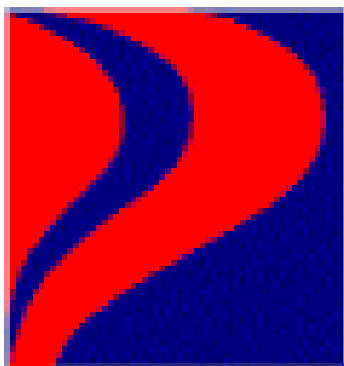
13. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

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

Philippine Stock Exchange-Common, and Series 2B, 3A and 3B Preferred Shares;
Philippine Dealing & Exchange Corp. - Series A, B, C and D Bonds

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



PETRON

Petron Corporation
PCOR

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

Date of Stockholders'
Meeting

May 18, 2021

Type (Annual or Special)	Annual
Time	2:00 p.m.
Venue	Livestream via https://www.petron.com/2021asm/
Record Date	Mar 23, 2021

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Mar 23, 2021
End date	Mar 30, 2021

Other Relevant Information

Please see attached Definitive Information Statement (SEC Form 20-IS) of the Company for the 2021 Annual Stockholders' Meeting scheduled on May 18, 2021 (with the notice, agenda and the rationale for each agenda item) filed with the Securities and Exchange Commission ("SEC") via email at msrd_covid19@sec.gov.ph on April 6, 2021 and cleared for release by the SEC on April 12, 2021.

Filed on behalf by:

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

COVERSHEET

3 1 1 7 1

S. E. C. Registration Number

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

(Company's Full Name)

S M C H E A D O F F I C E C O M P L E X 4 0 S A N
M I G U E L A V E. M A N D A L U Y O N G C I T Y

(Business Adress: No. Street City / Town / Province)

ATTY. JOEL ANGELO C. CRUZ

Contact Person

8884-9200

Company Telephone Number

SEC FORM 20-IS
DEFINITIVE INFORMATION STATEMENT 2021

FORM TYPE

1 2 3 1
Month Day
Fiscal Year

0 5 1 8
Month Day
Annual Meeting
(for 2021)

Certificates of Permit to Offer Securities for Sale dated 1994, 1995, 1996, 2010, 2014, 2016, 2018 and 2019
Secondary License Type, if Applicable

Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

145,041 (as of December 31, 2020)
Total No. of Stockholders

Total Amount of Debt Outstanding: P197,158 Million (as of December 31, 2020-CONSO)
Domestic Foreign

To be accomplished by SEC Personnel concerned

Fiscal Numer LCU

Document I. D. Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

**Information Statement Pursuant to Section 20
of the Securities Regulation Code**

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter **PETRON CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**
4. SEC Identification Number **31171**
5. BIR Tax Identification Code **000-168-801**
6. Address of principal office
SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City
Postal Code **1550**
7. Registrant's telephone number, including area code **(632) 8.886-3888**
8. Date, time and place of the meeting of security holders
- | | | |
|------------|---|---|
| Date | - | May 18, 2021, Tuesday |
| Time | - | 2:00 p.m. |
| Livestream | - | via https://www.petron.com/2021asm/ |
9. Approximate date on which the Information Statement is first to be sent or given to security holders
April 12, 2021
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares Outstanding |
|---|------------------------------|
| Common Stock | 9,375,104,497 shares |
| Series 2B Preferred Shares | 2,877,680 shares |
| Series 3A Preferred Shares | 13,403,000 shares |
| Series 3B Preferred Shares | 6,597,000 shares |
| Total Liabilities
(consolidated as of December 31, 2020) | ₱ 197.158 million |
| Series A Bonds due 2021 | ₱ 13.0 billion |
| Series B Bonds due 2023 | ₱ 7.0 billion |
| Series C Bonds due 2024 | ₱ 13.2 billion |
| Series D Bonds due 2025 | ₱ 6.8 billion |

11. Are any or all of registrant's securities listed on any Philippine stock exchange?

Yes No

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

Philippine Stock Exchange

**Common Shares
Series 2B Preferred Shares
Series 3A Preferred Shares
Series 3B Preferred Shares**

Philippine Dealing & Exchange Corp.

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



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 6, 2021

The annual meeting of the stockholders of Petron Corporation (the "Company") will be held on May 18, 2021, Tuesday, at 2:00 p.m. and will be conducted virtually and streamed live through <https://www.petron.com/2021asm/>, which shall also be accessible through the Company website.

The agenda of the meeting are as follows:

1. Call to Order
2. Report on Attendance and Quorum
3. Review and Approval of the Minutes of the Previous Annual Stockholders' Meeting
4. Management Report and Submission to the Stockholders of the 2020 Financial Statements
5. Ratification of All Acts of the Board of Directors and Management
Since the 2020 Annual Stockholders' Meeting
6. Appointment of an External Auditor and Ratification of External Auditor Fees
7. Election of the Board of Directors for the Ensuing Term
8. Ratification of Directors' Fees
9. Other Matters
10. Adjournment

Attendance only via Remote Communication;
Questions through Dedicated Email Address

Due to the government-mandated COVID-19 safety protocols, the Company will not hold a physical meeting and will instead conduct the meeting through livestreaming. Stockholders can therefore only attend the meeting by remote communication. Stockholders intending to attend the meeting by remote communication should notify the Company by email to 2021asmpetron@petron.com by May 13, 2021 at 12 noon. The procedure and further details for attending and voting the meeting through remote communication are set forth in Appendix 1.

Votes will be cast through ballots or proxies. The deadline for the submission of ballots and proxies is on May 3, 2021. For your convenience, a sample of a ballot/proxy is attached to the Definitive Information Statement (SEC Form 20-IS) issued by the Company for this meeting. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Ballots and proxies may be sent through email at 2021asmpetron@petron.com or by mail to the office of SMC Stock Transfer Service Corporation at the 2nd Floor, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City. Proxies need not be notarized. Validation of ballots and proxies will be on May 13, 2021 at 2:00 p.m. at the above office of SMC Stock Transfer Service Corporation Office.

Questions and comments to the Board of Directors and/or Management may be sent in advance of, or during, the meeting by email to 2021asmpetron@petron.com.

Rationale for Agenda; Dividend Policy; Draft Minutes

Please refer to Appendix 2 of this notice for a brief discussion of and the rationale for the above agenda items. The dividend policy of the Company is discussed in the Definitive Information Statement.

The draft of the minutes of the annual stockholders' meeting held in 2020 has been posted on the company website www.petron.com since June 9, 2020, the fifth business day after the meeting.

Mandaluyong City, April 6, 2021.

A handwritten signature in black ink that reads "JCCruz".

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

PROCEDURE FOR ATTENDING AND VOTING AT THE MEETING THROUGH REMOTE COMMUNICATION

1. Stockholders of record as of March 23, 2021 who intend to attend the meeting through remote communication are requested to notify the Company by email to 2021asmpetron@petron.com by May 13, 2021 at 12 noon. Stockholders whose shares are lodged with brokers are requested to directly contact their respective brokers for guidance on their participation in the meeting.
2. For validation purposes, the email should contain the following information: (i) name; (ii) address; (iii) telephone number; and (iv) email address, and a scanned copy of any valid government-issued identification card (“ID”) with photo of the stockholder.

Only the stockholders who have notified the Company of their intention to participate through remote communication as above-described and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance at the meeting, together with the stockholders attending through proxies.

3. Unregistered stockholders may still attend the meeting by accessing the livestreaming link <https://www.petron.com/2021asm/>.
4. Votes of all stockholders can only be cast through ballots or proxies submitted on or before May 3, 2021. A sample of the ballot and proxy is included in the Definitive Information Statement.

All ballots and proxies should be received by the Corporate Secretary on or before May 3, 2021 at 12 noon by email sent to 2021asmpetron@petron.com or by mail sent to the office of SMC Stock Transfer Service Corporation at the 2nd floor, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City.

For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary’s certification stating the representative’s authority to represent the corporation in the meeting. Validation of ballots and proxies will be on May 13, 2021 at 2:00 p.m. at the above-mentioned office of the SMC Stock Transfer Service Corporation.

5. Shareholders may send their questions and/or comments prior to or during the meeting to 2021asmpetron@petron.com.

Questions and comments may also be written in the space provided in the sample ballot/proxy form.

6. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for attending the annual stockholders’ meeting through remote communication, please email them to 2021asmpetron@petron.com.

**RATIONALE AND BRIEF DISCUSSION OF THE AGENDA
OF THE 2021 ANNUAL STOCKHOLDERS' MEETING
(THE "ANNUAL STOCKHOLDERS' MEETING")**

1. Call to Order

The Chairman of the meeting (the "Chairman") will call the meeting to order.

2. Report on Attendance and Quorum

Notice and Quorum

The Corporate Secretary (or the Secretary of the meeting, as the case may be) (the "Secretary") will certify the date when the written notice of the Annual Stockholders' Meeting was sent to the stockholders as of record date of March 23, 2021 and the dates of publication of the notice in newspapers of general circulation.

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

Voting and Voting Procedure

- Each common share is entitled to one vote. Preferred shareholders have no voting rights except under instances provided under the Revised Corporation Code of the Philippines (the "Revised Corporation Code").
- A simple majority vote of the stockholders holding common shares, where a quorum is present, will be needed for the approval of the minutes of the previous stockholders' meeting, the ratification of all acts of the Board of Directors and Management since the last annual stockholder's meeting in 2020, the appointment of the external auditor of the Company for 2021, the ratification of external auditor fees, and the ratification of directors' fees.
- In the election of directors, the 15 nominees who get the highest votes shall be deemed duly elected as directors. Under the express provisions of the Company's By-Laws, cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his/her shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.

Question and Answer

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

Priority will be given to written questions emailed in advance to 2021asmpetron@petron.com.

Questions or comments during the meeting may be emailed to 2021asmpetron@petron.com and the stockholders sending the questions or comments will be requested to include their full name, address, email address, and telephone number.

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

A draft of the minutes of the annual stockholders' meeting held on June 2, 2020 has been posted on the company website www.petron.com since June 9, 2020, the fifth business day after the meeting.

The stockholders will be requested to approve the draft of the minutes of the 2020 annual stockholders' meeting.

4. Management Report and Submission to the Stockholders of the 2020 Financial Statements

The Management of the Company will deliver the report on the performance of the Company for 2020.

The stockholders will be given the opportunity to ask questions or raise comments through emails submitted to 2021asmpetron@petron.com and which should include the stockholders' full name, address and telephone number.

The stockholders will then be requested to approve the report and the audited financial statements of the Company for 2020.

Duly authorized representatives of R. G. Manabat & Co./KPMG ("KPMG"), the external auditor for 2020, will be present at the Annual Stockholders' Meeting to respond to appropriate questions concerning the 2020 financial statements of the Company.

5. Ratification of All Acts of the Board of Directors and Management Since the 2020 Annual Stockholders' Meeting

The acts and resolutions of the Board of Directors, including those of the Executive Committee, are reflected in the minutes of meetings, the materials of which are disclosed to the Securities and Exchange Commission ("SEC"), the Philippine Stock Exchange ("PSE") and the Philippine Dealing & Exchange Corp. ("PDEX") and posted on the company website, www.petron.com. A list of such acts and resolutions are also set out in the Annex B attached to the Definitive Information Statement.

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

The stockholders will be requested to ratify all acts of the Board of Directors and Management since the last annual stockholders' meeting in 2020.

6. Appointment of an External Auditor for 2021 and Ratification of External Auditor Fees

Pursuant to the Manual on Corporate Governance of the Company (the "Corporate Governance Manual") and the Audit Committee Charter, the Audit Committee recommended to the Board of Directors the appointment of an external auditor which would examine the accounts of the Company for 2021 and the grant to Management of the authority to determine the external auditor's fees.

The Board of Directors, at its meeting held on March 9, 2021 approved the endorsement of the Audit Committee of the re-appointment of R. G. Manabat & Co./KPMG (“KPMG”) as the external auditor of the Company for 2020 and the grant of authority to Management to determine the fees. The Board of Directors (or the Board Executive Committee) is expected to approve the fees of the external auditor for the review of the financial statements for 2021. The stockholders will be requested to approve the re-appointment of KPMG and ratify the fees of KPMG.

KPMG and its fees are further discussed in the Definitive Information Statement.

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

At its meeting held on March 9, 2021, the Corporate Governance Committee, as the standing committee of the Board of Directors constituted for the purpose of reviewing and evaluating the qualifications of persons nominated to become members of the Board of Directors (including the independent directors) and pursuant to the provisions of the Corporate Governance Manual of the Company and the Charter of the Corporate Governance Committee, reviewed the candidates for director to ensure that they have all the qualifications and none of the disqualifications for nomination and election as members of the Board of Directors.

Independent Director Ret. Chief Justice Artemio V. Panganiban has been serving the Company as an independent director for more than nine (9) years. The Corporate Governance Committee evaluated the independence of Director Panganiban and determined that he possesses all the qualifications and none of the disqualifications to act as independent director of the Company, in accordance with Section 2.2.1.6.1 of the Manual on Corporate Governance of the Company (as amended) approved by the Board of Directors of the Company on May 8, 2017, which adopted Recommendation 5.2 of the Code of Corporate Governance for Publicly Listed Companies (SEC Memorandum Circular No. 19, Series of 2016). Serving as an independent director, of Director Panganiban has brought high standards of corporate governance to the Company and objectively contributed providing his insights to the committees where he either chairs or is a member of, and to the Board of Directors of the Company, based on his years of experience and expertise in the legal profession. Being familiar with the mission, vision and corporate values of the Company, the presence of Director Panganiban has enhanced these values by his sustained advisory relationship with the Company, especially with respect to the protection of the interest of its minority stockholders and other stakeholders.

On the basis of the foregoing, the Board of Directors found that the independence of Director Panganiban has not been diminished or impaired by his long service as a member of the Board of Directors of the Company. The Board of Directors has full confidence that Director Panganiban will continue acting as an independent director with the same zeal, diligence and vigor as when first elected. At its meeting held late that day, the Board of Directors, as favorably endorsed and recommended by the Corporate Governance Committee, approved and endorsed for the vote of the stockholders of the Company the election of the 15 nominees, including Director Panganiban as an independent director pursuant to Section 2.2.1.6.2 of the Corporate Governance Manual of the Company.

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

8. Ratification of Directors' Fees

The fees of the directors are expected to be reviewed by Corporate Governance Committee and, if favorably endorsed by such committee, such fees will be presented to the Board of Directors for approval. The matter will then be presented for the ratification by the stockholders at the Annual Stockholders' Meeting.

9. Other Matters

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

10. Adjournment

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

PETRON CORPORATION
ANNUAL STOCKHOLDERS' MEETING
MAY 18, 2021, 2PM, VIA LIVESTREAMING AT <https://www.petron.com/2021asm/>
("2021 PETRON ASM")

Please mark as applicable:

Vote by ballot: The undersigned stockholder of PETRON CORPORATION (the "Company") casts his/her vote on the agenda items for the 2021 Petron ASM, as expressly indicated with "X" below in this ballot.

Vote by proxy: The undersigned stockholder of the Company hereby appoints _____ or, in his/her/its absence, the Chairman of the meeting, as attorney and proxy, to represent and vote all the shares registered in his/her/its name at the 2021 Petron ASM and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below.

PROPOSAL	ACTION			
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION	FULL DISCRETION OF PROXY (IF FORM USED AS PROXY)
1. Election of Directors The nominees are: Ramon S. Ang Lubin B. Nepomuceno Estelito P. Mendoza Jose P. De Jesus Ron W. Haddock Aurora T. Calderon Francis H. Jardeleza Mirzan Mahathir Virgilio S. Jacinto Nelly Favis-Villafuerte Horacio C. Ramos John Paul L. Ang Artemio V. Panganiban (independent) Margarito B. Teves (independent) Carlos Jericho L. Petilla (independent) INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), please mark "Exception" box and list the name(s) under				
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2020 Annual Stockholders' Meeting ("2020 ASM")				
3. Approval of the Management Report and the Audited Financial Statements of the Company for Year-Ended December 31, 2020				
4. Ratification of all Acts of the Board of Directors and Management since the 2020 ASM				
5. Appointment of External Auditors of the Company for 2021 and Ratification of External Auditor Fees				
6. Ratification of Directors' Fees				

Signed this ___ day of _____ 2021 at _____.

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY

QUESTION/COMMENT: _____

THIS BALLOT/PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE MAY 3, 2021 BY EMAIL SENT TO 2021asm@petron.com OR BY MAIL SENT TO THE OFFICE OF SMC STOCK TRANSFER SERVICE CORPORATION AT THE 2ND FLOOR, SMC HEAD OFFICE COMPLEX, 40 SAN MIGUEL AVENUE, MANDALUYONG CITY. THIS BALLOT/PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS MARKED/DIRECTED HEREIN BY THE STOCKHOLDER. IF NO DIRECTION IS MADE IN A PROXY, SUCH PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AS RECOMMENDED BY THE MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT EITHER IN AN INSTRUMENT IN WRITING DULY PRESENTED TO AND RECORDED WITH THE CORPORATE SECRETARY AT LEAST FIVE (5) DAYS PRIOR TO THE MEETING. NOTARIZATION OF THIS PROXY IS NOT REQUIRED. FOR AN INDIVIDUAL, HIS/HER BALLOT/PROXY MUST BE ACCOMPANIED BY A VALID GOVERNMENT-ISSUED ID WITH A PHOTO. FOR A CORPORATION, ITS PROXY MUST BE ACCOMPANIED BY ITS CORPORATE SECRETARY'S CERTIFICATION CERTIFYING THE REPRESENTATIVE'S AUTHORITY TO REPRESENT THE CORPORATION IN THE MEETING. VALIDATION OF BALLOTS AND PROXIES WILL BE UNDERTAKEN ON MAY 13, 2021 AT 2:00 P.M. AT THE ABOVE-MENTIONED OFFICE OF THE SMC STOCK TRANSFER SERVICE CORPORATION.

INFORMATION STATEMENT

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

Date and Time of Annual Meeting; Conduct via Livestream

Due to the government-mandated COVID-19 safety protocols, Petron Corporation (“Petron” or the “Company”) will not hold a physical meeting and will instead conduct the meeting through livestreaming via <https://www.petron.com/2021asm/>. Stockholders can therefore only attend the meeting by remote communication.

Stockholders intending to attend the meeting by remote communication should notify the Company by email to 2021asmpetron@petron.com by May 13, 2021 at 12 noon. The procedure and further details for attending the meeting through remote communication are set forth in Appendix 1 of the notice of meeting in this Definitive Information Statement.

Votes will be cast through ballots and proxies. The deadline for the submission of ballots and proxies is on May 3, 2021. Ballots and proxies may be sent by email to 2021asmpetron@petron.com or by mail to the office of SMC Stock Transfer Service Corporation at the 2nd floor, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City. For the convenience of the stockholders of the Company, a sample of a ballot/proxy is attached to this Definitive Information Statement.

For an individual, his/her ballot proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary’s certification stating the representative’s authority to represent the corporation in the meeting. Proxies need not be notarized. Validation of ballots and proxies will be on May 13, 2020 at 2:00 p.m. at the above office of SMC Stock Transfer Service Corporation Office.

Questions and comments to the Board of Directors and/or Management may be sent in advance of, or during, the meeting by email to 2021asmpetron@petron.com.

The approximate date on which this Information Statement will be first sent or given to the stockholders is April 12, 2021.

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

Dissenters’ Right of Appraisal

As provided in Section 80 and Title X of the Revised Corporation Code, a dissenting stockholder may demand payment of the fair value of his/her shares in the exercise of his/her appraisal right in the following instances:

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

Section 81 of the Revised Corporation Code provides the following procedure on how the appraisal right may be exercised by any stockholder who shall have voted against a proposed corporate action on any of the above instances:

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

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

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

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

Voting Securities and Principal Holders Thereof

As of the date of this Information Statement, the total number of outstanding shares of the Company is comprised of 9,375,104,497 common shares, 2,877,680 Series 2B preferred shares (the "Series 2B Preferred Shares"), 13,403,000 Series 3A preferred shares (the "Series 3A Preferred Shares"), and 6,597,000 Series 3B preferred shares (the "Series 3B Preferred Shares"), each with a par value of ₱1.00.

The 7,122,320 Series 2A preferred shares were redeemed on November 4, 2019.

The principal common shareholders of the Company owning at least 5% of the common shares are SEA Refinery Corporation ("SRC") (50.10%), San Miguel Corporation ("SMC") (18.16%) and PCD Nominee Corporation (Filipino) (18.01%). SRC is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

All stockholders of record holding common shares as of March 23, 2021 are entitled to notice and vote at the Annual Stockholders' Meeting. Each common share is entitled to one vote. Preferred shareholders have no voting rights except under instances provided under the Revised Corporation Code, none of which forms part of the agenda of the Annual Stockholders' Meeting.

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

The equity ownership of foreigners is set out below:

As of February 28, 2021

Class of Shares	Number of shares held by foreigners	Percentage to Total Outstanding Shares (common and preferred shares combined)
Common shares (PCOR)	327,700,366	3.49%
Series 2A Preferred Shares (PPRF2A)	19,770	nil
Series 3A Preferred Shares (PPRF3A)	63,995	nil
Series 3B Preferred Shares (PPRF3B)	48,690	nil
Combined common and preferred shares	327,832,821	3.49%

Security Ownership of Certain Record and Beneficial Owners and Management

The security ownership of certain record and beneficial owners of more than 5% of the common shares of the Company as of February 28, 2021 is as follows:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common Shares	SEA Refinery Corporation (“SRC”) 19/F Liberty Center Dela Costa St., Salcedo Village, Makati City Major Stockholder	SEA Refinery Corporation	Filipino	4,696,885,564	50.10%
Common Shares	PCD Nominee Corporation (Filipino) 37 th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paso de Roxas, Makati City Major Stockholder	PCD Nominee Corporation	Filipino	1,740,885,568 ¹	18.57%
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%

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

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

In the annual stockholders’ meeting held in 2020, Mr. Eduardo M. Cojuangco, Jr., the Chairman, represented and voted the shares registered in the names of SRC, SMC and the Petron Corporation Employees’ Retirement Plan. The representation of the afore-mentioned stockholders for the Annual Stockholders’ Meeting will be based on the proxy that they will file in accordance with this Information Statement and the Company’s By-Laws.

The security ownership of directors and executive officers as of March 9, 2021 is as follows:

Directors

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Directors					
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500 / 225,000	D / I	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Horacio C. Ramos	Filipino	500	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Francis H. Jardeleza	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.

Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	John Paul L. Ang	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Carlos Jericho L. Petilla	Filipino	500	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B 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 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Susan Y. Yu	Filipino	791,600	I	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			12,000	I	N.A.
Common	Albertito S. Sarte	Filipino	765,500	I	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			5,000	I	N.A.
Common	Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			500	I	N.A.
Series 3B Preferred			-	-	N.A.
Common	Archie B. Gupalor	Filipino	3,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.

Common	Joel Angelo C. Cruz	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			2,500	I	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jaime O. Lu	Filipino	14,200	I	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Rolando B. Salonga	Filipino	845	D	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Fernando S. Magnayon	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			5,000	I	N.A.
Series 3B Preferred			-	-	N.A.
Common	Maria Rosario D. Vergel de Dios	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Maria Cecilia D. Uy	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Myrna C. Geronimo	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			3,000	I	N.A.
Common	Allister J. Go	Filipino	11,030	D	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			300	I	N.A.
Directors and Executive Officers as a Group		Common	1,835,756		0.00%
		Series 2B Preferred	-		0.00%
		Series 3A Preferred	8,000		0.00%
		Series 3B Preferred	20,300		0.00%

As of March 9, 2021, the directors and executive officers of the Company owned 1,835,756 common shares, 8,000 Series 3A Preferred Shares and 20,300 Series 3B Preferred Shares for a total of 1,864,056 or 0.02% of the Company's total outstanding capital stock. No one of the directors and executive officers of the Company directly owns 5% or more of the outstanding capital stock of the Company.

Voting Trust Holders of 5% or more

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

Changes in Control

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

Directors and Executive Officers

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

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

A. Nominees for Directors

The following are the nominees for 12 directors and three (3) independent directors of the Company:

Name	Age	Position	Year Appointed as Director
Ramon S. Ang	67	President and Chief Executive Officer	2009
Lubin B. Nepomuceno	70	Director and General Manager	2013
Ron W. Haddock	80	Director	2008
Estelito P. Mendoza*	91	Director	2009
Aurora T. Calderon	66	Director	2010
Mirzan Mahathir	62	Director	2010
Francis H. Jardeleza	72	Director	2020
Virgilio S. Jacinto	64	Director	2010
Nelly F. Villafuerte	84	Director	2011
Jose P. de Jesus	86	Director	2014
Horacio C. Ramos	76	Director	2018
John Paul L. Ang	41	Director	2021
Artemio V. Panganiban	84	Independent Director	2010
Margarito B. Teves	77	Independent Director	2014
Carlos Jericho L. Petilla	57	Independent Director	2018

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

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

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 Mariveles Landco Corporation, Petrochemical Asia (HK) Ltd. ("PAHL"), and Robinson International Holdings Ltd. (Cayman Islands); Chairman of SEA Refinery Corporation ("SRC"), New Ventures Realty Corporation ("NVRC"), Petron Freeport Corporation, Petron Fuel International Sdn. Bhd. (Malaysia) ("PFISB"), Petron Malaysia Refining & Marketing Bhd. (Malaysia), and Petron Oil (M) Sdn. Bhd. ("POMSB") (Malaysia); 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, Chief Executive Officer, and President and Chief Operating Officer of SMC Global Power Holdings Corp.; Chairman and President of 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.; President and Chief Executive Officer of Top Frontier Investment Holdings, Inc., San Miguel Food and Beverage, Inc. and Northern Cement Corporation; President of Ginebra San Miguel, Inc., and San Miguel Northern Cement, Inc.; and a Director of Petrogen. He is also the sole director and shareholder of Master Year Limited and the Chairman of Privado Holdings, Corp. Mr. Ang formerly held the following positions, among others: Chairman of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation; President and Chief Operating Officer of PAL Holdings, Inc., and Philippine Airlines, Inc.; and Director of Air Philippines

Corporation. Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University.

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

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, Petrofuel Logistics, Inc. (“PLI”) PAHL, Mariveles Landco Corporation, Robinson International Holdings, Ltd. and Petron Singapore Trading Pte. Ltd. (“PSTPL”); Chairman and Chief Executive Officer of Petron Foundation, Inc. (“PFI”); and Chairman of Overseas Ventures Insurance Corporation Ltd. (“Ovincor”) Mr. Nepomuceno has held various board and executive positions in the San Miguel Group. He was the Chairman of Petrogen (2010 - March 2021). He started with SMC as a furnace engineer at the Manila Glass Plant in 1973 and rose to the ranks to become the General Manager of the San Miguel Packaging Group in 1998. He was also formerly the Senior Vice President and General Manager of the Company (September 2009 - February 2013) and the President of the Company (February 2013 - February 2015). He also served as the Chairman of Petrogen (until March 2021) and a Director of MNHPI (2012 - 2014). Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and master’s degree in Business Administration from the De La Salle University. He also attended the Advanced Management Program at the University of Hawaii, University of Pennsylvania and Japan’s Sakura Bank Business Management.

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

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

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

Estelito P. Mendoza, Filipino, born 1930, served as a Director of the Company from 1974 to 1986; thereafter, since January 8, 2009. He is a member of the Corporate Governance Committee and the Audit Committee. He is likewise a member of the Board of Directors of SMC and Philippine National Bank (“PNB”). He has now been engaged in the practice of law for more than 60 years, and presently under the firm name Estelito P. Mendoza and Associates. He has been consistently listed for several years as a “Leading Individual in Dispute Resolution” among lawyers in the Philippines in the following directories/journals: “The Asia Legal 500”, “Chambers of Asia” and “Which Lawyer?” yearbooks. He has also been a Professorial Lecturer of law at the University of the Philippines and served as Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was also the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the

Organization. He holds a Bachelor of Laws degree from the University of the Philippines (cum laude) and Master of Laws degree from Harvard University. He is the recipient on June 28, 2010 of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and was also awarded by the University of the Philippines Alumni Association its 1975 "Professional Award in Law" and in 2013 its "Lifetime Distinguished Achievement Award".

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

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

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

Francis H. Jardeleza, Filipino, born 1949, has served as a Director of the Company since August 4, 2020. He is likewise a Director of GSMI and SMFB. He has been a Professorial Lecturer in Constitutional, Administrative, Remedial and Corporation Law at the University of the Philippines College of Law since 1993. He was formerly the Senior Vice President and General Counsel of SMC (1996 - 2010), a partner of Angara Abello Concepcion Regala and Cruz Law Offices (1975 - 1987), Roco Buñag Kapunan Migallos and Jardeleza Law Offices (1992 - 1995), Jardeleza Sobreviñas Diaz Hayudini and Bodegon Law Offices (1987 - 1990) and Jardeleza Law Offices (1990 - 1992). He is a retired Associate Justice of the Supreme Court of the Philippines (August 19, 2014 - September 25, 2019). He also served as Solicitor General of the Office of the Solicitor General of the Philippines (February 20, 2012 - August 18, 2014) and Deputy Ombudsman for Luzon of the Office of the Ombudsman of the Philippines (July 7, 2011 - February 19, 2012). Justice Jardeleza earned his Bachelor of Laws degree (salutatorian and cum laude) from the University of the Philippines in 1974, placed third in the bar exam that same year, and Master of Laws degree from Harvard Law School in 1977.

Of the companies in which Justice Jardeleza holds directorships, Petron-affiliates GSMI and SMFB 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. He holds directorships in several public and private companies, including SBI Offshore Ltd., which is listed on the Singapore Stock Exchange. He was formerly the Executive Chairman and President of Konsortium Logistik Berhad (1992 - 2007). Mr. Mirzan graduated with a Bachelor of Science (Honours) degree in Computer Science from Brighton Polytechnic, United Kingdom and obtained his master's degree in Business Administration from the Wharton School, University of Pennsylvania, USA.

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

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

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

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

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

Jose P. de Jesus, Filipino, born 1934, has served as a Director of the Company since May 20, 2014. He is also the Chairman of Clark Development Corporation. Positions he previously held include the following: 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 Kapampangan Development Foundation and Holy Angel University. Mr. de Jesus earned his Bachelor of Arts degree in Economics and holds a Master of Arts in Social Psychology from the Ateneo de Manila University. He also finished Graduate Studies in Human Development from the University of Chicago.

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

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

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

John Paul L. Ang, Filipino, born 1980, was elected as a Director of the Company on March 9, 2021. He has been a director of SMC since January 21, 2021. He holds and has held various positions in Eagle Cement Corporation, such as the President and Chief Executive Officer since 2008, a Director since 2010, a member of the Audit Committee since 2020 and the Chairman of the Executive Committee since February 2017; he also served as a member of the Nomination and Remuneration Committee (February 13, 2017 - July 15, 2020) and the General Manager and Chief Operating Officer (2008 - 2016). He has been the President and Chief Executive Officer of South Western Cement Corporation since 2017 and a Director of K Space Holdings, Inc. since 2016. He was the Managing Director of Sarawak Clinker Sdn. Bhd. Malaysia (2002 - 2008) and the Purchasing Officer of Basic Cement (2002 - 2003). Mr. Ang has a Bachelor of Arts in Interdisciplinary Studies from the Ateneo de Manila University.

Of the companies in which Mr. Ang holds directorships, parent company-SMC is also listed with the PSE.

Artemio V. Panganiban, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is the Chairman of the Risk Oversight Committee and a member of the Audit and Corporate Governance Committees. He is a columnist for the Philippine Daily Inquirer and officer, adviser or consultant to several business, civic, educational and religious organizations. He is an adviser of Metropolitan Bank and Trust Company, Bank of the Philippine Islands and DoubleDragon Properties Corp. He is a retired 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 a dozen 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. Other positions he previously held include the following: Secretary of the Department of Finance of the Philippine government (2005 - 2010) and President and Chief Executive Officer of the Land Bank of the Philippines (2000 - 2005). He was awarded as “2009 Finance Minister of Year/Asia” by the London-based The Banker Magazine. He holds a Master of Arts degree in Development Economics from the Center for Development Economics, Williams College,

Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

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

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

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

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

1. Ramon S. Ang
2. Lubin B. Nepomuceno
3. Estelito P. Mendoza
4. Jose P. de Jesus
5. Ron W. Haddock
6. Mirzan Mahathir
7. Aurora T. Calderon
8. Francis H. Jardeleza
9. Virgilio S. Jacinto
10. Nelly Favis-Villafuerte
11. Horacio C. Ramos
12. John Paul L. Ang

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

1. Artemio V. Panganiban
2. Margarito B. Teves
3. Carlos Jericho L. Petilla

The nominees for independent directors of the Company have certified that they possess all qualifications and none of the disqualifications provided under the Securities Regulation Code (the "Code") and other applicable law and regulation. The certifications of these independent directors are attached hereto as Annexes A-1, A-2, and A-3.

The Corporate Governance Committee created by the Board of Directors to pre-screen and shortlist candidates nominated to become members of the Board of Directors of the Company pursuant to the Corporate Governance Manual of the Company, at its meeting held on March 9, 2021, reviewed the resumés of the above nominees. Upon finding that the candidates had all the qualifications and none of the disqualifications to be elected as directors as set out in applicable laws and regulations, the Corporate Governance Manual and the Company's By-Laws, the Corporate Governance Committee endorsed the above nominees for election as directors at the Annual Stockholders' Meeting. As of the date of this Information Statement, the Chairman of the Corporate Governance Committee is Mr. Margarito B. Teves and the members are former Chief Justice Artemio V. Panganiban, Atty. Estelito P. Mendoza, and Atty. Virgilio S. Jacinto.

Director Ret. Chief Justice Artemio V. Panganiban has been serving the Company as an independent director for more than nine (9) years. The Company’s Corporate Governance Committee evaluated the independence of Director Panganiban and determined that he possesses all the qualifications and none of the disqualifications to act as independent director of the Company, in accordance with Section 2.2.1.6.1 of the Manual on Corporate Governance of the Company (as amended) (the “Petron Corporate Governance Manual”) approved by the Board of Directors of the Company on May 8, 2017, which adopted Recommendation 5.2 of the Code of Corporate Governance for Publicly Listed Companies (SEC Memorandum Circular No. 19, Series of 2016). In its meeting held on March 9, 2021, the Board of Directors, as favorably endorsed and recommended by the Company’s Corporate Governance Committee, approved and endorsed for the vote of the stockholders of the Company the re-election of Director Panganiban as an independent director of the Company pursuant to Section 2.2.1.6.2 of the Petron Corporate Governance Manual. Serving as an independent director, of Director Panganiban has brought high standards of corporate governance to the Company and objectively contributed by providing his insights to the committees where he either chairs or is a member of, and to the Board of Directors of the Company, based on his years of experience and expertise in the legal profession. Being familiar with the mission, vision and corporate values of the Company, the presence of Director Panganiban has enhanced these values by his sustained advisory relationship with the Company, especially with respect to the protection of the interest of its minority stockholders and other stakeholders. On the basis of the foregoing, the Board of Directors found that the independence of Director Panganiban has not been diminished or impaired by his long service as a member of the Board of Directors of the Company. The Board of Directors has full confidence that of Director Panganiban will continue acting as an independent director with the same zeal, diligence and vigor as when first elected.

The nominees for Independent Directors, namely, Messrs. Panganiban, Teves, and Petilla, were nominated by Mr. Ramon S. Ang. Mr. Ang is not related to any of such nominees.

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

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

B. Executive Officers

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

Name	Age	Position	Year Appointed as Officer
Ramon S. Ang	67	President and Chief Executive Officer	as President: 2015; as Chief Executive Officer: 2009
Lubin B. Nepomuceno	69	General Manager	2015
Emmanuel E. Eraña	60	Senior Vice President and Chief Finance Officer	2009
Susan Y. Yu	44	Vice President - Procurement	2009
Albertito S. Sarte	54	Vice President and Treasurer	2009
Maria Rowena Cortez	56	Vice President - Supply	2009
Archie B. Gupalor	53	Vice President - National Sales	As Vice President for Retail Sales: 2018 As Vice President for National Sales: 2020

Joel Angelo C. Cruz	60	Vice President - General Counsel & Corporate Secretary and Compliance Officer	as General Counsel, Corporate Secretary and Compliance Officer:2010; as Vice President: 2013
Jaime O. Lu	57	Vice President and Executive Assistant to the President on Petron Malaysia Operations and Refinery Special Projects	2018
Rolando B. Salonga	60	Vice President - Operations and Technical Services Group	2017
Fernando S. Magnayon	61	Vice President and Sales Advisor to the Vice President for National Sales	As Vice President: 2018 As Sales Advisor to the Vice President for National Sales: 2020
Maria Rosario D. Vergel de Dios	57	Vice President - Human Resources	2018
Myrna C. Geronimo	54	Vice President and Controller	as Controller: 2019; as Vice President: 2020
Allister J. Go	55	Vice President, Refinery	2020
Magnolia Cecilia D. Uy	54	Vice President, Management Services	2020

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

Emmanuel E. Eraña, Filipino, born 1960, has served as the Senior Vice President and Chief Finance Officer of the Company since January 2009. He holds the following positions, among others: President and Chief Executive Officer of NVRC; Chairman and President of South Luzon Prime Holdings, Inc. and Parkville Estates Development Corporation; Chairman, President and Chief Executive Officer of LLCDC; President of PFI; Deputy Chairman of Ovincor; Director of PFC, PLI, POGM, PFISB, POMSB, and Petron Finance (Labuan) Limited and Chief Executive Officer of Petrogen. Mr. Eraña held the following positions in the San Miguel Group: as the President of Petrogen (until March 2021), 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.

