

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
Sep 30, 2024
2. SEC Identification Number
31171
3. BIR Tax Identification No.
000-168-801
4. Exact name of issuer as specified in its charter
PETRON CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
San Miguel Head Office Complex, 40 San Miguel Avenue, Mandaluyong City
Postal Code
1550
8. Issuer's telephone number, including area code
(63 2) 8884-9200
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON (PCOR)	9,375,104,497
PREFERRED SERIES 3A (PRF3A)	13,403,000
PREFERRED SERIES 3B (PRF3B)	6,597,000
PREFERRED SERIES 4A (PRF4A)	5,000,000
PREFERRED SERIES 4B (PRF4B)	2,995,000
PREFERRED SERIES 4C (PRF4C)	6,005,000
PREFERRED SERIES 4D (PRF4D)	8,500,000
PREFERRED SERIES 4E (PRF4E)	8,330,000

PCOR SERIES D BONDS DUE 2025 (IN MIL PESO)	6,800
PCOR SERIES E BONDS DUE 2025 (IN MIL PESO)	9,000
PCOR SERIES F BONDS DUE 2027 (IN MIL PESO)	9,000
TOTAL DEBT AS OF SEPT 30, 2024 (IN MIL PESO-CONSO)	247,776

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

Yes No

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

Philippine Stock Exchange-Common and Series 3A, 3B, 4A, 4B, 4C, 4D and 4E Preferred Shares; Philippine Dealing & Exchange Corp. - Series D, E and F Bonds

12. Indicate by check mark whether the registrant:

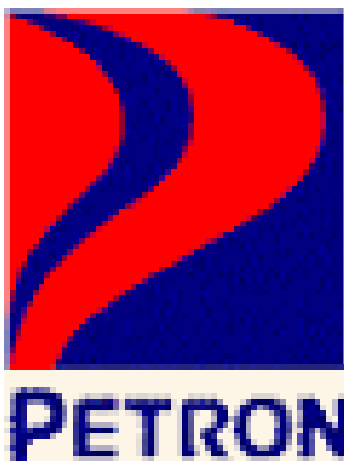
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the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

Yes No

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

Yes No

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



Petron Corporation
PCOR

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Sep 30, 2024
Currency (indicate units, if applicable)	Peso (in Millions)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2024	Dec 31, 2023
Current Assets	255,897	233,007
Total Assets	471,625	443,904
Current Liabilities	220,337	234,729
Total Liabilities	347,736	344,269
Retained Earnings/(Deficit)	34,944	31,834
Stockholders' Equity	123,889	99,635
Stockholders' Equity - Parent	114,041	90,981
Book Value per Share	3.01	2.13

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	213,899	220,691	659,247	588,538
Gross Expense	208,958	209,694	636,993	561,530
Non-Operating Income	1,746	334	2,198	1,079
Non-Operating Expense	5,423	6,819	15,649	15,562
Income/(Loss) Before Tax	1,264	4,512	8,803	12,525
Income Tax Expense	178	1,146	1,694	3,017
Net Income/(Loss) After Tax	1,086	3,366	7,109	9,508
Net Income Attributable to Parent Equity Holder	1,071	3,102	6,828	8,750
Earnings/(Loss) Per Share (Basic)	0.04	0.17	0.43	0.49
Earnings/(Loss) Per Share (Diluted)	-	-	-	-

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.21	0.12
Earnings/(Loss) Per Share (Diluted)	-	-

Other Relevant Information

Please see attached Quarterly Report (SEC Form 17-Q) for the 3rd Quarter 2024 of the Company.

Filed on behalf by:

Name	Jhoanna Jasmine Javier-Elacio
Designation	Vice President - General Counsel and Corporate Secretary/Compliance Officer

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(Company's Full Name)

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

ATTY. JHOANNA JASMINE M. JAVIER-ELACIO

Contact Person

8-884-9200

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

SEC Form 17-Q 3rd Quarter 2024

FORM TYPE

0	5
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Month

2	1
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Day

Annual Meeting
(For 2024)

Permit to offer securities

Secondary License Type, if Applicable

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Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

143,811 (as of September 30, 2024)

Total No. of Stockholders

Total Amount of Debt Outstanding: P 247,776 Million (as of September 30, 2024- CONSO)

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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Fiscal Number

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11. Are any or all of these securities listed on the Philippine Stock Exchange.

Yes No

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

Philippine Stock Exchange	Common and Preferred Shares
Philippine Dealing & Exchange Corp.	Series D, E, and F Bonds

12. Indicate by check mark whether the Registrant:

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

Yes No

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


Yes No

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SIGNATURES

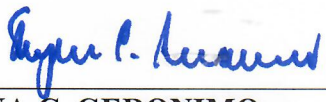

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **PETRON CORPORATION**

Signature and Title: 
JOHANNA JASMINE M. JAVIER-ELACIO
VP, General Counsel, Corporate Secretary
and Compliance Officer

Date: November 12, 2024

Principal Financial/Accounting Officer/Controller

Signature and Title: 
MYRNA C. GERONIMO
Vice President - Controllers 

Date: November 12, 2024

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

	<i>Note</i>	Unaudited September 30 2024	Audited December 31 2023
ASSETS			
Current Assets			
Cash and cash equivalents	8, 9	P46,998	P27,519
Financial assets at fair value	8, 9	2,080	1,162
Trade and other receivables - net	6, 8, 9	69,514	86,479
Inventories - net		82,559	77,318
Other current assets	6	54,746	40,529
Total Current Assets		P255,897	233,007
Noncurrent Assets			
Property, plant and equipment - net	4, 5	168,443	166,046
Investment property - net		28,837	27,194
Right-of-use assets - net		5,218	5,286
Investment in shares of stock of an associate and joint ventures		1,136	1,158
Deferred tax assets - net		826	1,190
Goodwill - net		9,171	8,093
Other noncurrent assets - net	8, 9	2,097	1,930
Total Noncurrent Assets		P215,728	210,897
		P471,625	P443,904
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	6, 7, 8, 9	131,312	P137,910
Liabilities for crude oil and petroleum products	8, 9	45,474	44,840
Trade and other payables	6, 8, 9	23,817	23,890
Lease liabilities - current portion	8, 9	1,505	1,566
Derivative liabilities	8, 9	1,652	749
Income tax payable		268	132
Current portion of long-term debt - net	8, 9	16,309	25,642
Total Current Liabilities		220,337	234,729

Forward

	<i>Note</i>	Unaudited September 30 2024	Audited December 31 2023
Noncurrent Liabilities			
Long-term debt - net of current portion	8, 9	P100,155	P83,254
Retirement benefits liability - net		2,375	2,621
Deferred tax liabilities - net		4,632	4,432
Lease liabilities - net of current portion	8, 9	14,988	14,378
Asset retirement obligation		3,812	3,612
Other noncurrent liabilities	8, 9	1,437	1,243
Total Noncurrent Liabilities		127,399	109,540
Total Liabilities		347,736	344,269
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		9,502	9,485
Additional paid-in capital		57,792	40,985
Capital securities		35,546	37,529
Retained earnings		34,944	31,834
Equity reserves		(16,143)	(21,252)
Treasury stock		(7,600)	(7,600)
Total Equity Attributable to Equity Holders of the Parent Company		114,041	90,981
Non-controlling Interests		9,848	8,654
Total Equity		123,889	99,635
		P471,625	P443,904

See accompanying Management's Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:

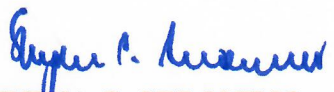


MYRNA C. GERONIMO
Vice President – Controllers 

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF INCOME
(UNAUDITED)

(Amounts in Million Pesos, Except Per Share Data)