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

Albertito S. Sarte, Filipino, born 1967, has served as the Vice President and Treasurer of the Company since August 2009. He is also the Treasurer of most of the Company's subsidiaries. Mr. Sarte served as Assistant Vice President for SMC International Treasury until June 2009. He graduated from the Ateneo de Manila University in 1987 with a Bachelor of Science degree in Business Management and 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 Executive Director for Petron Singapore Trading Pte. Ltd. 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 - August 2013), Vice President for Supply (June 2009 to June 2010) and various managerial and supervisory positions in the Marketing/Sales, and Supply and Operations Divisions of Petron. Ms. Cortez also held various positions at the Philippine National Oil Company - Energy Research and Development Center from 1986 to 1993. She holds a Bachelor of Science degree in Industrial Engineering and a master's degree in Business Administration both from the University of the Philippines, Diliman. She also took post graduate courses at the AIM and the University of Oxford in Oxfordshire, UK. She has attended local and foreign trainings and seminars on leadership, market research, supply chain, risk management, petroleum, petrochemicals and energy oil trading.

Archie B. Gupalor, Filipino, born 1968, has served as the Vice President for National Sales of the Company since November 16, 2020. He holds the following positions, among others: President and Chief Executive Officer of PFC and Director of PMC, NVRC and LLCDC. He has been with the San Miguel Group since 1991. He was previously the Vice President for Retail Sales. Prior to his appointment in the Company, he held the position of Vice President and General Manager of San Miguel Integrated Sales of San Miguel Foods, Inc. He earned his Bachelor of Science degree in Industrial Psychology at the University of San Carlos and attended several programs here and abroad, including the Executive Management Development Program of the Harvard Business Publishing.

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

Jaime O. Lu, Filipino, born 1963, has served as the Company's Vice President and Executive Assistant to the President on Petron Malaysia Operations and Special Projects since November 2018. He is also a director of PLI, PFISB and POMSB. Mr. Lu was formerly the Company's Vice President - Operations Manager for Petron Malaysia (April 2012 - October 2018), the Operations Manager of PMRMB (April 2012 - October 2018) and the General Manager of PPI (January 2011 - February 2012). He holds a Bachelor of Science Degree in Chemical Engineering from the Pamantasan Lungsod ng Maynila and a master's degree in Business Administration from the Ateneo de Manila University.

Rolando B. Salonga, Filipino, born 1961, has served as Vice President for Operations and Corporate Technical Services Group since May 1, 2017. He is also a Director of PLI. Previous positions he held include Vice President for Terminal Operations (November 16, 2016-April 30, 2017), Assistant Vice President for Operations (September 2015-November 2016), Officer-in-Charge-Operations (March 2015-August 2015), Supply and Distribution Head of Petron Malaysia (April 2012-February 2015), Functional Team Lead-Distribution, Project Rajah (Malaysian Acquisition) (October 2011 - March 2012), Manager-Visayas Operations (July 2009 - October 2011), Manager-Distribution (May 2005 - July 2009),

Superintendent-Mandaue Terminal (April 2001 - May 2005), Superintendent-Pandacan Manufacturing (April 1995 - April 2001), Superintendent-Pandacan Lubeoil Warehouse (November 1994 - March 1995) and Superintendent-Pandacan Transportation/Distribution (April 1993 - October 1994). Mr. Salonga has a Bachelor of Science degree in Mechanical Engineering from the Mapua Institute of Technology.

Fernando S. Magnayon, Filipino, born 1959, has served as the Vice President and Sales Advisor to the Vice President for National Sales since November 16, 2020. Other positions he held include Vice President for Commercial Sales (November 16, 2018 to November 16, 2020), Assistant Vice President for Industrial Trade (September 2016 - November 15, 2018), Assistant Vice President for LPG, Lubes and Greases (July 2014 - August 2016), Visayas-Mindanao Regional Sales Manager for Reseller Trade (July 2013 - June 2014), Luzon Regional Sales Manager for Reseller Trade (July 2012 - June 2013), Luzon Provincial Area Manager for Industrial Trade (July 2010 - June 2012), North Luzon Area Manager for Industrial Trade (July 2009 - June 2010), Market Development Manager for Industrial Trade (September 2006 - June 2009), Industrial Brand Coordinator for Lube Trade (September 2002 - August 2006), Area Sales Executive for Lube Trade (September 2001 - August 2002), Field Technical Services Engineer for Technical Department (September 1992 - August 2001), and Research Engineer for PNOC-Energy Research and Development Center (August 1982 - August 1992). He has a Bachelor of Science degree in Mechanical Engineering from Adamson University.

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

Myrna C. Geronimo, Filipino, born 1966, has served as Vice President for Controllers and Controller the Company since February 13, 2020. She holds the following positions, among others: Controller of Petrogen, LLCDC, NVRC, PMC, PFC, MLC and PPI; and director, Controllers and Treasurer of PEDC and SLHPI and Corporate Secretary of Petron Global Limited. She is also the Controller of PFI. Ms. Geronimo was formerly the Assistant Vice President for Controllers and Controller of the Company and the Chief Finance Officer of PMRMB, PFISB and POMSB. Ms. Geronimo holds a Bachelor of Arts degree in Accountancy from the Polytechnic University of the Philippines.

Allister J. Go, Filipino, born 1965, has served as Vice President for Refinery of the Company since February 13, 2020. Other positions he has held include Vice President for Refinery Technical Services (November 2018 - February 2020), Assistant Vice President for Refinery Plant Operations (February 2018 - November 2018), Assistant Vice President for Refinery Production A (January 2018), Officer-in-Charge of Refinery Production B (April 2017 - December 2017) and Manager, Refinery Technical Services (Production B) (July 2014 - March 2017). He has a Bachelor of Science degree in Chemical Engineering from the Adamson University.

Magnolia Cecilia D. Uy, Filipino, born 1966, has served as Vice President for Management Services of the Company since February 13, 2020. Other positions she has held include Assistant Vice President for Management Services (June 2018 - February 2020), Assistant Vice President for Market Planning, Research and Sales Information and concurrent Head of the Management Information Systems (February 2018 - May 2018) and Assistant Vice President for Market Planning, Research and Sales Information (February 2013 - January 2018). She has a Bachelor of Science degree in Computer Science and a Master's Degree in Business Administration from the University of the Philippines.

Identify Significant Employees

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

Family Relationship

Director John Paul L. Ang is the son of Director Ramon S. Ang. Other than this, the Company has no director or executive officer related to any other director or executive officer up to the fourth degree of consanguinity or affinity.

Involvement in Certain Legal Proceedings

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

Certain Relationships and Related Transactions

The major stockholders of the Company holding at least 5% of its common shares are as follows:

• SEA Refinery Corporation	-	50.10%
• San Miguel Corporation	-	18.16%
• PCD Nominee Corporation (Filipino)	-	18.01%

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

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

Compensation of Executive Officers and Directors

The aggregate compensation paid or estimated to be paid to the executive officers and the aggregate fees and *per diem* allowances paid or estimated to be paid to the directors of the Company during the periods indicated below are as follows (in million pesos):

*[Rest of page intentionally left blank;
table of compensation follows on next page]*

<i>(a) Name and Principal Position</i>		<i>(b) Year</i>	<i>(c) Salary (including Fee and Per Diem Allowance of Directors)</i>	<i>(d) Bonus</i>	<i>(e) Other Annual Compensation</i>
Ramon S. Ang	President and Chief Executive Officer	2021 (est)	109.30	18.22	1.07
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	Senior Vice President and Chief Finance Officer				
Archie B. Gupator	Vice President - National Sales				
Susan Y. Yu	Vice President - Procurement				
Ramon S. Ang	President and Chief Executive Officer	2020	109.30	18.22	5.81
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	Senior Vice President and Chief Finance Officer				
Archie B. Gupator	Vice President - National Sales				
Susan Y. Yu	Vice President - Procurement				
Ramon S. Ang	President	2019	111.96	18.66	3.03
Lubin B. Nepomuceno	General Manager				
Emmanuel E. Eraña	SVP / Chief Finance Officer				
Freddie P. Yumang	Senior Vice President - Refinery				
Archie B. Gupator	Vice President - Retail Sales				
All Other Officers as a Group Unnamed		2021 (est)	84.43	14.07	3.42
		2020	84.25	14.07	4.80
		2019	83.13	13.34	6.38
All Directors as a Group		2021 (est)	16.46	-	-
		2020	15.37	-	-
		2019	14.93	-	-

Under the Corporate Governance Manual of the Company, the Corporate Governance Committee is tasked with the establishment of a formal and transparent procedure to determine the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.

The fees of the directors are expected to be reviewed by Corporate Governance Committee and, if favorably endorsed by such committee, such fees will be presented to the Board of Directors for approval. The matter will then be presented for the ratification by the stockholders at the Annual Stockholders' Meeting.

As of the date of this Information Statement and as discussed above, the Chairman of the Corporate Governance Committee is Mr. Margarito B. Teves and the members are former Chief Justice Artemio V. Panganiban, Atty. Estelito P. Mendoza, and Atty. Virgilio S. Jacinto.

Other Arrangements

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

Employment Contract

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

Warrants or Options

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

External Auditor and Its Presence at the Stockholders' Meeting

The Company's external auditor for the last fiscal year was R. G. Manabat & Co./KPMG ("KPMG"). KPMG was first appointed the external auditor of the Company in 2010. In 2016, KPMG assigned another partner, Mr. Darwin P. Virocel, to lead the audit of the Company's 2015 financial statements.

At its meeting held on March 9, 2021, the Board of Directors, upon the endorsement of the Audit Committee, nominated KPMG as the external auditor of the Company for fiscal year 2021. The Board of Directors (or the Board Executive Committee) is expected to approve the fees of the external auditor. The stockholders are requested to approve the re-appointment of KPMG as external auditor of the Company for 2021 and ratify its fees at the Annual Stockholders' Meeting.

Among its other functions set out in the Corporate Governance Manual and the Audit Committee Charter, the Audit Committee primarily recommends to the Board of Directors each year the appointment of the external auditor to examine the accounts of the Company for that year. As of the date of this report, the Audit Committee of the Company is composed of Messrs. Margarito B. Teves, Artemio V. Panganiban and Estelito P. Mendoza, and Ms. Aurora T. Calderon as members. Mr. Ferdinand K. Constantino acts as advisor to the Audit Committee.

Duly authorized representatives of KPMG will be present at the Annual Stockholders' Meeting to respond to appropriate questions concerning the 2020 financial statements of the Company. KPMG auditors will also be given the opportunity to make a representation or statement in case they decide to do so.

Action with Respect to Reports

2021

At the Annual Stockholders' Meeting scheduled on May 18, 2021, the Management will report on the 2020 performance of the Company, which closed with a consolidated net loss of ₱11.4 billion as disclosed to the PSE and PDEX on March 9, 2021 and the SEC through an SEC Form 17-C dated March 9, 2021.

In its meeting held on March 9, 2021, the Board of Directors approved the following items to be taken up at the Annual Stockholders' Meeting:

1. Review and approval of the minutes of the previous annual stockholders' meeting;
2. Approval of the management report and submission to the stockholders of the 2020 financial statements;
3. Ratification of all acts of the Board of Directors and Management since the last stockholders' meeting in the year 2020, including, but not limited to, the matters set out in Annex B of this Definitive Information Statement;
4. Appointment of an external auditor for 2021 and ratification of external auditor fees; and
5. Election of the Board of Directors for 2021-2022.

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

2020

At the Annual Stockholders' Meeting held on June 2, 2020, the Management reported on the 2019 performance of the Company, which closed with a consolidated net income of ₱2.30 billion as disclosed to the PSE and PDEX on March 10, 2020 and the SEC through an SEC Form 17-C dated March 10, 2020.

All the actions of the Management and the Board of Directors since the last stockholders' meeting held in 2019 were done in accordance with the general resolutions of the Board of Directors which identify the corporate acts and transactions of the Company, the officer(s) or approving authority(ies) for corporate transactions, and the corresponding approval (amount) limit(s) of such officer(s)/approving authority(ies), and/or the other more specific resolutions of the Board of Directors and the Executive Committee.

Among the significant actions undertaken in 2020 which were endorsed by the Management and approved by the Board of Directors (or approved by the Executive Committee then confirmed and ratified by the Board of Directors) are as follows:

- Approval of items for the 2020 stockholders' meeting such as (i) the date of meeting on May 19, 2020, (ii) the record date of March 24, 2020, (iii) the agenda of the meeting, and (iv) the endorsement of nominees for directors, including the final list of candidates for independent directors; and the amendment of the meeting date to June 2, 2020 pursuant to SEC Memorandum Circular No. 5 issued on March 12, 2020 and the subsequent Notice dated March 18, 2020, both issued by the SEC, in view of the COVID-19 pandemic.
- Appointments to the Executive, Nomination, Compensation and Audit Committees of the Company;
- Election of directors and the executive officers;
- Declarations of cash dividends as follows:
 - (i) cash dividends of ₱0.10 per share to all common shareholders with a record date of March 24, 2020 and a pay-out date of April 8, 2020;
 - (ii) cash dividends of ₱17.14575 per Series 2B Preferred Share to shareholders of such shares for the following periods: (a) second quarter of 2020, with a record date of April 7, 2020 and a pay-out date of May 4, 2019 (with May 3 falling on a Sunday), (b) third quarter of 2020, with a record date of July 19, 2020 and a pay-out date of August 3, 2020; (c) fourth quarter of 2020, with a record date of October 9, 2020 and a pay-out date of November 3, 2020; and (iv) first quarter of 2021, with a record date of January 8, 2021 and a pay-out date of February 3, 2021; and
 - (iii) cash dividends of ₱17.17825 per Series 3A Preferred Share and ₱17.84575 per Series 3B Preferred Share to shareholders of such shares for the for the following periods: (a) second quarter of 2020, both with a record date of June 1, 2020 and a pay-out date of June 15, 2020; (b) third quarter of 2020, both with a record date of September 2, 2020 and a pay-out date of September 20, 2020; (c) fourth quarter of 2020, both with a record date of December 2, 2020 and a pay-out date of December 28, 2020; and (c) first quarter of 2021, both with a record date of March 2, 2021 and a pay-out date of March 25, 2021.

Voting Procedure

Each common share is entitled to one vote. A simple majority vote of the stockholders, where a quorum is present at the Annual Stockholders' Meeting scheduled on May 18, 2021, will be needed for the approval of the minutes of the previous stockholders' meeting, the ratification of all acts of the Board of Directors and Management since the last annual stockholder's meeting in 2020, and the appointment of the external auditor of the Company for 2021, the ratification of auditor fees, and the ratification of directors' fees.

In the election of directors, the 15 nominees who get the highest votes shall be deemed duly elected as directors. Under the express provisions of the Company's By-Laws, cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his/her shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the corporation multiplied by the whole number of directors to be elected.

The procedure and manner of voting through remote communication is set out in Appendix 1 to the Notice in this Information Statement ("*Procedure for Attending and Voting at the Meeting through Remote Communication*").

Management's Discussion and Analysis or Plan of Operation

The *Management's Discussion and Analysis of the Financial Conditions and Other Information* of the Company as of December 31, 2020 is attached hereto as Annex C.

Financial Statements

The *Statement of Management's Responsibility* and the Consolidated Audited Financial Statements of the Company as of December 31, 2020, including the Index to Financial Statements and the Supplementary Schedules, are attached hereto as Annex D.

[Signature page follows]

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed on April 6, 2021.

PETRON CORPORATION

By:



Joel Angelo C. Cruz
Vice President - General Counsel
& Corporate Secretary

NOTICE: The Company will post the full version of this SEC Form 20-IS (Definitive Information Statement), together with all its annexes including the 2020 consolidated audited financial statements of the Company, on the company website www.petron.com upon its approval by the Securities and Exchange Commission.

The Company will likewise post on the company website www.petron.com and make the relevant disclosures through the PSE Electronic Disclosure Generation Technology of the Philippine Stock Exchange (PSE Edge) its SEC Form 17-A (Annual Report) for 2020 by April 15, 2021 (or such later date as may be allowed by the SEC) and its interim unaudited financial statements for the first quarter of 2021 on SEC Form 17-Q by May 13, 2021.

Upon the written request of a stockholder, and when circumstances permit, the Company undertakes to furnish such stockholder with a copy of the full version of this SEC Form 20-IS (Definitive Information Statement) and/or the above-described SEC Form 17-A and/or SEC Form 17-Q, free of charge. Such written request shall be directed to the Office of the General Counsel & Corporate Secretary, Petron Corporation, 7/F, SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City, Philippines.

ANNEX A

CERTIFICATIONS OF THE INDEPENDENT DIRECTORS

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARTEMIO V. PANGANIBAN**, Filipino, of legal age, and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

- I am a nominee for independent director of Petron Corporation and have been its independent director since October 21, 2010.
- I am affiliated with the following listed companies or organizations:

Company/Organization	Position/Relationship	Period of Service
GMA Network, Inc.	Independent Director	2007 - present
First Philippine Holdings Corporation	Independent Director	2007 - present
Metro Pacific Investments Corporation	Independent Director	2007 - present
Manila Electric Company	Independent Director	2008 - present
Robinsons Land Corporation	Independent Director	2008 - present
GMA Holdings, Inc.	Independent Director	2009 - present
Asian Terminals, Inc.	Independent Director	2010 - present
PLDT, Inc.	Independent Director	2013 - present
Jollibee Foods Corporation	Non-Executive Director	2012 - present
Metropolitan Bank & Trust Company	Senior Adviser	2007 - present
Bank of the Philippine Islands	Member, Advisory Council	2016 - present
Double Dragon Properties Corporation	Adviser	2014 - present
Merry Mart Consumer Corporation	Adviser	2020 - present
For my full bio-data, log on to my personal website: cjpanganiban.com		


- I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Petron Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations and other issuances of the Securities and Exchange Commission (the "SEC").
- To the best of my knowledge, I am not related to any director/officer/substantial shareholder of Petron Corporation and its subsidiaries and affiliates.
- To the best of my knowledge, I am not the subject of any criminal or administrative investigation or proceeding pending in court.
- I am neither in government service nor affiliated with a government agency or government-owned and -controlled corporation.
- I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.
- I shall inform the Corporate Secretary of Petron Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this ^{MAR 17 2021} March 9, 2021 at Mandaluyong City.


ARTEMIO V. PANGANIBAN
 Independent Director

SUBSCRIBED AND SWORN to before me this ^{MAR 17 2021} at Mandaluyong City, affiant personally appeared before me and exhibited to me his Passport [redacted] issued at DFA Manila on January 24, 2019 valid until January 23, 2029.

Doc. No. 317 ;
 Page No. 65 ;
 Book No. UIII ;
 Series of 2021.


MARIAN WILMA H. BAUTISTA
 Notary Public for Mandaluyong City
 40 San Miguel Avenue, 1550 Mandaluyong City
 Appointment No. 0540-19
 Until June 30, 2021
 Attorney's Roll No. 65589
 PTR No. 45749711-05-21/Mandaluyong
 IBP No. 1508191-13-21/RSM
 MCLE Compliance No. VI-00021964-24-2017

ANNEX A-2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARGARITO B. TEVES**, Filipino, of legal age, and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

- I am a nominee for independent director of Petron Corporation and have been its independent director since May 20, 2014.
- I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
P.J. Lhuillier Group of Companies	Member, Strategic Committee	February 2015 to present
Atlantic Aurum Investments Philippines Corporation	Independent Director	July 19, 2013 to present
AB Capital Investment Corp.	Independent Director	June 29, 2012 to present
San Miguel Corporation	Independent Director	June 14, 2012 to present
The Wallace Business Forum	Managing Director	March 1, 2012 to present
Alphaland Balesin Island Club, Inc.	Independent Director	2012 to present
Alphaland Corporation	Independent Director	May 26, 2011 to present
Atok-Big Wedge Co., Inc.	Independent Director	2011 to present
The City Club at Alphaland Makati Place, Inc.	Independent Director	2011 to present
Pampanga Sugar Development Co.	Director	July 2011 to present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Petron Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and regulations and other issuances of the Securities and Exchange Commission ("SEC").

4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of Petron Corporation and its subsidiaries and affiliates.

27

5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

Offense Charged/Investigated	Tribunal or Agency Involved	Status
A legal suit between private parties for qualified theft and/or estafa. I was included only because I was the former President of Land Bank.	Office of the City Prosecutor (Manila)	Have not received copy of the actual complaint-affidavit. Considering the considerable lapse of time, was advised by counsels that this complaint was not given due course by the prosecution service.
Republic Act No. 3019. I was included only because I was the former ex officio Chairman of Land Bank (as DOF Secretary)	Sandiganbayan	Pending at the Sandiganbayan; latest court order todote: case suspended pending civil suit of SMC vs. Land Bank at the Regional Trial Court of Pasig City

6. I am neither in government service nor affiliated with a government agency or government-owned and-controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.

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


28

Done this MAR 17 2021 at Mandaluyong City.


MARGARITO B. TEVES
 Independent Director

SUBSCRIBED AND SWORN to before me this MAR 17 2021 at Mandaluyong City, affiant exhibiting to me his Passport with [redacted] at DFA NCR South on January 17, 2020 valid until January 16, 2030.

Doc. No. 319 ;
 Page No. 65 ;
 Book No. VIII ;
 Series of 2021.


MARIAN WILMA H. BAUTISTA
 Notary Public for Mandaluyong City
 40 San Miguel Avenue, 1550 Mandaluyong City
 Appointment No. 0540-19
 Until June 30, 2021
 Attorney's Roll No. 65589
 PTR No. 45774671-05-211(Mandaluyong)
 IBP No. 1508191-13-21/RSM
 MCLE Compliance No. VI-00021984-24-2017

ANNEX A-3

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CARLOS JERICHO L. PETILLA**, Filipino, of legal age, and a resident of No. [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Petron Corporation and have been its independent director since May 15, 2018.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations):

Company/Organization	Position/Relationship	Period of Service
International Data Conversion Solutions, Inc.	President and Chief Executive Officer	2001 – 2004; 2015 – present
Freight Process Outsourcing, Inc.	President and Chief Executive Officer	2015 – present
DDC Group of Companies	Director	1989 – 2004; 2015 – present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Petron Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations and other issuances of the Securities and Exchange Commission ("SEC").
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.
5. I shall inform the Corporate Secretary of Petron Corporation of any changes in the abovementioned information within five days (5) from its occurrence.

MAR 17 2021
Done this March 9, 2021 at Mandaluyong City.


CARLOS JERICHO L. PETILLA
Independent Director

MAR 17 2021

SUBSCRIBED AND SWORN to before me this _____ at Mandaluyong City, affiant exhibiting to me his Passport with No. [redacted] issued at DFA Tacloban on September 4, 2016 valid until September 3, 2021.

Doc. No. 318 ;
Page No. 65 ;
Book No. VIII ;
Series of 2021.


MARIAN WILMA H. BAUTISTA
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0540-19
Until June 30, 2021
Attorney's Roll No. 65589
PTR No. 45774971-05-21/Mandaluyong
IBP No. 150819/1-13-21/RSM
MCLE Compliance No. VI-0002198/4-24-2017

ANNEX B

**MATERIAL MATTERS APPROVED BY THE BOARD OF DIRECTORS/
BOARD EXECUTIVE COMMITTEE
SINCE THE 2020 ANNUAL STOCKHOLDERS' MEETING
UNTIL THE DATE OF THIS REPORT**

Meeting Date	Matters Approved by the Board of Directors										
June 2, 2020	<p>Matters approved at the annual stockholders' and organizational meetings held:</p> <p>A. Annual Stockholders' Meeting</p> <ol style="list-style-type: none"> 1. Appointment of R.G. Manabat & Co. as independent external auditor of the Company for year 2020 and ratification of external auditor fees 2. Election of the following as directors of the Company for 2020-2021: <ol style="list-style-type: none"> 1. Eduardo M. Cojuangco, Jr. 2. Ramon S. Ang 3. Lubin B. Nepomuceno 4. Estelito P. Mendoza 5. Jose P. De Jesus 6. Ron W. Haddock 7. Mirzan Mahathir 8. Aurora T. Calderon 9. Virgilio S. Jacinto 10. Nelly Favis-Villafuerte 11. Horacio C. Ramos <p style="text-align: center;">Independent Directors</p> <ol style="list-style-type: none"> 1. Reynaldo G. David 2. Artemio V. Panganiban 3. Margarito B. Teves 4. Carlos Jericho L. Petilla <p>B. Organizational Meeting</p> <ol style="list-style-type: none"> 1. Appointment of the following as members of the board committees and lead independent director: <p style="text-align: center;"><u>Executive Committee</u></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Eduardo M. Cojuangco, Jr.</td> <td>- Chairman</td> </tr> <tr> <td>Ramon S. Ang</td> <td>- Member</td> </tr> <tr> <td>Lubin B. Nepomuceno</td> <td>- Member</td> </tr> <tr> <td>Aurora T. Calderon</td> <td>- Alternate Member</td> </tr> <tr> <td>Virgilio S. Jacinto</td> <td>- Alternate Member</td> </tr> </table> 	Eduardo M. Cojuangco, Jr.	- Chairman	Ramon S. Ang	- Member	Lubin B. Nepomuceno	- Member	Aurora T. Calderon	- Alternate Member	Virgilio S. Jacinto	- Alternate Member
Eduardo M. Cojuangco, Jr.	- Chairman										
Ramon S. Ang	- Member										
Lubin B. Nepomuceno	- Member										
Aurora T. Calderon	- Alternate Member										
Virgilio S. Jacinto	- Alternate Member										

Audit Committee

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

Risk Oversight Committee

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

Corporate Governance Committee

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

Related Party Transaction Committee

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

Lead Independent Director

- | | |
|-------------------|-----------------------------|
| Reynaldo G. David | - Lead Independent Director |
|-------------------|-----------------------------|

2. Election of the following as officers of the Company for 2020-2021:

<u>Name</u>	<u>Position</u>
Eduardo M. Cojuangco, Jr.	- Chairman
Ramon S. Ang	- President & CEO
Lubin B. Nepomuceno	- General Manager
Emmanuel E. Eraña	- SVP & Chief Finance Officer
Susan Y. Yu	- VP, Procurement
Maria Rowena O. Cortez	- VP, Supply
Archie B. Gupalor	- VP, Retail Sales
Albertito S. Sarte	- VP and Treasurer
Joel Angelo C. Cruz	- VP - General Counsel & Corporate Secretary/Compliance Officer
Jaime O. Lu	- VP & Executive Assistant to the President on Petron Malaysia Operations and Refinery Special Projects
Rolando B. Salonga	- VP, Operations and Corporate Technical Services Group
Fernando S. Magnayon	- VP, Commercial Sales
Maria Rosario D. Vergel de Dios	- VP, Human Resources Management
Magnolia Cecilia D. Uy	- VP, Management Services Division
Myrna C. Geronimo	- VP, Controllers
Allister J. Go	- VP, Refinery Division
Reynaldo V. Velasco, Jr.	- VP, Refinery Plant Operations (Production A and B)
Virgilio V. Centeno	- AVP, LPG Business Group
Noel S. Ventigan	- AVP, Metro Manila & Manufacturing
Terelu O. Carrillo	- AVP, Petron Singapore
Ronaldo T. Ferrer	- AVP, Internal Audit
Fe Irma A. Ramirez	- AVP, Supply
Raymond C. Osmond	- AVP, Refinery Solid Fuel-Fired Boiler/ Thermal Power Plant
Jacqueline A. Chai	- AVP, Procurement
Agnes Grace P. Perez	- AVP, Mergers & Acquisitions
Leon G. Pausing II	- AVP, Industrial Trade
Ferdinando H. Enriquez	- AVP, Petron Bataan Refinery Production A
Mark Tristan D. Caparas	- AVP and Chief Finance Officer, Petron Malaysia
John Ronald S. Pineda	- AVP, Special Projects
Ma. Aileen M. Cupido	- AVP, Business Planning & Development
Francisco Rizal G. Bumagat, Jr.	- AVP, PBR Production B
Lemuel C. Cuezon	- AVP, Market Planning, Research and Sales Information
Jhoanna Jasmine M. Javier-Elacio	- Assistant Corporate Secretary

August 4, 2020	<p>Matters approved at the board meeting held:</p> <ol style="list-style-type: none"> 1. First Semester 2020 Financial Statements 2. Cash dividends for preferred shareholders 3. Election of Justice Francis H. Jardeleza as Director of the Company 4. Ratification of the resolutions of the Executive Committee approving (i) the issuance of redeemable perpetual securities and (ii) USD syndicated loan and the amendment of the existing loans to align with the USD syndicated loan
November 3, 2020	<p>Matters approved at the board meeting held:</p> <ol style="list-style-type: none"> 1. Year-to-date September 2020 Financial Statements 2. Cash dividends for the preferred shareholders 3. Designation of Management of email addresses and cellphone numbers for purposes of the Securities and Exchange Commission pursuant to SEC Memorandum Circular No. 28 (Series of 2020) 4. Ratification of the resolution of the Executive Committee approving the sale of Petrofuel Logistics, Inc.
February 16, 2021	<p>Matters approved at the board meeting held:</p> <ol style="list-style-type: none"> 1. the 2021 operating budget 2. Ratification of the resolutions of the Executive Committee approving (i) the registration of the Company as a registered enterprise with the Authority of the Freeport of Bataan and (ii) the 2021 material related party transactions
March 9, 2021	<p>Matters approved at the board meeting held:</p> <ol style="list-style-type: none"> 1. 2020 Audited Financial Statements 2. Reversal of appropriation of retained earnings 3. Cash dividends for preferred shareholders 4. Redemption of the Series 2B preferred shares 5. Election of Mr. John Paul L. Ang as Director of the Company 6. Endorsement of the re-appointment of R.G. Manabat & Co. as external auditor of the Company for year 2021 7. Nominees to the Board of Directors and final list of candidates for Independent Directors <ol style="list-style-type: none"> (1) Ramon S. Ang (2) Lubin B. Nepomuceno (3) Estelito P. Mendoza (4) Jose P. De Jesus (5) Ron W. Haddock (6) Mirzan Mahathir (7) Aurora T. Calderon (8) Francis H. Jardeleza (9) Virgilio S. Jacinto (10) Nelly Favis-Villafuerte (11) Horacio C. Ramos

	<p>(12)John Paul L. Ang (13)Artemio V. Panganiban (Independent Director) (14)Margarito B. Teves (Independent Director) (15)Carlos Jericho L. Petilla (Independent Director)</p> <p>8. Annual Stockholders' Meeting</p> <p>Date: May 18, 2021, Tuesday Time: 2:00 pm Venue: To be livestreamed via a streaming site Record date: March 23, 2021 Closing of books : March 23-30, 2021</p> <p>9. Ratification of the resolutions of the Executive Committee approving (i) the purchase of the Treats convenience store business and (ii) the appointment of the Data Privacy Officer</p>
--	---

ANNEX C

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Financial Performance

2020 vs. 2019

The year 2020 was marked with the adverse impact of the COVID-19 pandemic to the global economy. The unprecedented destruction in worldwide fuel demand caused oil prices to crash at record-low levels in the second quarter. The lockdowns implemented in most parts of the Philippines and Malaysia pulled down sales volume while the historic slump in prices resulted in substantial inventory losses. Despite the moderate recovery in the second semester, Petron ended the year with a consolidated net loss of P11.4 billion, a reversal from its 2019 net income of P2.3 billion. Aside from the impact of the volume contraction and inventory loss, the prevailing weak refining cracks also continued to challenge the Company's financial performance.

Consolidated Sales volume dropped by 27% to **78.58 million barrels (MMB)**, from 106.96 MMB in previous year (PY) primarily due to reduced economic activities and travel restrictions from worldwide lockdowns.

Net sales dropped by 44% to **P 286.03 billion** from **P 514.36 billion** in 2019 due to reduced volume and lower average selling price, compounded by the impact of **P 2.18** appreciation of the peso against the US dollar, partly offset by incremental excise taxes with the implementation of the last tranche of the TRAIN law.

Cost of Goods Sold declined to **P 277.32 billion** from PY's **P 483.86 billion** traced to lower sales volume and average cost per liter as benchmark crude Dubai plunged from an average of US\$64/bbl in 2019 to US\$42/bbl, partly offset by higher excise taxes. **Gross profit** fell to **P 8.71 billion** from the **P 30.51 billion** in 2019 largely on account of the volume drop, inventory losses and product cracks narrowing, which partly mitigated by improved marketing margins.

Continuous cost reduction measures led to the 7% dip in **Selling and Administrative Expenses (OPEX), net of Other operating Income**, to **P 13.34 billion** compared to previous year's 14.31 billion. The OPEX savings mainly came from outsourced services, advertising and promotional expenses, service station & depot maintenance & repairs, and employee costs, but were partly offset by decrease in rent income.

Net Financing Costs and Other Charges was also down by 7% from **P 12.46 billion** to **P 11.58 billion** attributed to the decline in interest expense at the back of lower average borrowing rates, partly offset by higher marked-to-market losses on commodity hedges and lower interest income.

Income tax benefit amounted to **P 4.80 billion** owing to the loss before tax position, as against the **P 1.43 billion** income tax expense in the previous year.

2019 vs. 2018

For 2019, the Company reported a consolidated net income of **₱ 2.30 billion**, 67% lower than previous year's (PY) **₱ 7.07 billion** essentially from the continued weakening of regional refining margins. Its Bataan refinery was forced to an unplanned total plant shutdown for 108 days following the April 22 earthquake that hit Luzon which resulted in losses due to low production and start-up and stabilization activities on the processing units.

Consolidated Sales volume slightly declined to **106.96 million barrels (MMB)**, from 108.50 MMB in 2018 primarily due to the 5% drop in Philippine volumes following the low production of the Bataan refinery. Meanwhile, Petron Malaysia's volumes sustained its growth by 3% mostly coming from its domestic sales.

Net sales decreased by 8% to **₱ 514.36 billion** mainly due to lower average selling price, further reduced by the decline in volume and impact of the **₱ 0.88** average appreciation of the Philippine peso against the US dollar. These were partly offset by the increase in excise tax per liter.

Cost of Goods Sold (CGS) at **₱ 483.86 billion** was also lower by 7% or **₱ 38.97 billion** due to the combined effect of lower cost per liter and sales volume. During the year, the average price of benchmark Dubai crude fell to **US\$63.53/bbl** from **US\$69.42/bbl** in 2018.

Gross Margin contracted by 12% from **₱ 34.56 billion** to **₱ 30.51 billion** due to lower product cracks, higher crude premium and losses incurred as a result of the Bataan refinery total plant shutdown. These were partially mitigated by the net inventory holding gains and improved marketing margins.

Selling and Administrative Expenses (OPEX) net of Other operating Income was reduced by 9% or **₱ 1.33 billion** to **₱ 14.31 billion** largely from lower advertising expenses, employee costs, donation and provision for bad debts as well as reduced LPG cylinder purchases, partly offset by higher terminal operation expenses.

Net Financing Costs and Other Charges grew by 47% from **₱ 8.47 billion** to **₱ 12.46 billion** brought about by the increase in average borrowing level and interest rates, adoption of PFRS 16, as well as the recognition of unrealized commodity hedging loss versus gain LY. These were partly offset by higher interest income.

Income tax expense was cut by more than half from **₱ 3.39 billion** to **₱ 1.43 billion** on account of lower pre-tax income.

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) net of Other Operating Income 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.

Financial Position

2020 vs 2019

The consolidated assets of Petron Corporation and its Subsidiaries as of end-2020 amounted to **₱ 349.73 billion**, 11% or ₱ 45.11 billion lower than end-2019 balance of ₱ 394.84 billion primarily due to the decrease in inventories and trade receivables from lower prices and volume.

Cash and cash equivalents were reduced by 21% from ₱ 34.22 billion to **₱ 27.05 billion** as available cash was used to finance capital projects.

Financial assets at fair value decreased to **₱ 603 million** from ₱ 864 million due to lower gains on outstanding commodity and currency hedges.

Investments in debt instruments (current and non-current) went down by 9% to **₱ 381 million** from the end-2019 level of ₱ 420 million with the maturity of some government securities and bonds partly offset by the new investment in government securities by the insurance subsidiary.

Trade and other receivables - net dropped by 39% to **₱ 27.20 billion** attributed to the decrease in sales volume and prices of fuel products.

Inventories was cut by ₱ 27.29 billion to **₱ 44.92 billion** mainly from lower prices and volume of crude and finished products on hand compared to the end-2019 level.

Other current assets increased by 18% to **₱ 32.34 billion** from higher excise tax claims and unused creditable withholding taxes.

Right of Use assets went up by 10% or ₱ 536 million to **₱ 6.05 billion** with the remeasurement of the related asset retirement obligation for the refinery.

The change in net tax position of the Parent Company due to the additional Net Operating Loss Carry-Over (NOLCO) in 2020 led to the increase in **Deferred tax assets - net** to **₱ 2.19 billion** from **₱ 262 million** as of end 2019 and consequently resulted in the reduction in **Deferred tax liabilities - net** from **₱ 6.35 billion** to **₱ 3.08 billion**.

Other noncurrent assets - net declined to **₱ 2.09 billion** from **₱ 2.74 billion** on account of the amortization of deferred input tax, usage of catalysts as well as drop in currency hedges under hedge accounting.

Short-term loans increased from **₱ 71.09 billion** to **₱ 77.70 billion** traced to net loan availment during the year.

Liabilities for crude oil and petroleum products at **₱ 22.32 billion** was lower by 43% compared to end-2019 level of **₱ 39.36 billion** owing primarily to lower prices and lesser number of outstanding importations as of end 2020.

Trade and other payables were reduced by 46% to **₱ 15.40** due to lower outstanding liabilities to contractors and vendors.

Derivative liabilities grew by 52% to **₱ 1.12 billion** with the increase in the expected payout on outstanding commodity hedges, as well as currency hedges under hedge accounting, partly offset by the decrease in marked-to-market (MTM) losses on currency forwards.

Income tax payable fell 39% to **₱ 162 million** as tax liabilities of foreign subsidiaries declined.

Long-term debt (including current portion) decreased to **₱ 119.45 billion** from end-2019 balance of **₱ 133.08 billion** following the Parent Company's prepayment and amortization of dollar and peso loans, partly offset by availment of new loans, i.e. USD 150 million, JPY 15 billion and **₱ 5 billion** loan.

Asset retirement obligation increased by more than half to **₱ 2.87 billion** from **₱ 1.72 billion** traced to the reassessment/re-measurement of future liability.

Other noncurrent liabilities stood at **₱ 1.90 billion**, 9% higher than end-2019 level due to additional cash bonds received from customers.

Capital securities grew by **₱ 11.30 billion** to **₱ 36.48 billion** with the issuance of USD 230 million Redeemable Perpetual Securities in the 2nd and 3rd quarters of 2020.

Retained earnings at **₱ 29.80 billion** was 35% down versus end-2019 level primarily due to the **₱ 11.38 billion** net loss incurred by the equity holders of the Parent Company further reduced by the cash dividends and distributions declared during the period.

The **negative balance of Equity reserves** increased from **₱ 16.90 billion** to **₱ 18.37 billion** mainly from the translation loss on its investments in foreign subsidiaries as a result of the strengthening of the peso against the US dollar.

Consequently, **Non-controlling interests** slipped from **₱ 6.77 billion** to **₱ 6.42 billion**, proportionate to its share in net loss during period, the cash dividends declared to minority shareholders coupled by currency translation adjustments.

2019 vs 2018

By the end of 2019, the **consolidated assets** of Petron and its Subsidiaries stood at **₱ 394.84 billion**, higher by 10% from end-2018 balance of **₱ 358.15 billion** largely due to the recognition of relevant assets with the adoption of PFRS 16 (Leases), higher cash and cash equivalents and inventories, partly offset by the decline in other assets (current and non-current).

Cash and cash equivalents almost doubled from **₱ 17.41 billion** to **₱ 34.22 billion** mostly from funds generated from operations and the issuance of preferred shares.

Financial assets at fair value declined from **₱ 1.13 billion** to **₱ 864 million** due to lower unrealized gain on outstanding commodity hedges.

Investments in debt instruments (current and non-current) went up by 11% to **₱ 420 million** from end 2018 level of **₱ 378 million** traced to additional investment in government securities acquired by the Insurance subsidiary.

Trade and other receivables - net increased by **₱ 2.16 billion** to **₱ 44.66 billion** owing to higher price and excise tax of fuel products partly offset by the collection of receivables from the Malaysian government.

Inventories rose to **₱ 72.21 billion** from **₱ 63.87 billion** due to higher volume of finished product and price of crude and the incremental excise tax imposed beginning 2019.

Other current assets dropped by 26% to **₱ 27.43 billion** mainly due to Petron Malaysia's collection of its Goods and Service Tax refunds from the government and the Parent's utilization of tax credit certificates, partly negated by the increase in prepaid and creditable withholding taxes.

The adoption of PFRS 16 resulted in the recognition of **right-of-use assets** of **₱ 5.51 billion**, 81% increase in **investment property** to **₱ 29.94 billion** and a reduction in the prepaid rent which largely accounted for the 53% drop in **other noncurrent assets - net** to **₱ 3.07 billion**. Corresponding **lease liabilities - current and noncurrent** were also booked totaling **₱ 15.75 billion**.

Short-term loans decreased to **₱ 71.09 billion** from **₱ 83.0 billion** mainly due to Parent Company's net payments during the year.

Liabilities for crude oil and petroleum products grew by more than half to **₱ 39.36 billion** on account of higher volume and price of outstanding finished products importations as of end-2019 versus prior year.

Derivative liabilities increased by 20% from **₱ 614 million** to **₱ 738 million** arising from higher expected payout on outstanding commodity and currency hedges.

Income tax payable climbed to **₱ 267 million** from **₱ 146 million** largely from higher tax liabilities of Petron Malaysia.

Long-term debt (current and non-current portion) grew by 13% to **₱ 133.08 billion** as the Parent Company availed of US\$800 million loan partly offset by the payment of matured peso and dollar loans.

Retirement benefits liability rose by 47% to **₱ 3.56 billion** on account of the re-measurement losses on plan assets partly offset by the contributions made to the fund during the year.

Deferred tax liability - net dropped by 25% from **₱ 8.45 billion** to **₱ 6.35 billion** brought about by the recognition of NOLCO and MCIT by the Parent Company.

Asset retirement obligation declined by more than half to **₱ 1.72 billion** with the reassessment of future liability.

Other noncurrent liabilities rose by 37% to **₱ 1.75 billion** vis-a-vis 2018 year-end level traced to higher cash bond, and the derivative liability from additional hedging instrument.

The issuance of **₱ 20 billion** series 3 preferred shares in June 2019 and the redemption of series 2A preferred shares in November 2019 resulted in the increase in **additional paid-in capital** from **₱ 19.65 billion** to **₱ 37.50 billion** and brought the **negative balance of treasury stock** to **₱ 15.12 billion**.

Retained earnings at **₱ 45.51 billion** ended lower by 8% or **₱ 3.98 billion** as the net income attributable to equity holders of the Parent Company in 2019 of **₱ 1.70 billion** was negated by the **₱ 4.21 billion** cash dividends and distributions paid during the year and the **₱ 1.46 billion** impact of PFRS 16 adoption.

With the peso appreciation against the US dollar, the Company incurred currency translation loss on its investments in foreign subsidiaries and increased the **negative balance of Equity reserves** from **₱ 14.03 billion** to **₱ 16.90 billion**.

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.

Cash Flows

2020 vs 2019

The Company ended 2020 with Cash and cash equivalents at ₱ 27.05 billion. The 21% reduction from previous year's balance and the remaining cash generated from internal operations were used to finance the various capital expenditures at the refinery, service stations and terminals amounting to ₱ 8.44 billion. Funds from the net issuance of capital securities amounting to ₱ 11.30 were largely spent to pay the matured loans and dividends and distribution to stakeholders.

In Million Pesos	December 31, 2020	December 31, 2019	Change
Operating inflows	2,533	25,362	(22,829)
Investing outflows	(8,437)	(20,467)	12,030
Financing inflows	318	13,116	(12,798)

2019 vs 2018

By the end of 2019, cash and cash equivalents amounted to ₱ 34.22 billion. Cash provided by operating activities of ₱ 38.62 billion was used to pay off interest and taxes of ₱ 13.67 billion. The remaining operating inflows and proceeds from financing activities of ₱ 13.12 billion, net of dividends and distributions payments totaling ₱ 4.10 billion, were used to finance various capital investments at the refinery, terminals and service stations totaling ₱ 20.47 billion.

In Million Pesos	December 31, 2019	December 31, 2018	Change
Operating inflows	25,362	5,047	20,315
Investing outflows	(20,467)	(11,141)	(9,326)
Financing inflows	13,116	5,949	7,167

2018 vs 2017

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

Discussion of the Company's key performance indicators:

Ratio	December 31, 2020	December 31, 2019	December 31, 2018
Current Ratio	0.9	1.1	1.0
Debt to Equity Ratio	3.1	3.3	3.2
Return on Equity (%)	(12.8)	2.6	7.6
Interest Rate Coverage Ratio	(0.4)	1.3	2.1
Assets to Equity Ratio	4.1	4.3	4.2

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

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

Debt to Equity Ratio - Total liabilities divided by 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.

BUSINESS ENVIRONMENT

Philippine Economy

Gross domestic product contracted year-on-year by 9.5% in 2020, compared to the recorded growth of 5.9% in 2019. The contraction was attributed to the COVID-19 pandemic with stringent quarantine measures in the second quarter, particularly in Luzon, wherein public transport was prohibited, open businesses limited to those classified as essential, and movement of people restricted. Even as quarantine measures eased in the second half of the year, people continued to limit movement, resulting in slow recovery of commerce and transport.

The peso strengthened by 4.1% to average Php49.6/\$ in 2020, from Php51.8/\$ in 2019. Strength in the Philippine peso was due to moderate inflation, balance-of-payments surplus, and rising international reserves.

Inflation averaged 2.6% in 2020, slightly higher than the 2.5% in 2019. Moderate inflation was due to the easing domestic demand for transportation, cheaper electricity, and decline in oil prices, amid COVID-19.

Oil Market

Philippine oil demand declined by 21.4% to 63.4 million barrels in the first half of 2020 from 80.7 million barrels in the first half of 2019. The decline was mainly due to quarantine measures causing reduced economic activity affecting the demand of transport fuels.

Crude price benchmark, Dubai, averaged \$42.2/bbl, much lower than 2019 average of \$63.5/bbl, due to the collapse in demand globally with imposition of travel restrictions to prevent the spread of the COVID-19 virus. Prices also bottomed in April to as low \$13.6/bbl, in the daily trade, due to the price war between oil giants Saudi Arabia and Russia.

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

Guimaras Oil Spill Incident

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

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims for both cases amount to ₱292 million. The cases are still pending.

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

There are no significant elements of income or loss from continuing operations, except for material inventory losses incurred in first semester of the year due to factors arising from the COVID-19 pandemic: (i) the drop in demand, (ii) inventory losses due to the plunge in prices particularly in the second quarter of 2020, and (iii) the weak refining margins.

To address the impact of the pandemic and the industry condition in general, the Company is focused on further improving its competitiveness. The Petron Bataan Refinery was granted approval as a registered enterprise in December 2020 by the Authority of the Freeport Area of Bataan (“AFAB”). FAB-registered enterprises are entitled to avail of fiscal incentives under the Special Economic Zone Act of 1995 or the Omnibus Investment Code of 1987 such as (i) tax- and duty-free importation of merchandise which include raw materials, capital equipment machineries and spare parts; (ii) exemption from export wharfage dues, export taxes, imposts, and fees; and (iii) VAT zero-rating of local purchases, subject to compliance with Bureau of Internal Revenue and AFAB requirements. Further, value-added tax (“VAT”) will only be imposed on the Company as a FAB Registered Enterprise upon the withdrawal of products from the refinery instead of the VAT being payable upon importation of crude oil. The Company also implemented strategies like competitive pricing, productivity improvement, prudent spending, prioritizing essential and value-generating activities. To minimize losses due to the continued weakness in refining cracks, the Company implemented a total plant shutdown starting February with start-up scheduled in May 2021.

Seasonal aspects that has material effect on the financial statements

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

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

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

Audit and Audit-Related Fees

The Company paid KPMG the fees set out below for 2019 and 2020:

	2019 (in Pesos)	2020 (in Pesos)
Audit fees for professional services - Annual Financial Statement ¹	7,000,000	7,197,000
Professional fees for due diligence and study on various internal projects	3,000,000	-
Professional fees for tax consulting services	-	-

KPMG, the external auditor of SMC, was first appointed by the Company in 2010. With a common external auditor, the consolidation of results of operations and account balances among the subsidiaries of SMC using a uniform audit approach was facilitated.

The Audit Committee, at its meeting held on March 9, 2021, endorsed the re-appointment of KPMG as external auditor of the Company for 2021, with its fees proposed to be determined by Management. At its meeting held on March 9, 2021, the Board of Directors, finding the recommendation of the Audit Committee to be in order, endorsed the re-appointment of KPMG as external auditor of the Company for 2021 for the approval and ratification of the stockholders at the Annual Stockholders' Meeting.

With the engagement partner of KPMG, Mr. Darwin P. Virocel, assigned to the Company only beginning 2015, the Company is not yet subject to the rule on rotation for the signing partner under the 2015 Implementing Rules and Regulations of the Securities Regulation Code (the "2015 SRC Rules") and other applicable rules in respect of its engagement of KPMG.

Set out in the next page is the report of the Audit Committee for the year 2020.

*[Rest of page intentionally left blank;
report of the Audit Committee for the year 2020 follows on next page]*

AUDIT COMMITTEE REPORT

The Board of Directors
Petron Corporation

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

In the performance of our responsibilities, we report that in 2020:

- We reviewed and discussed with Controllers management the quarterly and annual financial statements of Petron Corporation and Subsidiaries and endorsed these for approval by the Board;
- We endorsed the re-appointment of R.G. Manabat & Co./KPMG as the Company's independent auditors for 2020;
- We reviewed with R.G. Manabat & Co./KPMG the scope and timing of their annual audit plan, audit methodology, and focus areas related to their review of the financial statements;
- We reviewed with R.G. Manabat & Co./KPMG, the audit observations and recommendations on the Company's internal controls and management's response to the issues raised;
- We reviewed with the Internal Audit Asst. Vice President the annual internal audit plan, approved the same, and satisfied ourselves on the independence of the internal audit function; and
- We reviewed on a quarterly basis Internal Audit's report on the adequacy and effectiveness of the internal control environment in the areas covered during the period.

The Board Audit Committee is satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2020.


Estelito P. Mendoza
Director


Artemio V. Panganiban
Independent Director


Aurora T. Calderon
Director


Margarito B. Teves
Independent Director

Commitments for Capital Expenditure

In 2020, Petron spent ₱4.4 billion in capital projects, ₱3.1 billion of which were spent for Petron Bataan Refinery-related projects, including the expenditures for RSFFB Phase 3 amounting to ₱2.2 billion. In addition, plant and other depot projects totaled ₱646 million, ₱419 million for service station-related expenditures, and ₱272 million for other commercial, maintenance and miscellaneous projects.

During the year 2019, the Company spent P11.8 billion in capital investments, majority of which were spent for Petron Bataan Refinery-related projects amounting to P8.2 billion. Expenditures incurred for projects in depots, including the construction of a new lube oil blending processing plant, amounted to P2.1 billion. In addition, service-station related expenditures totaled P1.3 billion and P0.3 billion for other commercial, maintenance and miscellaneous projects.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Description of the Nature and Business of the Company

(1) Business Development

(i) The Company

Petron was incorporated in the Philippines on December 22, 1966 as “Esso Philippines Inc.” Petron was renamed “Petrophil Corporation” in 1974 when the Philippine National Oil Company (“PNOC”) acquired it. In 1985, Petrophil and Bataan Refinery Corporation (formerly, the “Standard Vacuum Refining Corporation”) were merged with Petrophil Corporation as the surviving corporation. The Company changed its corporate name to “Petron Corporation” in 1988. The Company’s original 50-year corporate term expired on December 22, 2016. But prior to this date, at its meeting held on November 12, 2012, the Board of Directors approved the extension of the corporate term of the Company for another 50 years and the relevant amendment of the Company’s Articles. This proposed amendment was ratified by the stockholders at the annual stockholders’ meeting held on May 21, 2013. On September 13, 2013, the SEC approved the amendment of the Company’s Articles by extending the corporate term of the Company for another 50 years from and after December 22, 2016. 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, the Company shall now have perpetual existence.

The two (2) principal common shareholders of the Company holding at least 5% of its common stock are SEA Refinery Corporation (“SEA Refinery”) (50.10%) and San Miguel Corporation (“SMC”). SEA Refinery is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

The registered office address of Petron is at the SMC Head Office Complex, 40 San Miguel Avenue, 1550 Mandaluyong City.

(ii) Subsidiaries

The direct subsidiaries of the Company as of December 31, 2020 are listed below:

- **New Ventures Realty Corporation** (“NVRC”) is a realty firm established on August 24, 1995. NVRC is authorized to acquire and develop land but it does not engage in the subdivision business. Land suitable for use as service station sites, bulk plants or sales offices are purchased by NVRC, which are then leased to Petron for use in the latter’s operation. NVRC’s wholly-owned subsidiary, Las Lucas Development Corporation, which was acquired in 2003, was later renamed “Las Lucas Construction and Development Corporation” upon approval by the SEC in September 2009. In 2012, NVRC acquired 100% of Parkville Estates and Development Corporation and 60% of Mariveles Landco Corporation. In 2013, NVRC further acquired 100% of South Luzon Prime Holdings Incorporated, MRGVeloso Holdings, Inc. and Abreco Realty Corp.
- **Petrogen Insurance Corporation** (“Petrogen”), incorporated on August 23, 1996, was a wholly-owned subsidiary of Petron as of December 31, 2020. It served the insurance requirements of Petron and its allied business partners such as contractors, suppliers and dealers.

On February 4, 2021, the SEC approved the increase in the authorized capital stock of Petrogen from P750 million to P2.25 billion that enabled Petrogen to issue shares to SMC equal to 74.94% of the present outstanding capital stock of Petrogen.

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

- **Petron Finance (Labuan) Limited** (“Petron Finance”) is a holding company incorporated under the laws of Labuan, Malaysia acquired by the Company on March 2, 2012.
- **Petrochemical Asia (HK) Limited** (“PAHL”) is a holding company incorporated under the laws of Hong Kong over which the Company obtained control in January 2013.
- **Petron Oil & Gas Mauritius Ltd.** (“POGM”) is a holding company incorporated under the laws of Mauritius acquired by the Company on February 8, 2012.
- **Petron Oil & Gas International Sdn. Bhd.** (“POGI”) is a subsidiary of POGM incorporated under the laws of Malaysia, which, on March 30, 2012, acquired 65% of the issued and outstanding share capital of Esso Malaysia Berhad (“EMB”), a publicly-listed company in Malaysia, and 100% of the issued and outstanding share capital of ExxonMobil Malaysia Sdn. Bhd. and ExxonMobil Borneo Sdn. Bhd. POGI subsequently acquired an additional 8.4% of the voting shares of EMB in May 2012 pursuant to a mandatory takeover offer. On April 23, 2012, the Companies Commission of Malaysia (“CCM”) issued a certificate for the change of name of ExxonMobil Malaysia Sdn. Bhd. to “Petron Fuel International Sdn. Bhd.” (“PFISB”) and of ExxonMobil Borneo Sdn. Bhd. to “Petron Oil (M) Sdn. Bhd.” (“POMSB”). Thereafter, on July 10, 2012, the CCM issued a certificate for the change of name of EMB to “Petron Malaysia Refining & Marketing Bhd.” (“PMRMB”).

PMRMB, PFISB and POMSB (collectively, the “Petron Malaysia Companies”) are companies incorporated under the laws of Malaysia and are engaged in the downstream oil business in Malaysia. The Petron Malaysia Companies’ distribution network (including in the state of Sabah) is comprised of 12 product terminals and facilities. The Petron Malaysia Companies have a network of more than 700 retail service stations in the country. PMRMB owns and operates the 88,000 bpd Port Dickson Refinery (“PDR”). The PDR produces a range of products, including LPG, naphtha, gasoline, diesel, jet fuel, and low sulfur waxy residue (“LSWR”).

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

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

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

(iii) Operating Highlights

Sales

For the whole of 2020, the Company's consolidated sales volume stood at 78.6 million barrels, down 27% from 2019's 107 million barrels, reflecting the impact of the COVID-19 pandemic.

Refining

The Petron Bataan Refinery Master Plan Phase-2 Upgrade ("RMP-2") upgraded the Petron Bataan Refinery to a full conversion refining complex, where all fuel oil is converted to higher value products (gasoline, diesel, and petrochemicals), making it comparable to other highly complex refineries worldwide. RMP-2 started its full commercial operation in January 2016.

The closure of the Shell Refinery since May 2020 leaves the Petron Bataan Refinery as the only remaining refining facility in the country.

As discussed above, the Petron Bataan Refinery was granted approval as a registered enterprise in December 2020 by the AFAB. FAB-registered enterprises are entitled to avail of fiscal incentives under the Special Economic Zone Act of 1995 or the Omnibus Investment Code of 1987 such as (i) tax- and duty-free importation of merchandise which include raw materials, capital equipment machineries and spare parts; (ii) exemption from export wharfage dues, export taxes, imposts, and fees; and (iii) VAT zero-rating of local purchases, subject to compliance with Bureau of Internal Revenue and AFAB requirements. Further, VAT will only be imposed on the Company as a FAB Registered Enterprise upon the withdrawal of products from the refinery instead of the VAT being payable upon importation of crude oil.

Product Supply and Distribution

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

Human Resources ("HR")

In 2020, the Company created learning and development initiatives to push the workforce up to speed on new skills - both professional and social. Petron dedicated a total of 53,239 training hours for all Petron employees or an average of 25.7 hours of training per employee.

Development of future leaders was also accelerated through mentoring and coaching programs for 42 mentees/coachees and 29 employees who served as their mentors/coaches yielding a total of 287 coaching hours and 20 mentoring hours to further strengthen the leadership pipeline in the Company.

Health, Safety and Environment ("HSE")

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

The Petron Bataan Refinery continues to be certified 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. All 30 terminals are certified under the new ISO 9001:2015 (QMS), ISO 14001:2015 (EMS) standards and OHSAS 1800:2007 (Occupational Health and Safety Management). Terminals are already in transition to ISO 45001:2018 (Occupational Health and Safety (OH&S) Management System). Twenty five (25) out of 30 terminals have been ISO 45001:2018-certified, with the remaining five (5) scheduled for ISO 45001 certification in 2021. Furthermore, all 15 Petron pier facilities are compliant with the International Ship and Port Facility Security Code (“ISPS Code”) and certified by the Office of the Transport Security under the 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.

Terminal Operations Division of the Company implemented 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 division to prevent all types of losses, and eventually apply the same system throughout the organization. The LPS Core Team members were able to conduct 23,592 training hours to more than 2,600 personnel in the Terminal Operations Group to disseminate the principles of LPS.

From January to December 2020, a total of 11,897,819 safe man hours were achieved by the Head Office, the Petron Bataan Refinery and the terminals.

Corporate Social Responsibility (“CSR”)

CSR remained among the key thrusts of the Company in its effort to promote, protect and further its corporate reputation while helping attain its business goals. Led by Petron Foundation, Inc. (“PFI”), strategic CSR programs in education, environment, entrepreneurship and livelihood, and community engagement were conducted together with Petron’s various business units to benefit its fence-line communities as well as critical stakeholders nationwide.

Among the CSR and sustainability activities of Petron in 2020 were the following:

Education

- **Tulong Aral ng Petron.** In partnership with the Department of Social Welfare and Development (“DSWD”) and the Department of Education (“DepEd”), the Company continued its *Tulong Aral ng Petron* (“Tulong Aral”) program for elementary, high school and college students.
 - By year-end school year 2019-2020, *Tulong Aral* ng Petron had a total of 3,194 scholars from elementary to college in 129 partner schools in the National Capitol Region and in provinces where terminals of the Company are located.
 - A total of 398 *Tulong Aral* scholars from elementary to college graduated in 2020 (with 71 high school and 13 college scholars). Two college scholars graduated *cum laude* and *magna cum laude* from the University of the Philippines.
- **Brigada Eskwela.** In 2020, employee volunteers and partners nationwide helped refurbish 89 public schools equivalent to 267 classrooms in various parts of the country.
- **Bataan scholarships.** A total of 26 scholars of Petron’s Bataan College Scholarship Program received their engineering degrees in 2020, with two of them graduating *cum laude*. Four (4) of these scholars also passed the board licensure exam. As of 2020, a total of 99 graduates hired by the Refinery continued to be employed in Petron.

Environment

- Bataan Integrated Coastal Management Program (“BICMP”). Petron continued support the implementation of the Bataan Integrated Coastal Management Program in 2020. It remained a partner of the Provincial Government of Bataan in the hosting of the annual Pawikan Festival with the sponsorship of a virtual Environmental Forum, with about 500 public school teachers and DepEd officials from Bataan in attendance. There were also talks from environmental advocates and Petron’s own marine science scholar serving as resource persons. These learning experiences are helping raise awareness on the protection of the threatened marine turtle species which nest in the town of Morong and encourage greater care for the environment.
- Participation in the National Greening Program. Petron continued to help reduce its environmental footprint, comply with government regulations, contribute to operational efficiency, and maintain our sustainable practices.

Petron terminals and the Petron Bataan Refinery collectively accounted for some 15,600 mangroves and trees planted nationwide in 2020, in addition to the 30 hectares of adopted mangrove forests in the provinces of Leyte (Tacloban) and Capiz (Roxas) as part of Petron’s *Puno ng Buhay* program.

Health and Human Services

- COVID-19 Pandemic. PFI served as a conduit for some P6.7 million worth of donations from Petron, business partners, motorists, and employees.
 - Petron generated nearly P2 million to provide full sets of personal protective equipment (“PPE”), eFuel cards and packed meals to medical and support personnel in major hospitals in the National Capital Region.
 - Donations also fueled vehicles to transport frontline workers and locally stranded individuals, gave LPG to help prepare food packs, and provided relief packs to our communities, our partners, and our security and utility personnel. Doated rubbing alcohol from a Singapore-based business partner was also given to service station frontliners.
 - Heeding the call for support, employees nationwide raised about P574,000 from their own pockets to provide rice and canned goods to drivers, security, and utility personnel in Petron offices and terminals affected by the pandemic.
 - “Para sa Pag-Asa” raised funds to help 621 TAP high school scholars with their online education requirements. By the end of the campaign period in December 2020, “Para sa Pag-Asa” generated P628,125 from cash donations and salary deduction among Petron employees nationwide, including contributions from Petron Singapore, Petron Malaysia and Sa Miguel employees and members of the Petron Football Club.
- Petron Clinic. The Petron clinics in Rosario, Pandacan and Limay were temporarily closed to prevent the risk of COVID-19. Foldable tables and hospital beds were lent to the Rosario local government unit to augment COVID-19 isolation tents.
- Responding to Crises.
 - Petron provided families in Batangas displaced by the eruption of Taal Volcano in January 2020 with relief goods donated by Petron employees and food items, water, and *Gasul* cylinders and accessories to help those relocated in the towns of San Luis and Mabini, our host community.

- Petron also organized a donation drive among Petron employees to generate essential supplies to residents of Cagayan Province and Marikina City displaced by the massive flooding caused by Typhoon Ulysses.
- Engaging employees and partners. Petron employees continued to take to heart their responsibility to society through active participation in the Volunteers In Action or VIA program. Employees also channeled their resources in kind to support those affected by the Taal Volcano eruption, typhoon Ulysses, and the COVID-19 pandemic.
- Team Malasakit. Petron employees also joined their counterparts from the San Miguel Group in volunteering activities under the Team Malasakit program.

Petron Malaysia

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

(2) Business of the Company

(i) Principal products or services and their markets

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

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

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

(ii) Percentage of sales or revenues by foreign sales

Below is the summary of the percentage of sales or revenues of domestic and foreign sales of the Company and its subsidiaries from 2018 to 2020:

	Domestic	Exports/International	Total
2018, in million pesos	313,742	243,644	557,386
2018, in percentage	56%	44%	100%
2019, in million pesos	301,445	212,917	514,362
2019, in percentage	59%	41%	100%

2020, in million pesos	166,820	119,213	286,033
2020, in percentage	58%	42%	100%

(iii) Distribution methods of products or services

From the Petron Bataan Refinery, Petron moves its products, mainly by sea, to depots, terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the country. The network is comprised of 36 terminals and sales offices across the country. Through this nationwide network, Petron supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. Petron also supplies jet fuel to international and domestic carriers at key airports in the Philippines through its 12 into-plane facilities.

Petron sells gasoline, diesel, and kerosene to motorists and to the public transport sector through its network of more than 2,000 retail service stations in the Philippines as of December 31, 2020. Petron continues to evaluate its station network to ensure sustainability of operations amidst the demand decline brought about by the COVID-19 pandemic. Petron also sells its LPG brands *Gasul* and *Fiesta Gas* to households and other consumers through its extensive dealership network.

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

(iv) New products or services

The Company's 2020 new product and approvals from accredited global industry certifying bodies and original equipment manufacturers ("OEMs") are described below.

For 2020, Petron was able to secure the latest gasoline engine oil license from the American Petroleum Institute ("API"), API SP-RC, and International Lubricant Specification Advisory Committee ("ILSAC"), ILSAC GF-6A performance approvals for Blaze Racing Fully Synthetic SAE 0W-20 based on requirements of these new standards released only in May 2020. These are in addition to the renewal of licenses and approvals from industry standards such as API, ILSAC, ACEA (Association des Constructeurs Européens d'Automobiles / Association European Automobile Manufacturers Association), NMMA (National Marine Manufacturers Association), and OEM approvals from BMW, Mercedes-Benz, MTU, Porsche, Cummins, MAN, Scania, Volvo, Mack, Renault, and Wartsila.

1. Product Approvals and Company Certifications

Petron obtained certifications and approvals from globally accepted licensing organizations and OEMs, which are also applicable to the Malaysian, Chinese, Brunei, Vietnamese and Cambodian markets.

- Registration with Association des Constructeurs Européens d'Automobiles/Association European Automobile Manufacturers Association ("ACEA")

In 2020, Petron renewed the registration for its Blaze Racing, Rev-X and Ultron automotive lubricants with ACEA in compliance with the European Engine Lubricant Quality Management System.

- License with American Petroleum Institute (“API“)

Petron obtained the API SP-RC / ILSAC GF-6A approval of Blaze Racing Fully Synthetic SAE 0W-20.

It also renewed its license to use the API service symbol and API certification mark for the following Petron automotive engine oils:

Product	API Quality Level
Ultron Race 5W-40	API SN
Ultron Fully Synthetic 5W-40	API SN
Ultron Premium Multi-Grade 20W-50	API SL
Petron Blaze Racing HTP 0W-40	API SN
Blaze Racing Fully Synthetic 5W-30	API SN
Blaze Racing Fully Synthetic 5W-40	API SN
Rev-X Turbo HTP	API CJ-4 / SN
Rev-X All Terrain 5W-40	API CJ-4 / SM
Rev-X Fully Synthetic 5W-40	API CJ-4 / SM
Rev-X Premium Multi-grade 15W-40	API CI-4 / SL
Blaze Racing Fully Synthetic 0W-20	API SN Resource Conserving, ILSAG GF-5
Blaze Racing Fully Synthetic 5W-30	API SN Resource Conserving, ILSAG GF-5
Blaze Racing Synthetic Blend 5W-30	API SN Resource Conserving, ILSAG GF-5

- OEM Approval and Renewals

Rev-X Premium Multi-grade SAE 15W-40 API CI-4/SL ACEA E7 acquired new approvals on MB-Approval 228.3 and MTU Oil Category 2.

In addition, the following OEM approvals were renewed in 2020:

- Porsche A40, MAN M3575, and Cummins CES 20081 for Blaze Racing HTP SAE 0W-40 API SN ACEA A3/B4
- Volvo VDS-4, Mack EO-O Premium and Renault VI RLD-3 for Rev-X Turbo HTP

(v) Competition

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

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

In 2020, Petron purchased all its term and spot crude requirements through its wholly-owned subsidiary, PSTPL. Majority of the crude purchases were sourced under term contract with two (2) suppliers and various spot suppliers for the balance of the crude slate. For its 2021 crude requirements, Petron, through PSTPL, will continue to source from both term and spot suppliers.

Petron purchased its finished product import requirements in 2020 also through PSTPL. For 2021, aviation gas, asphalt, LPG, high RON gasoline and Group 2 base oil contracts were renewed for the period January to December 2021 through PSTPL. For Group 1 base oil, the contract was renewed for the period January to June 2021, also through PSTPL.

For its requirements for ethanol, Petron continued to support the directive of the DOE on prioritization of locally produced ethanol, complying with the required monthly allocation. About 55% of the total ethanol requirement of the Company in 2020 was sourced from various local ethanol producers.

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

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

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

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

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

On November 5, 2019, upon the recommendation of the Related Party Transaction Committee of the Board of Directors and pursuant to the Company's Policy on Related Party Transactions, the Board of Directors approved the relevant qualified transactions between the Company and its subsidiary PSTPL in 2019 and the proposed transactions between them for 2020.

On January 11, 2021, upon the recommendation of the Related Party Transaction Committee of the Board of Directors and pursuant to the Policy on Related Party Transactions of the Company, the Board Executive Committee approved the proposed transactions for 2021 between the Company and PSTPL and the Board of Directors ratified such action of the Executive Committee at the board meeting held on February 16, 2021.

Described below are transactions of Petron with related parties as of 2020:

1. Petron has existing supply agreements with various SMC subsidiaries. Under these agreements, Petron supplies the fuel and lube requirements of selected SMC plants and subsidiaries.
2. Petron purchase goods and services, such as those related to construction, information technology, shipping and terminaling, from various SMC subsidiaries.
3. Petron entered into a lease agreement with San Miguel Properties, Inc. for office space covering 6,852 square meters. The lease, which commenced on June 1, 2018, is for a period of one year and may be renewed in accordance with the written agreement of the parties.
4. Petron also pays SMC for its share in common expenses such as utilities and management fees.

Petron has long-term lease agreements with NVRC covering certain parcels of lands where the Petron Bataan Refinery and some of its depots, terminals and service stations are located.

5. Petron partly retails its fuel products through its subsidiary PFC as well as lubes through PFISB.
6. Petron obtains insurance coverage from Petrogen which, in turn, obtains reinsurance coverage from Ovincor and other local reinsurers.
7. Petron made certain advances to PCERP for investment opportunities.
8. Petron has an existing trading agreement with PSTPL for the procurement of crude oil, and trading of finished petroleum products and other materials such as ethanol, coal, catalysts and additives.
9. Petron engaged PSTPL to perform the chartering function such as the renewal and negotiation of contract of affreightments and commodity risk management via hedging transactions.
10. Petron provides general management services to PFISB.
11. NVRC and SMC subsidiaries entered into various lease agreements for portion of lands located at Limay, Bataan.
12. Petron has an existing logistics and freight forwarding agreement with PLI.

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

The Company's intellectual property registrations and applications as of December 31, 2020 are described below.

Trademark. Petron has trademark registrations for a term of 20 years for its Petron Old Logo (Tradename), Petromar HD, Spinol, Airlube, Hydrotur, Petromix, Voltran, Stemol, Petrocyl 680, Grease Away, Petrokut, Petron Railroad Extra, Rubbex, 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 and Petron GX.