	Note	July to September		January to September	
		2024	2023	2024	2023
SALES	4	P213,443	P220,246	P657,933	P587,283
COST OF GOODS SOLD		204,621	205,470	623,542	548,913
GROSS PROFIT		8,822	14,776	34,391	38,370
SELLING AND ADMINISTRATIVE EXPENSES		(4,337)	(4,224)	(13,451)	(12,617)
OTHER OPERATING INCOME		456	445	1,314	1,255
INTEREST EXPENSE AND OTHER FINANCING CHARGES	4	(5,423)	(4,919)	(15,649)	(13,706)
INTEREST INCOME	4	290	299	851	996
SHARE IN NET INCOME OF AN ASSOCIATE AND JOINT VENTURES		44	35	84	83
OTHER INCOME (EXPENSES) - Net		1,412	(1,900)	1,263	(1,856)
		(7,558)	(10,264)	(25,588)	(25,845)
INCOME BEFORE INCOME TAX		1,264	4,512	8,803	12,525
INCOME TAX EXPENSE	4	178	1,146	1,694	3,017
NET INCOME		P1,086	P3,366	P7,109	P9,508
Attributable to:					
Equity holders of the Parent Company		P1,071	P3,102	P6,828	P8,750
Non-controlling interests		15	264	281	758
		P1,086	P3,366	P7,109	P9,508
BASIC/DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	11	P0.04	P0.17	P0.43	P0.49

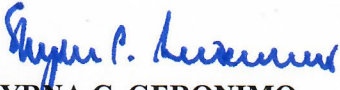

Certified by:


MYRNA C. GERONIMO
Vice President - Controllers 

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF
COMPREHENSIVE INCOME
(UNAUDITED)
(Amounts in Million Pesos)

	July to September		January to September	
	2024	2023	2024	2023
NET INCOME	P1,086	P3,366	P7,109	P9,508
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Equity reserve for retirement	-	-	(1)	-
	-	-	(1)	-
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
Net loss on cash flow hedges	-	-	-	(68)
Exchange differences on translation of foreign operations	4,395	1,114	6,479	(2,117)
Share in other comprehensive income (loss) of an associate and joint ventures	3	(1)	2	9
Income tax benefit	-	-	-	18
	4,398	1,113	6,481	(2,158)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	4,398	1,113	6,480	(2,158)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD - Net of tax	P5,484	P4,479	P13,589	P7,350
Attributable to:				
Equity holders of the Parent Company	P4,646	P4,050	P12,190	P6,977
Non-controlling interests	838	429	1,399	373
	P5,484	P4,479	P13,589	P7,350

Certified by:


MYRNA C. GERONIMO
Vice President – Controllers 

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)
(Amounts in Million Pesos)

	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
					Appro- priated	Unappro- priated	Reserve for Retirement Plan	Other Reserves				
As of January 1, 2024 (Audited)		P9,485	P40,985	P37,529	P3	P31,831	(P6,466)	(P14,786)	(P7,600)	P90,981	P8,654	P99,635
Exchange differences on translation of foreign operations		-	-	-	-	-	-	5,361	-	5,361	1,118	6,479
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(1)	-	-	(1)	-	(1)
Share in other comprehensive income of an associate and joint ventures		-	-	-	-	-	-	2	-	2	-	2
Other comprehensive income (loss) for the period		-	-	-	-	-	(1)	5,363	-	5,362	1,118	6,480
Net income for the period		-	-	-	-	6,828	-	-	-	6,828	281	7,109
Total comprehensive income (loss) for the period		-	-	-	-	6,828	(1)	5,363	-	12,190	1,399	13,589
Cash dividends	12	-	-	-	-	(2,116)	-	-	-	(2,116)	(205)	(2,321)
Distributions paid	12	-	-	-	-	(1,602)	-	-	-	(1,602)	-	(1,602)
Issuance of preferred shares		17	16,807	-	-	-	-	-	-	16,824	-	16,824
Repurchase of capital securities		-	-	(1,983)	-	-	-	(253)	-	(2,236)	-	(2,236)
Transactions with owners		17	16,807	(1,983)	-	(3,718)	-	(253)	-	10,870	(205)	10,665
As of September 30, 2024 (Unaudited)		P9,502	P57,792	P35,546	P3	P34,941	(P6,467)	(P9,676)	(P7,600)	P114,041	P9,848	P123,889

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 January 1, 2023 (Audited)		P9,485	P37,500	P62,712	P7,003	P23,354	(P6,437)	(P10,450)	(P18,000)	P105,167	P8,383	P113,550
Net loss on cash flow hedges - net of tax		-	-	-	-	-	-	(50)	-	(50)	-	(50)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(1,732)	-	(1,732)	(385)	(2,117)
Share in other comprehensive income of an associate and joint venture		-	-	-	-	-	-	9	-	9	-	9
Other comprehensive loss for the period		-	-	-	-	-	-	(1,773)	-	(1,733)	(385)	(2,158)
Net income for the period		-	-	-	-	8,750	-	-	-	8,750	758	9,508
Total comprehensive income (loss) for the period		-	-	-	-	8,750	-	(1,773)	-	6,977	373	7,350
Cash dividends	12	-	-	-	-	(1,874)	-	-	-	(1,874)	(212)	(2,086)
Distributions paid	12	-	-	-	-	(3,215)	-	-	-	(3,215)	-	(3,215)
Reissuance of preferred shares		-	3,488	-	-	-	-	-	10,400	13,888	-	13,888
Redemption of capital securities		-	-	(25,183)	-	-	-	(2,286)	-	(27,469)	-	(27,469)
Share issuance cost of a subsidiary		-	-	-	-	(143)	-	-	-	(143)	-	(143)
Reversal of retained earnings appropriation		-	-	-	(7,000)	7,000	-	-	-	-	-	-
Transactions with owners		-	3,488	(25,183)	(7,000)	1,768	-	(2,286)	10,400	(18,813)	(212)	(19,025)
As of September 30, 2023 (Unaudited)		P9,485	P40,988	P37,529	P3	P33,872	(P6,437)	(P14,509)	(P7,600)	P93,331	P8,544	P101,875

See accompanying Management's Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:


MYRNA C. GERONIMO
Vice President - Controllers

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Amounts in Million Pesos)

		For the Nine Months Ended September 30	
	<i>Note</i>	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P8,803	P12,525
Adjustments for:			
Share in net income of an associate and joint ventures		(84)	(83)
Depreciation and amortization		9,603	9,426
Interest expense and other financing charges	4	15,649	13,706
Retirement benefits costs		232	236
Interest income	4	(851)	(996)
Unrealized foreign exchange losses - net		1,112	418
Other (gains) losses – net		(792)	127
Operating income before working capital changes		33,672	35,359
Changes in noncash assets, certain current liabilities and others		(1,107)	920
Cash generated from operations		32,565	36,279
Contributions to retirement fund		(700)	(800)
Interest paid		(14,858)	(13,191)
Income taxes paid		(766)	(579)
Interest received		823	1,003
Net cash flows provided by operating activities		17,064	22,712
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(6,981)	(4,686)
Proceeds from sale of property and equipment		2	7
Additions to investment property		(240)	(201)
Payment of adjustment in purchase price of a new subsidiary	15	-	(300)
Increase in other noncurrent assets		-	(9)
Net cash flows used in investing activities		(7,219)	(5,189)

Forward

**For the Nine Months Ended
September 30**

	<i>Note</i>	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans and advances	7	P267,052	P186,854
Payments of:			
Loans	7	(265,546)	(191,789)
Lease liabilities		(2,186)	(1,903)
Cash dividends and distributions	12	(4,457)	(5,378)
Repurchase/redemption of capital securities		(2,236)	(27,469)
Issuance/reissuance of preferred shares		16,824	13,888
Share issuance cost of a subsidiary		-	(143)
Net cash flows provided by (used in) financing activities		9,451	(25,940)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		183	(133)
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,479	(8,550)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		27,519	37,183
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P46,998	P28,633

See accompanying Management's Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:


MYRNA C. GERONIMO
Vice President - Controllers 

PETRON CORPORATION AND SUBSIDIARIES

SELECTED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

1. Reporting Entity

Petron Corporation (the “Parent Company” or “Petron”) was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. On September 13, 2013, the SEC approved the extension of the Parent Company’s corporate term to December 22, 2066. Under its Articles of Incorporation (AOI), the Parent Company’s has a corporate life of 50 years or for such longer period as may hereafter be authorized by the laws of the Philippines. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Parent Company shall have a perpetual existence because the Parent Company did not elect to retain its specific corporate term under its AOI.

Petron is the only oil refining and the leading marketing company in the Philippines. Petron envisions an energy-secure and prosperous nation where everyone’s journey is fueled by opportunities for meaningful experiences and sustainable success.

The Parent Company is a public company under Section 17.2 of Securities Regulation Code and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The accompanying consolidated interim financial statements comprise the financial statements of Petron Corporation and Subsidiaries (collectively referred to as the “Group”) and the Group’s interests in an associate and joint ventures.

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

As of September 30, 2024, the three (3) principal common shareholders of the Company holding at least 5% of its common stock were SEA Refinery Corporation (“SEA Refinery”) (50.10%), PCD Nominee Corporation - Filipino (20.04%), and SMC (18.16%). SEA Refinery is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

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

2. Summary of Material Accounting Policy Information

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements as at December 31, 2023.

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on November 5, 2024.

The consolidated financial statements are presented in Philippine Peso and all financial information are rounded off to the nearest million (P000,000), except when otherwise indicated.

The principal accounting policies adopted in preparing the interim consolidated financial statements of the Group are consistent with those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards

The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of new and amendments to standards as part of Philippine Financial Reporting Standards (PFRS).

Adoption of Amendments to Standards in 2024

The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
 - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.
 - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
 - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.
- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, entities also need to disclose the type and effect of non-cash changes in the

carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The adoption of the amendments to standards did not have a material effect on the interim consolidated financial statements.

New and Amendments to Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard applies to all insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

PFRS 17 aims to increase transparency and to reduce diversity in the accounting for insurance contracts. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being

exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1, *Presentation of Financial Statements*. The new standard introduces the following key requirements:
 - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.
 - Management-defined performance measures are disclosed in a single note to the financial statements.
 - Enhanced guidance is provided on how to group information in the financial statements. Additionally, entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

PFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with retrospective application required. Early adoption is permitted.

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

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

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

3. Use of Judgments and Estimates

In preparing these consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as of and for the year ended December 31, 2023.

4. Segment Information

Management identifies segments based on business and geographic locations. These operating segments are monitored, and strategic decisions are made on the basis of adjusted segment operating results. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The Group's major sources of revenues are as follows:

- a. Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country.
- b. Lease of acquired real estate properties and equipment for petroleum, refining, storage and distribution facilities, gasoline service stations and other related structures.
- c. Sales on wholesale or retail and operation of service stations, retail outlets, convenience stores and the like.
- d. Export sales of various petroleum and non-fuel products to other countries such as China, Indonesia, India, Taiwan, Singapore, Malaysia and UAE.

Revenues are mainly derived from the sale of petroleum products to retail and commercial customers in various geographical locations.

The Group has no significant remaining performance obligations as it mainly recognizes revenues in amounts that correspond directly to the value of completed performance obligations.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, and property, plant and equipment, net of allowances, depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the periods ended September 30, 2024, December 31, 2023 and September 30, 2023:

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
September 30, 2024					
Revenue:					
External sales	P655,620	P869	P895	P549	P657,933
Inter-segment sales	271,515	324	-	(271,839)	-
Operating income	22,134	195	11	(86)	22,254
Net income	8,893	133	24	(1,941)	7,109
Assets and liabilities:					
Segment assets*	525,177	10,286	666	(65,330)	470,799
Segment liabilities*	372,256	4,690	108	(33,950)	343,104
Other segment information:					
Property, plant and equipment - net	164,893	-	75	3,475	168,443
Depreciation and amortization	9,451	97	9	46	9,603
Interest expense	15,759	247	1	(358)	15,649
Interest income	852	218	12	(231)	851
Income tax expense	1,663	38	6	(13)	1,694

*excluding deferred tax assets and liabilities

**revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
December 31, 2023					
Revenue:					
External sales	P798,032	P1,158	P1,143	P694	P801,027
Inter-segment sales	326,025	395	-	(326,420)	-
Operating income	30,494	227	11	(11)	30,721
Net income	11,928	133	20	(1,947)	10,134
Assets and liabilities:					
Segment assets*	493,662	10,025	673	(61,646)	442,714
Segment liabilities*	365,248	4,573	138	(30,122)	339,837
Other segment information:					
Property, plant and equipment	163,010	-	83	2,953	166,046
Depreciation and amortization	12,977	85	13	(45)	13,030
Interest expense	19,228	282	2	(417)	19,095
Interest income	1,290	231	15	(252)	1,284
Income tax expense	2,967	42	8	(13)	3,004

*excluding deferred tax assets and liabilities

**revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".

	Petroleum	Leasing**	Marketing	Elimination/ Others**	Total
September 30, 2023					
Revenue:					
External sales	P585,112	P862	P833	P476	P587,283
Inter-segment sales	238,077	299	-	(238,376)	-
Operating income	26,715	165	22	106	27,008
Net income	10,485	94	32	(1,103)	9,508
Assets and liabilities:					
Segment assets*	510,634	9,943	689	(65,237)	426,029
Segment liabilities*	379,913	4,531	144	(33,711)	350,877
Other segment information:					
Property, plant and equipment	164,728	-	86	2,632	167,446
Depreciation and amortization	9,403	63	10	(50)	9,426
Interest expense	13,806	211	1	(312)	13,706
Interest income	1,003	171	11	(189)	996
Income tax expense	2,992	30	6	(11)	3,017

*excluding deferred tax assets and liabilities

**revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".

Inter-segment sales transactions amounted to P271,839, P326,420 and P238,376 for the periods ended September 30, 2024, December 31, 2023, and September 30, 2023, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the periods ended September 30, 2024, December 31, 2023, and September 30, 2023:

	Retail	Lube	Gasul	Industrial	Others	Total
September 30, 2024						
Revenue	P287,691	P5,600	P28,427	P123,953	P209,949	P655,620
Property, plant and equipment	8,628	166	145	70	155,884	164,893
Capital expenditures	1,243	129	16	50	7,694	9,132
December 31, 2023						
Revenue	P367,013	P6,462	P33,267	P146,980	P244,310	P798,032
Property, plant and equipment	7,880	62	138	62	154,868	163,010
Capital expenditures	1,237	34	10	40	3,645	4,966
September 30, 2023						
Revenue	P270,905	P4,824	P24,257	P110,157	P174,969	P585,112
Property, plant and equipment	7,786	43	140	48	156,711	164,728
Capital expenditures	1,251	16	5	26	3,560	4,858

Geographical Segments

The following table presents segment assets of the Group as of September 30, 2024, December 31, 2023, and September 30, 2023:

	September 30, 2024	December 31, 2023	September 30, 2023
Local	P367,429	P338,268	P345,465
International	103,370	104,446	110,564
	P470,799	P442,714	P456,029

Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the periods ended September 30, 2024, December 31, 2023, and September 30, 2023:

	Petroleum	Leasing*	Marketing	Elimination/ Others*	Total
September 30, 2024					
Local	P325,028	P1,193	P895	(P968)	P326,148
Export/international	602,107	-	-	(270,322)	331,785
December 31, 2023					
Local	P411,588	P1,553	P1,143	(P1,109)	P413,175
Export/international	712,469	-	-	(324,617)	387,852
September 30, 2023					
Local	P301,178	P1,161	P833	(P828)	P302,344
Export/international	522,011	-	-	(237,072)	284,939

*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.