Extra with a car device against a red background, Petron Old Logo, Hypex, 2T, Turnol, 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, Pchem, Tulong Aral ng Petron & Device, Ultimate Release from Engine Stress, Xpert sa Makina X-tra ang Kita, "Your friend on the Road", Fuel Trust, Fuel Experience, Fuel Drive, Fuel Excellence, Fuel Efficiency, Xtend, Car Care & Logo, Go for the Xtra Miles, e-fuel, Rider, Enduro, Extra, Fiesta Gas with device, Xtra, Fiesta Gas 2.7kg cylinder, Fiesta Gas 5kg cylinder, Fiesta Gas 5kg POL-VALVED, Fiesta Gas 11kg cylinder, Fiesta Gas 11kg POL-VALVED, Fiesta Gas 22kg POL-VALVED, Fiesta Gas 50kg POL-VALVED, Bulilit Station, Bulilit Station (Gasoline Station), How far can you go on one full tank these days?, Fuel Journeys, Petron Lakbay Pinoy, Petron Pinoy Fuels & Device, Petron Pinoy Diesel & Device, Petron Pinoy Regular & Device, Econo, Elite, Pantra, Limay Energen Corporation, Racer Maximum Performance, Petrolene, Petron Value Card and Device, Pshop, Go Petron! Get Rewards & Benefits, TSI and Device, Footprints Inside a Sphere & Device, Lakbay Alalay Para sa Kalikasan, Everyone's Vision & device, Petron Super Xtra Gasoline, Petron Ronnie Mascot in Seatbelt & device, Petron Super Driver, Maxi Gas, Xtra Exceed, Xtra Ultra, Xtra Prime, Xtra Miles, Pinoy HP Gasoline, Xtra Excel, UnliPower Saver Gasoline, Ultramax Gasoline, Ecomax Gasoline, PMax Gasoline, Triangle Device, Boomerang Device, Ronnie Mascot, and Seat Belt Save Lives, Privilege Miles Card & device, Petron Fleet Card &

device, Blaze 100 Octane Euro 4 & device, Pay with Points Save your Cash, Road Safety & device, Miles, Petron Chinese Name (flag type), Petron Chinese Name (long type), Super Tsuper, Gift and App Device, Xtra Advance (inside a rectangle device), Petron Blaze 100, Petron XCS3, Champion Gasoline, Gasulito, REV-X, Petron Blaze Spikers, Thermal Stress Stabilizing System, Dynamic Cleaning Technology, Miles Better, Your Feet Your Rules, Xtra Advance Euro 4 & Device, Petron Super Xtra Gasoline Euro 4 & Device, Diesel Max Euro 4 & Device, Turbo Diesel Euro 4 & device, XCS Euro 4 & device and Fast Gas Fast Prize, Carbon Buster, Petron Canopy Fascia, Diesel Max, Petron PMB, Blu & Device, Blu with Gasul Tank, Puno ng Buhay, Tri-Action, Blaze Racing, Tri Plus, Gas Padala, Lakbay Ligtas, Petromate, Sagip Alalay, Petron XCS3 Triple Action Premium Unleaded, Accident Insurance & device, Thermal Control System, Tri-Action Advantage, I Fuel Hope, I Fuel Communities, Rider 4T, Captain Booster, Performance Run, Petron Best Day, Fe Dela Fiesta, Rev-X Turbo, Super Saya, Resibo Blowout, Petron Motorsports, Petron XCS3, HTP, Tri-Action Advantage, PCHEM DEF (Diesel Exhaust Fluid), Blaze 100 Octane Euro 6, Petron Laser Wash, Petron Car Wash, Fuel Wise (long form), Fuel Wise (flag type), Fuel Wise (long form in black), Fuel Wise (flag type in black), I fuel (logo), Petron canopy Fascia (color), Pmart (color), Gasul (stylized), Lakbay Alalay (word), Lakbay Alalay (logo), and Reyna (logo), are registered for a term of 10 years.

Pending Trademark Applications. Petron has pending applications for registration of the following trademarks: Fuel Wise, Fuel Wisely, Choose Quality Fuel Wisely, Gasul (word), Petron Canopy Fascia (b/w), “P” logo (b/w), Miles Better (word mark), Kalakbay (word mark), Kasabay sa Lakbay (wordmark), Kasabay sa Paglakbay (wordmark), Kasabay sa Paglalakbay (wordmark), Fuel Wisely with Petron (wordmark), Be Sure to Fuel Wisely (wordmark), Gasulito (word), Reyna (word), #Beastmode, Kalmakina (logo-colored), Kalmakina (word), Kalmakina (logo-b&w), Turbo Diesel (word), Turbo Diesel (logo), Gasulite (word), Gasulgrille (word) and TDH50 (word).

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

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

Pending Industrial Design Applications. Petron has pending applications for registration of the following industrial designs: Petron Specialty Lubricant Bottle (1Liter container), Petron Engine Oil Bottles (1L and 800ML Jerry can bottle container), Petron Engine Oil Bottles (4L and 6L container), Petron Fiesta 2.7kg LPG Cylinder, and Petron Gasul 2.7kg LPG cylinder.

(x) Government Approval of Principal Products or Services

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

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

- Corporate Recovery and Tax Incentives for Enterprise Act (“CREATE Act”). Republic Act No. 11534 or the CREATE Act was signed into law by the President of the Philippines on March 26, 2021 and is expected to take effect on April 12, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives.

The corporate income tax rate for domestic corporations and resident foreign corporations will be reduced to 25% effective July 1, 2021 and on January 1, 2021 for non-resident foreign corporations. Domestic corporations and resident foreign corporations no longer have an option to be taxed at 15% on gross income and the rate of the minimum corporate income tax shall be lowered to 1%. Under the CREATE Act, persons that directly import petroleum products for resale in the Philippine customs territory and/or in free zones will be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program, and/or other tax-exempt sales by the importer.

The CREATE Act also provides for the rationalization of tax incentives that may be granted by investment promotion agencies (such as the AFAB) to qualified registered business enterprises. As part of the rationalization of tax incentives, the CREATE Act provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person will be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, will be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the Bureau of Internal Revenue.

Under the CREATE Act, the Company shall be entitled to, among others: (i) a lower corporate income tax and (ii) the tax exemption for the importation of crude oil to be refined at a local petroleum refinery.

Under the tax regime prior to the effectivity of the CREATE Act, domestic refiners are disadvantaged because they are made to pay VAT upon importation of crude oil which they cannot recover until the finished products refined from them are sold. Compared to non-refiners, which pay VAT upon importation of finished products, domestic refiners are unable to recover the VAT for a longer period. The Company believes that the CREATE Act allows it to be more competitive as domestic petroleum refineries are now taxed on finished products, similar to importers of refined fuel which only pay after sales tax.

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

The TRAIN law also mandates the implementation of a fuel marking program for diesel, gasoline and kerosene to help curb illicit trading of fuel products. While the cost for the fuel marker would be shouldered by the government in the initial year of implementation, this cost would eventually be passed on to oil companies which could result in higher fuel prices.

- Biofuels Act of 2006 (the “Biofuels Act”). The Biofuels Act and its implementing circulars mandate that gasoline and diesel volumes contain 10% bioethanol and 2% biodiesel/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. Currently pending with the House of Representatives are two bills to amend the Philippine Competition Act to, among others, legislate competition policy, amend requirements for PCC notification, and strengthen the powers of the PCC.
- Amended Price Freeze Act of 2013. 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 Senate and House of Representatives, seeks to ensure consumer protection against illegal practices in the LPG industry, establish an LPG cylinder improvement program to ensure all cylinders in circulation are safe and a cylinder exchange and swapping program that will allow consumers to shift to another brand by presenting any empty LPG cylinder brand.
- Executive Order No. 113. Executive Order 113 temporarily imposed an additional 10% duty on imported crude oil and refined petroleum products to boost government resources amid the COVID-19 pandemic. It was effective from May 4, 2020 to June 25, 2020.

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

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

Petron R&D spent a total of ₱65.55 million in 2020, lower than the ₱76.31 million in 2019. Expenses in 2018 amounted to ₱85.57 million.

(xiii) Costs and effects of compliance with environmental laws

Compliance with the various environmental laws like the Renewable Energy Act, the Biofuels Act, the Clean Air Act, and the Clean Water Act entails costs and additional investments on the part of the Company, resulting in higher production costs and operating expenses. In 2020, the Company spent a total of ₱28.42 million for treatment of wastes, monitoring and compliance, permits, and personnel training at the Petron Bataan Refinery while in 2019, it spent a total of ₱117.22 million.

(xiv) Total number of employees

As of December 31, 2020, the Company and its subsidiaries had 2,709 employees, with 2,066 employees in the Company (comprising one president, one general manager, 30 vice presidents and assistant vice presidents, 1,437 managerial, professional and technical employees, and 597 rank-and-file employees); 613 employees of the Company's Malaysian operations; 18 in PSTPL; and 12 in PFC.

Petron has CBAs with its three (3) labor unions, namely: (i) Bataan Refiners Union of the Philippines ("BRUP"), which is affiliated with the Philippine Transport and General Workers Organization; (ii) Petron Employees Labor Union ("PELU"), affiliated with the Philippine Transport and General Workers Organization, and (iii) Petron Employees Association ("PEA"), which is affiliated with the National Association of Trade Unions. BRUP's CBA covers the period January 1, 2019 to December 31, 2021. PELU's CBA is in effect from January 1, 2019 to December 31, 2021. PEA's CBA covers the period from January 1, 2020 to December 31, 2021.

In addition to the statutory benefits, the Company provides medical and life insurance, vacation, sick and emergency leaves, computer and emergency loans to employees, and a savings plan program.

(xv) Description of Property

Petron operates an extensive network of terminals, depots, and LPG and aviation plants which are located in Luzon, Visayas and Mindanao. As of December 31, 2020, its bulk fuel terminals were in Limay, Bataan; Mabini, Batangas; Mandaue City, Cebu; Poro Point, San Fernando, La Union; Navotas, Metro Manila; Rosario, Cavite; Puerto Princesa, Palawan; Culasi, Roxas City; Lapuz, Iloilo City; Bacolod City, Negros Occidental; Ormoc City, Leyte; Anibong, Tacloban City; Isabel, Leyte; Tagoloan, Misamis Oriental; Sasa, Davao City; Iligan City, Lanao del Norte; Jimenez, Misamis Occidental; Bawing, General Santos City; Nasipit, Agusan del Norte; and Zamboanga City. Its sales offices were located in Harbor Center, Tondo, Manila; Limay, Bataan; Subic, Zambales, Calapan, Oriental Mindoro; San Jose in Occidental Mindoro; Odiongan, Romblon; Pasacao, Camarines Sur; Mobo, Masbate; Amlan, Negros Oriental; Tagbilaran City, Bohol; and PHIVIDEC, Tagoloan, Misamis Oriental. Petron has LPG bulk refilling plants in Ugong, Pasig City; San Fernando, Pampanga; San Pablo City, Laguna; and Legazpi City, Albay. Among its other installations were the aviation depots at JOCASP-NAIA, Pasay City and Mactan, Cebu; airport installations at Laoag City, Davao City and Laguindingan, Misamis Oriental; an additive plant in Subic, Zambales, a grease plant in Pandacan Manila, and a lube oil blending plant in Harbor Center, Tondo, Manila.

Petron owns the largest petroleum refinery complex in the Philippines located in Limay, Bataan, with a crude distillation capacity of 180,000 barrels per day. In addition to major process units, the refinery also has several crude and product storage tanks, and its own piers and other berthing facilities, one of which can accommodate very large crude carriers.

The Company entered into commercial leases with the PNOC for parcels of land occupied by the Petron Bataan Refinery, depots, terminals and some of its service stations. The lease agreements include upward escalation adjustment of the annual rental rates. In 2009, the Company renewed its lease with PNOC (through NVRC) for the continued use of the Petron Bataan Refinery for 30 years starting January 1, 2010 (renewable upon agreement of the parties for another 25 years). In 2015, the Company also entered into another 25-year lease agreement with PNOC effective August 1, 2014 for additional lots near the Petron Bataan Refinery for its expansion projects. Expenses relating to the PNOC leases amounted to ₱290 million in 2020.

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. 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 from possession of the subject properties until the case is decided. The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. The Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Company's motion for summary judgment and ordered (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Company of all such properties, and (iii) the payment by the Company to PNOC of the amount of P142 million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Company all lease payments the latter had paid to PNOC since 1993. Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Company filed their notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. The Company filed its appellant's brief in October 2020. PNOC filed its appellant's brief on November 5, 2020.

Petron anticipates that it may lease desirable lots for development as service stations in the next 12 months.

(4) Contingent Liabilities

Petron is involved in certain cases that may trigger a direct or contingent financial obligation, the material of which is discussed below based on information available to the Company as of the date of this information statement:

- **Guimaras Oil Spill**

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

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

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

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

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

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

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

Status: The appeal to the DOTC (now the Department of Transportation, “DOTr”) of the finding of the SBMI that Petron was negligent and responsible for overloading the MT Solar I remained pending as of December 31, 2020.

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

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

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

In the Arsenal case, respondents filed a motion to hear affirmative defenses based on lack of jurisdiction for non-payment of docket fees, prescription and lack of cause of action but it was denied. The respondents went to the Court of Appeals (“CA”) on a petition for *certiorari*. On May 29, 2014, the CA rendered a decision directing the plaintiffs to file their respective affidavits substantiating their claims of indigency. The plaintiffs filed a motion for partial reconsideration of the decision which was denied by the CA on January 30, 2015.

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

Status: Both the Arsenal and Chavez cases have been remanded to and are pending with the trial courts. In the course of plaintiffs’ presentation of evidence, the plaintiffs moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the CA in Cebu City, which, on January 9, 2020 issued a Resolution ordering the Company to file its comment on plaintiffs’ petition within 10 days. The Company filed a motion for reconsideration of the said resolution, which remains pending as of the date of this report. In the meantime, proceedings before the trial court continue as of the date of this report.

Other cases involving Petron are discussed in its audited financial statements.

(5) Securities of the Company

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

- Market Information

The Company’s common shares, Series 2B preferred shares and Series 3 preferred shares are traded at the PSE.

As of February 28, 2021, the Company had 144,929 common stockholders. As of December 31, 2020, the total number of common stockholders of the Company was 144,979.

Common Shares

The price of the common shares of the Company as of February 28, 2021, the last trading day for the shares for the month, was ₱3.54 per share. The price of the common shares of the Company on December 20, 2020, the last trading day of 2020, was ₱3.99 per share. The price of the common shares of the Company on December 27, 2019, the last trading day of 2019, was ₱3.86 per share.

The high and low prices of the common shares for each quarter of the last two (2) fiscal years and for the period ended February 28, 2021 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2021				
For period ended February 28, 2021	3.98	January 4	3.53	February 1
2020				
1 st Quarter	4.27	January 7	2.04	March 23

2nd Quarter	3.39	June 8	2.56	April 1
3rd Quarter	3.19	July 6	3.02	September 4 & 23, August 3
4th Quarter	4.27	November 27	2.99	October 7-9
2019				
1 st Quarter	7.89	January 11	6.43	March 27
2nd Quarter	6.54	April 17	5.41	May 20
3rd Quarter	5.95	July 3	4.99	September 25 & 26
4th Quarter	5.10	October 3, 11, 14 & 24	3.85	December 23 & 26

Preferred Shares

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

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

The Series 2A Preferred Shares were redeemed by the Company starting on November 4, 2019.

The Series 2B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date.

Series 2B Preferred Shares

The price of the Series 2B Preferred Shares as of February 23, 2019, the last trading day for the shares for the month, was ₱1,045.00 per share. The price of the Series 2B Preferred Shares as of December 29, 2020, the last trading day of 2020, was ₱1,029.00 per share. And the price of the Series 2B Preferred Shares on December 26, 2019, the last day of 2019 the shares were traded, was ₱1,049.00.

The high and low prices of the Series 2B preferred shares for each quarter of the last two (2) fiscal years and for the period ended February 28, 2021 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2021				
For period ended February 28, 2021	1,051.00	January 25	1,001.00	January 5
2020				
1 st Quarter	1,115.00	January 31	1,000.00	Feb.19
2nd Quarter	1,040.00	May 26	990.00	April 2
3rd Quarter	1,080.00	September 3, 14 & 15	1,001.00	September 17
4th Quarter	1,054.00	October 5, 7 & 8	1,002.00	October 29 & December 9
2019				
1 st Quarter	1,050.00	January 31; March 27 & 28	990.00	January 3

2nd Quarter	1,040.00	April 8	911.00	June 7
3rd Quarter	1,030.00	September 24 & 27	993.00	July 1
4th Quarter	1,100.00	October 8	1,001.00	October 9

Series 3 Preferred Shares issued in 2014 (“Series 3 Shares”)

On June 25, 2019, Petron issued and listed on the PSE 20 million cumulative, non-voting, non-participating, non-convertible peso-denominated perpetual preferred shares at an offer price of ₱1,000.00 per share. The preferred shares issue, which reached a total of ₱20 billion, was composed of Series 3A Preferred Shares amounting to ₱13.403 billion and the Series 3B Preferred Shares amounting to ₱6.597 billion.

The Series 3A Preferred Shares may be redeemed by the Company starting on 5.5th anniversary from the listing date. The Series 3B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date.

Series 3A Preferred Shares

The price of the Series 3A Preferred Shares as of February 26, 2021, the last trading day for the shares for the month, was ₱1,091.00 per share. The price of the Series 3A Preferred Shares on December 29, 2020, the last trading day of 2020 the shares were traded was ₱1,010.00 per share. And the price of the Series 3A Preferred Shares on December 27, 2019, the last day of 2019 the shares were traded was ₱1,031.00 per share.

The high and low prices of the Series 3A preferred shares for each quarter since their issuance on June 25, 2019 and for the period ended February 28, 2021 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2021				
For period ended February 28, 2021	1,100.00	February 18 & 22	1,070.00	January 11
2020				
1 st Quarter	1,070.00	February 20 & 21	1,002.00	March 24 & 25
2nd Quarter	1,065.00	June 25	993.00	May 27
3rd Quarter	1,062.00	August 24	1,021.00	July 13
4th Quarter	1,072.00	December 16 & 17	1,010.00	December 29
2019				
2nd Quarter	1,000.00	June 26, 27 & 28	990.00	June 25
3rd Quarter	1,060.00	September 25	1,000.00	July 11
4th Quarter	1,058.00	December 17	1,013.00	October 3 & 4

Series 3B Preferred Shares

The price of the Series 3B Preferred Shares as of February 26, 2021, the last trading day for the shares for the month, was ₱1,140.00 per share. The price of the Series 3B Preferred Shares on December 29, 2020, the last trading day of 2020, was ₱1,114.00 per share. And the price of the Series 3B Preferred Shares on December 27, 2019, the last day of 2019 the shares were traded, was ₱1,060.00 per share.

The high and low prices of the Series 3B preferred shares since their issuance on June 25, 2019 and for the period ended February 28, 2021 are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price (in Peso)	Date	Price (in Peso)	Date
2021				
For period ended February 28, 2021	1,140.00	February 1, 22 & 26	1,080.00	January 6 & 7
2020				
1 st Quarter	1,085.00	February 21	1,003.00	March 19
2 nd Quarter	1,075.00	June 29 & 30	1,006.00	April 8 & 13
3 rd Quarter	1,100.00	July 22, 23, 24 & 29	1,065.00	July 6 & 8
4 th Quarter	1,119.00	December 17	1,075.00	October 1, 2, 5, 6, 7, 8, 9, 15, 22 & 26
2019				
2 nd Quarter	1,010.00	June 25	1,005.00	June 26
3 rd Quarter	1,082.00	September 26	1,002.00	July 1
4 th Quarter	1,081.00	October 1 & November 4	1,050.00	December 4

- Holders

The lists of the top 20 stockholders of the common shares and preferred shares of the Company as of February 28, 2021 are as follows:

Common Shares

RANK	STOCKHOLDER NAME	Common	TOTAL SHARES	% OF O/S
1	SEA REFINERY CORPORATION	4,696,885,564	4,696,885,564	50.099554 %
2	PCD NOMINEE CORP. (FILIPINO)	1,740,885,568	1,740,885,568	18.569239 %
3	SAN MIGUEL CORPORATION	1,702,870,560	1,702,870,560	18.163750 %
4	PETRON CORPORATION EMPLOYEES RETIREMENT PLAN	459,156,097	459,156,097	4.897610 %
5	PCD NOMINEE CORP. (NON-FILIPINO)	322,219,639	322,219,639	3.436971 %
6	F. YAP SECURITIES INC.	12,704,918	12,704,918	0.135518 %
7	ERNESTO CHUA CHIACO &/OR MARGARET SY CHUA CHIACO	6,000,000	6,000,000	0.063999 %
8	SYSMART CORP.	4,000,000	4,000,000	0.042666 %
9	MARGARET S. CHUACHIACO	3,900,000	3,900,000	0.041600 %
10	RAUL TOMAS CONCEPCION	3,504,000	3,504,000	0.037376 %
11	MARY FELICCI B. ONGCHUAN	2,950,100	2,950,100	0.031467 %
12	GENEVIEVE S. CHUACHIACO	2,735,000	2,735,000	0.029173 %
13	ERNESTON S. CHUACHIACO	2,732,000	2,732,000	0.029141 %
14	Q - TECH ALLIANCE HOLDINGS, INC.	2,648,500	2,648,500	0.028250 %
15	GENEVIEVE S. CHUA CHIACO	2,490,000	2,490,000	0.026560 %
16	BENEDICT CHUA CHIACO	2,365,000	2,365,000	0.025226 %
17	ANTHONY CHUA CHIACO	2,008,000	2,008,000	0.021418 %
18	MANUEL AWITEN DY	2,000,000	2,000,000	0.021333 %
19	SHAHRAD RAHMANIFARD	2,000,000	2,000,000	0.021333 %
20	KRISTINE CHUA CHIACO	1,956,000	1,956,000	0.020864 %
		8,976,010,946	8,976,010,946	95.743050 %
TOTAL NO. OF SHARES :		9,375,104,497		
TOTAL NO. OF DISTINCT STOCKHOLDERS :		144,929		
TOTAL NO. OF ACCOUNTS :		144,929		

Series 2B Shares

RANK	STOCKHOLDER NAME	Preferred 2-B	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	2,362,785	2,362,785	82.107288 %
2	SOCIAL SECURITY SYSTEM	395,770	395,770	13.753093 %
3	KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS., INC.	45,440	45,440	1.579050 %
4	PCD NOMINEE CORPORATION (NON-FILIPINO)	19,770	19,770	0.687012 %
5	MARCELINO R. TEODORO	12,500	12,500	0.434378 %
6	FIRST LIFE FINANCIAL CO., INC.	7,000	7,000	0.243252 %
7	BEN TIUK SY OR JUDY Y. SY	6,400	6,400	0.222401 %
8	REYNALDO GARCIA ALEJANDRO &/OR SYLVIA L. ALEJANDRO	5,000	5,000	0.173751 %
9	ALEXANDER T. SOLIS &/OR GINA T. SINFUEGO	5,000	5,000	0.173751 %
10	FRANCISCO S. ALEJO &/OR CYNTHIA ALEJO &/OR ANNA MELISSA A. ACOP	3,000	3,000	0.104251 %
11	ANTONIO T. CHUA	2,500	2,500	0.086876 %
12	ENRIQUE DELA LLANA YUSINGCO	2,000	2,000	0.069500 %
13	JUSTINIANO B. PANAMBO, JR.	1,920	1,920	0.066720 %
14	FELIX B. CHAVEZ &/OR AIDA T. CHAVEZ OR IRENE T. CHAVEZ	1,500	1,500	0.052125 %
15	DEWEY T. TAN	1,000	1,000	0.034750 %
16	ROMEO V. JACINTO	1,000	1,000	0.034750 %
17	ZENAIDA M. POSTRADO OR RENATO POSTRADO	1,000	1,000	0.034750 %
18	EVELYN A GISMUNDO OR DOMINADOR A. GISMUNDO JR.	720	720	0.025020 %
19	RONNE T. SY SU OR CHADWICK C. SY SU	700	700	0.024325 %
20	ROBERTO D. DE LEON	650	650	0.022588 %
		2,875,655	2,875,655	99.929631 %

TOTAL NO. OF SHARES : 2,877,680
TOTAL NO. OF DISTINCT STOCKHOLDERS : 30
TOTAL NO. OF ACCOUNTS : 30

Series 3A Shares

RANK	STOCKHOLDER NAME	Preferred 3-A	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	13,333,655	13,333,655	99.482616 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	63,995	63,995	0.477468 %
3	MILA LEONINA DIAZ JUSTINIANO	2,000	2,000	0.014922 %
4	LUZ DELA CRUZ CANLAPAN	1,500	1,500	0.011192 %
5	CAROLINA N. DIONISIO	1,000	1,000	0.007461 %
6	ANA UY GAN OR ALBERT DAVID UY GAN, EDWIN FERDINAND UY GAN OR PHILIP BENJAMIN UY GAN	500	500	0.003731 %
7	ALMA FLORENCE A. LOGRONIO	300	300	0.002238 %
8	ENRICO DELA LLANA YUSINGCO	50	50	0.000373 %
		13,403,000	13,403,000	100.000000 %

TOTAL NO. OF SHARES : 13,403,000
TOTAL NO. OF DISTINCT STOCKHOLDERS : 8
TOTAL NO. OF ACCOUNTS : 8

Series 3B Shares

RANK	STOCKHOLDER NAME	Preferred 3-B	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	6,521,010	6,521,010	98.848113 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	48,690	48,690	0.738063 %
3	SMHC MULTI-EMPLOYER RETIREMENT PLAN	5,000	5,000	0.075792 %
4	DISTILERIA BAGO INCORPORATED RETIREMENT PLAN	5,000	5,000	0.075792 %
5	CAN ASIA INC RETIREMENT PLAN	5,000	5,000	0.075792 %
6	JOIE TINSAY &/OR IRENE TINSAY	4,500	4,500	0.068213 %
7	G. D. TAN & CO. INC.	2,000	2,000	0.030317 %
8	ROMUALDO ESTACIO FRANCO OR VIRGINIA M. FRANCO	1,000	1,000	0.015158 %
9	AGNES LOGRONIO BANIQUED	1,000	1,000	0.015158 %
10	MA. TERESA L YUSINGCO	500	500	0.007579 %
11	ANTONIO M. OSTREA	500	500	0.007579 %
12	ENRIQUE LL YUSINGCO	500	500	0.007579 %
13	CONCHITA PEREZ JAMORA	500	500	0.007579 %
14	ENRIQUE NOEL L YUSINGCO	500	500	0.007579 %
15	ENRIQUE MIGUEL L YUSINGCO	500	500	0.007579 %
16	ANGELO DE GUZMAN MACABUHAY OR MARITNESS SIGUA MACABUHAY	400	400	0.006063 %
17	HENRY P. YUSINGCO IV	100	100	0.001516 %
18	MICHELLE MARIE Y. SAN JUAN	100	100	0.001516 %
19	JOSE MANUEL R. SAN JUAN	100	100	0.001516 %
20	MYRA P. VILLANUEVA	60	60	0.000910 %
		6,596,960	6,596,960	99.999394 %
TOTAL NO. OF SHARES :		6,597,000		
TOTAL NO. OF DISTINCT STOCKHOLDERS :		24		
TOTAL NO. OF ACCOUNTS :		24		

- Dividends

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

On November 3, 2014, the Company issued 7,122,320 Series 2A Preferred Shares and 2,877,680 Series 2B Preferred Shares. The dividend on the Series 2A Preferred Shares was at the fixed rate of 6.30% per annum and on the Series 2B Preferred Shares is at the fixed rate of 6.8583% per annum, each as calculated based on the offer price of ₱1,000.00 per share on a 30/360-day basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 2 Shares since their listing in November 2014. The Series 2A Preferred Shares were redeemed on November 4, 2019.

On June 25, 2019, the Company issued 13,403,000 Series 3A Preferred Shares and 6,596,900 Series 3B Preferred Shares. The dividend on the Series 3A Preferred Shares is at the fixed rate of 6.8713% per annum and on the Series 3B Preferred Shares at the fixed rate of 7.1383% per annum, each as calculated based on the offer price of ₱1,000.00 per share on a 30/360-day basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment

as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 3 Shares since their listing in June 2019.

Dividend Declarations and Payments

2020

On March 10, 2020, the Board of Directors approved a cash dividend of ₱0.10 per share to all common shareholders with a record date of March 24, 2020 and a pay-out date of April 8, 2020.

On the same date, the Board of Directors also approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second quarter of 2020 with a record date of April 7, 2020 and a pay-out date of May 4, 2020 (with May 3 falling on a Sunday); (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2020, with a record date of June 1, 2020 and a pay-out date of June 25, 2020; and (iii) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2020, with a record date of June 1, 2020 and a pay-out date of June 25, 2020.

On May 26, 2020, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the third quarter of 2020 with a record date of July 9, 2020 and a pay-out date of August 3, 2020; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2020, with a record date of September 2, 2020 and a pay-out date of September 25, 2020; and (iii) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2020, with a record date of September 2, 2020 and a pay-out date of September 25, 2020.

On August 4, 2020, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2020 with a record date of October 9, 2020 and a pay-out date of November 3, 2020; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2020, with a record date of December 2, 2020 and a pay-out date of December 28, 2020; and (iii) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2020, with a record date of December 2, 2020 and a pay-out date of December 28, 2020.

On November 3, 2020, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the first quarter of 2021 with a record date of January 8, 2021 and a pay-out date of February 3, 2021; (ii) of ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2021, with a record date of March 2, 2021 and a pay-out date of March 25, 2021; and (iii) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2021, with a record date of March 2, 2021 and a pay-out date of March 25, 2021.

2019

On March 12, 2019, the Board of Directors approved a cash dividend of ₱0.10 per share to all common shareholders with a record date of March 27, 2019 and a pay-out date of April 11, 2019.

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 2019 with record dates of April 4, 2019 and July 12, 2019, respectively, and pay-out dates of May 3, 2019 and August 5, 2019 (with August 3 falling on a Saturday), respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second and third quarters of 2019 record dates of April 4, 2019 and July 12, 2019, respectively, and pay-out dates of May 3, 2019 and August 5, 2018 (with August 3 falling on a Saturday), respectively.

On August 6, 2019, 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 2019 with a record date of October 11, 2019 and a pay-out date of November 4, 2019 (with November 3 falling on a Sunday); (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2019 with a record date of October 11, 2019 and a pay-out date of November 4, 2019 (with November 3 falling on a Sunday); (iii) of ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2019, with a record date of September 2, 2019 and a pay-out date of September 25, 2019; and (iv) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2019, with a record date of September 2, 2019 and a pay-out date of September 25, 2019.

On November 5, 2019, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the for the first quarter of 2020 with a record date of January 14, 2020 and a pay-out date of February 3, 2020; (ii) of ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2019 and the first quarter of 2020, with record dates of December 2, 2019 and March 2, 2020, respectively, and pay-out dates of December 26, 2019 (December 25 being a holiday) and March 25, 2020, respectively; and (iv) of ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2019 and the first quarter of 2020, with record dates of December 2, 2019 and March 2, 2020, respectively, and pay-out dates of December 26, 2019 (December 25 being a holiday) and March 25, 2020, respectively.

Distributions

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

- Description of Petron’s Shares

The Company has an authorized capital stock of P10 billion divided into 9,375,104,497 common shares and 624,895,503 preferred shares, with a par value of P1 each. The outstanding shares of the Company are composed of 9,375,104,497 common shares, 2,877,680 Series 2B Preferred Shares, 13,403,000 Series 3A Preferred Shares, and 6,597,000 Series 3B Preferred Shares. The Company has 87,122,320 treasury shares.

The Series 2 Preferred Shares, with an aggregate issue value of P10 billion, were offered during the period October 20-24, 2014 pursuant to the order of registration and the permit to sell issued by the SEC on October 17, 2014. The Series 2 Preferred Shares were issued and listed on the PSE on November 3, 2014. The Series 2A Preferred Shares were redeemed by the Company on November 4, 2019. On March 9, 2021, Series 2B Preferred Shares authorized by the Board of Directors to be redeemed by the Company on November 3, 2021.

The Series 3 Preferred Shares, with an aggregate issue value of P20 billion, were offered during the period June 3-18, 2019 pursuant to the order of registration and the permit to sell issued by the SEC on May 31, 2019 and issued out of the treasury shares of the Company. The Series 3 Preferred Shares were issued and listed on the PSE on June 25, 2019.

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

- Stock Ownership Plan

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

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

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

The securities discussed below were offered for the past three (3) years (from 2017) in the Philippines to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers or to any number of qualified buyers as defined in the Code. Thus, the offer and sale of the subject securities qualified as exempt transactions pursuant to Sections 10.1(k) and 10.1(l) of the Code. A confirmation of exemption from the SEC that the offer and sale of the securities in the Philippines qualified as an exempt transaction under the Code was not required to be, and had not been, obtained.

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

US\$500 Million Undated Unsubordinated Capital Securities

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

US Dollar Redeemable Perpetual Securities

- a. On November 27, 2019, June 22, 2020, and August 10, 2020, the Company issued redeemable perpetual securities (the “Redeemable Perpetual Securities”) to SMC in the amounts of US\$6 million, US\$130 million and US\$100 million, respectively.
- b. As the Redeemable Perpetual Securities were offered only to SMC, each issuance of such securities was considered an exempt transaction and no confirmation or notice of exemption from the registration requirements of the Code was required to be filed with the SEC pursuant to the Code and the 2015 SRC rules.

(6) Corporate Governance

Corporate Governance Manual

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

Various Corporate Policies

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

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

Board Assessment and Summary of 2020 Assessment

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

The self-assessment forms covers the evaluation of the (1) fulfillment of the key responsibilities of the Board of Directors including the consideration of the interests of minority shareholders and stakeholders and their equitable treatment in its decision-making processes, the pursuit of good corporate governance, the establishment of a clear strategic direction for the Company designed to maximize long-term shareholder value, the review and approval of financial statements and budgets, and the appointment of directors who can add value and contribute independent judgment to the formulation of sound policies and strategies of the Company and officers who are competent and highly motivated; (2) relationship between the Board of Directors and the Management of the Company including having a clear understanding of where the role of the Board of Directors ends and where that

of Management begins, the participation of the Board of Directors and the board committees in major business policies or decisions, the continuous interaction with Management for an understanding of the businesses better, and the consideration of the correlation between executive pay and Company performance; (3) effectiveness of board process and meetings through the adequacy of the frequency, duration and scheduling of board and committee meetings, the ability of the Board of Directors to balance and allocate its time effectively in discussing issues related to the Company's strategy and competitiveness, the attendance at board and committee meetings and the conduct of meetings in a manner that ensures open communication, meaningful participation, and timely resolution of issues, the wide and diverse range of expertise and occupational and personal backgrounds of the directors, and the institutionalization of a formal review process for monitoring the effectiveness of the Board of Directors and the individual directors; and (4) individual performance of the directors including a director's understanding of the mission, values and strategies of the Company, his/her duties as a director and the Company's Articles, the Company's By-Laws and governing policies and applicable law, rules and regulations, the attendance at meetings and the conscious effort to avoid entering into situations where a director may be placed in a conflict of interest with that of the Company.

All the 15 directors accomplished the annual self-assessment for 2020. The average self-rating by the Directors covering all four (4) topics discussed above was 4.87 (out of a possible 5.0), broken down as follows: (1) Fulfilment of Board Key Responsibilities - The ratings averaged 4.87 based on a series of nine (9) questions; (2) Board-Management Relationship - The ratings averaged 4.83 based on a series of four (4) questions; (3) Effectiveness of Board Processes and Meetings - The ratings averaged 4.87 based on a series of nine (9) questions; and (4) Individual Performance of Directors - The ratings averaged 4.90 based on a series of 10 questions.

Compliance with the Corporate Governance Manual

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

- Its directors possess all the qualifications and none of the disqualifications of a director under the Corporate Governance Manual, the Company's By-laws and applicable laws and regulations.
- Until December 12, 2020, the Company had four (4) independent directors (Mr. Reynaldo G. David, Retired Supreme Court Chief Justice Artemio V. Panganiban, Mr. Margarito B. Teves, and Mr. Carlos Jericho L. Petilla) and a Compliance Officer (Atty. Joel Angelo C. Cruz).
- The Chairmen and the members of the Executive, Audit, Corporate Governance, Risk Oversight and Related Party Committees were elected pursuant to the requirements of the Corporate Governance Manual and the Company's By-laws.
- Until December 12, 2020, the Company had a Lead Independent Director (Mr. Reynaldo G. David).
- The Company regularly held board meetings and board committee meetings, at which a quorum was always present.
- The Company conducted an orientation seminar on September 7, 2020 for Director Francis H. Jardeleza following his election as a director on August 4, 2020.
- The directors properly discharge their duties and responsibilities as directors and attended a corporate governance seminar.
- Each director accomplished a self-assessment form for 2020.
- The Company has an external auditor.
- The Company has an Internal Audit Department.
- The Company respects and observes the rights of its stockholders under applicable law.
- The Company is in material compliance with laws and regulations applicable to its business operations, including applicable accounting standards and disclosure requirements,

Pursuit of Corporate Governance

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

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

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

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

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

(7) Director Meeting and Corporate Governance Seminar Attendance

Meeting Attendance

The list of the directors of the Company and the directors' attendance at meetings held in 2020 are set out below.

Corporate Governance Seminar

All the directors of the Company (together with all its executive officers, the Assistant Corporate Secretary and the Internal Auditor) completed a corporate governance seminar for year 2020 conducted in accordance with SEC Memorandum Circular No. 20, Series of 2013.