5. Property, Plant and Equipment

The movements and balances as of and for the periods ended September 30, 2024 and December 31, 2023 follow:

	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction In-progress	Total
Cost:							
January 1, 2023	P27,116	P212,844	P20,478	P7,199	P4,472	P13,630	P285,739
Additions	295	1,179	513	2,027	167	2,471	6,652
Disposals/reclassifications	429	10,145	(657)	13	168	(11,110)	(1,012)
Reclassification to/from investment property	232	-	-	-	31	104	367
Currency translation adjustment	(104)	(1,278)	(494)	(136)	(97)	(38)	(2,147)
December 31, 2023 (Audited)	27,968	222,890	19,840	9,103	4,741	5,057	289,599
Additions	131	931	791	852	41	4,294	7,040
Disposals/reclassifications	184	(14)	(1,428)	(30)	(788)	(222)	(2,298)
Currency translation adjustment	241	3,370	1,212	333	251	110	5,517
September 30, 2024 (Unaudited)	28,524	227,177	20,415	10,258	4,245	9,239	299,858
Accumulated Depreciation:							
January 1, 2023	15,871	77,063	15,550	5,730	1,372	-	115,586
Depreciation	996	7,628	950	306	105	-	9,985
Disposals/reclassifications	(85)	30	(804)	(15)	-	-	(874)
Reclassification to/from investment property	(170)	-	-	-	61	-	(109)
Currency translation adjustment	(63)	(553)	(320)	(99)	-	-	(1,035)
December 31, 2023 (Audited)	16,549	84,168	15,376	5,922	1,538	-	123,553
Depreciation	721	5,671	610	298	87	-	7,387
Disposals/reclassifications	(28)	-	(1,352)	(31)	(763)	-	(2,174)
Currency translation adjustment	150	1,567	666	266	-	-	2,649
September 30, 2024 (Unaudited)	17,392	91,406	15,300	6,455	862	-	131,415
Carrying Amount:							
December 31, 2023 (Audited)	P11,419	P138,722	P4,464	P3,181	P3,203	P5,057	P166,046
September 30, 2024 (Unaudited)	P11,132	P135,771	P5,115	P3,803	P3,383	P9,239	P168,443

Certain fully depreciated property, plant and equipment with aggregate costs of P35,642 and P31,610 as of September 30, 2024 and December 31, 2023, respectively, are still being used in the Group's operations.

Capital Commitments

As of September 30, 2024 and December 31, 2023, the Group has outstanding commitments to acquire property, plant and equipment amounting to P7,572 and P7,535, respectively.

6. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint ventures and SMC and its subsidiaries, in the normal course of business, purchase products and services from one another. Transactions with related parties are made at market prices and terms. Amounts owed by/owed to related parties are collectible/to be settled in cash.

The balances and transactions with related parties as of and for the periods ended September 30, 2024 and December 31, 2023 follow:

	<i>Note</i>	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	<i>a</i>	2024	P34	P -	P894	P -	On demand; interest bearing	Unsecured; no impairment
		2023	45	-	894	-		
	<i>a</i>	2024	-	-	76	-	On demand; non-interest bearing	Unsecured; no impairment
		2023	-	-	43	-		
Intermediate Parent	<i>b,e,f,h,i</i>	2024	14	184	16	386	On demand; non-interest bearing	Unsecured; no impairment
		2023	29	221	18	461		
Under Common Control	<i>k</i>	2024	-	233	-	5,603	On demand; interest bearing	Unsecured; no impairment
		2023	-	167	-	3,322		
	<i>b,c,d, h,i,j,k</i>	2024	7,393	4,914	3,837	2,567	On demand; non-interest bearing	Unsecured; no impairment
		2023	15,949	5,808	3,801	2,638		
Associate	<i>b,h,i</i>	2024	316	221	233	187	On demand; non-interest bearing	Unsecured; no impairment
		2023	240	210	54	73		
Joint Venture	<i>c,g,h</i>	2024	-	55	-	1	On demand; non-interest bearing	Unsecured; no impairment
		2023	-	65	1	-		
Associates and Joint Ventures under Common Control	<i>l</i>	2024	-	53	-	1,100	Short-term; interest bearing	Unsecured; no impairment
		2023	-	112	-	1,100		
	<i>b,h,i,l</i>	2024	249	-	45	14	On demand; non-interest bearing	Unsecured; no impairment
		2023	326	-	87	1		
		2024	P8,006	P5,660	P5,101	P9,858		
		2023	P16,589	P6,583	P4,898	P7,595		

- a. The Parent Company has interest bearing advances to Petron Corporation Employees' Retirement Plan (PCERP), included as part of "Trade and other receivables - net" account in the consolidated interim statements of financial position, for some investment opportunities.

- b. Sales pertain to the Parent Company's supply agreements with the Intermediate Parent, various SMC subsidiaries, and an associate. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.
- c. Purchases pertain to purchase of goods and services such as power, construction, information technology, shipping and terminalling from a joint venture, associate and various SMC subsidiaries.
- d. The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for its office space covering 6,747 square meters and certain parcels of land where service stations are located.
- e. The Parent Company has existing lease agreements with SMC covering certain parcels of land where service stations are located.
- f. The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.
- g. Terminal Bersama Sdn Bhd, an operator of Liquefied Petroleum Gas (LPG) bottling plant, provides bottling services to Petron Fuel International Sdn Bhd (PFISB) and another venturer.
- h. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.
- i. Amounts owed to related parties consist of trade and non-trade payables.
- j. New Ventures Realty Corporation (NVRC) leases out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.
- k. Amounts owed to entities under common control include interest bearing advances from San Miguel Insurance Company Ltd.
- l. Amounts owed to associate of entities under common control include interest bearing short-term loans payable to Bank of Commerce.

7. Loans and Borrowings

Short-term Loans

The movements of short-term loans for the three months ended September 30, 2024 follow:

Balance as of January 1, 2024	P137,910
Loan availments	232,780
Loan repayments	(240,435)
Currency translation adjustment	1,057
Balance as of September 30, 2024	P131,312

This account pertains to unsecured Philippine peso, US dollar and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 4 to 178 days and annual interest ranging from 3.96% to 8.00% for the period ended September 30, 2024 and 4 to 180 days and annual interest ranging 3.71% to 7.53% for the period ended December 31, 2023. These loans are intended to fund the importation of crude oil and petroleum products and working capital requirements.

Long-term Loans

Certain loan agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. In November 2020, the Group secured consent to amend the testing of its net leverage ratio from semi-annual to incurrence-based, while the ratio of consolidated gross debt to consolidated net worth remained to be tested quarterly.

As of September 30, 2024 and December 31, 2023 the Group is compliant with the provisions of its debt agreements.

8. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents, debt and equity securities, bank loans and derivative instruments. The main purpose of bank loans is to finance working capital relating to importation of crude and petroleum products, as well as to partly fund capital expenditures. The Group has other financial assets and liabilities such as trade and other receivables and trade and other payables, which are generated directly from its operations.

It is the Group's policy not to enter into derivative transactions for speculative purposes. The Group uses hedging instruments to protect its margin on its products from potential price volatility of crude oil and products. It also enters into forward currency and option contracts to hedge its currency exposure on crude oil importations and long-term dollar loan respectively.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The Board of Directors (BOD) regularly reviews and approves the policies for managing these financial risks. Details of each of these risks are discussed below, together with the related risk management structure.

Risk Management Structure

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

The Group's risk management process is a bottom-up approach, with each risk owner mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As the Group's operation is an integrated value chain, risks emanate from every process, while some could cut across groups. The results of these activities flow up to the Management Committee and, eventually, the BOD through the Group's annual business planning process.

Oversight and technical assistance are likewise provided by corporate units and committees with special duties. These groups and their functions are:

- a. The Enterprise-Wide Risk Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.
- b. The 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. Petron Singapore Trading Pte. Ltd. (PSTPL) executes the hedging transactions involving crude and product imports on behalf of the Group.

The BOD also created separate positions and board-level entities with explicit authority and responsibility in managing and monitoring risks, as follows:

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

The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

- b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.
- c. The Compliance Officer, who is a senior officer of the Parent Company, reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

Foreign Currency Risk

The Parent Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposures to foreign currency risk arise mainly from US dollar-denominated sales as well as purchases principally of crude oil and petroleum products. As a result of this, the Group maintains a level of US dollar-denominated assets and liabilities during the period. Foreign currency risk occurs due to differences in the levels of US dollar-denominated assets and liabilities.

In addition, starting March 31, 2012, the Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

The Group pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US

dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

The Group is allowed to engage in active risk management strategies for a portion of its foreign currency risk exposure. Loss limits are in place, monitored daily and regularly reviewed by management.

The Group assesses the existence of an economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of their respective cash flows. For derivatives designated in a hedging relationship, the Group determines whether the derivatives are expected to be highly effective in offsetting the changes in the cash flows of the hedged item using the cumulative dollar-offset method. The dollar-offset method approximates the changes in the fair value of the hedged item using a hypothetical derivative which mirrors the terms of the derivative used as hedging instrument.

For currency hedges, the Group maintains a 1:1 hedge ratio since a similar amount of hedging instrument is expected to offset the changes in the cash flows of the hedged item. The main sources of ineffectiveness are:

- a. the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the exchange rates; and
- b. changes in the timing of the hedged transactions.

The Group is exposed to foreign currency risk of its short-term loans and US dollar-denominated sales and purchases. On the other hand, both foreign currency and interest rate risks arise in the Group's long-term debts. The Group determined that foreign currency risk is a separately identifiable and measurable risk component eligible for designation since it is caused by fluctuations in US dollar to Philippine peso exchange rates and benchmark closing prices used to measure the fluctuations are available in the market.

Information on the Group's US dollar-denominated financial assets and liabilities and their Philippine peso equivalents are as follows:

	September 30, 2024		December 31, 2023	
	US dollar (in millions)	Philippine peso Equivalent	US dollar (in millions)	Philippine peso Equivalent
Assets				
Cash and cash equivalents	460	25,764	376	20,804
Trade and other receivables	543	30,419	752	41,644
Other assets	40	2,231	23	1,285
	1,043	58,414	1,151	63,733
Liabilities				
Short-term loans	121	6,754	223	12,366
Liabilities for crude oil and petroleum products	765	42,838	767	42,490
Long-term debt (including current maturities)	1,172	65,663	940	52,030
Other liabilities	201	11,300	116	6,425
	2,259	126,555	2,046	113,311
Net foreign currency -denominated monetary liabilities	(1,216)	(68,141)	(895)	(49,578)

The Group incurred net foreign currency exchange gains of P1,333 and losses of P1,749 for the periods ended September 30, 2024 and September 30, 2023, respectively, which were mainly countered by mark-to-market and hedging gains or losses (Note 9). The foreign currency rates from Philippine peso (PHP) to US dollar (US\$) as of reporting dates are shown in the following table:

	PHP to US\$
September 30, 2024	56.030
December 31, 2023	55.370
September 30, 2023	56.575

Management of foreign currency risk is also supplemented by monitoring the sensitivity of the financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of September 30, 2024 and December 31, 2023:

	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
September 30, 2024				
Cash and cash equivalents	(P299)	(P385)	P299	P385
Trade and other receivables	(144)	(547)	144	547
Other assets	(24)	(34)	24	34
	(467)	(966)	467	966
Short-term loans	-	121	-	(121)
Liabilities for crude oil and petroleum products	353	1,031	(353)	(1,031)
Long-term debts (including current maturities)	1,172	879	(1,172)	(879)
Other liabilities	19	197	(19)	(197)
	1,544	2,228	(1,544)	(2,228)
	P1,077	P1,262	(P1,077)	(P1,262)

	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
December 31, 2023				
Cash and cash equivalents	(P263)	(P310)	P263	P310
Trade and other receivables	(193)	(774)	193	774
Other assets	(10)	(21)	10	21
	(466)	(1,105)	466	1,105
Short-term loans	-	223	-	(223)
Liabilities for crude oil and petroleum products	289	984	(289)	(984)
Long-term debts (including current maturities)	940	705	(940)	(705)
Other liabilities	10	143	(10)	(143)
	1,239	2,055	(1,239)	(2,055)
	P773	P950	(P773)	(P950)

Exposures to foreign currency rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates mainly to long-term borrowings and investment securities. Investments or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investments or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest costs by using a combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rates and ensures that the marked-up rates levied on its borrowings are most favorable and benchmarked against the interest rates charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings prior to deployment of funds to their intended use in operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term volatility on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated interim statements of income.

Managing interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity through the retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in consolidated interim 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 P530 and P520 for the period ended September 30, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table

As of September 30, 2024 and December 31, 2023, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

September 30, 2024	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P6,937	P20,800	P7,625	P11,000	P1,000	P -	P47,362
Interest rate	4.6% - 7.5%	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	7.5% - 7.5%		
Floating Rate							
Philippine peso denominated	-	-	1,667	1,667	1,666	-	5,000
Interest rate			6 mos. BVAL + margin	6 mos. BVAL + margin	6 mos. BVAL + margin		
US\$ denominated (expressed in Php)	8,933	17,185	20,059	12,903	5,747	-	64,827
Interest rate*	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin		
JP¥ denominated (expressed in Php)	836	-	-	-	-	-	836
Interest rate*	1, 3, 6 mos. TONA + margin						
	P16,706	P37,985	P29,351	P25,570	P8,413	P -	P118,025

*The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.

December 31, 2023	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P19,057	P22,425	P3,000	P13,750	P -	P -	P58,232
Interest rate	4.6% - 7.8%	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	-	-	-
Floating Rate							
US\$ denominated (expressed in Php)	5,292	14,143	15,923	12,363	1,780	-	49,501
Interest rate*	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	-	-
JP¥ denominated (expressed in Php)	1,686	843	-	-	-	-	2,529
Interest rate*	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	-	-	-	-	-
	P26,035	P37,411	P18,923	P26,113	P1,780	P -	P110,262

*The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Group regulates and extends credit only to qualified and credit-worthy customers and counterparties, consistent with established Group credit policies, guidelines and credit verification procedures. Requests for credit facilities from trade customers undergo stages of review by Trade Sales and Finance Divisions. Approvals, which are based on amounts of credit lines requested, are vested among line managers and top management that include the President and the Chairman.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the consolidated interim statements of financial position or in the notes to the consolidated interim financial statements, as summarized below:

	September 30, 2024	December 31, 2023
Cash in banks and cash equivalents	P44,896	P24,373
Derivative assets	2,080	1,162
Trade and other receivables - net	69,514	86,479
Noncurrent deposits	152	124
	P116,642	P112,138

Cash and Cash Equivalents, Derivative Assets and Noncurrent Deposits

Cash and cash equivalents, derivative assets and noncurrent deposits are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash and cash equivalents, derivative assets and noncurrent deposits has been measured on a 12-month Expected Credit Loss (ECL) basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents, derivative assets and noncurrent deposits have low credit risk based on the external credit ratings of its counterparties.