Director's Name	February 13 Special Board Meeting	March 10 Regular Board Meeting	May 26 Regular Board Meeting	June 2 Annual Stockholders' Meeting	June 2 Organizational Board Meeting	August 4 Regular Board Meeting	November 3 Regular Board Meeting	Attendance at Corporate Governance Seminar in 2020
1. Eduardo M. Cojuangco, Jr.*	✓	✓	✓	✓	✓	N/A	N/A	N/A
2. Ramon S. Ang	✓	✓	✓	✓	✓	✓	✓	✓
3. Lubin B. Nepomuceno	✓	✓	✓	✓	✓	✓	✓	✓
4. Estelito P. Mendoza	✓	✓	✓	✓	✓	✓	✓	✓
5. Jose P. De Jesus	✓	✓	✓	✓	✓	✓	✓	✓
6. Ron W. Haddock	✓	✓	✓	✓	✓	✓	✓	✓
7. Mirzan Mahathir	✓	✓	✓	✓	✓	✓	✓	✓
8. Aurora T. Calderon	✓	✓	✓	✓	✓	✓	✓	✓
9. Francis H. Jardeleza**	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓
10. Virgilio S. Jacinto	✓	✓	✓	✓	✓	✓	✓	✓
11. Nelly Favis-Villafuerte	✗	✓	✓	✓	✓	✓	✓	✓
12. Horacio C. Ramos	✓	✓	✓	✓	✓	✓	✓	✓
13. Reynaldo G. David***	✓	✓	✓	✓	✓	✓	✓	✓
14. Artemio V. Panganiban	✓	✓	✓	✓	✓	✓	✓	✓
15. Margarito B. Teves	✓	✓	✓	✓	✓	✓	✓	✓
16. Carlos Jericho L. Petilla	✓	✓	✓	✓	✓	✓	✓	✓

Legend: ✓ - Present ✗ - Absent

* - Ceased to be a Director and Chairman of the Board of Directors and the Board Executive Committee due to his untimely demise on June 16, 2020

** - Elected as Director at the August 4, 2020 Board Meeting

*** - Ceased to be the Lead Independent Director, Chairman of the Audit Committee and a Member of the Corporate Governance Committee, the Related Party Transaction Committee, and the Risk Oversight Committee due to his untimely demise on December 13, 2020

**2020 Audited Financial Statements
(Petron & Subsidiaries)
and Statement of Management's
Responsibility for Financial Statements**

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018

With Independent Auditors' Report



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders

Petron Corporation

SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

Opinion

We have audited the consolidated financial statements of Petron Corporation and Subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Key Audit Matters

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

Revenue Recognition (P286,033 million)

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

The risk

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

Our response

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

- We tested operating effectiveness of the key controls over revenue recognition. We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls between different information technology applications for the evaluation of relevant information technology systems and the design and operating effectiveness of controls over the recording of revenue transactions.
- We checked on a sampling basis, the sales transactions to the delivery documents for the year.
- We checked on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to the delivery documents to assess whether these transactions are recorded in the correct financial year.
- We tested journal entries posted to revenue accounts, including any unusual or irregular items.
- We tested credit notes recorded after the financial year to identify potential reversals of revenue which were inappropriately recognized in the current financial year.



Valuation of Inventories (P44,922 million)

Refer to Note 3, *Significant Accounting Policies*, Note 4, *Significant Accounting Judgments, Estimates and Assumptions* and Note 9, *Inventories* to the consolidated financial statements.

The risk

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

Our response

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

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

Valuation of Goodwill (P8,031 million)

Refer to Note 3, *Significant Accounting Policies*, Note 4, *Significant Accounting Judgments, Estimates and Assumptions* and Note 13, *Investment in Shares of Stock of Subsidiaries, Goodwill and Non-Controlling Interests* to the consolidated financial statements.

The risk

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



Our response

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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

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

The engagement partner on the audit resulting in this independent auditors' report is Mr. Darwin P. Virocel.

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'D. Virocel', written over a horizontal line.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

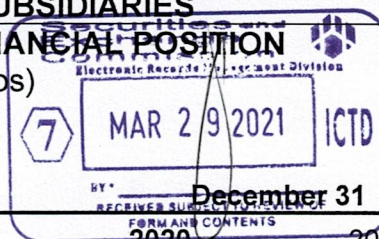
PTR No. MKT 8533922

Issued January 4, 2021 at Makati City

March 19, 2021

Makati City, Metro Manila

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



	<i>Note</i>	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	5, 34, 35	P27,053	P34,218
Financial assets at fair value	6, 14, 34, 35	603	864
Investments in debt instruments	7, 34, 35	184	109
Trade and other receivables - net	4, 8, 28, 34, 35	27,195	44,657
Inventories - net	4, 9	44,922	72,210
Other current assets	14, 28	32,337	27,430
Total Current Assets		132,294	179,488
Noncurrent Assets			
Investments in debt instruments	7, 34, 35	197	311
Property, plant and equipment - net	2, 4, 10, 12, 37	168,831	168,267
Right-of-use assets - net	4, 11	6,045	5,509
Investment property - net	4, 10, 12	30,049	29,935
Deferred tax assets - net	4, 27	2,190	262
Goodwill - net	4, 13	8,031	8,319
Other noncurrent assets - net	2, 4, 6, 14, 34, 35	2,088	2,744
Total Noncurrent Assets		217,431	215,347
		P349,725	P394,835
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	15, 33, 34, 35	P77,704	P71,090
Liabilities for crude oil and petroleum products	16, 28, 31, 34, 35	22,320	39,362
Trade and other payables	17, 28, 30, 33, 34, 35, 39	15,402	28,741
Lease liabilities - current portion	4, 31, 33, 34	1,243	1,295
Derivative liabilities	34, 35	1,124	738
Income tax payable		162	267
Current portion of long-term debt - net	18, 33, 34, 35	31,114	16,881
Total Current Liabilities		149,069	158,374
Noncurrent Liabilities			
Long-term debt - net of current portion	18, 33, 34, 35	88,340	116,196
Retirement benefits liability - net	30	3,705	3,565
Deferred tax liabilities - net	27	3,084	6,348
Lease liabilities - net of current portion	4, 31, 33, 34	14,561	14,454
Asset retirement obligation	4, 19	2,867	1,720
Other noncurrent liabilities	20, 34, 35	1,904	1,748
Total Noncurrent Liabilities		114,461	144,031
Total Liabilities		263,530	302,405

Forward

		December 31	
	Note	2020	2019
Equity Attributable to Equity Holders of the Parent Company	21		
Capital stock		P9,485	P9,485
Additional paid-in capital		37,500	37,500
Capital securities		36,481	25,183
Retained earnings		29,799	45,510
Equity reserves		(18,371)	(16,899)
Treasury stock		(15,122)	(15,122)
Total Equity Attributable to Equity Holders of the Parent Company		79,772	85,657
Non-controlling Interests	13	6,423	6,773
Total Equity		86,195	92,430
		P349,725	P394,835

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Million Pesos, Except Per Share Data)

	<i>Note</i>	2020	2019	2018
SALES	28, 31, 37	P286,033	P514,362	P557,386
COST OF GOODS SOLD	22	277,320	483,855	522,824
GROSS PROFIT		8,713	30,507	34,562
SELLING AND ADMINISTRATIVE EXPENSES	23	(14,389)	(15,815)	(16,981)
OTHER OPERATING INCOME	4, 29	1,047	1,507	1,340
INTEREST EXPENSE AND OTHER FINANCING CHARGES	26, 37	(11,313)	(13,490)	(9,689)
INTEREST INCOME	26, 37	780	1,340	706
OTHER INCOME (EXPENSES) - Net	26	(1,049)	(312)	517
		(24,924)	(26,770)	(24,107)
INCOME (LOSS) BEFORE INCOME TAX		(16,211)	3,737	10,455
INCOME TAX EXPENSE (BENEFIT)	27, 36, 37	(4,798)	1,434	3,386
NET INCOME (LOSS)		(P11,413)	P2,303	P7,069
Attributable to:				
Equity holders of the Parent Company	32	(P11,380)	P1,701	P6,218
Non-controlling interests	13	(33)	602	851
		(P11,413)	P2,303	P7,069
BASIC/DILUTED EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	32	(P1.58)	(P0.17)	P0.28

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Million Pesos)

	<i>Note</i>	2020	2019	2018
NET INCOME (LOSS)		(P11,413)	P2,303	P7,069
OTHER COMPREHENSIVE LOSS				
<i>Item that will not be reclassified to profit or loss</i>				
Equity reserve for retirement plan	30	(631)	(2,531)	(1,133)
Income tax benefit	27	191	751	339
		(440)	(1,780)	(794)
<i>Items that may be reclassified to profit or loss</i>				
Net income (loss) on cash flow hedges	35	100	(208)	(110)
Exchange differences on translation of foreign operations		(1,330)	(1,133)	1,372
Unrealized fair value gains (losses) on investments in debt instruments at fair value through other comprehensive income	7	1	15	(10)
Share in other comprehensive income of a joint venture		10	-	-
Income tax benefit (expense)	27	(30)	58	36
		(1,249)	(1,268)	1,288
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		(1,689)	(3,048)	494
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		(P13,102)	(P745)	P7,563
Attributable to:				
Equity holders of the Parent Company		(P12,852)	(P1,167)	P6,570
Non-controlling interests		(250)	422	993
		(P13,102)	(P745)	P7,563

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Million Pesos)

	Note	Equity Attributable to Equity Holders of the Parent Company								Non-controlling Interests	Total Equity	
		Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves		Treasury Stock			Total
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves				
As of December 31, 2019		P9,485	P37,500	P25,183	P15,000	P30,510	(P4,704)	(P12,195)	(P15,122)	P85,657	P6,773	P92,430
Net income on cash flow hedges - net of tax	35	-	-	-	-	-	-	70	-	70	-	70
Unrealized fair value losses on investments in debt instruments		-	-	-	-	-	-	1	-	1	-	1
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(1,109)	-	(1,109)	(221)	(1,330)
Share in other comprehensive income of a joint venture		-	-	-	-	-	-	10	-	10	-	10
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(444)	-	-	(444)	4	(440)
Other comprehensive loss		-	-	-	-	-	(444)	(1,028)	-	(1,472)	(217)	(1,689)
Net loss for the year		-	-	-	-	(11,380)	-	-	-	(11,380)	(33)	(11,413)
Total comprehensive loss for the year		-	-	-	-	(11,380)	(444)	(1,028)	-	(12,852)	(250)	(13,102)
Cash dividends	21	-	-	-	-	(2,515)	-	-	-	(2,515)	(100)	(2,615)
Distributions paid	21	-	-	-	-	(1,816)	-	-	-	(1,816)	-	(1,816)
Issuance of redeemable perpetual securities	21	-	-	11,298	-	-	-	-	-	11,298	-	11,298
Transactions with owners		-	-	11,298	-	(4,331)	-	-	-	6,967	(100)	6,867
As of December 31, 2020		P9,485	P37,500	P36,481	P15,000	P14,799	(P5,148)	(P13,223)	(P15,122)	P79,772	P6,423	P86,195

Forward

	Equity Attributable to Equity Holders of the Parent Company												
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves			Treasury Stock	Total	Non-controlling Interests	Total Equity
					Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves					
As of December 31, 2018		P9,485	P19,653	P24,881	P15,160	P34,331	(P2,940)	(P11,091)	(P10,000)	P79,479	P6,707	P86,186	
Adjustment due to adoption of Philippine Financial Reporting Standard (PFRS) 16	3	-	-	-	-	(1,461)	-	-	-	(1,461)	(178)	(1,639)	
As of January 1, 2019, as adjusted		9,485	19,653	24,881	15,160	32,870	(2,940)	(11,091)	(10,000)	78,018	6,529	84,547	
Net loss on cash flow hedges - net of tax	35	-	-	-	-	-	-	(145)	-	(145)	-	(145)	
Unrealized fair value losses on investments in debt instruments		-	-	-	-	-	-	10	-	10	-	10	
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(969)	-	(969)	(164)	(1,133)	
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(1,764)	-	-	(1,764)	(16)	(1,780)	
Other comprehensive loss		-	-	-	-	-	(1,764)	(1,104)	-	(2,868)	(180)	(3,048)	
Net income for the year		-	-	-	-	1,701	-	-	-	1,701	602	2,303	
Total comprehensive income (loss) for the year						1,701	(1,764)	(1,104)	-	(1,167)	422	(745)	
Cash dividends	21	-	-	-	-	(2,515)	-	-	-	(2,515)	(178)	(2,693)	
Distributions paid	21	-	-	-	-	(1,697)	-	-	-	(1,697)	-	(1,697)	
Issuance of preferred shares	21	-	17,847	-	-	-	-	-	2,000	19,847	-	19,847	
Redemption of preferred shares	21	-	-	-	-	-	-	-	(7,122)	(7,122)	-	(7,122)	
Issuance of redeemable perpetual securities	21	-	-	302	-	-	-	-	-	302	-	302	
Reversal of retained earnings appropriation	21	-	-	-	(160)	160	-	-	-	-	-	-	
Share issuance cost	13	-	-	-	-	(9)	-	-	-	(9)	-	(9)	
Transactions with owners		-	17,847	302	(160)	(4,061)	-	-	(5,122)	8,806	(178)	8,628	
As of December 31, 2019		P9,485	P37,500	P25,183	P15,000	P30,510	(P4,704)	(P12,195)	(P15,122)	P85,657	P6,773	P92,430	

Forward

	Equity Attributable to Equity Holders of the Parent Company											
	Note	Capital Stock	Additional Paid-in Capital	Retained Earnings			Equity Reserves			Total	Non-controlling Interests	Total Equity
				Capital Securities	Appropriated	Unappropriated	Reserve for Retirement Plan	Other Reserves	Treasury Stock			
As of December 31, 2017		P9,485	P19,653	P30,546	P15,160	P33,982	(P2,146)	(P3,025)	(P10,000)	P93,655	P5,964	P99,619
Adjustment due to adoption of PFRS 9		-	-	-	-	42	-	-	-	42	(2)	40
As of January 1, 2018, as adjusted		9,485	19,653	30,546	15,160	34,024	(2,146)	(3,025)	(10,000)	93,697	5,962	99,659
Net loss on cash flow hedges - net of tax	35	-	-	-	-	-	-	(77)	-	(77)	-	(77)
Unrealized fair value losses on investments in debt instruments		-	-	-	-	-	-	(8)	-	(8)	-	(8)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	1,231	-	1,231	141	1,372
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(794)	-	-	(794)	1	(793)
Other comprehensive income (loss)		-	-	-	-	-	(794)	1,146	-	352	142	494
Net income for the year		-	-	-	-	6,218	-	-	-	6,218	851	7,069
Total comprehensive income (loss) for the year		-	-	-	-	6,218	(794)	1,146	-	6,570	993	7,563
Cash dividends	21	-	-	-	-	(2,052)	-	-	-	(2,052)	(237)	(2,289)
Distributions paid	21	-	-	-	-	(3,839)	-	-	-	(3,839)	-	(3,839)
Redemption of undated subordinated capital securities	21	-	-	(30,546)	-	-	-	(9,223)	-	(39,769)	-	(39,769)
Issuance of senior perpetual capital securities	21	-	-	24,881	-	-	-	-	-	24,881	-	24,881
Acquisition of additional interest in a subsidiary	13	-	-	-	-	(20)	-	11	-	(9)	(11)	(20)
Transactions with owners		-	-	(5,665)	-	(5,911)	-	(9,212)	-	(20,788)	(248)	(21,036)
As of December 31, 2018		P9,485	P19,653	P24,881	P15,160	P34,331	(P2,940)	(P11,091)	(P10,000)	P79,479	P6,707	P86,186

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Million Pesos)

	<i>Note</i>	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(P16,211)	P3,737	P10,455
Adjustments for:				
Depreciation and amortization	25, 37	9,490	13,245	11,543
Interest expense and other financing charges	26, 37	11,313	13,490	9,689
Retirement benefits costs	30	289	70	523
Interest income	26	(780)	(1,340)	(706)
Unrealized foreign exchange losses (gains) - net		(2,308)	(2,573)	2,484
Other losses (gains) - net		(994)	139	(1,738)
Operating income before working capital changes		799	26,768	32,250
Changes in noncash assets, certain current liabilities and others	33	12,031	11,847	(15,616)
Cash generated from operations		12,830	38,615	16,634
Contribution to retirement fund	30	(315)	(940)	(1,068)
Interest paid		(10,758)	(12,722)	(9,035)
Income taxes paid		(110)	(949)	(1,980)
Interest received		886	1,358	496
Net cash flows provided by operating activities		2,533	25,362	5,047
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	10	(8,167)	(17,547)	(10,416)
Proceeds from sale of property and equipment		144	43	58
Acquisition of investment property	12	(591)	(2,466)	(852)
Proceeds from sale of investment property		-	116	-
Increase in other noncurrent assets		(43)	(582)	(79)
Proceeds from disposal (acquisition) of:				
Investment in subsidiary - net	13	181	-	-
Investments in debt instruments	7	39	(31)	148
Net cash flows used in investing activities		(8,437)	(20,467)	(11,141)

Forward

	<i>Note</i>	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans	33	P151,408	P386,875	P339,581
Payments of:				
Loans	33	(155,604)	(381,558)	(312,564)
Lease liabilities	29, 33	(2,361)	(1,128)	-
Cash dividends and distributions	21, 33	(4,423)	(4,100)	(6,160)
Issuance of preferred shares	21	-	19,847	-
Redemption of preferred shares	21	-	(7,122)	-
Issuance of redeemable and senior perpetual capital securities	21	11,298	302	24,881
Redemption of undated subordinated capital securities	21	-	-	(39,769)
Acquisition of additional interest in a subsidiary	13	-	-	(20)
Net cash flows provided by financing activities		318	13,116	5,949
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(1,579)	(1,198)	536
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(7,165)	16,813	391
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		34,218	17,405	17,014
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	<i>5</i>	P27,053	P34,218	P17,405

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

Petron Corporation (the "Parent Company" or "Petron") was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. On September 13, 2013, the SEC approved the extension of the Parent Company's corporate term to December 22, 2066. The accompanying consolidated financial statements comprise the financial statements of Petron Corporation and Subsidiaries (collectively referred to as the "Group") and the Group's interests in an associate and joint ventures.

Pursuant to the Parent Company's Articles of Incorporation (AOI), it has a corporate life of 50 years or for such longer period as may hereafter be authorized by the laws of the Philippines. Under Section 11 of the Revised Corporation Code of the Philippines, the Parent Company shall have a perpetual existence unless its AOI provides otherwise.

Petron is the only oil refining and the leading marketing company in the Philippines. Petron is committed to its vision to be the leading provider of total customer solutions in the energy sector and its derivative businesses.

Petron operates the modern refinery in Bataan, with a rated capacity of 180,000 barrels a day. Petron's Integrated Management Systems (IMS) - certified refinery processes crude oil into a full range of world-class petroleum products including liquefied petroleum gas (LPG), gasoline, diesel, jet fuel, kerosene, and petrochemicals. From the refinery, Petron moves its products mainly by sea to more than 30 terminals strategically located across the country. Through this network, Petron supplies fuels to its service stations and various essential industries such as power-generation, transportation, manufacturing, agriculture, etc. Petron also supplies jet fuel at key airports to international and domestic carriers.

With over 2,000 service stations and hundreds of industrial accounts, Petron remains the leader in the Philippine fuel market. Petron retails gasoline and diesel to motorists and public transport operators. Petron also sells its LPG brands "Gasul" and "Fiesta" to households and other industrial consumers through an extensive dealership network. In line with efforts to increase its presence in the regional market, Petron exports various products to Asia-Pacific countries.

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

Today, Petron is one of the leading oil companies in Malaysia with an integrated business which includes an 88,000 barrel-per-day refinery, 11 terminals and facilities, and a network of more than 700 service stations.

The Parent Company is a public company under Section 17.2 of Securities Regulation Code (SRC) and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE). As of December 31, 2020, the Parent Company's public float stood at 26.73%.

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

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

2. Basis of Preparation

Statement of Compliance

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

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 9, 2021.

Basis of Measurement

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

<u>Items</u>	<u>Measurement Bases</u>
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Investments in debt instruments at fair value through other comprehensive income (FVOCI)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

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

Basis of Consolidation

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

Name of Subsidiary	Percentage of Ownership		Country of Incorporation
	2020	2019	
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	100.00	100.00	Bermuda
Petrogen Insurance Corporation (Petrogen)	100.00	100.00	Philippines
Petron Freeport Corporation (PFC)	100.00	100.00	Philippines
Petron Singapore Trading Pte., Ltd. (PSTPL)	100.00	100.00	Singapore
Petron Marketing Corporation (PMC)	100.00	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	85.55	85.55	Philippines
Petrofuel Logistics Inc. (PLI), formerly Limay Energen Corporation (LEC)	-	100.00	Philippines
Petron Global Limited (PGL)	100.00	100.00	British Virgin Islands
Petron Finance (Labuan) Limited (PFL)	100.00	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd. (POGM) and Subsidiaries	100.00	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	100.00	100.00	Hong Kong

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

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

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

NVRC's primary purpose is to acquire real estate and derive income from its sale or lease. As of December 31, 2020 and 2019, NVRC owns 100% of Las Lucas Construction and Development Corporation (LLCDC), Parkville Estates & Development Corporation (PEDC), South Luzon Prime Holdings, Inc. (SLPHI), Abreco Realty Corporation (ARC) and 60% of Mariveles Landco Corporation (MLC).

On July 8, 2019, the BOD and stockholders of LEC approved the amendment of its Amended AOI to reflect the change in LEC's name to Petrofuel Logistics, Inc., change in the LEC's primary purpose and the increase in its authorized capital stock. On September 27, 2019, the application for the amendment in AOI was approved by the SEC. The amended primary purpose of LEC is to engage in the business of providing logistics and freight forwarding services related to transportation and storage of various goods and products, including owning and operating real or personal properties in relation to the business, and to engage in necessary and/or incidental business or activities.

On August 28, 2020, the Parent Company signed the Share Purchase Agreement with San Miguel Integrated Logistics Services, Inc. (SMILSI) for the sale by the Parent Company of its 100% ownership in PLI's equity which is equivalent to the entire 2,010,000 outstanding shares of PLI. The closing of the transaction occurred on September 1, 2020 (Note 13).

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

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

As of December 31, 2020 and 2019, POGI owns 73.4% of Petron Malaysia Refining & Marketing Bhd (PMRMB) and 100% of both Petron Fuel International Sdn Bhd (PFISB) and Petron Oil (M) Sdn Bhd (POMSB), collectively hereinafter referred to as "Petron Malaysia".

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

PFL is a holding company incorporated under the laws of Labuan, Malaysia.

PAHL is a holding company incorporated in Hong Kong in March 2008. As of December 31, 2020 and 2019, PAHL owns 100% of Robinsons International Holdings Limited (RIHL) which owns 100% of Philippine Polypropylene, Inc. (PPI) and 40% of MLC.

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

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

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

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

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

Non-controlling interests represent the interests not held by the Parent Company in NVRC and PMRMB in 2020 and 2019.

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

Reclassification

Certain accounts have been reclassified to conform with the current year's presentation.

The effect of the reclassification on the consolidated statements of financial position as at December 31, 2019 is summarized below:

	Note	As Previously Presented	Reclassification	As Reclassified
Property, Plant and Equipment - net	10	P167,941	P326	P168,267
Other noncurrent assets - net	14	3,070	(326)	2,744

The reclassification did not have an effect on the consolidated income, consolidated total comprehensive income and cash flows for the year ended December 31, 2019.

3. Significant Accounting Policies

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

Adoption of New and Amended Standards and Interpretations

The Group has adopted the following new and amended standards and interpretations effective January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the amended standards and framework did not have a material effect on the consolidated financial statements.

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and make other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The Group has early adopted the below PFRS effective June 1, 2020 and accordingly, changed its accounting policy:

- Coronavirus Disease 2019 (COVID-19) Related Rent Concessions (Amendment to PFRS 16, *Leases*). The amendment introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:
 - the revised consideration is substantially the same or less than the original consideration;
 - the reduction in lease payments relates to payments due on or before June 30, 2021; and
 - no other substantive changes have been made to the terms of the lease.

The Group has lease agreements with rent concessions that ranges from one to two months of rental payments in 2020. The rent concessions decreased the lease liabilities and increased other income by P23 (Note 26).

Standards Issued but Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

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

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, *Insurance Contracts* and PFRS 16). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:
 - *Practical Expedient for Particular Changes to Contractual Cash Flows*. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

- *Relief from Specific Hedge Accounting* . The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.
- *Disclosure Requirements*. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*)*. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a Company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the costs of fulfilling a contract comprise both the incremental costs (e.g., direct labor and materials); and an allocation of other direct costs (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018 - 2020. This Cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:
 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). This amendment clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities, in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3). The amendments:
 - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
 - added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
 - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022, with earlier adoption permitted.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
 - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income (OCI).

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

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

Financial Instruments

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

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

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

Financial Assets

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

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

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

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

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

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category.

Cash includes cash on hand and in banks which are stated at amortized cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in OCI.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's investments in equity and debt instruments at FVOCI are classified under this category.

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

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

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

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

Financial Liabilities

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

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

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Any interest expense incurred is recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income.

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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

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

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

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

The Group has outstanding derivatives accounted for as cash flow hedge as at December 31, 2020 and 2019 (Note 35).

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

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has embedded derivatives as at December 31, 2020 and 2019 (Note 35).

Inventories

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

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

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

Business Combination

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

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

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

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

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

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

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

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

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

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

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

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations under Common Control

The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

Non-controlling Interests

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

Interest in Joint Ventures

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

The Group's 33.33% joint venture interest in Pandacan Depot Services, Inc. (PDSI) and 50.00% joint venture interest in Terminal Bersama Sdn Bhd (TBSB), included under "Other noncurrent assets - net" account in the consolidated statements of financial position, are accounted for under the equity method of accounting. The interest in joint ventures is carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net income (loss) of the joint ventures, less any impairment in value. The consolidated statements of income reflect the Group's share in the results of operations of the joint ventures presented as part of "Other expenses" account. As of December 31, 2020, the Group has capital commitments amounting to P0.1 and nil for TBSB and PDSI, respectively. The Group has no contingent liabilities in relation to its interest in these joint ventures.

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

Property, Plant and Equipment

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

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

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

For financial reporting purposes, depreciation and amortization for property, plant and equipment other than those assets used in production such as refinery and plant equipment, which commences when the assets are available for its intended use, are computed using the straight-line method. Effective January 1, 2020, depreciation of refinery and plant equipment used in production is computed based on the unit of production method (UPM) which considers the expected capacity over the estimated useful lives of these assets. The estimated useful lives of the assets are as follows:

	Number of Years
Buildings and improvements and related facilities	7 - 50
Refinery and plant equipment	4 - 34
Service stations and other equipment	3 - 33
Computers, office and motor equipment	2 - 20
Land and leasehold improvements	10- 12 or the term of the lease, whichever is shorter

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

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

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

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

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

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

Leases

Policy Applicable from January 1, 2019

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

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

Group as a Lessee

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

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

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

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

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

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

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

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

The Group has applied COVID-19-Related Rent Concessions. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

Group as a Lessor

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

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

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

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

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

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Policy Applicable before January 1, 2019

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

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

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

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in the consolidated statements of income.

Capitalized leased assets are depreciated over the estimated useful lives of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease

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

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

Investment Property

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

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

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

As of December 31, 2020 and 2019, the Group has existing and pending trademark registration for its products for a term of 10 to 20 years. It also has copyrights for its 7-kg LPG container, Gasulito with stylized letter "P" and two flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs and Malaysian Card Designs, and Petron font. Copyrights endure during the lifetime of the creator and for another 50 years after creator's death.

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

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

Asset Held for Sale

The Group classifies assets as held for sale, if their carrying amounts will be recovered primarily through sale rather than through continuing use. The assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

The criteria for held for sale is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes will be made or that the decision on sale will be withdrawn. Management must be committed to the sale within one year from date of classification.

Equity accounting of equity-accounted investees ceases once classified as held for sale.

Assets held for sale are presented under "Other current assets" account in the consolidated statements of financial position.

Impairment of Nonfinancial Assets

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

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

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

Cylinder Deposits

The Group purchases LPG cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to about 90% of the acquisition cost of the cylinders.

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

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

Fair Value Measurements

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

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

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

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

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

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

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

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

Provisions

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

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

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

Capital Stock

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

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

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

Additional Paid-in Capital

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

Capital Securities

Undated Subordinated Capital Securities (USCS) are classified as equity instruments in the consolidated financial statements since there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that is potentially unfavorable to the issuer (Note 21).

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

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

Retained Earnings

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

Treasury Stock

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

Revenue

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

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

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

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

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

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

- *Provisions of Technical Support.* The Group provides technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs. Revenue is recognized over time upon rendering of services to the customer. The Group allocates portion of the revenue to the technical support based on expected cost plus a margin approach.
- *Consumer Loyalty Program.* The Group has Consumer Loyalty Programs which allows customers to accumulate points when they purchase products at participating service stations. These points can be redeemed for Group's products, rewards, discounts and other privileges from partner merchants. Revenue is allocated between the goods sold and the points issued that are expected to be redeemed. This allocation is based on the relative stand-alone selling price of the points. A deferred liability account is set up for these points. The liability will be reversed when the Group has fulfilled its obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The deferred liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

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

Other sources of revenue are as follows:

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

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

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

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any

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

Cost and Expense Recognition

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

Borrowing Costs

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

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

Research and Development Costs

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

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

Employee Benefits

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

Foreign Currency

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

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

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

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

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

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in share of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the profit or loss.

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

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Related Parties

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

Basic and Diluted Earnings Per Common Share (EPS)

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

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

Operating Segments

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

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

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

4. Use of Judgments, Estimates and Assumptions

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

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

Judgments

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

Determining Functional Currency. The Parent Company has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Parent Company operates. It is the currency that mainly influences the sales price of goods and services and the costs of providing these goods and services.

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

Leases. The Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease under PFRS 16. Therefore, the definition of a lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

Determining whether a Contract Contains a Lease. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Operating Lease Commitments - Group as Lessor/Lessee. The Group has entered into various lease agreements either as lessor or lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent income recognized as "Other operating income" in the consolidated statements of income amounted to P1,047, P1,507 and P1,340 in 2020, 2019 and 2018, respectively. Rent income recognized as part of "Interest expense and other financing charges, interest income and other income (expenses)" amounted to P63 each in 2020, 2019 and 2018 (Note 26). Revenues from the customers' use of loaned equipment amounted to P1,150, P1,099 and P1,117 in 2020, 2019 and 2018, respectively (Note 37).

Rent expense recognized in the consolidated statements of income amounted to P143, P101 and P1,806 in 2020, 2019 and 2018, respectively (Notes 22, 23 and 29).

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

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

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

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

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

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

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

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

Distinction Between Property, Plant and Equipment and Investment Property. The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

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

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

Beginning July 2008, in the determination of the Group's current taxable income, entities within the Group has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. Entities within the Group, at each taxable year from the effectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year. For 2020, 2019 and 2018, majority of the entities within the Group opted to continue claiming itemized standard deductions except for Petrogen and certain subsidiaries of NVRC such as LLCDC, ARC and PEDC, as they opted to apply OSD (Note 27).

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

Estimates and Assumptions

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

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

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

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

Impairment losses on trade and other receivables amounted to P67, P294 and P261 in 2020, 2019 and 2018 respectively (Notes 8, 23 and 26). Receivables written-off amounted to P8 in 2020, P375 in 2019 and P68 in 2018 (Note 8).

The carrying amount of trade and other receivables amounted to P27,195 and P44,657 as of December 31, 2020 and 2019, respectively (Note 8).

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

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

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

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

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

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks, the Government of the Philippines and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2020 and 2019. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2020	2019
Cash in banks and cash equivalents	5	P25,970	P32,049
Investments in debt instruments	7	255	257
Noncurrent deposits	14	121	104
		P26,346	P32,410

Net Realizable Values of Inventories. In determining the NRV of inventories, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amount of inventories of P44,922 and P72,210 as of the end of 2020 and 2019, respectively (Note 9), is affected by price changes in different market segments for crude and petroleum products. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

The Group recognized loss on inventory write-down amounting to nil in 2020 while P564 in 2019 and P742 in 2018 (Note 9).

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

In 2020, 2019 and 2018, the Group provided an additional loss on inventory obsolescence amounting to P73, P31 and nil, respectively (Note 9).

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

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

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

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

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

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

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

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

Except for refinery and plant equipment used in production, there is no change in estimated useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on management's review at the reporting date.

Starting January 1, 2020, the Group adopted the UPM of accounting for depreciation of refinery and plant equipment used in production. UPM closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets. Depreciation of said assets is computed using the expected consumption over the estimated useful lives of these assets. Previously, depreciation was computed using the straight-line method over the estimated useful lives of the assets.

Property, plant and equipment, net of accumulated depreciation, amounted to P168,831 and P168,267 as of December 31, 2020 and 2019, respectively. Accumulated depreciation and amortization of property, plant and equipment, amounted to P98,902 and P93,193 as of December 31, 2020 and 2019, respectively (Note 10).

Right-of-use assets, net of accumulated depreciation, amounted to P6,045 and P5,509 as of December 31, 2020 and 2019, respectively. Accumulated depreciation of right-of-use asset amounted to P1,639 and P1,096 at December 31, 2020 and 2019, respectively (Note 11).

Investment property, net of accumulated depreciation, amounted to P30,049 and P29,935 as of December 31, 2020 and 2019, respectively. Accumulated depreciation of investment property amounted to P15,345 and P14,099 at December 31, 2020 and 2019, respectively (Note 12).

Intangible assets with finite useful lives, net of accumulated amortization, amounted to P138 and P127 as of December 31, 2020 and 2019, respectively (Note 14). Accumulated amortization of Intangible assets with finite useful lives amounted to P662 and P651 at December 31, 2020 and 2020, respectively.

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

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

Estimated fair values of investment property amounted to P37,126 and P37,614, respectively as of December 31, 2020 and 2019 (Note 12).

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

The recoverable amount of goodwill arising from the acquisition of Petron Malaysia has been determined based on the value in use using discounted cash flows (DCF). Assumptions used in the DCF include terminal growth rate of 3.0% in 2020 and 2019 and discount rates of 6.3% and 6.6% in 2020 and 2019, respectively (Note 13).

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

No impairment losses were recognized in 2020 2019 and 2018 in relation to the goodwill arising from the acquisition of Petron Malaysia which accounts for almost 99% of goodwill in the consolidated statements of financial position as of December 31, 2020 and 2019.

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

Deferred tax assets amounted to P2,190 and P262 as of December 31, 2020 and 2019, respectively (Note 27).

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

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

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

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

Retirement benefits costs recognized in the consolidated statements of income amounted to P430, P196 and P523 in 2020, 2019 and 2018, respectively. Remeasurement losses of the net defined retirement obligation recognized in OCI amounted to P631, P2,531 and P1,133 in 2020, 2019 and 2018, respectively. The retirement benefits liability amounted to P3,808 and P3,655 as of December 31, 2020 and 2019, respectively (Note 30).

Asset Retirement Obligation (ARO). The Group has ARO arising from the refinery, leased service stations, terminals and blending plant. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of ARO based on the dismantling costs as estimated by the operating unit responsible for the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.21% to 5.47% depending on the life of the capitalized costs. The Group also conducts periodic review of the estimates of dismantling costs to consider actual expenses incurred during the actual retirement of assets and uses this as input in determining future liability. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P2,867 and P1,720 as of December 31, 2020 and 2019, respectively (Note 19).

5. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	2020	2019
Cash on hand		P1,083	P2,169
Cash in banks		4,253	5,193
Short-term placements		21,717	26,856
	<i>34, 35</i>	P27,053	P34,218

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term placement rates ranging from 0.01% to 5.75% in 2020, 0.13% to 6.25% in 2019 and 0.20% to 7.00% in 2018 (Note 26).

6. Financial Assets at Fair Value

This account consists of:

	<i>Note</i>	2020	2019
Proprietary membership shares		P275	P284
Derivative assets not designated as cash flow hedge		322	546
Derivative assets designated as cash flow hedge		12	200
	<i>34, 35</i>	609	1,030
Less noncurrent portion	<i>14</i>	6	166
		P603	P864

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

The noncurrent portion pertains to derivative assets designated as cash flow hedge due after 12 months, which is included in "Other noncurrent assets - net" account in the consolidated statements of financial position (Note 14).

Changes in fair value of assets at FVPL recognized in the consolidated statements of income in 2020, 2019 and 2018 amounted to (P9), P30 and P84, respectively (Note 26) while changes in fair value of derivative assets designated as cash flow hedge were recognized in OCI.

7. Investments in Debt Instruments

This account consists of:

	<i>Note</i>	2020	2019
Government securities		P225	P227
Other debt instruments		156	193
	<i>34, 35</i>	381	420
Less current portion		184	109
		P197	P311

Petrogen's government securities are deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors. These investments bear fixed annual interest rates ranging from 1.78% to 7.02% in 2020 and 4.25% to 7.02% in 2019 (Note 26).