Trade and Other Receivables and Long-term Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 4.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but not limited to the assessment of the customer's nature of business,

management profile, industry background, payment habit and both present and potential business dealings with the Group.

Class A “*High Grade*” are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B “*Moderate Grade*” refer to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Class C “*Low Grade*” are accounts with high probability of delinquency and default.

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables. Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P6,083 and P5,669 as of September 30, 2024 and December 31, 2023, respectively. These securities may only be called on or applied upon default of customers.

Risk Concentration. The Group’s exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

The tables below present the summary of the Group’s exposure to credit risk and shows the credit quality of the financial assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

September 30, 2024					
	Financial Assets at Amortized Cost			Financial Assets at Fair Value Through Profit or Loss (FVPL)	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired		
Cash in banks and cash equivalents	P44,896	P -	P -	P -	P44,896
Trade and other receivables	-	69,514	932	-	70,446
Derivative assets not designated as cash flow hedge	-	-	-	2,080	2,080
Long-term receivables	-	-	349	-	349
Noncurrent deposits	152	-	-	-	152
	P45,048	P69,514	P1,281	P2,080	P117,923

December 31, 2023					
	Financial Assets at Amortized Cost			Financial Assets at Fair Value Through Profit or Loss (FVPL)	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired		
Cash in banks and cash equivalents	P24,373	P -	P -	P -	P24,373
Trade and other receivables	-	86,479	902	-	87,381
Derivative assets not designated as cash flow hedge	-	-	-	1,162	1,162
Long-term receivables	-	-	309	-	309
Noncurrent deposits	124	-	-	-	124
	P24,497	P86,479	P1,211	P1,162	P113,349

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of September 30, 2024 and December 31, 2023.

September 30, 2024	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P46,998	P46,998	P46,998	P -	P -	P -
Trade and other receivables - net	69,514	69,514	69,514	-	-	-
Derivative assets (including non-current portion)	2,080	2,080	2,080	-	-	-
Proprietary membership shares	459	459	-	-	-	459
Noncurrent deposits	152	152	-	-	5	147
Financial Liabilities						
Short-term loans	131,312	132,976	132,976	-	-	-
Liabilities for crude oil and petroleum products	45,474	45,474	45,474	-	-	-
Trade and other payables*	16,345	16,345	16,345	-	-	-
Derivative liabilities (including noncurrent portion)	1,652	1,652	1,652	-	-	-
Long-term debts (including current maturities)	116,464	137,199	24,314	43,367	69,518	-
Lease liability (including current portion)	16,493	25,865	2,359	2,355	6,415	14,736
Cash bonds	425	426	-	410	16	-
Cylinder deposits	952	952	-	-	-	952
Other noncurrent liabilities**	60	60	-	24	25	11

*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income, advances from customers and others

**excluding cash bonds and cylinder deposits

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P27,519	P27,519	P27,519	P -	P -	P -
Trade and other receivables - net	86,479	86,479	86,479	-	-	-
Derivative assets (including non-current portion)	1,162	1,162	1,162	-	-	-
Proprietary membership shares	389	389	-	-	-	389
Noncurrent deposits	124	124	-	4	-	120
Financial Liabilities						
Short-term loans	137,910	139,785	139,785	-	-	-
Liabilities for crude oil and petroleum products	44,840	44,840	44,840	-	-	-
Trade and other payables*	12,008	12,008	11,904	-	104	-
Derivative liabilities	749	749	749	-	-	-
Long-term debts (including current maturities)	108,896	126,412	32,516	42,316	51,580	-
Lease liability (including current portion)	15,944	25,098	2,256	2,113	6,048	14,681
Cash bonds	439	439	-	424	15	-
Cylinder deposits	748	748	-	-	-	748
Other noncurrent liabilities**	56	56	-	18	27	11

*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income, advances from customers and others

**excluding cash bonds and cylinder deposits

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material costs and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show mark-to-market losses; however, any loss in the mark-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show mark-to-market gains; however, any gain in the mark-to-market position is offset by the resulting lower selling price.

To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the CRMD is in place. Decisions are guided by the conditions set and approved by the Group's management.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group's capital management policies and programs aim to provide an optimal capital structure that would ensure the Group's ability to continue as a going concern while at the same time provide adequate returns to the shareholders. As such, it considers the best trade-off between risks associated with debt financing and relatively higher cost of equity funds.

An enterprise resource planning system is used to monitor and forecast the Group's overall financial position. The Group regularly updates its near-term and long-term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Group monitors capital via carrying amount of equity as shown in the consolidated interim statements of financial position. The Group's capital for the covered reporting period is summarized below:

	September 30, 2024	December 31, 2023
Total assets	P471,625	P443,904
Total liabilities	347,736	344,269
Total equity	123,889	99,635
Debt to equity ratio	2.8:1	3.5:1
Assets to equity ratio	3.8:1	4.5:1

There were no changes in the Group's approach to capital management during the period.

The Group is not subject to externally imposed capital requirements.

9. Financial Assets and Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

Financial Liabilities

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

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

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in consolidated interim statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in OCI and presented in the consolidated interim statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in consolidated interim statements of income.

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

- the right 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, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in consolidated interim statements of income.

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the

instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of September 30, 2024 and December 31, 2023:

	September 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets (FA):				
Cash and cash equivalents	P46,998	P46,998	P27,519	P27,519
Trade and other receivables – net	69,514	69,514	86,479	86,479
Noncurrent deposits	152	152	124	124
FA at amortized cost	116,664	116,664	114,122	114,122
Proprietary membership shares	459	459	389	389
Derivative assets not designated as cash flow hedge	2,080	2,080	1,162	1,162
FA at FVPL	2,539	2,539	1,551	1,551
Total Financial Assets	P119,203	P119,203	P115,673	P115,673
Financial liabilities (FL):				
Short-term loans	P131,312	P131,312	P137,910	P137,910
Liabilities for crude oil and petroleum products	45,474	45,474	44,840	44,840
Trade and other payables*	16,345	16,345	12,008	12,008
Long-term debts including current portion	116,464	116,464	108,896	108,896
Cash bonds	425	425	439	439
Cylinder deposits	952	952	748	748
Other noncurrent liabilities**	60	60	56	56
Other FL	311,032	311,032	304,897	304,897
Derivative liabilities not designated as cash flow hedge	1,652	1,652	749	749
Total Financial Liabilities	P312,684	P312,684	P305,646	P305,646

*excluding specific taxes and other taxes payable, retirement benefits liability, deferred income, advances from customers 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 Noncurrent Deposits. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Mark-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties. The fair values of derivative instruments designated as cash flow hedges are computed by discounting the future cash flows and using the valuation model based on applicable market rates of similar instruments.

Financial Assets at FVPL. The fair values of publicly traded instruments and similar investments are based on published market prices.

Long-term Debt - Floating Rate. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Cash Bonds, 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 rate used as of September 30, 2024 and December 31, 2023 is 9.39%.

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 primarily due to the relatively short-term maturities of these financial instruments.

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the “Hedging reserve” account in the consolidated interim statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated interim statements of income.

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

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

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

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are recognized directly in consolidated interim statements of income.

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivative contracts entered into by the Group.

Cross Currency Swaps. As of September 30, 2024 and December 31, 2023, the Company has an outstanding cross currency swap with notional amount of nil and US\$10 million which matured in May 2024 and net fair value of nil and P34, respectively.

Interest Rate Collar. As of September 30, 2024 and December 31, 2023, the Company has an outstanding interest rate collar with notional amount of nil and US\$15 million (which matured in May 2024) and net fair value of nil and P12, respectively.

Currency Forwards. As of September 30, 2024 and December 31, 2023, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$666 and US\$913 million, respectively, and with various maturities. As of September 30, 2024 and December 31, 2023, the net fair value of these currency forwards amounted to (P373) and (P371), respectively.

Commodity Swaps. The Group has outstanding swap agreements covering its oil requirements, with various maturities. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. Total outstanding equivalent notional quantity covered by the commodity swaps were 86.6 million barrels and 51.1 million barrels as of September 30, 2024 and December 31, 2023, respectively. The estimated net receipts for these transactions amounted to P801 and P738 as of September 30, 2024 and December 31, 2023, respectively.

Commodity Options. As of September 30, 2024 and December 31, 2023, the Group has no outstanding 3-way options entered as hedge of forecasted purchases of crude oil.

Embedded Derivatives

Embedded foreign currency derivatives exist in certain US dollar-denominated sales and purchases contracts for various fuel products of the Parent Company. Under the sales and purchases contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of September 30, 2024 and December 31, 2023, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded

forwards are not clearly and closely related to their respective host contracts. As of September 30, 2024 and December 31, 2023, the net fair value of these embedded currency forwards is minimal.

For the periods ended September 30, 2024 and December 31, 2023, the Group recognized mark-to-market losses from freestanding and embedded derivatives amounting to P544 and P133, respectively.

Fair Value Measurements

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

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

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

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

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

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

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

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

The table below analyzes financial instruments carried at fair value, by valuation method, as of September 30, 2024 and December 31, 2023.

	Level 2	
	September 30, 2024	December 31, 2023
Financial Assets:		
FVPL	P459	P389
Derivative assets	2,080	1,162
Financial Liabilities:		
Derivative liabilities	(1,652)	(749)

The Group has no financial instruments valued based on Level 1 and Level 3 as of September 30, 2024 and December 31, 2023. During the period, there were no transfers between, into and out of Level 1 and Level 2 fair value measurements.

10. Significant Transactions During the Period

a. Loan Drawdowns

On March 6, 2024, the Parent Company drew P7,000 from a P7,000 unsecured term loan facility signed and executed on January 16, 2024. The facility is amortized over 5 years with 2 years grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 6, 2026. The facility is subject to interest payable in semi-annual amortizations with fixed interest rate of 7.4941% per annum for the first 2 years and will thereafter be repriced to a new fixed rate until maturity on March 6, 2029. The proceeds were used to repay outstanding indebtedness.

On April 18, 2024, the Parent Company drew P5,000 from a P5,000 unsecured term loan facility signed and executed on April 15, 2024. The facility is amortized over 5 years with 2.5 years grace period, after which the total principal will be amortized in 6 equal semi-annual installments beginning October 18, 2026. The facility is subject to a floating interest rate payable in semi-annual amortizations. The proceeds were used to repay outstanding indebtedness.

The Parent Company drew US\$133 million, US\$96 million and US\$130 million on July 23, 2024, July 30, 2024, and September 12, 2024, respectively, from a US\$500 million term loan facility signed and executed on July 11, 2024. The facility is amortized over 5 years with 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning July 11, 2026. The facility is subject to a floating interest rate payable monthly based on SOFR plus a spread, repriced every 1, 3 or 6 months. The proceeds were partially used to repay outstanding indebtedness and settle liabilities for crude oil importations.

These facilities are covered by financial covenant on ratio of consolidated gross debt to consolidated net worth which is not to exceed 2.75x.

b. Full Redemption of P13,200 Series C Bonds

On April 19, 2024, the Parent Company redeemed its P13,200 Series C Bonds issued in 2018.

c. Preferred Shares Issuance and Listing

On September 23, 2024, the Parent Company issued and listed in the PSE additional 16,830,000 Series 4 Preferred Shares at an offer price of P1,000.00 per share for a total amount of P16.83 billion. The additional Series 4 Preferred Shares were issued in two (2) sub-series, (i) 8,500,000 Series 4D preferred shares (the "Series 4D Preferred Shares") and (ii) 8,330,000 Series 4E preferred shares (the "Series 4E Preferred Shares"). Proceeds from issuance in excess of par value less related transaction costs was recognized as additional paid-in capital.

The Series 4D and 4E Preferred Shares are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Philippine Peso-denominated perpetual preferred shares with par value of P1.00 per share. The Parent Company has the redemption option starting on the 3rd and 5th year from the listing date or on any dividend payment date thereafter for Series 4D and Series 4E Preferred Shares, respectively. Series 4D and Series 4E Preferred Shares have dividend rates of 6.8364% and 7.1032%, respectively. Cash dividends are payable quarterly every March 23, June 23, September 23 and

December 23 of each year, as and if declared by the Parent Company's BOD.

The net proceeds shall be used to redeem the Series 3A Preferred Shares, refinance maturing obligations, and fund general corporate purposes, including the purchase of crude oil inventory.

d. Partial Repurchase of Redeemable Perpetual Securities (RPS)

On September 25, 2024, the Parent Company repurchased US\$40 million RPS.

11. Basic and Diluted Earnings -per Share

Basic and diluted earnings per share amounts for the three months ended September 30, 2024 and 2023 are computed as follows:

	2024	2023
Net income attributable to equity holders of the Parent Company	P6,828	P8,750
Dividends on preferred shares for the period	(1,178)	(937)
Distributions to the holders of capital securities for the period	(1,602)	(3,215)
Net income attributable to common shareholders of the Parent Company (a)	P4,048	P4,597
Weighted average number of common shares outstanding (in millions) (b)	9,375	9,375
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	P0.43	P0.49

As of September 30, 2024 and 2023, the Parent Company has no potential dilutive debt or equity instruments.

12. Cash Dividends and Distributions

Dividends

The BOD of the Parent Company approved the declaration of cash dividends for common, Series 3, and Series 4 preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2024				
Common	P0.10000	March 5, 2024	March 19, 2024	April 4, 2024
Series 3A	17.17825	May 07, 2024	June 03, 2024	June 25, 2024
Series 3B	17.84575	May 07, 2024	June 03, 2024	June 25, 2024
Series 4A	16.76975	May 07, 2024	June 13, 2024	July 08, 2024
Series 4B	16.99300	May 07, 2024	June 13, 2024	July 08, 2024
Series 4C	17.71525	May 07, 2024	June 13, 2024	July 08, 2024
Series 3A	17.17825	August 06, 2024	September 03, 2024	September 25, 2024
Series 3B	17.84575	August 06, 2024	September 03, 2024	September 25, 2024
Series 4A	16.76975	August 06, 2024	September 13, 2024	October 07, 2024
Series 4B	16.99300	August 06, 2024	September 13, 2024	October 07, 2024
Series 4C	17.71525	August 06, 2024	September 13, 2024	October 07, 2024

2023				
Common	P0.10000	March 6, 2023	March 20, 2023	April 4, 2023
Series 3A	17.17825	May 10, 2023	May 31, 2023	June 26, 2023
Series 3B	17.84575	May 10, 2023	May 31, 2023	June 26, 2023
Series 3A	17.17825	August 1, 2023	August 31, 2023	September 25, 2023
Series 3B	17.84575	August 1, 2023	August 31, 2023	September 25, 2023
Series 4A	16.76975	August 1, 2023	September 14, 2023	October 9, 2023
Series 4B	16.99300	August 1, 2023	September 14, 2023	October 9, 2023
Series 4C	17.71525	August 1, 2023	September 14, 2023	October 9, 2023
Series 3A	17.17825	November 7, 2023	November 29, 2023	December 26, 2023
Series 3B	17.84575	November 7, 2023	November 29, 2023	December 26, 2023
Series 3A	17.17825	November 7, 2023	March 1, 2024	March 25, 2024
Series 3B	17.84575	November 7, 2023	March 1, 2024	March 25, 2024
Series 4A	16.76975	November 7, 2023	December 13, 2023	January 8, 2024
Series 4B	16.99300	November 7, 2023	December 13, 2023	January 8, 2024
Series 4C	17.71525	November 7, 2023	December 13, 2023	January 8, 2024
Series 4A	16.76975	November 7, 2023	March 13, 2024	April 8, 2024
Series 4B	16.99300	November 7, 2023	March 13, 2024	April 8, 2024
Series 4C	17.71525	November 7, 2023	March 13, 2024	April 8, 2024

Distributions

SPCS

Payments of distributions pertaining to SPCS were made on the following dates: April 18, 2024 (P1,246), October 19, 2023 (P1,238), July 19, 2023 (P797), April 19, 2023 (P1,224), and January 19, 2023 (P841).