The breakdown of investments in debt instruments by contractual maturity dates as of December 31 follows:

	Note	2020	2019
Due in one year or less		P184	P109
Due after one year through six years		197	311
	34, 35	P381	P420

The breakdown of investments in debt instruments by classification and measurement as of December 31 follows:

	Note	2020	2019
Financial assets at amortized cost		P255	P257
Financial assets at FVOCI		126	163
	34, 35	P381	P420

The reconciliation of the carrying amounts of investments in debt instruments as of December 31 follows:

	Note	2020	2019
Financial Assets at FVOCI			
Balance as of January 1		P163	P152
Disposals		(37)	-
Amortization of premium		(1)	(4)
Unrealized fair value gains		1	15
Balance as of December 31		126	163
Financial Assets at Amortized Cost			
Balance as of January 1		257	226
Additions		69	71
Disposal		(71)	(40)
Balance as of December 31		255	257
	34, 35	P381	P420

8. Trade and Other Receivables

This account consists of:

	Note	2020	2019
Trade	34	P19,372	P35,009
Related parties - trade	28, 34	932	1,126
Allowance for impairment loss on trade receivables		(823)	(759)
		19,481	35,376
Government		5,292	6,392
Related parties - non-trade	28	1,636	2,011
Others		958	1,061
Allowance for impairment loss on non-trade receivables		(172)	(183)
		7,714	9,281
	34, 35	P27,195	P44,657

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

Government receivables pertain to duty drawback, VAT and specific tax claims as well as subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism. The amount includes receivables over 30 days but less than one year amounting to P482 and P1,500 as of December 31, 2020 and 2019, respectively. The filing and the collection of claims is a continuous process and is closely monitored.

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

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

A reconciliation of the allowance for impairment losses at the beginning and end of 2020 and 2019 is shown below:

	Note	2020	2019
Balance at beginning of year		P1,260	P1,410
Additions	23, 26	67	294
Write off	4	(8)	(375)
Currency translation adjustment		(17)	(69)
Balance at end of year		1,302	1,260
Less noncurrent portion for long-term receivables	34	307	318
		P995	P942

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

Trade accounts receivable written-off amounting to P8 and P375 in 2020 and 2019, respectively, pertained to long outstanding, uncollectible accounts which were previously provided with allowance.

The following table provides information about the exposure to credit risk and ECL of trade and other receivables as of December 31, 2020 and 2019:

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2020			
Retail	2.62%	P4,350	P114
Lubes	0.16%	621	1
Gasul	6.96%	790	55
Industrial	3.99%	7,760	310
Others	3.51%	14,669	515
		P28,190	P995

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2019			
Retail	1.65%	P5,766	P95
Lubes	0.18%	549	1
Gasul	5.33%	994	53
Industrial	1.56%	17,515	273
Others	2.50%	20,775	520
		P45,599	P942

9. Inventories

This account consists of:

	2020	2019
Petroleum	P19,414	P33,173
Crude oil and others	17,433	29,626
Materials and supplies	5,503	5,688
Lubes, greases and aftermarket specialties	2,572	3,723
	P44,922	P72,210

The cost of these inventories amounted to P45,535 and P73,314 as of December 31, 2020 and 2019, respectively.

If the Group had used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other products would have increased by P142 and P1,374 as of December 31, 2020 and 2019, respectively.

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P263,078, P463,028 and P498,117 in 2020, 2019 and 2018, respectively (Note 22).

Research and development costs on these products constituted the expenses incurred for internal projects in 2020, 2019 and 2018 (Note 23).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2020 and 2019 follow:

	Note	2020	2019
Balance at beginning of year		P1,104	P1,251
Additions:			
Loss on inventory obsolescence	4	73	31
Loss on inventory write-down	4	-	564
Reversals		(564)	(742)
Balance at end of year		P613	P1,104

The losses and reversals are included as part of "Cost of goods sold" account in the consolidated statements of income (Note 22).

Reversal of write-down corresponds to inventories sold during the year.

10. Property, Plant and Equipment

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

	Note	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction in-Progress	Total
Cost								
January 1, 2019, as previously reported		P20,132	P188,237	P17,808	P5,239	P4,818	P12,328	P248,562
Adjustments due to adoption of PFRS 16		(918)	(1,816)	(176)	-	(262)	-	(3,172)
January 1, 2019, as adjusted		19,214	186,421	17,632	5,239	4,556	12,328	245,390
Additions		1,630	6,000	1,769	216	20	10,173	19,808
Disposals/reclassifications		3,099	183	121	243	1,237	(5,471)	(588)
Reclassification to/from investment property	12	(844)	-	-	-	(1,275)	-	(2,119)
Currency translation adjustment		(382)	(153)	(242)	(46)	(376)	(158)	(1,357)
December 31, 2019 as previously reported		22,717	192,451	19,280	5,652	4,162	16,872	261,134
Adjustments due to reclassification from Long-term Assets		-	422	-	-	-	-	422
December 31, 2019, as adjusted		22,717	192,873	19,280	5,652	4,162	16,872	261,556
Additions		243	446	560	222	-	7,009	8,480
Disposals/reclassifications		970	1,360	259	77	71	(3,262)	(525)
Reclassification to/from investment property	12	(162)	-	-	-	(31)	(143)	(336)
Currency translation adjustment		(271)	(430)	(315)	(64)	(68)	(294)	(1,442)
December 31, 2020		23,497	194,249	19,784	5,887	4,134	20,182	267,733
Accumulated Depreciation and Amortization								
January 1, 2019, as previously reported		12,827	54,077	12,379	4,204	1,091	-	84,578
Adjustments due to adoption of PFRS 16		(450)	(193)	(63)	-	-	-	(706)
January 1, 2019, as adjusted		12,377	53,884	12,316	4,204	1,091	-	83,872
Depreciation		888	7,755	1,081	520	91	-	10,335
Disposals/reclassifications		(61)	(35)	(442)	(17)	(4)	-	(559)
Reclassification to/from investment property	12	126	-	-	-	(18)	-	108
Currency translation adjustment		(125)	(214)	(123)	(35)	(66)	-	(563)
December 31, 2019 as previously reported		13,205	61,390	12,832	4,672	1,094	-	93,193
Adjustments due to reclassification from Long-term Assets		-	96	-	-	-	-	96
December 31, 2019, as adjusted		13,205	61,486	12,832	4,672	1,094	-	93,289
Depreciation*		858	4,096	1,028	457	92	-	6,531
Disposals/reclassifications		(73)	76	(44)	(84)	3	-	(122)
Reclassification to/from investment property	12	-	-	-	-	(7)	-	(7)
Currency translation adjustment		(197)	(318)	(126)	(51)	(1)	-	(693)
December 31, 2020		13,793	65,244	13,690	4,994	1,181	-	98,902
Carrying Amount								
December 31, 2019		P9,512	P131,061	P6,448	P980	P3,068	P16,872	P167,941
December 31, 2020		P9,705	P129,005	P6,094	P893	P2,953	P20,182	P168,831

*Depreciation expense for refinery and plant equipment for the year under the straight-line method amounted to P8,337.

ARO reclassified from “Property, plant and equipment” to “Right-of-use assets” under “Investment property” account in the consolidated statements of financial position amounted to P2,466 as a result of the adoption of PFRS 16 on January 1, 2019.

In 2020 and 2019, certain property, plant and equipment were reclassified to/from investment property due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 12).

No impairment loss was required to be recognized in 2020, 2019 and 2018 based on management’s assessment of impairment indicators.

The Group capitalized interest amounting to P313, P114 and nil in 2020, 2019 and 2018, respectively (Notes 15, 18, 26 and 29). The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 1.45% to 8.20% in 2020 and from 3.41% to 8.19% in 2019.

Capital Commitments

As of December 31, 2020 and 2019, the Group has outstanding commitments to acquire property, plant and equipment amounting to P12,506 and P20,798, respectively.

11. Right-of-Use Assets

The movements in right-of-use assets as of December 31, 2020 are as follows

	Land	Buildings and Improvements and Related Facilities	Service Stations and Other Equipment	Total
Cost				
January 1, 2019	P -	P -	P -	P -
Adjustment due to adoption of PFRS 16	7,076	1,175	24	8,275
January 1, 2019, as adjusted	7,076	1,175	24	8,275
Additions	41	5	-	46
Disposals	(3)	-	-	(3)
Remeasurements	(1,538)	(123)	-	(1,661)
Currency translation adjustment	(50)	(2)	-	(52)
January 1, 2020	5,526	1,055	24	6,605
Additions	204	2	-	206
Remeasurements	867	39	-	906
Currency translation adjustment	(30)	(3)	-	(33)
December 31, 2020	6,567	1,093	24	7,684
Accumulated Depreciation				
January 1, 2019	-	-	-	-
Adjustment due to adoption of PFRS 16	790	-	-	790
January 1, 2019, as adjusted	790	-	-	790
Disposals	(2)	-	-	(2)
Remeasurements	(433)	-	-	(433)
Depreciation	478	221	3	702
Currency translation adjustment	39	-	-	39
January 1, 2020	872	221	3	1,096
Disposals	-	-	-	-
Remeasurements	(115)	(1)	-	(116)
Depreciation	440	225	3	668
Currency translation adjustment	(8)	(1)	-	(9)
December 31, 2020	1,189	444	6	1,639
Carrying Amount				
December 31, 2019	P4,654	P834	P21	P5,509
December 31, 2020	P5,378	P649	P18	P6,045

The Group recognized right-of-use assets for leases of office space, buildings, machinery and equipment, service stations and parcels of land. The leases typically run for a period of two to 999 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group. The Group recognized interest expense related to these leases amounting to P1,115 and P1,165 in 2020 and 2019, respectively (Note 29).

With the adoption of PFRS 16 in 2019, property, plant and equipment pertaining to ARO of the refinery and terminals were reclassified to right-of-use assets (Note 10).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P251, P13 and P3, respectively, in 2020, and P62, P32 and P7, respectively, in 2019 (Note 29).

The Group had total cash outflows for leases of P2,705 and P2,293 in 2020 and 2019, respectively (Note 29).

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

12. Investment Property

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

	Note	Land	Land and Leasehold Improvements	Buildings and Improvements	Right-of-Use	Total
Cost						
January 1, 2019, as previously reported		P8,422	P2,702	P15,269	P -	P26,393
Adjustment due to adoption of PFRS 16		-	-	-	10,730	10,730
January 1, 2019, as adjusted		8,422	2,702	15,269	10,730	37,123
Additions		226	513	1,727	809	3,275
Adjustments/disposals		-	2,068	(70)	4	2,002
Reclassifications from/to property, plant and equipment	10	685	590	844	-	2,119
Currency translation adjustment		(80)	(197)	(208)	-	(485)
January 1, 2020		9,253	5,676	17,562	11,543	44,034
Additions		3	321	588	849	1,761
Disposals/reclassifications		-	-	19	(110)	(91)
Reclassifications from/to property, plant and equipment	10	69	31	236	-	336
Remeasurements		-	-	-	90	90
Currency translation adjustment		(117)	(284)	(335)	-	(736)
December 31, 2020		9,208	5,744	18,070	12,372	45,394
Accumulated Depreciation						
January 1, 2019, as previously reported		-	1,118	8,739	-	9,857
Adjustment due to adoption of PFRS 16		-	-	-	63	63
January 1, 2019, as adjusted		-	1,118	8,739	63	9,920
Adjustments/disposals		-	2,736	(65)	-	2,671
Depreciation		-	320	627	936	1,883
Reclassifications from/to property, plant and equipment	10	-	18	(126)	-	(108)
Currency translation adjustment		-	(70)	(197)	-	(267)
January 1, 2020		-	4,122	8,978	999	14,099
Depreciation		-	318	685	941	1,944
Disposals/reclassifications		-	-	(10)	(110)	(120)
Reclassifications from/to property, plant and equipment	10	-	(7)	-	-	(7)
Currency translation adjustment		-	(239)	(332)	-	(571)
December 31, 2020		-	4,194	9,321	1,830	15,345
Carrying Amount						
December 31, 2019		P9,253	P1,554	P8,584	P10,544	P29,935
December 31, 2020		P9,208	P1,550	P8,749	P10,542	P30,049

With the adoption of PFRS 16 in 2019, property, plant and equipment pertaining to ARO of the service stations were reclassified to right-of-use assets over service stations and other related structures held by the Group for lease (Note 29).

In 2020 and 2019, certain investment property were reclassified from/to property, plant and equipment to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 10).

The Group's investment property also includes a property located in Tagaytay with carrying amount of P7 and P8 as of December 31, 2020 and 2019, respectively.

No impairment loss was required to be recognized in 2020, 2019 and 2018 based on management's assessment of impairment indicators.

There are no other direct selling and administrative expenses other than depreciation and amortization and real property taxes arising from investment property that generated income in 2020, 2019 and 2018.

The fair value of investment property amounting to P37,126 and P37,614 as of December 31, 2020 and 2019, respectively has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

For properties with available appraisal reports, the fair value of investment property amounting to P20,804 was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property on a regular basis. The fair value of investment property amounting to P4,820 was determined by using the depreciated replacement cost method. The net present value of lease liability recognized in investment property represents the remaining fair value amounting to P11,502.

Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied the following approaches below:

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

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

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

13. Investment in Shares of Stock of Subsidiaries, Goodwill and Non-controlling Interests

Investment in Shares of Stock of Subsidiaries

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

a. *NVRC*

On December 17, 2018, SEC approved the increase in authorized capital stock of NVRC. On the same date, the Parent Company acquired additional 2,840,000 common shares of NVRC at P1,000.00 per share for a total consideration of P2,840 which was effected through debt to equity conversion of NVRC's advances from the Parent Company. The transaction effectively increased the Parent Company's ownership interest in NVRC from 40.00% to 85.55%.

Consequently, the proportionate share of the carrying amount of the net assets of NVRC amounting to P11 has been transferred to equity holders of the Parent Company.

As of December 31, 2020 and 2019, the Parent Company owns 85.55% of NVRC.

b. *Petrogen*

On November 29, 2018, Petrogen issued 15,000 common shares as stock dividends for P1,000.00 per share or a total of P15 in favor of the Parent Company.

On September 10, 2019 and December 16, 2019, the Parent Company subscribed to additional 31,250 and 93,750 common shares, respectively, of Petrogen at P1,000.00 per share for a total consideration of P125, pursuant to the increase in the capital stock of Petrogen which was approved by the SEC on November 4, 2019.

As of December 31, 2020 and 2019, the Parent Company's ownership interest remains at 100% after the above transactions.

c. *PLI (formerly LEC)*

On July 10, 2019 and September 30, 2019, the Parent Company acquired additional 500,000 and 1,500,000 common shares, respectively, of PLI at P100.00 per share for a total consideration of P200.

On August 28, 2020, the Parent Company signed the Share Purchase Agreement with SMILSI, an entity under common control, for the sale by the Parent Company of its equity in PLI equivalent to 100% of PLI's outstanding shares for a total consideration of P230. The transaction was completed on September 1, 2020. The Group recognized loss on disposal of investments amounting to P1 included as part of "Other income - net" account in the 2020 consolidated statements of income (Note 26).

The following summarizes the accounts derecognized at the deconsolidation date:

	2020
Cash and cash equivalents	P49
Trade and other receivables - net	37
Other current assets	14
Property, plant and equipment - net	137
Right of use assets - net	2
Other noncurrent assets - net	1
Trade and other payables	(7)
Lease liabilities - net of current portion	(2)
Total	P231

Goodwill

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

	2020	2019
Cost		
Balance at beginning of year	P8,319	P8,532
Translation adjustments	(288)	(213)
Net carrying amount at end of year	P8,031	P8,319

Impairment of Goodwill from Petron Malaysia

Goodwill arising from the acquisition of Petron Malaysia, which accounts for 99% of total goodwill in the consolidated statements of financial position as of December 31, 2020 and 2019, is allocated at the POGI Group cash generating unit (CGU) instead of each individual acquiree company's CGU as it is expected that the POGI Group CGU will benefit from the synergies created from the acquiree companies in combination.

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

- Cash flows were projected based on past experience and actual operating results. Management believes that this five-year forecast period was justified due to the long-term nature of the business.
- A discount rate of 6.3% in 2020 and 6.6% in 2019 was applied based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM).
- Terminal growth rate of 3.0% in 2020 and 2019 was applied as the POGI Group is in the process of increasing its network of service stations and upgrading its facilities and hence foresees growth in cash flows generated perpetually.

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

For purposes of terminal growth rate sensitivity, terminal growth rate scenarios of 2%, 3% and 4% in 2020 and 2019 are applied on the discounted cash flows analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill to exceed its recoverable amount.

No impairment losses were recognized in 2020, 2019 and 2018 in relation to the goodwill arising from the acquisition of Petron Malaysia.

Non-controlling Interests

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

	December 31, 2020		December 31, 2019	
	NVRC	PMRMB	NVRC	PMRMB
Non-controlling Interests Percentage	14.45%	26.60%	14.45%	26.60%
Carrying amount of non-controlling interest	P451	P5,972	P440	P6,333
Current assets	P664	P9,606	P376	P16,038
Noncurrent assets	9,317	25,869	9,524	23,211
Current liabilities	(1,211)	(12,446)	(363)	(14,955)
Noncurrent liabilities	(3,906)	(2,281)	(4,829)	(2,249)
Net assets	P4,864	P20,748	P4,708	P22,045
Net income (loss) attributable to non-controlling interests	P11	(P44)	P9	P593
Other comprehensive loss attributable to non-controlling interests	P -	(P217)	P -	(P180)
Sales	P415	P76,733	P406	P143,205
Net income (loss)	P155	(P376)	P140	P2,193
Other comprehensive loss	-	(60)	-	(60)
Total comprehensive income (loss)	P155	(P436)	P140	P2,133
Cash flows provided by operating activities	P234	P1,147	P150	P12,328
Cash flows used in investing activities	(3)	(4,332)	(106)	(8,271)
Cash flows provided by (used in) financing activities	(212)	2,995	(101)	(3,919)
Effects of exchange rate changes on cash and cash equivalents	-	(20)	-	-
Net increase (decrease) in cash and cash equivalents	P19	(P209)	(P57)	P138

14. Other Assets

This account consists of:

	<i>Note</i>	2020	2019
Current			
Prepaid taxes		P22,038	P17,703
Input VAT		7,698	7,986
Prepaid expenses	28	2,101	1,417
Special-purpose fund		158	157
Assets held for sale		13	-
Tax recoverable		131	-
Others - net		198	167
		P32,337	P27,430
Noncurrent			
Input VAT		P588	P1,061
Catalyst - net		552	683
Prepaid rent		290	212
Derivative assets designated as			
cash flow hedge	6, 34, 35	6	166
Noncurrent deposits	34, 35	121	104
Intangibles - net	4	138	127
Others - net	2	393	391
		P2,088	P2,744

The “Others - net” under “Noncurrent” account includes marketing assistance to dealers and other prepayments amounting to P256, P268 and P777 as of December 31, 2020, 2019 and 2018, respectively, net of amortization amounting to P75, P154 and P236 in 2020, 2019 and 2018, respectively.

In 2019 there is a reclassification to property, plant and equipment from “Others - net” under “Noncurrent” account amounting to P326. (Notes 2 and 10).

The amortization of prepaid rent amounted to P4, nil and P245 in 2020, 2019 and 2018, respectively.

Amortization of intangibles, marketing assistance to dealers, other prepayments included as part of “Depreciation and amortization” under “Selling and administrative expenses” account in the consolidated statements of income amounted to P82, P83 and P97 in 2020, 2019 and 2018, respectively (Notes 23 and 25).

Amortization of catalyst, intangibles and other prepayments included as part of “Depreciation and amortization” under “Cost of goods sold” account in the consolidated statements of income amounted to P261, P242 and P584 in 2020, 2019 and 2018, respectively (Notes 22 and 25).

As of December 31, 2020, assets held for sale pertain to two condominium properties acquired through dacion en pago.

As of December 31, 2019, assets held for sale represents the remaining 1,000 shares of Manila North Harbour Port, Inc. (MNHPI) amounting to P0.13. During 2019, 50,000 shares representing 0.17% interest was sold to a related party (Note 28).

15. Short-term Loans

This account pertains to unsecured Philippine peso, US dollar and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 1 to 91 days and annual interest ranging from 0.92% to 6.75% in 2020, 2.30% to 8.50% in 2019 and 2.65% to 7.00% in 2018 (Note 26). These loans are intended to fund the importation of crude oil and petroleum products (Note 9) and working capital requirements.

Interest expense on short-term loans amounted to P3,418 in 2020, P4,065 in 2019 and P3,165 in 2018 (Note 26). Interest expense amounting to P174 was capitalized as part of property, plant and equipment in 2020 while P33 in 2019 and nil in 2018 (Note 10).

16. Liabilities for Crude Oil and Petroleum Products

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

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

	<i>Note</i>	2020	2019
Third parties		P22,301	P39,361
Related parties	28	19	1
	34, 35	P22,320	P39,362

17. Trade and Other Payables

This account consists of:

	<i>Note</i>	2020	2019
Trade		P6,386	P20,533
Specific taxes and other taxes payable		4,072	2,821
Accrued payroll		73	24
Due to related parties	28	1,118	1,009
Accrued interest		633	833
Accrued rent		303	288
Dividends payable	33	505	496
Insurance liabilities		288	739
Retention payable		180	719
Retirement benefits liability	30	103	90
Deferred liability on consumer loyalty program		1,406	867
Others	39	335	322
	34, 35	P15,402	P28,741

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

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

The Group recognized revenue that was included in the deferred liability on consumer loyalty program amounting to P1,158 and P2,017 in 2020 and 2019, respectively (Note 37).

18. Long-term Debt

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

	<i>Note</i>	2020	2019
Unsecured Peso-Denominated (net of debt issue costs)			
Term loan of 5.4583% due until 2022	<i>(a)</i>	P1,998	P2,995
Fixed rate retail bonds of 4.0032% due in 2021 and 4.5219% due in 2023	<i>(b)</i>	19,944	19,906
Term loan of 5.5276% due quarterly until 2024	<i>(d)</i>	8,008	10,136
Term loan of 5.7584% due until 2022	<i>(e)</i>	4,990	7,479
Fixed rate retail bonds of 7.8183% due in 2024 and 8.0551% due in 2025	<i>(f)</i>	19,832	19,799
Term loan of 4.5900% due in 2025	<i>(i)</i>	4,970	-
Unsecured Foreign Currency-Denominated (net of debt issue costs)			
Floating rate dollar loan - US\$1,000 million due until 2022	<i>(c)</i>	13,530	32,854
Floating rate dollar loan - US\$800 million due until 2024	<i>(g)</i>	32,334	39,908
Floating rate yen loan - JP¥15 billion due until 2025	<i>(h)</i>	6,845	-
Floating rate dollar loan - US\$150 million due until 2023	<i>(j)</i>	7,003	-
	33, 34, 35	119,454	133,077
Less current portion		31,114	16,881
		P88,340	P116,196

- a. On October 13, 2015, the Parent Company drew P5,000 from a P5,000 term loan which was signed and executed on October 7, 2015. The facility is amortized over 7 years with a 2-year grace period and is subject to a fixed rate of 5.4583% per annum. The net proceeds from the issuance were used to repay currently maturing obligations and for general corporate requirements. In 2019 and 2018, the Parent Company settled matured interim principal payments aggregating to P1,000 each year.
- b. On October 27, 2016, the Parent Company issued P20,000 retail bonds (the "Bonds") divided into Series A (P13,000) and Series B (P7,000). Series A Bonds is due on October 27, 2021 with interest rate of 4.0032% per annum. Series B Bonds will mature on October 27, 2023 with interest rate of 4.5219% per annum. Interests on these Bonds are payable quarterly on January 27, April 27, July 27 and October 27 of each year. The proceeds from the issuance of the Bonds were used to partially settle the US\$475 million and US\$550 million Term Loan facilities, to repay short-term loans and for general corporate requirements. The Bonds were listed with the Philippine Dealing & Exchange Corp. on October 27, 2016.

- c. On June 16, 2017, the Parent Company signed and executed a US\$1,000 million term facility and has initially drawn US\$600 million on June 28, 2017. The proceeds were used to pay in full the outstanding balances of US\$115 million and US\$470 million loans under the US\$475 million (executed on September 29, 2014) and US\$550 million (executed on July 20, 2015) term loan facilities, respectively. On October 10, 2017, the Parent Company drew the remaining US\$400 million from the facility. The proceeds of which were used to settle the P20,000 Peso-denominated Notes issued on November 10, 2010 which matured on November 10, 2017. The facility is amortized over 5 years with a 2-year grace period and is subject to a floating interest rate based on LIBOR plus a spread. The Parent Company made partial principal payments of US\$221 million and US\$148 million in 2020 and US\$177 million and US\$118 million in 2019 against the US\$600 million and US\$400 million drawdowns, respectively.
- d. On July 25, 2017, the Parent Company drew P15,000 from a P15,000 term loan facility which was signed on July 14, 2017 and executed on July 17, 2017. The facility is amortized over 7 years and is subject to a fixed interest rate of 5.5276% per annum. The proceeds were used to refinance the bridge loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-Fired Power Plant in 2016. As of December 31, 2020, the P6,964 portion of the facility has already been paid.
- e. On December 29, 2017, the Parent Company drew P10,000 from a P10,000 bilateral facility which was signed and executed on December 28, 2017. The facility is amortized quarterly for five years beginning on the fifth quarter and is subject to a fixed rate of 5.7584% per annum. The proceeds were used to fund permanent working capital requirements. In 2020 and 2019, the P2,500 portion of the facility has been paid each year.
- f. On October 19, 2018, the Parent Company offered P20,000 fixed retail bonds (the "Offer Bonds") divided into Series C (P13,200) bearing interest at 7.8183% per annum and Series D (P6,800) bearing interest at 8.0551% per annum. The Series C Offer Bonds will mature on April 19, 2024 (5.5-year term) while the Series D Offer Bonds is due on October 19, 2025 (7-year term). Interests on these Offer Bonds are payable quarterly, commencing on January 19, 2019, and thereafter, on April 19, July 19, October 19 and January 19 of each year. The net proceeds from the issuance of the Offer Bonds were used primarily to settle short-term loans availed by the Parent Company to fund crude oil purchases and redeem a portion of the Parent Company's remaining USCS (Note 21), and the balance for general corporate purposes. The Offer Bonds were listed with the Philippine Dealing & Exchange Corp. on October 19, 2018.
- g. On May 10, 2019, the Parent Company signed and executed a US\$800 million term loan facility. Initial drawdown of US\$300 million was made on May 15, 2019, the proceeds of which were used to refinance the Parent Company's existing dollar-denominated bilateral short-term loans. On May 31, 2019, the Parent Company drew an additional US\$236 million from the facility to partially prepay its US\$1,000 million term loan facility. Finally, the remaining balance of US\$264 million was drawn on July 10, 2019 to refinance various peso-denominated short-term loans and for general corporate purposes. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning May 15, 2021. The facility is subject to a floating interest rate based on LIBOR plus a spread, repriced every 1, 3 or 6 months.

- h. On April 22, 2020, the Parent Company drew JP¥15 billion from a JP¥15 billion term loan facility signed and executed on March 27, 2020. The proceeds were used to partially prepay its US\$1 billion term loan facility. The JP¥ facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 27, 2022. It is subject to a floating interest rate based on JP¥ LIBOR plus a spread, repriced every 1, 3 or 6 months.
- i. On April 27, 2020, the Parent Company drew P5 billion from a P5 billion term loan facility which was signed and executed on April 23, 2020. The facility is subject to a fixed interest rate of 4.59% per annum and amortized over 5 years with a 12-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning July 27, 2021. The proceeds were used for general corporate purposes.
- j. On August 26, 2020, the Parent Company availed a US\$150 million three-year long-term debt, subject to floating interest rate based on LIBOR plus a spread, repriced every 1, 3 or 6 months that will mature on August 7, 2023. The proceeds were used to prepay part of the existing US\$1.0 billion term loan facility and US\$800 million loan.

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

The Group has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. In November 2020, the Group secured consent to amend the testing of its net leverage ratio from semi-annual to incurrence-based, while the ratio of consolidated gross debt to consolidated net worth remained to be tested quarterly.

As at December 31, 2020 and 2019, the Group has complied with its financial covenants of its debt agreements.

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P5,727, P6,893 and P5,198 for the years ended 2020, 2019 and 2018, respectively (Note 26). Interest amounting to P49 was capitalized in 2020 and P21 in 2019 (Note 10).

Movements in debt issue costs follow:

	Note	2020	2019
Balance at beginning of year		P1,240	P979
Additions		731	711
Amortization for the year	26	(603)	(450)
Balance at end of year		P1,368	P1,240

Repayment Schedule

As of December 31, 2020 and 2019, the annual maturities of long-term debt are as follows (Note 34):

2020

<u>Year</u>	<u>Gross Amount</u>	<u>Debt Issue Costs</u>	<u>Net</u>
2021	P31,562	P448	P31,114
2022	26,726	339	26,387
2023	30,569	375	30,194
2024	23,542	144	23,398
2025	8,423	62	8,361
	P120,822	P1,368	P119,454

2019

<u>Year</u>	<u>Gross Amount</u>	<u>Debt Issue Costs</u>	<u>Net</u>
2020	P17,072	P191	P16,881
2021	44,684	557	44,127
2022	24,450	161	24,289
2023	20,717	117	20,600
2024	20,594	144	20,450
2025 and beyond	6,800	70	6,730
	P134,317	P1,240	P133,077

19. Asset Retirement Obligation

Movements in the ARO are as follows:

	<i>Note</i>	2020	2019
Balance at beginning of year		P1,720	P3,592
Effect of change in discount rate		568	(789)
Effect of change in estimates	4	503	(1,187)
Accretion for the year	26	77	98
Additions		1	11
Settlement		(2)	(5)
Balance at end of year		P2,867	P1,720

20. Other Noncurrent Liabilities

This account consists of:

	<i>Note</i>	2020	2019
Cylinder deposits		P617	P608
Cash bonds		947	750
Derivative liabilities designated as cash flow hedge		292	337
Others		48	53
	34, 35	P1,904	P1,748

“Others” account includes liability to a contractor and supplier.

21. Equity

a. Capital Stock

Common Shares

Pursuant to the registration statement rendered effective by the SEC on May 18, 1995 and the permit to sell issued by the SEC dated May 30, 1995, 10,000,000,000 common shares of the Parent Company with par value of P1.00 per share were offered for sale at an offer price of P1.00 per share. As of December 31, 2020 and 2019, the Parent Company had 144,979 and 145,194 stockholders with at least one board lot at the PSE, respectively, for a total of 9,375,104,497 (P1.00 per share par value) issued and outstanding common shares.

Preferred Shares

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

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

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

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

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

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

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

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

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

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

As of December 31, 2020 and 2019, the Parent Company had 22,877,680 and 10,000,000 (P1 par value) issued and outstanding preferred shares, respectively. The total number of preferred shareholders with at least one board lot at the PSE as of December 31, 2020 and 2019 are as follows:

	2020	2019
Series 2B Preferred Shares	30	30
Series 3A Preferred Shares	8	8
Series 3B Preferred Shares	24	25
	62	63

b. Retained Earnings

Declaration of Cash Dividends

On various dates in 2018, 2019 and 2020, the Parent Company's BOD approved the declaration of cash dividends for common and preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2018				
Common	P0.15000	March 13, 2018	March 27, 2018	April 18, 2018
Series 2A	15.75000	March 13, 2018	April 12, 2018	May 3, 2018
Series 2B	17.14575	March 13, 2018	April 12, 2018	May 3, 2018
Series 2A	15.75000	March 13, 2018	July 16, 2018	August 3, 2018
Series 2B	17.14575	March 13, 2018	July 16, 2018	August 3, 2018
Series 2A	15.75000	August 7, 2018	October 10, 2018	November 5, 2018
Series 2B	17.14575	August 7, 2018	October 10, 2018	November 5, 2018
Series 2A	15.75000	August 7, 2018	January 11, 2019	February 4, 2019
Series 2B	17.14575	August 7, 2018	January 11, 2019	February 4, 2019
2019				
Common	P0.10000	March 12, 2019	March 27, 2019	April 11, 2019
Series 2A	15.75000	March 12, 2019	April 4, 2019	May 3, 2019
Series 2B	17.14575	March 12, 2019	April 4, 2019	May 3, 2019
Series 2A	15.75000	March 12, 2019	July 12, 2019	August 5, 2019
Series 2B	17.14575	March 12, 2019	July 12, 2019	August 5, 2019
Series 2A	15.75000	August 6, 2019	October 11, 2019	November 4, 2019
Series 2B	17.14575	August 6, 2019	October 11, 2019	November 4, 2019
Series 3A	17.17825	August 6, 2019	September 2, 2019	September 25, 2019
Series 3B	17.84575	August 6, 2019	September 2, 2019	September 25, 2019
Series 3A	17.17825	November 5, 2019	December 2, 2019	December 26, 2019
Series 3B	17.84575	November 5, 2019	December 2, 2019	December 26, 2019
Series 2B	17.14575	November 5, 2019	January 14, 2020	February 3, 2020
Series 3A	17.17825	November 5, 2019	March 2, 2020	March 25, 2020
Series 3B	17.84575	November 5, 2019	March 2, 2020	March 25, 2020
2020				
Common	P0.10000	March 10, 2020	March 24, 2020	April 8, 2020
Series 2B	17.14575	March 10, 2020	April 7, 2020	May 4, 2020
Series 3A	17.17825	March 10, 2020	June 1, 2020	June 25, 2020
Series 3B	17.84575	March 10, 2020	June 1, 2020	June 25, 2020
Series 2B	17.14575	May 26, 2020	July 9, 2020	August 3, 2020
Series 3A	17.17825	May 26, 2020	September 2, 2020	September 25, 2020
Series 3B	17.84575	May 26, 2020	September 2, 2020	September 25, 2020
Series 2B	17.14575	August 4, 2020	October 9, 2020	November 3, 2020
Series 3A	17.17825	August 4, 2020	December 2, 2020	December 28, 2020
Series 3B	17.84575	August 4, 2020	December 2, 2020	December 28, 2020
Series 2B	17.14575	November 3, 2020	January 8, 2021	February 3, 2021
Series 3A	17.17825	November 3, 2020	March 2, 2021	March 25, 2021
Series 3B	17.84575	November 3, 2020	March 2, 2021	March 25, 2021

Total cash dividends declared by the Parent Company amounted to P2,515 both in 2020 and 2019 and P2,052 in 2018.

Appropriation for Capital Projects

On May 5, 2016, the Parent Company's BOD approved the reversal of P25,000 appropriation for the Parent Company's RMP-2 and the re-appropriation of retained earnings amounting to P15,000 for capital projects in 2016 and 2017 which are expected to be completed within five years from the date of the approval.

On August 23, 2016, LLCDC's BOD approved the reversal of appropriation made in 2010 amounting to P5 (P3 - attributable to non-controlling interest) which was aimed to fund its construction management service. On September 29, 2015, NVRC's BOD approved the appropriation of retained earnings of P200 (P120 - attributable to non-controlling interest) and on December 20, 2016, an additional appropriation of P200 (P120 - attributable to non-controlling interest) was approved, both for the programmed lot acquisitions which are expected to be completed in 2019.

On October 16, 2019, the BOD of NVRC authorized and approved the reversal of P400 appropriation following a change in the property acquisition plans of NVRC.

The appropriated retained earnings attributable to the equity holders of the Parent Company as of December 31, 2020 and 2019 amounted to P15,000.

- c. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries, joint ventures and an associate amounting to P26,345, P28,791 and P26,800 as of December 31, 2020, 2019 and 2018, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.
- d. Equity reserves comprise of the following:

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

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

	2020	2019	2018
Balance at beginning of year	(P12,195)	(P11,091)	(P3,025)
Net loss on cash flow hedges, net of tax	(393)	(145)	(77)
Changes in fair value of investment in debt instruments	464	10	(8)
Cumulative translation adjustment	(1,109)	(969)	1,231
Share in other comprehensive loss of a joint venture	10	-	-
Redemption of USCS	-	-	(9,223)
Changes in ownership interests in subsidiaries	-	-	11
Balance at end of year	(P13,223)	(P12,195)	(P11,091)

- e. USCS

In February 2013, the Parent Company issued US\$500 million USCS at an issue price of 100% ("Original Securities"). In March 2013, the Parent Company issued under the same terms and conditions of the Original Securities an additional US\$250 million at a price of 104.25% ("New Securities"). The New Securities constituted a further issuance of, were fungible with, and were consolidated and formed a single series with the Original Securities (the "Original Securities" and, together with the "New Securities", the "Securities"). Proceeds were applied by the Parent Company for capital and other expenditures of RMP-2 as well as for general corporate purposes.

The Securities were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, each sale of the Securities was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the Securities Regulation Code was required to be filed with the SEC. In compliance with the amended rules of the SRC, notices of exemption for the issuances of the Securities were filed with the SEC on February 12, 2013 for the Original Securities and on March 19, 2013 for the New Securities.

Holders of the Securities are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 7.5% per annum, subject to a step-up rate. The Parent Company has a right to defer this distribution under certain conditions.

The Securities have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid or deferred distributions at the Parent Company's option on or after August 6, 2018 or on any distribution payment date thereafter or upon the occurrence of certain events.

On January 8, 2018, the Parent Company announced a tender offer to holders of its US\$750 million USCS with expiration deadline on January 16, 2018. Tenders amounting to US\$402 million (P21,309) were accepted by the Parent Company and settled on January 22, 2018. The USCS purchased pursuant to the tender offer were cancelled. Accrued distributions and premiums paid related to the redemption amounted to US\$13.901 million (P1,010) and US\$12.059 million (P876), respectively. On August 6, 2018, the Parent Company redeemed the remaining US\$348 million (P18,460) of the US\$750 million USCS. The difference in the settlement amount and the carrying amount of USCS in 2018 was recognized as part of "Equity reserves" account in the consolidated statements of financial position.

Payments of distributions pertaining to USCS were made on the following dates: US\$13.901 million on January 22, 2018 (P1,010); and US\$13.052 million each on February 5, 2018 (P963) and August 6, 2018 (P988).

f. SPCS

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

The SPCS were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, the sale of SPCS was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the SRC was required to be filed with the SEC.

Holders of the SPCS are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 4.6% per annum, subject to a step-up rate. The Parent Company has a right to defer the distribution under certain conditions.

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

Payments of distributions pertaining to SPCS were made on the following dates: July 17, 2020 (P814), January 17, 2020 (P834), July 18, 2019 (P838), January 18, 2019 (P859) and July 19, 2018 (P878).

g. RPS

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

Holders of the RPS are conferred a right to receive distributions on a quarterly basis, every February 27, May 27, August 27 and November 27, at the rate of 4.0% per annum. The Parent Company has a right to defer the distribution under certain conditions.

Distributions to holders of the RPS were made on November 27, 2020 (P3), August 27, 2020 (P3), May 27, 2020 (P3) and February 27, 2020 (P3).

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

Payment of distributions pertaining to RPS were made on December 22, 2020 (P56) and September 22, 2020 (P57).

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

Holders of the RPS were paid on November 10, 2020 (P43).

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

22. Cost of Goods Sold

This account consists of:

	<i>Note</i>	2020	2019	2018
Inventories	9	P263,078	P463,028	P498,117
Depreciation and amortization	25	4,802	8,430	8,277
Materials and supplies		2,969	4,099	5,498
Purchased services and utilities		1,567	2,101	2,211
Personnel expenses	24	1,463	1,771	1,979
Others	29, 31	3,441	4,426	6,742
		P277,320	P483,855	P522,824

Distribution or transshipment costs included as part of inventories amounted to P8,290, P11,380 and P10,076 in 2020, 2019 and 2018, respectively.

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

23. Selling and Administrative Expenses

This account consists of:

	Note	2020	2019	2018
Depreciation and amortization	25	P4,688	P4,815	P3,266
Purchased services and utilities		3,988	4,597	4,457
Personnel expenses	24	3,103	3,318	4,092
Maintenance and repairs		1,177	1,342	1,285
Taxes and licenses		340	360	368
Materials and office supplies		422	528	605
Advertising		421	696	746
Rent	2, 29	130	38	1,753
Impairment losses on trade and other receivables	4, 8	67	35	261
Others	9	53	86	148
		P14,389	P15,815	P16,981

Selling and administrative expenses include research and development costs amounting to P66, P76 and P86 in 2020, 2019 and 2018, respectively (Note 9).

24. Personnel Expenses

This account consists of:

	Note	2020	2019	2018
Salaries, wages and other employee costs	28	P4,194	P4,919	P5,446
Retirement benefits costs - defined benefit plan	28, 30	289	70	523
Retirement benefits costs - defined contribution plan	28	83	100	102
		P4,566	P5,089	P6,071

The above amounts are distributed as follows:

	Note	2020	2019	2018
Costs of goods sold	22	P1,463	P1,771	P1,979
Selling and administrative expenses	23	3,103	3,318	4,092
		P4,566	P5,089	P6,071

25. Depreciation and Amortization

This account consists of:

	Note	2020	2019	2018
Cost of goods sold:				
Property, plant and equipment	10	P4,363	P8,081	P7,693
Right-of-use assets	11	178	107	-
Other assets	14	261	242	584
	22	4,802	8,430	8,277
Selling and administrative expenses:				
Property, plant and equipment	10	P2,168	2,254	2,225
Right-of-use assets	11	490	595	-
Investment property	12	1,944	1,883	699
Intangible assets and others	14	86	83	342
	23	4,688	4,815	3,266
	37	P9,490	P13,245	P11,543

26. Interest Expense and Other Financing Charges, Interest Income and Other Income (Expenses)

This account consists of:

	Note	2020	2019	2018
Interest expense and other financing charges:				
Long-term debt	18	P5,080	P6,423	P4,867
Short-term loans	15	3,244	4,032	3,165
Bank charges		729	920	1,133
Amortization of debt issue costs	18	598	449	331
Accretion on ARO	19	77	98	189
Accretion on lease liability	29	1,115	1,165	-
Product borrowings		218	65	-
Defined benefit obligation	30	241	335	-
Others		11	3	4
	37	P11,313	P13,490	P9,689
Interest income:				
Advances to related parties	28	P94	P113	P212
Short-term placements	5	507	953	416
Investments in debt instruments	7	18	18	24
Trade receivables	8	44	40	47
Cash in banks	5	17	7	7
Plan assets	30	100	209	-
	37	P780	P1,340	P706

Forward

	Note	2020	2019	2018
Other income (expenses) - net:				
Foreign currency gains (losses) - net	34	P2,363	P2,609	(P3,476)
Changes in fair value of financial assets at FVPL	6	(9)	30	84
Hedging gains (losses) - net		(1,121)	(1,783)	218
Marked-to-market gains (losses) - net	35	(2,428)	(1,926)	4,326
Others - net		146	758	(635)
		(P1,049)	(P312)	P517

The Group recognized its share in the net income (loss) of PDSI amounting to nil, P0.12 and (P1) in 2020, 2019 and 2018, respectively, and its share in the net income of TBSB amounting to P4.16 in 2020, P1.69 in 2019, and P4 in 2018. These were recorded as part of "Others - net" under "Other income (expenses) - net" account in the consolidated statements of income. Bank charges amounting to P5 was capitalized as part of property, plant and equipment in 2020 while P2 in 2019 and nil in 2018 (Note 10).

Also included in "Others - net" were the following: (i) rental income amounting to P63 each in 2020, 2019 and 2018 (Note 29); (ii) impairment losses on other receivables of POMSB amounting to P259 (net of P3 currency translation adjustment) in 2019 and interest income of P20 (Notes 8 and 39); (iii) gain on sale of fixed asset amounting to P95 in 2020; (iv) other income due to rent concession amounting to P23 in 2020.

27. Income Taxes

Deferred tax assets and liabilities are from the following:

2020

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P2,157	(P153)	P191	P -	P2,195
Rental	1,364	225	-	-	1,589
NOLCO	1,286	7,561	-	-	8,847
Various allowances, accruals and others	789	66	-	13	868
Inventory differential	649	(576)	-	-	73
MCIT	491	-	-	-	491
ARO	278	20	-	-	298
Unutilized tax losses	237	121	-	-	358
Fair market value adjustments on business combination	(30)	2	-	-	(28)
Unrealized foreign exchange gains - net	(158)	(826)	-	-	(984)
Unrealized fair value losses (gains) on financial assets at FVOCI	-	30	(30)	-	-
Capitalized taxes and duties on inventories deducted in advance	(1,402)	168	-	-	(1,234)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(4,609)	302	-	-	(4,307)
Excess of double-declining over straight-line method of depreciation and amortization	(7,138)	(1,922)	-	-	(9,060)
	(P6,086)	P5,018	P161	P13	(P894)

2019

	January 1	Adjustment Due to Adoption of PFRS 16	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P1,617	P -	(P243)	P751	P -	P2,125
Rental	192	771	401	-	-	1,364
NOLCO	-	-	1,286	-	-	1,286
Various allowances, accruals and others	1,085	-	(332)	-	9	762
Inventory differential	(150)	-	799	-	-	649
MCIT	-	-	491	-	-	491
ARO	415	-	(137)	-	-	278
Unutilized tax losses	-	-	237	-	-	237
Fair market value adjustments on business combination	(32)	-	2	59	-	29
Unrealized foreign exchange gains - net	523	-	(681)	-	-	(158)
Unrealized fair value losses (gains) on financial assets at FVOCI	-	-	1	(1)	-	-
Capitalized taxes and duties on inventories deducted in advance	(863)	-	(539)	-	-	(1,402)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(4,818)	-	209	-	-	(P4,609)
Excess of double-declining over straight-line method of depreciation and amortization	(6,162)	-	(976)	-	-	(7,138)
	(P8,193)	P771	P518	P809	P9	(P6,086)

2018

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P1,337	P -	P339	P -	P1,676
Rental	188	4	-	-	192
NOLCO	-	-	-	-	-
Various allowances, accruals and others	1,116	(65)	3	(61)	993
Inventory differential	199	(349)	-	-	(150)
MCIT	-	-	-	-	-
ARO	487	(72)	-	-	415
Unutilized tax losses	220	(220)	-	-	-
Fair market value adjustments on business combination	(33)	1	-	-	(32)
Unrealized foreign exchange gains - net	(264)	787	33	-	556
Unrealized fair value losses (gains) on financial assets at FVOCI	-	-	-	-	-
Capitalized taxes and duties on inventories deducted in advance	(288)	(575)	-	-	(863)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(5,140)	322	-	-	(4,818)
Excess of double-declining over straight-line method of depreciation and amortization	(5,012)	(1,150)	-	-	(6,162)
	(P7,190)	(P1,317)	P375	(P61)	(P8,193)

The above amounts are reported in the consolidated statements of financial position as follows:

	2020	2019
Deferred tax assets - net	P2,190	P262
Deferred tax liabilities - net	(3,084)	(6,348)
	(P894)	(P6,086)

Net deferred taxes of individual companies are not allowed to be offset against net deferred tax liabilities of other companies, or vice versa, for purposes of consolidation.

The components of income tax expense are shown below:

	2020	2019	2018
Current	P220	P1,952	P2,069
Deferred	(5,018)	(518)	1,317
	(P4,798)	P1,434	P3,386

As of December 31, 2020, the NOLCO and MCIT of the Parent Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2019	December 31, 2022	P4,286	P491
2020	December 31, 2025	25,205	-
		P29,491	P491

A reconciliation of tax on the pretax income computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	Note	2020	2019	2018
Statutory income tax rate		30.00%	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:				
Income subject to Income Tax Holiday (ITH)	36	-	-	(5.14%)
Interest income subjected to lower final tax		0.14%	(1.84%)	(0.57%)
Nontaxable income		0.33%	(17.27%)	(11.13%)
Nondeductible expense		1.49%	4.27%	1.32%
Nondeductible interest expense		(0.05%)	0.61%	0.20%
Changes in fair value of financial assets at FVPL	26	-	(0.24%)	(0.24%)
Excess of optional standard deduction over deductible expenses		0.07%	(0.32%)	(0.10%)
Others, mainly income subject to different tax rates		(2.38%)	23.14%	18.04%
Effective income tax rate		29.60%	38.35%	32.38%

OSD

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or OSD equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made (Note 4).

28. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint ventures and SMC and its subsidiaries in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the years ended December 31 follow:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	8, 30, a	2020	P93	P -	P1,562	P -	On demand;	Unsecured;
		2019	113	-	1,971	-	long-term;	no impairment
		2018	211	-	2,399	-	interest bearing	
Intermediate Parent	b, e, g, h	2020	7	174	11	251	On demand;	Unsecured;
		2019	13	228	8	95	non-interest bearing	no impairment
		2018	12	1,026	7	25		
Under Common Control	14, b, c, d, g, h, i, j	2020	4,764	4,445	1,157	1,918	On demand;	Unsecured;
		2019	6,246	4,904	1,296	2,015	non-interest bearing	no impairment
		2018	6,523	4,904	2,097	889		
Joint Ventures	c, f, g, h	2020	-	-	4	-	On demand;	Unsecured;
		2019	-	52	1	-	non-interest bearing	no impairment
		2018	7	59	1	-		
		2020	P4,864	P4,619	P2,734	P2,169		
		2019	P6,372	P5,184	P3,276	P2,110		
		2018	P6,753	P5,989	P4,504	P914		

- As of December 31, 2020 and 2019, the Parent Company has interest bearing advances to PCERP, included as part of "Trade and other receivables - net" in the consolidated statements of financial position, for some investment opportunities (Notes 8 and 30).
- Sales relate to the Parent Company's supply agreements with the Intermediate Parent, various SMC subsidiaries, and an associate. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.
- Purchases relate to purchase of goods and services such as power, construction, information technology, shipping and terminalling from a joint venture and various SMC subsidiaries.
- The Parent Company entered into a lease agreement with San Miguel Properties, Inc. for its office space covering 6,852 square meters with a monthly rate of P6. The lease, which commenced on June 1, 2018, is for a period of one year and was subsequently renewed on a yearly basis in accordance with the written agreement of the parties.

- e. The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.
- f. TBSB, an operator of LPG bottling plant, provides bottling services to PFISB and another venturer.
- g. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.
- h. Amounts owed to related parties consist of trade and non-trade payables.
- i. In 2015, NVRC leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.
- j. All of the 51,000 shares of MNHPI representing 0.17% interest was sold to a related party at a gain recognized as part of "Others - net" (Note 26).
- k. The compensation and benefits of key management personnel of the Group, by benefit type, included in the "Personnel expenses" account as follows (Note 24):

	2020	2019	2018
Salaries and other short-term employee benefits	P752	P756	P998
Retirement benefits costs - defined benefit plan	26	29	135
Retirement benefits costs - defined contribution plan	29	27	35
	P807	P812	P1,168

29. Lease Commitments

Group as Lessee

The Group entered into commercial leases on office space, buildings, machinery and equipment, service stations and certain parcels of land for its refinery and service stations (Note 11, 12 and 31). These leases' life ranges from one to 999 years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The lease agreements include upward escalation adjustments of the annual rental rates.

Amounts recognized in profit or loss:

	Note	2020	2019
Interest on lease liabilities	11	P1,115	P1,165
Income from sub-leasing		(1,054)	(1,395)
Income from rent concession	23	(23)	-
Expenses relating to the variable portion of lease payments		3	7
Expenses relating to short-term leases		251	62
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		13	32
		P305	(P129)

Rent expense amounting to P13 is included in cost of goods sold - others (Note 22). Interest expense amounting to P85 was capitalized as part of property, plant and equipment in 2020, P58 in 2019 while nil in 2018 (Note 10).

Amounts recognized in consolidated statements of cashflows:

	Note	2020	2019
Interest paid under operating activities	26	P344	P1,165
Principal lease payments under financing activities	33	2,361	1,128

Group as Lessor - Operating Lease

The Group has entered into lease agreements on its service stations and other related structures. The non-cancellable leases have remaining terms of between three to ten years. All leases include a clause to enable upward escalation adjustment of the annual rental rates.

The following table sets out a maturity analysis of lease payments, showing undiscounted lease payments to be received after the reporting period.

	2020	2019
Less than one year	P794	P1,304
One to two years	614	908
Two to three years	610	641
Three to four years	577	485
Four to five years	532	499
More than five years	9,286	7,562
	P12,413	P11,399

Rent income recognized in profit or loss amounted to:

	Note	2020	2019	2018
Other operating income		P1,047	P1,507	P1,340
Others - net	26	63	63	63
		P1,110	P1,570	P1,403

30. Retirement Plan

The succeeding tables summarize the components of net retirement benefits costs (income) under defined benefit retirement plans recognized in consolidated statements of income and the funding status and amounts of retirement plans recognized in the consolidated statements of financial position. The Parent Company has a funded, noncontributory, defined benefit retirement plan while several subsidiaries have unfunded, noncontributory, defined benefit retirement plans. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is as of December 31, 2020. Valuations are obtained on a periodic basis.

The Parent Company's Retirement Plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act (RA) No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT), as appointed by the BOD of the Parent Company. The BOT of the retirement plan, who exercise voting rights over the shares and approve material transactions, are also officers of the Parent Company, while one of the BOT is also a BOD. The retirement plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Present Value of Defined Benefit Obligation			Fair Value of Plan Assets			Net Defined Benefit Retirement Asset (Liability)		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Balance at beginning of year	(P4,738)	(P5,779)	(P5,872)	P1,083	P3,279	P883	(P3,655)	(P2,500)	(P4,989)
Recognized in Profit or Loss									
Current service cost	(289)	(370)	(337)	-	-	-	(289)	(370)	(337)
Past service cost - curtailment**	-	435	-	-	-	-	-	435	-
Interest expense*	(241)	(335)	(333)	-	-	-	(241)	(335)	(333)
Interest income*	-	-	-	100	209	147	100	209	147
Settlement loss**	-	(135)	-	-	-	-	-	(135)	-
	(530)	(405)	(670)	100	209	147	(430)	(196)	(523)
Recognized in Other Comprehensive Income									
Remeasurements:									
Actuarial gains (losses) arising from:									
Experience adjustments	(64)	(592)	(592)	-	-	-	(64)	(592)	(592)
Changes in financial assumptions	(64)	(54)	584	-	-	-	(64)	(54)	584
Changes in demographic assumptions	138	137	17	-	-	-	138	137	17
Return on plan asset excluding interest	-	-	-	(641)	(2,022)	(1,142)	(641)	(2,022)	(1,142)
	10	(509)	9	(641)	(2,022)	(1,142)	(631)	(2,531)	(1,133)
Others									
Benefits paid	357	1,934	777	(301)	(1,861)	(677)	56	73	100
Contributions	-	-	-	815	1,478	4,068	815	1,478	4,068
Translation adjustment	37	21	(23)	-	-	-	37	21	(23)
	394	1,955	754	514	(383)	3,391	908	1,572	4,145
Balance at end of year	(P4,864)	(P4,738)	(P5,779)	P1,056	P1,083	P3,279	(P3,808)	(P3,655)	(P2,500)

*Starting 2019, interest expense on defined benefit obligation and interest income on plan assets are presented as part of Interest Expense and Other Financing Charges, and Interest Income, respectively (Note 26).

**The significant reduction in the Parent Company's headcount resulted in non-routine benefit payments during the year. This led to the recognition of settlement loss and curtailment of past service cost in 2019.

The above net defined benefit retirement liability was recognized in the consolidated statements of financial position as follows:

	Note	2020	2019
Trade and other payables	17	P103	P90
Retirement benefits liability (noncurrent portion)		3,705	3,565
		P3,808	P3,655

Retirement benefits costs recognized in the consolidated statements of income by the Parent Company amounted to P214, (P40) and P410 in 2020, 2019 and 2018, respectively.

Retirement benefits costs recognized in the consolidated statements of income by the subsidiaries amounted to P75, P110 and P113 in 2020, 2019 and 2018, respectively.

The carrying amounts of the Parent Company's retirement fund approximate fair values as of December 31, 2020 and 2019.

Plan assets consist of the following:

	2020	2019
Shares of stock:		
Quoted	76%	76%
Unquoted	11%	9%
Government securities	8%	9%
Cash and cash equivalents	2%	5%
Others	3%	1%
	100%	100%

Investment in Shares of Stock. As of December 31, 2020 and 2019, the Group's plan assets include 459,156,097 common shares of Petron with fair market value per share of P3.99 in 2020 and P3.86 in 2019, and 14,250,900 common shares of SMC with fair market value per share of P128.10 in 2020 and P164.00 in 2019.

The Parent Company's plan recognized a loss on the investment in marketable securities of Petron and SMC amounting to P451, P1,780 and P675 in 2020, 2019 and 2018, respectively, mainly as a result of marked-to-market remeasurements.

Dividend income from the investment in shares of stock of Petron and SMC amounted to P66 in 2020 P73 in 2019 and P122 in 2018.

On December 18, 2018, out of the plan's 731,156,097 investment in common shares of Petron, 272,000,000 shares were sold to SMC Retirement Plan (SMCRP) for a total consideration of P2,350. Accordingly, the plan recognized loss on sale of investment amounting to P147.

Investment in trust account represents funds entrusted to financial institutions for the purpose of maximizing the yield on investible funds.

Others include receivables which earn interest. These include the uncollected balance as of December 31, 2020 of the plan's sale of investment in common shares of Petron to SMC Retirement Plan in 2018.

In 2019, the Parent Company's plan has fully withdrawn its investments in pooled funds and Petron bonds.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Parent Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Parent Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Parent Company expects to contribute P553 to its defined benefit retirement plan in 2021.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

The retirement plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risk. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2020	2019	2018
Discount rate	3.95% to 5.00%	5.22% to 5.73%	5.50% to 7.48%
Future salary increases	4.00% to 5.75%	5.00% to 6.50%	5.00% to 7.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit obligation is from 6 to 18 years as of December 31, 2020 and 2019.

The reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit assets/liabilities by the amounts below:

2020	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P319)	P339
Salary increase rate	138	(124)

2019	Defined Benefit Liabilities	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P209)	P239
Salary increase rate	237	(211)

The Parent Company has advances to PCERP amounting to P1,562 and P1,971 as of December 31, 2020 and 2019, respectively, included as part of "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 28). The advances are subject to interest of 5% in 2020 and 2019 (Note 28).

In 2020 and in 2019, portion of the Parent Company's interest bearing advances to PCERP were converted into contribution to the retirement plan (Note 28).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2020 and 2019 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Parent Company has not recognized any impairment losses relating to the receivables from retirement plan for the years ended December 31, 2020 and 2019.

31. Significant Agreements

Supply Agreements. The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), based on the latter's standard Far East selling prices and Kuwait Petroleum Corporation (KPC) to purchase Kuwait Export Crude Oil (KEC) at pricing based on latter's standard KEC prices. The contract with Saudi Aramco is from November 1, 2013 to December 31, 2014 while the contract with KPC is from January 1, 2015 to December 31, 2015, both with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice.

PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with ARC Energy. On the average, around 73% of crude and condensate volume processed are from EMEPMI with balance of around 27% from spot purchases.

Outstanding liabilities of the Group for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the consolidated statements of financial position as of December 31, 2020 and 2019 (Note 16).

Toll Service Agreement with Innospec Limited (Innospec). PFC entered into an agreement with Innospec, a leading global fuel additives supplier, in December 2006. Under the agreement, PFC shall be the exclusive toll blender of Innospec's fuel additives sold in the Asia-Pacific region consisting of the following territories: South Korea, China, Taiwan, Singapore, Cambodia, Japan and Malaysia.

PFC will provide the tolling services which include storage, blending, filing and logistics management. In consideration of these services, Innospec will pay PFC a service fee based on the total volume of products blended at PFC Fuel Additives Blending facility.

Tolling services started in 2008 on which PFC recognized revenue amounting to P97, P113 and P109 in 2020, 2019 and 2018, respectively.

Lease Agreements with Philippine National Oil Company (PNOC). On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P138, starting 2012, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2013 until the next re-appraisal is conducted. The leased premises shall be reappraised in 2017 and every fifth year thereafter in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as at December 31, 2020 and 2019, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 39).

32. Basic and Diluted Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share amounts are computed as follows:

	2020	2019	2018
Net income (loss) attributable to equity holders of the Parent Company	(P11,380)	P1,701	P6,218
Dividends on preferred shares for the year	(1,578)	(1,578)	(646)
Distributions to the holders of capital securities	(1,816)	(1,697)	(2,971)
Net income (loss) attributable to common shareholders of the Parent Company (a)	(P14,774)	(P1,574)	P2,601
Weighted average number of common shares outstanding (in millions) (b)	9,375	9,375	9,375
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	(P1.58)	(P0.17)	P0.28

As of December 31, 2020, 2019 and 2018, the Parent Company has no potential dilutive debt or equity instruments.

33. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

- a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2020	2019	2018
Decrease (increase) in assets:			
Trade and other receivables	P16,401	(P2,977)	(P6,523)
Inventories	27,456	(8,569)	(7,161)
Other assets	(2,260)	7,940	(5,049)
Increase (decrease) in liabilities:			
Liabilities for crude oil and petroleum products	(16,216)	14,859	(14,071)
Trade and other payables and others	(12,943)	1,059	16,597
	12,438	12,312	(16,207)
Additional allowance for (net reversal of) impairment of receivables, inventory decline and/or obsolescence, and others	(407)	(465)	591
	P12,031	P11,847	(P15,616)

- b. Changes in liabilities arising from financing activities:

	Dividends Payable	Lease Liabilities	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2020	P496	P15,749	P71,090	P133,077	P220,412
Changes from financing cash flows:					
Payment of principal	-	(2,361)	-	-	(2,361)
Proceeds from availment of loans	-	-	132,782	18,626	151,408
Payments of loans	-	-	(126,034)	(29,570)	(155,604)
Dividends and distributions declared	4,432	-	-	-	4,432
Dividends and distributions paid	(4,423)	-	-	-	(4,423)
Total changes from financing cash flows	9	(2,361)	6,748	(10,944)	(6,548)
New leases	-	1,689	-	-	1,689
Interest expense	-	1,115	-	-	1,115
Interest paid	-	(344)	-	-	(344)
Effects of changes in foreign exchange rates	-	(44)	5	(3,282)	(3,321)
Other charges	-	-	(139)	603	464
Balance as of December 31, 2020	P505	P15,804	P77,704	P119,454	P213,467

	Dividends Payable	Lease Liabilities	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2019	P206	P -	P82,997	P118,000	P201,203
Adjustment due to adoption of PFRS 16	-	15,399	-	-	15,399
Balance as of January 1, 2019, as adjusted	206	15,399	82,997	118,000	216,602
Changes from financing cash flows:					
Payment of principal	-	(1,128)	-	-	(1,128)
Proceeds from availment of loans	-	-	345,984	40,891	386,875
Payments of loans	-	-	(357,851)	(23,707)	(381,558)
Dividends and distributions declared	4,390	-	-	-	4,390
Dividends and distributions paid	(4,100)	-	-	-	(4,100)
Total changes from financing cash flows	290	(1,128)	(11,867)	17,184	4,479
New leases	-	1,517	-	-	1,517
Interest expense	-	1,165	-	-	1,165
Interest paid	-	(1,165)	-	-	(1,165)
Effects of changes in foreign exchange rates	-	(39)	86	(2,558)	(2,511)
Other charges	-	-	(126)	451	325
Balance as of December 31, 2019	P496	P15,749	P71,090	P133,077	P220,412

34. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents, debt and equity securities, bank loans and derivative instruments. The main purpose of bank loans is to finance working capital relating to importation of crude and petroleum products, as well as to partly fund capital expenditures. The Group has other financial assets and liabilities such as trade and other receivables and trade and other payables, which are generated directly from its operations.

It is the Group's policy not to enter into derivative transactions for speculative purposes. The Group uses hedging instruments to protect its margin on its products from potential price volatility of crude oil and products. It also enters into forward currency and option contracts to hedge its currency exposure on crude oil importations and long-term dollar loan, respectively.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The BOD regularly reviews and approves the policies for managing these financial risks. Details of each of these risks are discussed below, together with the related risk management structure.

Risk Management Structure

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

The Group's risk management process is a bottom-up approach, with each risk owner mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As the Group's operation is an integrated value chain, risks emanate from every process, while some could cut across groups. The results of these activities flow up to the Management Committee and, eventually, the BOD through the Group's annual business planning process.

Oversight and technical assistance is likewise provided by corporate units and committees with special duties. These groups and their functions are:

- a. The Risk and Insurance Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.
- b. The Treasurers Department, which is in charge of foreign currency hedging transactions.
- c. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.
- d. The Corporate Technical and Engineering Services Group, which oversees strict adherence to safety and environmental mandates across all facilities.
- e. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.
- f. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the BOD, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.
- g. PSTPL executes the hedging transactions involving crude and product imports on behalf of the Group.

The BOD also created separate positions and board-level entities with explicit authority and responsibility in managing and monitoring risks, as follows:

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

The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

- b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.
- c. The Compliance Officer, who is a senior officer of the Parent Company reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

Foreign Currency Risk

The Parent Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposures to foreign currency risk arise mainly from US dollar-denominated sales as well as purchases principally of crude oil and petroleum products. As a result of this, the Group maintains a level of US dollar-denominated assets and liabilities during the year. Foreign currency risk occurs due to differences in the levels of US dollar-denominated assets and liabilities.

In addition, starting March 31, 2012, the Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

The Group pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

The Group is allowed to engage in active risk management strategies for a portion of its foreign currency risk exposure. Loss limits are in place, monitored daily and regularly reviewed by management.

The Group assesses the existence of an economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of their respective cash flows. For derivatives designated in a hedging relationship, the Group determines whether the derivatives are expected to be highly effective in offsetting the changes in the cash flows of the hedged item using the cumulative dollar-offset method. The dollar-offset method approximates the changes in the fair value of the hedged item using a hypothetical derivative which mirrors the terms of the derivative used as hedging instrument.

For currency hedges, the Group maintains a 1:1 hedge ratio since a similar amount of hedging instrument is expected to offset the changes in the cash flows of the hedged item. The main sources of ineffectiveness are:

- a. the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the exchange rates; and
- b. changes in the timing of the hedged transactions.

The Group is exposed to foreign currency risk of its short-term loans and US dollar-denominated sales and purchases. On the other hand, both foreign currency and interest rate risks arise in the Group's long-term debts. The Group determined that foreign currency risk is a separately identifiable and measurable risk component eligible for designation since it is caused by fluctuations in US dollar to Philippine peso exchange rates and benchmark closing prices used to measure the fluctuations are available in the market.

Information on the Group's US dollar-denominated financial assets and liabilities and their Philippine peso equivalents are as follows:

	2020		2019	
	US Dollar (in millions)	Phil. Peso Equivalent	US Dollar (in millions)	Phil. Peso Equivalent
Assets				
Cash and cash equivalents	455	21,827	491	24,841
Trade and other receivables	137	6,589	264	13,364
Other assets	18	869	13	649
	610	29,285	768	38,854
Liabilities				
Short-term loans	124	5,971	32	1,605
Liabilities for crude oil and petroleum products	434	20,853	743	37,645
Long-term debts (including current maturities)	1,266	60,786	1,454	73,638
Other liabilities	134	6,430	469	23,754
	1,958	94,040	2,698	136,642
Net foreign currency-denominated monetary liabilities	(1,348)	(64,755)	(1,930)	(97,788)

The Group incurred net foreign currency gains (losses) amounting to P2,363, P2,609 and (P3,476) in 2020, 2019 and 2018, respectively (Note 26), which were mainly countered by marked-to-market and realized hedging gains (losses) (Note 26). The foreign currency rates from Philippine peso (PhP) to US dollar (US\$) as of December 31 are shown in the following table:

	Php to US\$
December 31, 2020	48.023
December 31, 2019	50.635
December 31, 2018	52.580

Managing of foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings and equity reserves arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of December 31, 2020 and 2019:

	P1 Decrease in the US dollar Exchange Rate		P1 Increase in the US dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
2020				
Cash and cash equivalents	(P351)	(P349)	P351	P349
Trade and other receivables	(14)	(148)	14	148
Other assets	(5)	(17)	5	17
	(370)	(514)	370	514
Short-term loans	20	118	(20)	(118)
Liabilities for crude oil and petroleum products	262	618	(262)	(618)
Long-term debts (including current maturities)	1,266	886	(1,266)	(886)
Other liabilities	36	123	(36)	(123)
	1,584	1,745	(1,584)	(1,745)
	P1,214	P1,231	(P1,214)	(P1,231)
2019				
Cash and cash equivalents	(P365)	(P381)	P365	P381
Trade and other receivables	(110)	(248)	110	248
Other assets	(8)	(10)	8	10
	(483)	(639)	483	639
Short-term loans	-	32	-	(32)
Liabilities for crude oil and petroleum products	434	1,048	(434)	(1,048)
Long-term debts (including current maturities)	1,454	1,018	(1,454)	(1,018)
Other liabilities	374	357	(374)	(357)
	2,262	2,455	(2,262)	(2,455)
	P1,779	P1,816	(P1,779)	(P1,816)

Exposures to foreign currency rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates mainly to long-term borrowings and investment securities. Investments or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investments or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest costs by using a combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rates and ensures that the marked-up rates levied on its borrowings are most favorable and benchmarked against the interest rates charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings prior to deployment of funds to their intended use in operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term volatility on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated statements of income.

Managing interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity through the retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported consolidated statements of income, if any.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P538 and P736 in 2020 and 2019, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table. As of December 31, 2020 and 2019, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

2020	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P19,268	P6,893	P10,393	P16,057	P7,425	P -	P60,036
Interest rate	4.0% - 5.8%	4.6% - 5.8%	4.5% - 5.5%	4.6% - 7.8%	4.6% - 8.1%		
Floating Rate							
US\$ denominated (expressed in Php)	12,294	17,837	18,180	5,489	-	-	53,800
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin			
JP¥ denominated (expressed in Php)	-	1,996	1,996	1,996	998	-	6,986
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin			
	P31,562	P26,726	P30,569	P23,542	P8,423	P -	P120,822

*The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.

2019	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P5,643	P18,643	P5,643	P9,143	P14,807	P6,800	P60,679
Interest rate	5.5% - 5.8%	4.0% - 5.8%	5.5% - 5.8%	4.5% - 5.5%	5.5% - 7.8%	8.1%	-
Floating Rate							
US\$ denominated (expressed in Php)	11,429	26,041	18,807	11,574	5,787	-	73,638
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	-	-
	P17,072	P44,684	P24,450	P20,717	P20,594	P6,800	P134,317

*The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Group regulates and extends credit only to qualified and credit-worthy customers and counterparties, consistent with established Group credit policies, guidelines and credit verification procedures. Requests for credit facilities from trade customers undergo stages of review by Trade Sales and Finance Divisions. Approvals, which are based on amounts of credit lines requested, are vested among line managers and top management that include the President and the Chairman.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the consolidated statements of financial position or in the notes to the consolidated financial statements, as summarized below:

	Note	2020	2019
Cash in banks and cash equivalents	5	P25,970	P32,049
Derivative assets	6	334	746
Investments in debt instruments	7	381	420
Trade and other receivables - net	8	27,195	44,657
Noncurrent deposits	14	121	104
		P54,001	P77,976

Cash and Cash Equivalents, Derivative Assets and Noncurrent Deposits

Cash and cash equivalents, derivative assets and noncurrent deposits are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash and cash equivalents, derivative assets and noncurrent deposits has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents, derivative assets and noncurrent deposits have low credit risk based on the external credit ratings of its counterparties.

Investments in Debt Instruments

The Group limits its exposure to credit risk by investing only in liquid debt instruments and only with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Trade and Other Receivables and Long-Term Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 37.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

Class A “*High Grade*” are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B “*Moderate Grade*” refers to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Class C “*Low Grade*” are accounts with high probability of delinquency and default.

Below is the credit quality profile of the Group’s trade accounts receivable as of December 31, 2020 and 2019:

	Trade Accounts Receivables Per Class			Total
	Class A	Class B	Class C	
December 31, 2020				
Retail	P1,704	P2,277	P370	P4,351
Lubes	535	83	3	621
Gasul	613	111	66	790
Industrial	2,361	4,657	743	7,761
Others	3,464	2,418	899	6,781
	P8,677	P9,546	P2,081	P20,304

	Trade Accounts Receivables Per Class			Total
	Class A	Class B	Class C	
December 31, 2019				
Retail	P1,424	P3,918	P424	P5,766
Lubes	464	84	2	550
Gasul	910	22	62	994
Industrial	8,141	7,645	1,740	17,526
Others	3,672	6,466	1,161	11,299
	P14,611	P18,135	P3,389	P36,135

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables (Note 8). Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P4,784 and P7,921 as of December 31, 2020 and 2019, respectively. These securities may only be called on or applied upon default of customers.

Risk Concentration. The Group’s exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

2020						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash in banks and cash equivalents	P25,970	P -	P -	P -	P -	P25,970
Trade and other receivables	-	27,195	995	-	-	28,190
Derivative assets not designated as cash flow hedge	-	-	-	322	-	322
Derivative assets designated as cash flow hedge	-	-	-	-	12	12
Investments in debt instruments	255	-	-	-	126	381
Long-term receivables - net	-	-	307	-	-	307
Noncurrent deposits	121	-	-	-	-	121
	P26,346	P27,195	P1,302	P322	P138	P55,303

2019						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash in banks and cash equivalents	P32,049	P -	P -	P -	P -	P32,049
Trade and other receivables	-	44,657	942	-	-	45,599
Derivative assets not designated as cash flow hedge	-	-	-	546	-	546
Derivative assets designated as cash flow hedge	-	-	-	-	200	200
Investments in debt instruments	257	-	-	-	163	420
Long-term receivables - net	-	-	318	-	-	318
Noncurrent deposits	104	-	-	-	-	104
	P32,410	P44,657	P1,260	P546	P363	P79,236

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of December 31, 2020 and 2019.

2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P27,053	P27,053	P27,053	P -	P -	P -
Trade and other receivables	27,195	27,195	27,195	-	-	-
Derivative assets (including non-current portion)	334	334	328	6	-	-
Proprietary membership shares	275	275	275	-	-	-
Investments in debt instruments	381	585	381	142	62	-
Noncurrent deposits	121	121	-	-	3	118
Financial Liabilities						
Short-term loans	77,704	77,704	77,704	-	-	-
Liabilities for crude oil and petroleum products	22,320	22,320	22,320	-	-	-
Trade and other payables*	9,402	9,402	9,402	-	-	-
Derivative liabilities (including non-current portion)	1,416	1,416	1,124	201	91	-
Long-term debts (including current maturities)	119,454	133,312	36,690	30,031	66,591	-
Lease liability (including current portion)	15,804	22,406	1,913	1,731	4,735	14,027
Cash bonds	947	947	-	931	15	1
Cylinder deposits	617	617	-	-	-	617
Other noncurrent liabilities**	48	48	-	11	19	18

*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others

**excluding cash bonds, cylinder deposits and derivative liabilities

2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P34,218	P34,218	P34,218	P -	P -	P -
Trade and other receivables	44,657	44,657	44,657	-	-	-
Derivative assets (including non-current portion)	746	746	580	73	93	-
Proprietary membership shares	284	284	284	-	-	-
Investments in debt instruments	420	448	123	152	173	-
Noncurrent deposits	104	104	-	-	3	101
Financial Liabilities						
Short-term loans	71,090	71,466	71,466	-	-	-
Liabilities for crude oil and petroleum products	39,362	39,362	39,362	-	-	-
Trade and other payables*	24,679	24,679	24,679	-	-	-
Derivative liabilities (including non-current portion)	1,075	1,075	738	248	89	-
Long-term debts (including current maturities)	133,077	152,552	23,951	49,232	72,129	7,240
Lease liability (including current portion)	15,749	22,736	1,938	1,747	4,547	14,504
Cash bonds	750	750	-	732	2	16
Cylinder deposits	608	608	-	-	-	608
Other noncurrent liabilities**	53	53	-	24	10	19

*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others

**excluding cash bonds, cylinder deposits and derivative liabilities

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the CRMD is in place. Decisions are guided by the conditions set and approved by the Group's management.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (FVPL and certain debt instruments at FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group's capital management policies and programs aim to provide an optimal capital structure that would ensure the Group's ability to continue as a going concern while at the same time provide adequate returns to the shareholders. As such, it considers the best trade-off between risks associated with debt financing and relatively higher cost of equity funds.

An enterprise resource planning system is used to monitor and forecast the Group's overall financial position. The Group regularly updates its near-term and long-term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Group monitors capital via carrying amount of equity as shown in the consolidated statements of financial position. The Group's capital for the covered reporting period is summarized below:

	2020	2019
Total assets	P349,725	P394,835
Total liabilities	263,530	302,405
Total equity	86,195	92,430
Debt to equity ratio	3.1:1	3.3:1
Assets to equity ratio	4.1:1	4.3:1

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally-imposed capital requirements.

35. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of December 31:

	Note	2020		2019	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	5	P27,053	P27,053	P34,218	P34,218
Trade and other receivables	8	27,195	27,195	44,657	44,657
Investments in debt instruments	7	255	255	257	257
Noncurrent deposits	14	121	121	104	104
FA at amortized cost		54,624	54,624	79,236	79,236
Investments in debt instruments	7	126	126	163	163
Derivative assets designated as cash flow hedge	6	12	12	200	200
FA at FVOCI		138	138	363	363
Financial assets at FVPL	6	275	275	284	284
Derivative assets not designated as cash flow hedge	6, 14	322	322	546	546
FA at FVPL		597	597	830	830
Total financial assets		P55,359	P55,359	P80,429	P80,429

	Note	2020		2019	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities (FL):					
Short-term loans	15	P77,704	P77,704	P71,090	P71,090
Liabilities for crude oil and petroleum products	16	22,320	22,320	39,362	39,362
Trade and other payables*	17	9,402	9,402	24,679	24,679
Long-term debt including current portion	18	119,454	119,454	133,077	133,077
Derivative liabilities designated as cash flow hedge	20	592	592	724	724
Cash bonds	20	947	947	750	750
Cylinder deposits	20	617	617	608	608
Other noncurrent liabilities**	20	47	47	53	53
Other FL		231,083	231,083	270,343	270,343
Derivative liabilities not designated as cash flow hedge		824	824	351	351
Total financial liabilities		P231,907	P231,907	P270,694	P270,694

*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others

**excluding cash bonds, cylinder deposits and derivative liabilities

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Advances to Subsidiaries and a Joint Venture. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of the advances to subsidiaries and a joint venture, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Marked-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties. The fair values of derivative instruments designated as cash flow hedges are computed by discounting the future cash flows and using the valuation model based on applicable market rates of similar instruments.

Financial Assets at FVPL. The fair values of publicly traded instruments and similar investments are based on published market prices.

Long-term Debt - Floating Rate. The carrying amount of floating rate loans with quarterly interest rate repricing approximate their fair value.

Cash Bonds, Cylinder Deposits and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rates used in 2020 and 2019 are 7.45% and 7.57% respectively.

Short-term Loans, Liabilities for Crude Oil and Petroleum Products and Trade and Other Payables. The carrying amount of short-term loans, liabilities for crude oil and petroleum products and trade and other payables approximates fair value due to the relatively short-term maturities of these financial instruments.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges (Note 34).

December 31, 2020	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign Currency Risk				
Call Spread Swaps				
Notional amount	US\$50	US\$50		US\$100
Average strike rate	P52.41 to P54.87	P52.41 to P55.02		
Foreign Currency and Interest Rate Risk				
Cross Currency Swap				
Notional amount	US\$20	US\$30	US\$30	US\$80
Average strike rate	P47.00 to 57.00	P47.00 to 56.83	P47.00 to 56.50	
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	4.19% to 5.75%	
Interest Rate Risk				
Interest Rate Collar				
Notional amount	US\$15	US\$30	US\$45	US\$90
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.44% to 1.99%	

December 31, 2019	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign Currency Risk				
Call Spread Swaps				
Notional amount	US\$129	US\$146	US\$73	US\$348
Average strike rate	P52.71 to P55.55	P52.59 to P55.61	P52.59 to P55.75	
Foreign Currency and Interest Rate Risk				
Cross Currency Swap				
Notional amount	US\$20	US\$40	US\$60	US\$120
Average strike rate	P47.00 to P57.50	P47.00 to P57.00	P47.00 to P56.67	
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	4.19% to 5.75%	
Interest Rate Risk				
Interest Rate Collar				
Notional amount		US\$30	US\$75	US\$105
Interest rate		0.44% to 1.99%	0.44% to 1.99%	

The table below summarizes the amounts pertaining to the designated hedged item.

December 31, 2020	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign Currency Risk			
US dollar-denominated loan	P85	P -	(P40)
Foreign Currency and Interest Rate Risks			
US dollar-denominated loan	467	(187)	94
Interest Rate Risks			
US dollar-denominated loan	28	(20)	-

December 31, 2019	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign Currency Risk			
US dollar-denominated loan	P200	P -	(P139)
Foreign Currency and Interest Rate Risks			
US dollar-denominated loan	331	(206)	118
Interest Rate Risks			
US dollar-denominated loan	7	5	-

There are no balances remaining in the hedging reserve from hedging relationship for which hedge accounting is no longer applied.

The table below summarizes the amounts pertaining to the designated hedging instrument as of December 31, 2020 and 2019.

December 31, 2020	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of The Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve to Profit or Loss	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign Currency Risk Call spread swaps	US\$100	P11	P96	Financial assets at fair value, Other noncurrent assets, Derivative liabilities and Other noncurrent liabilities	(P85)	(P23)	P28	P166	Other income (expenses) - net
Foreign Currency and Interest Rate Risks Cross currency swap	US\$80	-	467	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(467)	(234)	129	200	Interest Expense and other financing charges, and Other income (expenses) - net
Interest Rate Risk Interest rate collar	US\$90	-	28	Other noncurrent assets, Derivative liabilities	(28)	(9)	-	9	Interest Expense and other financing charges
December 31, 2019	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of The Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve to Profit or Loss	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Consolidated Statement of Income Affected by the Reclassification
Foreign Currency Risk Call spread swaps	US\$348	P156	P356	Financial assets at fair value, Other noncurrent assets, Derivative liabilities and Other noncurrent liabilities	(P200)	(P344)	P-	P254	Other income (expenses) - net
Foreign Currency and Interest Rate Risks Cross currency swap	120	37	368	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(331)	104	205	65	Interest Expense and other financing charges, and Other income (expenses) - net
Interest Rate Risk Interest rate collar	105	7	-	Other noncurrent assets, Derivative liabilities	7	-	-	-	

No hedging ineffectiveness was recognized in the 2020 and 2019 consolidated statements of income.

The table below provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	December 31, 2020		December 31, 2019	
	Hedging Reserve	Cost of Hedging Reserve	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	(P201)	(P21)	P -	(P77)
Changes in fair value:				
Foreign currency risk	(28)	(23)	-	(344)
Foreign currency risk and interest rate risk	(102)	(234)	(499)	104
Interest rate risk	(35)	(9)	7	-
Amount reclassified to profit or loss:				
Foreign currency risk	28	166	-	254
Foreign currency risk and interest rate risk	129	200	205	65
Interest rate risk	-	9	-	-
Income tax effect	2	(34)	86	(23)
Balance at end of year	(P207)	P54	(P201)	(P21)

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Call Spread Swaps. As of December 31, 2020, the Group has outstanding call spread swaps US\$50 million maturing on June 2021. As of December 31, 2020 and 2019, the net negative fair value of these call spread swaps amounted to P26 and nil, respectively.

Cross Currency Swaps. As of December 31, 2020, the Group has outstanding cross currency swaps with a notional amount US\$20 million maturing on May 2021 and June 2021. As of December 31, 2020 and 2019, the net negative fair value of these cross currency swaps amounted to P96 and nil, respectively.

Interest Rate Collar. As of December 31, 2020, the Group has outstanding interest rate collar with a notional amount US\$15 million maturing on May 2021. As of December 31, 2020 and 2019, the net negative fair value of this interest rate collar amounted to P0.92 and nil in 2019.

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

Currency Forwards. As of December 31, 2020 and 2019, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$395 million and US\$680 million, respectively, and with various maturities in 2021 and 2020. As of December 31, 2020 and 2019, the net negative fair value of these currency forwards amounted to P48 and P160, respectively.

Commodity Swaps. The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2021 and 2020. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. Total outstanding equivalent notional quantity covered by the commodity swaps were 32.8 million barrels and 12.5 million barrels for 2020 and 2019, respectively. The estimated net receipts (payouts) for these transactions amounted to (P754) and P355 as of December 31, 2020 and 2019, respectively.

Commodity Options. As of December 31, 2020 and 2019, the Group has no outstanding 3-way options entered as hedge of forecasted purchases of crude oil.

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

Embedded Derivatives

Embedded foreign currency derivatives exist in certain US dollar-denominated sales and purchases contracts for various fuel products of the Parent Company. Under the sales and purchase contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of December 31, 2020 and 2019, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2020 and 2019, the net positive fair value of these embedded currency forwards is minimal.

For the years ended December 31, 2020, 2019 and 2018, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P2,428), (P1,926) and P4,326, respectively (Note 26).

Fair Value Changes on Derivatives not Designated as Cash Flow Hedge

The net movements in the fair value of derivative transactions in 2020 and 2019 are as follows:

	Note	2020	2019
Fair value at beginning of year		P195	P387
Net changes in fair value during the year	26	(2,428)	(1,926)
Fair value of settled instruments		1,309	1,734
Fair value at end of year		(P924)	P195

Fair Value Hierarchy

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2020 and 2019. The different levels have been defined as follows:

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

	2020	2019
	Level 2	Level 2
Financial Assets:		
FVPL	P275	P284
Derivative assets	334	746
Investments in debt instruments	126	163
Financial Liabilities:		
Derivative liabilities	(1,416)	(1,075)

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2020 and 2019. During the year, there were no transfers between and into and out of Level 1 and Level 2 fair value measurements.

36. Registration with the Board of Investments (BOI) and the Authority of the Freeport Area of Bataan (AFAB)

BOI

RMP-2 Project. On June 3, 2011, the BOI approved the Parent Company's application under RA 8479 as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

- a. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration based on the formula of the ITH rate of exemption.
- b. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.
- c. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.
- d. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.
- e. Exemption from real property tax on production equipment or machinery.
- f. Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operation on January 1, 2016.

Certificate of entitlement has been timely obtained by the Parent Company to support its ITH credits in 2018. On August 19, 2019, the BOI approved the Parent Company's application for the ITH incentive. The approval also covers the claim for income tax exemption in the Parent Company's 2018 Income Tax Return, subject to adjustment, if any, after the completion of the audit by the BIR.

The Parent Company did not avail of the ITH in 2020 and 2019. The RMP-2 entitlement period ended in June 2020.

AFAB

In December 2020, Bataan Refinery was granted approval as a registered enterprise by the AFAB. FAB-registered enterprises are entitled to avail of fiscal incentives under Special Economic Zone Act of 1995 or Omnibus Investment Code of 1987.

37. Segment Information

Management identifies segments based on business and geographic locations. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The CEO (the chief operating decision maker) reviews management reports on a regular basis.

The Group's major sources of revenues are as follows:

- a. Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country.
- b. Insurance premiums from the business and operation of all kinds of insurance and reinsurance, on sea as well as on land, of properties, goods and merchandise, of transportation or conveyance, against fire, earthquake, marine perils, accidents and all others forms and lines of insurance authorized by law, except life insurance.
- c. Lease of acquired real estate properties and equipment for petroleum, refining, storage and distribution facilities, gasoline service stations and other related structures.
- d. Sales on wholesale or retail and operation of service stations, retail outlets, restaurants, convenience stores and the like.
- e. Export sales of various petroleum and non-fuel products to other countries such as China, Taiwan, Cambodia, Malaysia, South Korea, Singapore, USA, Vietnam, Thailand, Indonesia, Bangladesh and UAE.
- f. Sale of polypropylene resins to domestic plastic converters of yarn, film and injection molding grade plastic products.
- g. Provision of technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs.

Revenues are mainly derived from the sale of petroleum products to retail and commercial customers in various geographical locations.

The Group has no significant remaining performance obligations as it mainly recognized revenues in amounts that correspond directly to the value of completed performance obligations.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the years ended December 31, 2020, 2019 and 2018.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2020						
Revenue:						
External sales	P283,885	P -	P1,150	P674	P324	P286,033
Inter-segment sales	86,363	76	415	-	(86,854)	-
Operating income (loss)	(5,401)	53	266	79	375	(4,629)
Net income (loss)	(10,628)	104	155	74	(1,118)	(11,413)
Assets and liabilities:						
Segment assets*	387,619	3,353	9,981	659	(54,077)	347,535
Segment liabilities*	274,483	1,907	4,949	147	(21,040)	260,446
Other segment information:						
Property, plant and equipment	168,289	-	-	109	433	168,831
Depreciation and amortization	9,565	-	9	(90)	6	9,490
Interest expense	11,416	-	316	1	(420)	11,313
Interest income	853	30	232	5	(340)	780
Income tax expense	(4,841)	6	61	8	(32)	(4,798)

*excluding deferred tax assets and liabilities

**revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2019						
Revenue:						
External sales	P511,921	P -	P1,100	P961	P380	P514,362
Inter-segment sales	228,613	102	406	-	(229,121)	-
Operating income	15,579	78	271	132	139	16,199
Net income	5,017	70	140	137	(3,061)	2,303
Assets and liabilities:						
Segment assets*	444,239	4,355	9,901	673	(64,595)	394,573
Segment liabilities*	319,412	2,981	5,046	136	(31,518)	296,057
Other segment information:						
Property, plant and equipment	167,260	-	-	123	558	167,941
Depreciation and amortization	13,326	-	9	(92)	2	13,245
Interest expense	13,647	-	322	2	(481)	13,490
Interest income	1,388	44	240	15	(347)	1,340
Income tax expense	1,346	26	49	15	(2)	1,434

*excluding deferred tax assets and liabilities

**revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others	Total
2018						
Revenue:						
External sales	P554,958	P -	P1,117	P923	P388	P557,386
Inter-segment sales	284,132	116	686	-	(284,934)	-
Operating income	18,117	90	313	89	312	18,921
Net income	11,854	150	97	94	(5,126)	7,069
Assets and liabilities:						
Segment assets*	398,305	1,418	6,730	622	(49,178)	357,897
Segment liabilities*	276,810	231	2,378	115	(16,016)	263,518
Other segment information:						
Property, plant and equipment	163,418	-	-	132	434	163,984
Depreciation and amortization	11,515	-	9	19	-	11,543
Interest expense	9,689	-	154	-	(154)	9,689
Interest income	814	31	5	10	(154)	706
Income tax expense	3,306	22	24	12	22	3,386

*excluding deferred tax assets and liabilities

**revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.

Inter-segment sales transactions amounted to P87,967, P230,220 and P284,934 for the years ended December 31, 2020, 2019 and 2018, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the years ended December 31, 2020, 2019 and 2018

	Retail	Lube	Gasul	Industrial	Others	Total
2020						
Revenue	P149,406	P3,577	P20,259	P57,889	P52,754	P283,885
Property, plant and equipment	9,057	37	258	13	158,924	168,289
Capital expenditures	2,382	1	12	-	22,234	24,629
2019						
Revenue	249,210	4,474	25,745	125,314	107,178	511,921
Property, plant and equipment	9,949	40	303	100	156,868	167,260
Capital expenditures	1,892	2	5	-	14,951	16,850
2018						
Revenue	270,760	4,883	27,810	132,397	119,108	554,958
Property, plant and equipment	12,192	70	499	90	150,567	163,418
Capital expenditures	3,326	6	14	9	8,989	12,344

a. revenues from the use of loaned equipment are presented as part of "Retail", "Gasul" and "Industrial"

b. revenues from provisions of technical support are presented as part of "Retail" and "Industrial"

c. revenues from consumer loyalty program are presented as part of "Others"

Geographical Segments

The following table presents segment assets of the Group as of December 31, 2020 and 2019.

	2020	2019
Local	P282,871	P323,518
International	64,664	71,055
	P347,535	P394,573

Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the years ended December 31, 2020, 2019 and 2018.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2020						
Local	P165,139	P -	P1,565	P674	(P558)	P166,820
Export/international	205,109	76	-	-	(85,972)	119,213
2019						
Local	299,668	60	1,506	961	(750)	301,445
Export/international	440,865	42	-	-	(227,990)	212,917
2018						
Local	311,951	44	1,803	P923	(979)	313,742
Export/international	527,139	72	-	-	(283,567)	243,644

**revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.

38. Events After the Reporting Date

a. Dividend Declaration and Distributions

On January 15, 2021, the Parent Company paid distributions amounting to US\$11.50 million (P789) to the holders of the US\$500 million SPCS.

On February 10, 2021, the Parent Company paid distributions amounting to US\$906.25 thousand (P4) to the holders of the US\$100 million RPS

On February 26, 2020, the Parent Company paid distributions amounting to US\$60 thousand (P3) to the holders of the US\$6 million RPS.

On March 9, 2021, the BOD of the Parent Company approved the declaration of cash dividends for Series 2B and Series 3 preferred shareholders with the following details:

Type	Per Share	Record Date	Payment Date
Series 2B	17.14575	April 7, 2021	May 3, 2021
Series 3A	17.17825	June 2, 2021	June 25, 2021
Series 3B	17.84575	June 2, 2021	June 25, 2021

b. Acquisition of the Treats Convenience Store Business

On February 22, 2021, the Asset Purchase Agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. for the acquisition by the Parent Company of the Treats convenience store business was executed with completion date of March 1, 2021, for an aggregate purchase price of P64.

c. Petrogen's Dividend Declaration to the Parent Company

On October 21, 2020, the BOD of Petrogen declared 25,000 stock dividend in favor of the Parent Company with a total amount of P25 to be issued out of the unissued capital stock of Petrogen by December 31, 2020, subject to the approval by the Insurance Commission (IC). The application for stock dividend declaration was approved by the IC on January 4, 2021. On February 5, 2021, the corresponding stock certificate was issued to the Parent Company.

The Parent Company's ownership interest in Petrogen remains at 100% after the transaction.

d. Deconsolidation of Petrogen from the Parent Company

On December 3, 2020, the BOD of Petrogen approved the increase in its authorized capital stock from P750, divided into 750,000 shares, to P2,250, divided into 2,250,000 shares, with shares at a par value of P1,000 per share. On the same date, the BOD of Petrogen also approved the subscription of SMC to 1,494,973 shares at a book value of about P2,007 per share for an aggregate subscription price of P3,000. Petrogen received on February 8, 2021, the SEC approval on Petrogen's increase in authorized capital stock dated February 4, 2021 and issued 1,494,973 common shares with an aggregate par value of P1,495 to SMC for a total subscription price of P3,000. On March 1, 2021, the corresponding stock certificate was issued to SMC.

As a result, the Parent Company's ownership interest in Petrogen decreased from 100% to 25.06% and Petrogen was deconsolidated from the Parent Company effective February 4, 2021.

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

39. Other Matters

- a. Lease Agreements with PNOC

On October 20, 2017, Petron filed with the RTC of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Parent company.

The subject landholdings 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 Petron of the conveyed lots for its business operation. Thus, PNOC and the Parent company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, the Parent company, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

On December 11, 2017, the trial court granted Parent company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Parent company from possession of the subject properties until the case is decided.

The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. The Parent company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13 2019, the trial court granted the Parent company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent company's of all such properties, and (iii) the payment by the Parent company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent company all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Parent company filed their respective notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. The Parent company filed its appellant's brief in October 2020 while PNOC filed its appellant's brief on November 5, 2020.

The motions for reconsiderations were pending as at March 9, 2021.

b. Swakaya Dispute

In 2015, a disputed trade receivable balance of RM25 (P307) in favor of POMSB was reclassified to long-term receivables.

The dispute arose from the supply by POMSB of diesel to Swakaya. In 2013, POMSB entered into an agreement to supply diesel to Swakaya who subsequently sold the product to an operator of power plants in Sabah. In 2013, due to a government investigation, Swakaya's bank accounts were frozen which affected its ability to supply the power plants. Swakaya and the power plants operator agreed to ask POMSB to supply the power plants operator directly and, correspondingly, pay POMSB directly. Unknown to POMSB, Swakaya had a financing arrangement with Sabah Development Bank (SDB) which obligated the power plants operator to remit to SDB payments due to Swakaya. Due to some administrative issues, the moneys due to POMSB were remitted by power plants operator into a joint Swakaya/SDB Bank account. Despite SDB's earlier promise to remit the moneys to POMSB once it is established that the payment was indeed for a direct supply to the power plants operator, SDB subsequently refused and set off the moneys against Swakaya's debt to the bank. The sum involved was RM25 (P307). POMSB sued Swakaya and SDB before the Kota Kinabalu High Court for, among others, breach of trust. Swakaya did not appear in court and judgment was awarded in favor of POMSB and against Swakaya.

In April 2016, the Kota Kinabalu High Court ruled in favor of POMSB and a judgment sum inclusive of interest amounting to RM28 (P343) was deposited to its solicitor account in August 2016. SDB subsequently filed an appeal to Court of Appeal.

In May 2017, the Court of Appeal re-affirmed the decision of the Kota Kinabalu High Court and dismissed SDB's appeal with costs RM0.015 (P0.20) awarded to POMSB. In June 2017, SDB filed a Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal, which was granted in April 2018. After hearing the appeal, in February 2020, the Federal Court allowed the appeal by SDB and set aside the Court of Appeal's decision. POMSB is preparing to file for a review by the Federal Court (to set aside its own decision).

Considering the length of time of litigation matters, a discount of RM8 (P95) was computed based on the original effective interest rate. Part of the discount, amounting to RM2 (P20) was unwound in 2019 and recognized as interest income.

The balance amounting to RM23 (P282) was provided full impairment in 2019.

As of March 9, 2021, an application for review was filed by POMSB at Federal Court and hearing date has yet to be scheduled.

c. Tax Credit Certificates Related Cases

In 1998, the BIR issued a deficiency excise tax assessment against the Parent Company relating to its use of P659 worth of Tax Credit Certificate ("TCCs") to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to the Parent Company by suppliers as payment for fuel purchases. The Parent Company contested the BIR's assessment before the Court of Tax Appeals (CTA). In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, the Parent Company was a qualified transferee of the TCCs and that the collection of the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals (CA) promulgated a decision in favor of the Parent Company and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to the Parent Company. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CA in its resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court (SC) through a petition for review on certiorari dated December 5, 2012. On July 9, 2018, the SC rendered a decision in favor of the Parent Company denying the petition for review filed by the BIR and affirming the decision of the CA. No motion for reconsideration for such decision relating to the Parent Company was filed by the BIR. The SC issued its Entry of Judgment declaring that its decision dated July 9, 2018 in the Parent Company's favor already attained finality on April 1, 2019. This case could now be considered closed and terminated.

d. Oil Spill Incident in Guimaras

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

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at December 31, 2020. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City (CA). On January 9, 2020, the CA issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far.

e. Effect of COVID-19

The Group, being engaged in the fuel business, has been affected by the implementation of Enhanced Community Quarantine (ECQ) in the National Capital Region and other key cities in the Philippines and Movement Control Order (MCO) in Malaysia. The reduced economic activities and travel restrictions due to lockdowns in many countries significantly affected volumes of both the Philippine and Malaysia operations.

Global oil prices began to plunge in March 2020 as the price war among top oil producing countries was worsened by the demand destruction caused by the COVID-19 pandemic. Dubai crude plunged from US\$64/bbl in January to US\$20/bbl in April, posting record low levels in 26 years, which resulted in successive rollbacks in pump prices and reflected in the nearly P15 billion net inventory loss incurred in the 1st semester of 2020. With Organization of Petroleum Exporting Countries (OPEC) and Russia agreeing to output cuts, recovery in oil prices was also seen in May and June as Dubai crude rose by about \$10/bbl per month, stabilized at around \$44/bbl in the second semester resulting in net inventory gains of almost P5 billion for the Group in the 2nd semester of 2020.

The Group saw optimism after the easing of some restrictions and start of mass vaccinations in Europe and US. With the Philippine and Malaysia governments' efforts to re-open the economy, fuel consumption began to pick up as shown by the gradual improvement in sales volume in the second semester.

The modest gain in second half, however, were not enough to mitigate the substantial losses during the early months of pandemic. The Group's consolidated revenues in 2020 declined by 44% from the previous year to ending the year with a net loss of P11,413.

The extent to which the COVID-19 pandemic impacts the Group will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

f. Philippines Ratified the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE, which seeks to reduce the corporate income tax (CIT) rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

One of the key provisions of the bill that may affect the consolidated financial statements of the Group is an immediate 5% point cut in the CIT rate starting July 2020.

The bill is not considered substantively enacted as of December 31, 2020.

The bicameral committee approved the bill on February 1, 2021.

As at March 9, 2021, the bill is yet to be approved by the President of the Philippines.

Current and deferred taxes are measured using the applicable income tax rates as of December 31, 2020.

g. Other Proceedings

The Group is also a party to certain other proceedings arising out of the ordinary course of its business, including legal proceedings with respect to tax, regulatory and other matters. While the results of litigation cannot be predicted with certainty, management believes that the final outcome of these other proceedings will not have a material adverse effect on the Group's business financial condition or results of operations.

h. The Group has unused letters of credit totaling approximately P14,847 and P21,041 as of December 31, 2020 and 2019, respectively.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						3	1	1	7	1
--	--	--	--	--	--	---	---	---	---	---

COMPANY NAME

P	E	T	R	O	N		C	O	R	P	O	R	A	T	I	O	N		A	N	D							
S	U	B	S	I	D	I	A	R	I	E	S																	

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

S	M	C		H	e	a	d		O	f	f	i	c	e		C	o	m	p	l	e	x						
4	0			S	a	n		M	i	g	u	e	l		A	v	e	n	u	e								
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y													

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

--

Secondary License Type, If Applicable

Certificates of Permit to Offer Securities for Sale dated 1994, 1995, 2010, 2014 and 2019

COMPANY INFORMATION

Company's email Address

contactus@petron.com

Company's Telephone Number/s

8-884-9200

Mobile Number

--

No. of Stockholders

145,041 (as of December 31, 2020)

Annual Meeting (Month / Day)

May 18, 2021

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

MYRNA C. GERONIMO

Email Address

mcgeronimo@petron.com

Telephone Number/s

8-884-9200 loc 49189

Mobile Number

--

CONTACT PERSON'S ADDRESS

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

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation and Subsidiaries (the “Group”) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 19, 2021.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following schedules are the responsibility of the Group’s management:

- Supplementary Schedules of Annex 68-J
- Map of the Conglomerate

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not required parts of the consolidated financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'Darwin P. Virocel', with a long horizontal stroke extending to the left.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8533922

Issued January 4, 2021 at Makati City

March 19, 2021

Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Petron Corporation (the "Company") as at and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated March 19, 2021.

Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information included in the *Reconciliation of Retained Earnings Available for Dividend Declaration* is the responsibility of the Company's management.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'Darwin P. Virocel', written over a horizontal line.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8533922

Issued January 4, 2021 at Makati City

March 19, 2021

Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation and Subsidiaries (the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 19, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533922
Issued January 4, 2021 at Makati City

March 19, 2021
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

PETRON CORPORATION AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020

Statement of Management’s Responsibility for the Consolidated Financial Statements

Report of Independent Auditors on Supplementary Information Filed Separately from the Consolidated Financial Statements

Supplementary Schedules to the Consolidated Financial Statements

Supplementary Schedules of Annex 68 - J	Page No.
A. Financial Assets	NA ^(a)
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	NA ^(b)
C. Amounts Receivable and Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements	1 - 2
D. Long-term Debt	3
E. Indebtedness to Related Parties	NA
F. Guarantees of Securities of Other Issuers	NA
G. Capital Stock	4

^(a)Balance of Financial Assets at Fair Value Through Profit or Loss is less than 5% of total current assets.

^(b)Balance of account is less than 1% of the total assets of the Group and no individually significant advances over P100,000.

Map of the Conglomerate within which the Group belongs

Financial Soundness Indicators

Report on Independent Auditors on Supplementary Information Filed Separately from the Separate Financial Statements

Supplementary Schedule to Separate Financial Statements

Reconciliation of Parent Company’s Retained Earnings Available for Dividend Declaration

PETRON CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	Formula	December 31, 2020	December 31, 2019
Liquidity			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.89	1.13
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	0.37	0.50
Solvency			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^b}{\text{Total Equity}}$	2.29	2.21
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	4.06	4.27
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	-0.43	1.28
Profitability			
e) Return on Average Equity	$\frac{\text{Net Income}^a}{\text{Average Total Equity}}$	-12.78%	2.58%
f) Return on Average Assets	$\frac{\text{Net Income}^a}{\text{Average Total Assets}}$	-3.07%	0.61%
Operating Efficiency			
a) Volume Growth	$\left(\frac{\text{Current Period Volume}}{\text{Prior Period Volume}} \right) - 1$	-26.53%	-1.42%
b) Sales Growth	$\left(\frac{\text{Current Period Sales}}{\text{Prior Period Sales}} \right) - 1$	-44.39%	-7.72%
c) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	-1.62%	3.15%

^a trailing 12 months net income

^b excludes lease liabilities

PETRON CORPORATION
SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2020

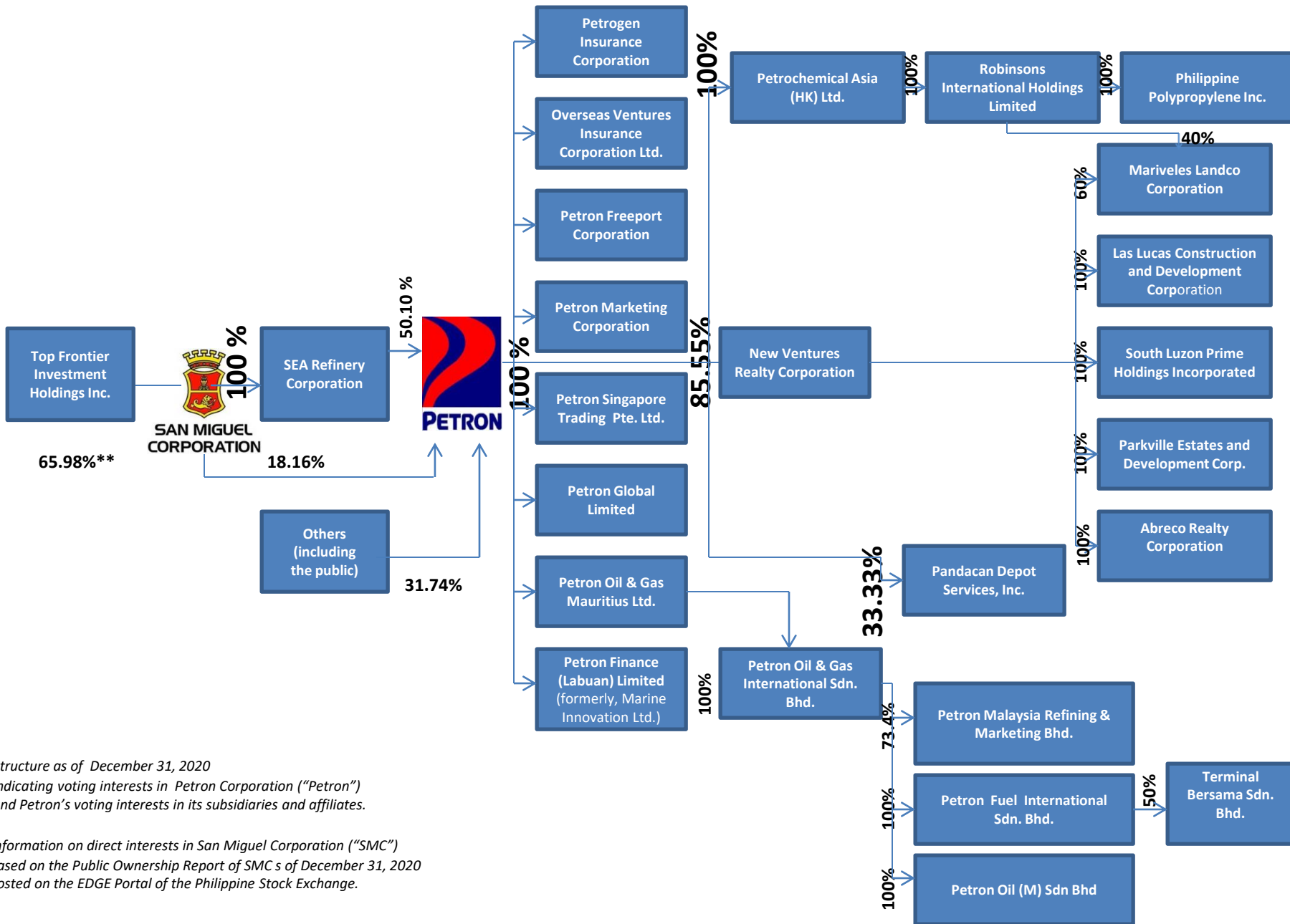
(Amounts in Thousand Pesos)

*(Figures based on audited
separate financial statements)*

Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning		P10,496,565
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	(P11,201,688)	
Less: Non-actual/ unrealized income, net of tax:		
Fair value gains arising from marked-to-market measurement <i>(P2,398,164 if gross of tax)</i>	1,678,715	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS <i>(P3,783 if gross of tax)</i>	2,648	
Sub-total	(12,883,051)	
Net income (loss) actually earned (incurred) during the year	(12,883,051)	(12,883,051)
Less: Dividend declarations during the year	(2,515,555)	
Distributions paid	(1,817,205)	
	(4,332,760)	(4,332,760)
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING		(P6,719,246)

PETRON GROUP STRUCTURE

(with Shareholdings in San Miguel Corporation)



* Structure as of December 31, 2020 indicating voting interests in Petron Corporation ("Petron") and Petron's voting interests in its subsidiaries and affiliates.

** Information on direct interests in San Miguel Corporation ("SMC") based on the Public Ownership Report of SMCs of December 31, 2020 posted on the EDGE Portal of the Philippine Stock Exchange.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Petron Corporation and Its Subsidiaries** (collectively referred to as the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

A handwritten signature in black ink, appearing to be 'R. Ang', written over a horizontal line.

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

A handwritten signature in black ink, appearing to be 'E. Eraña', written over a horizontal line.

EMMANUEL E. ERAÑA
Senior Vice President and Chief Finance Officer

Signed this 9th day of March 2021

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in the City of Mandaluyong, Metro Manila, this MAY 09 2021, affiants being personally known to me and signed this instrument in my presence and avowed under penalty of law to the whole truth of contents thereof.

Name	Competent Evidence of Identity	Date/Place of Issue
Ramon S. Ang	Passport No. P2247867B	22 May 2019/ DFA Manila
Emmanuel E. Eraña	Passport No. P0502156B	01 Feb 2019/ DFA NCR East

Doc. No. 250 ;
Page No. 51 ;
Book No. I ;
Series of 2021


MARIA CRISSELDA N. TAMONDONG
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong, City
Appointment No. 0582-21
Until December 31, 2022
Attorney's Roll No. 71094
PTR No. 4581638/1-07-2021/Mandaluyong
IBP No. 150820/1-13-2021/RSM
ICLE Compliance No. VI-0023071/4-24-2019