RPS

Payments of distributions pertaining to RPS were made on the following dates: September 23, 2024 (P66), August 12, 2024 (P52), June 21, 2024 (P69), May 10, 2024 (P52), March 22, 2024 (P66), February 12, 2024 (P51), December 22, 2023 (P65), November 10, 2023 (P51), September 22, 2023 (P67), August 10, 2023 (P51), June 22, 2023 (P65), May 26, 2023 (P3), May 10, 2023 (P51), March 22, 2023 (P64), February 27, 2023 (P3), and February 10, 2023 (P49).

13. Commitments and Contingencies

Supply and Lease Agreements

The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase the Company's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), Kuwait Petroleum Corporation (KPC) Abu Dhabi National Oil Company (ADNOC), Iraq's State Organization for Marketing of Oil (SOMO) and Shell International Eastern Trading Co (SIETCO). The contract with Saudi Aramco is from January 1, 2024 to December 31, 2024 with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice. The contract with KPC is from July 1, 2023 to December 31, 2024 while the contracts from ADNOC and SOMO are from January 1, 2024 to December 31, 2024, respectively. The contract with SIETCO is for three (3) years from November 6, 2023.

Petron Malaysia Refining & Marketing Bhd (PMRMB) acquires crude oil and condensate for its Port Dickson Refinery from various sources through a combination of term purchase contracts and spot market purchases. PMRMB has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobile Exploration and Production Malaysia Inc. ("EMEPMI") for a period of 2 years until March 2026

supplemented by other short-term supply contracts and spot crude purchases. As of September 30, 2024, about 43% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. PMRMB also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

Outstanding liabilities of the Group for such purchases are shown as part of “Liabilities for crude oil and petroleum products” account in the consolidated statements of financial position as of September 30, 2024 and December 31, 2023.

Lease Agreements with Philippine National Oil Company (PNOC).

On September 30, 2009, Petron through its subsidiary NVRC entered into a 30-year lease with PNOC covering parcels of land in Limay, Bataan which Petron uses as site for its Bataan Refinery. The lease commenced on January 1, 2010 and ending on December 31, 2039. Based on the latest valuation of the property conducted by a third-party appraiser acceptable to both parties, the annual rental shall be P238 retroactive to year 2022, payable on the 15th day of January of each year without necessity of demand. The lease is subject to renewal options and annual escalation of 3% per annum to be applied starting 2023 until the next re-appraisal period. The leased premises shall be re-appraised every fifth year, on the basis of which the new rental rate shall be determined equivalent to 5% of the reappraised value, subject to annual escalation of 3% for the next four years following the re-appraisal. Also, as at September 30, 2024 and December 31, 2023, Petron leases other parcels of land from PNOC for its bulk plants and service stations.

Oil Spill Incident in Guimaras

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

Complaints for damages and non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at September 30, 2024. In the course of plaintiffs’ presentation of evidence in two cases, the plaintiffs moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City (CA). On January 9, 2020, the CA issued a resolution granting plaintiffs’ motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs’ petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending to date. On September 25, 2024, the CA denied the motion for reconsideration of another respondent International Oil Pollution Compensation Funds (“IOPC Funds”) and directed IOPC Funds to file its comment. The CA held in abeyance any further action on the petition pending compliance with the directives of the said resolution. In the meantime, proceedings before the trial court continue. In one of the cases, the plaintiffs have already rested its case and trial dates have been set for the presentation of defendants’ evidence. In the other case, plaintiffs are already expected to complete the presentation of their evidence. As of September 30, 2024 and December 31, 2023, the Parent Company has not set up any provision related to this case because while the case is still pending, the Parent Company believes the resolution will be in its favor.

Unused Letters of Credit and Outstanding Standby Letters of Credit

The Group has unused letters of credit totaling approximately P39,839 and P35,445 as of September 30, 2024 and December 31, 2023, respectively.

Other Proceedings

The Group is also a party to certain other proceedings arising out of the ordinary course of its business, including legal proceedings with respect to tax, regulatory and other matters. While the results of litigation cannot be predicted with certainty, Management believes that the final outcome of these other proceedings will not have a material adverse effect on the Group's business, financial condition or results of operations.

14. Events After the Reporting Period

a. Partial Repurchase of RPS

On October 2, 2024, the Parent Company repurchased US\$20 million RPS.

b. Loan Drawdown

The Parent Company drew US\$141 million on October 28, 2024, from a US\$500 million term loan facility signed and executed on July 11, 2024. The facility is amortized over 5 years with 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning July 11, 2026. The facility is subject to a floating interest rate payable monthly based on SOFR plus a spread, repriced every 1, 3 or 6 months. The proceeds will be used to repay outstanding indebtedness.

c. Dividends and Distributions

- i. On October 18, 2024, the Parent Company paid distributions amounting to US\$16.36 million (P1,258) to the holders of US\$550 million SPCS.
- ii. On November 5, 2024, the BOD of the Parent Company approved the declaration of cash dividends for preferred shareholders with the following details:

Type	Per Share	Date of Record	Date of Payment
Series 3A	17.17825	November 29, 2024	December 26, 2024
Series 3B	17.84575	November 29, 2024	December 26, 2024
Series 3B	17.84575	March 03, 2025	March 25, 2025
Series 4A	16.76975	December 09, 2024	January 07, 2025
Series 4B	16.99300	December 09, 2024	January 07, 2025
Series 4C	17.71525	December 09, 2024	January 07, 2025
Series 4A	16.76975	March 13, 2025	April 07, 2025
Series 4B	16.99300	March 13, 2025	April 07, 2025
Series 4C	17.71525	March 13, 2025	April 07, 2025
Series 4D	17.09100	November 28, 2024	December 23, 2024
Series 4E	17.75800	November 28, 2024	December 23, 2024
Series 4D	17.09100	February 28, 2025	March 24, 2025
Series 4E	17.75800	February 28, 2025	March 24, 2025

15. 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 of all such properties, and (iii) the payment by the Parent company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent company all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Parent Company filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Parent Company and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Parent Company's position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate Parent Company's lease thereby depriving Parent Company a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract

from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that the Parent Company paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, the Parent Company filed its motion for reconsideration insofar as the decision dismissed the Parent Company's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Parent Company and PNOC. The Parent Company decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review on certiorari with the Supreme Court in December 2022. On November 30, 2023, the Parent Company received a copy of the Supreme Court's resolution dated July 25, 2023, denying PNOC's petition for review on certiorari, on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. On December 6, 2023, the Parent Company received a copy of PNOC's motion for reconsideration of the Supreme Court's resolution, coupled with motion to refer the case to the Supreme Court *en banc* citing, among others, the involvement of prime vital government assets. In a motion dated June 26, 2024, PNOC sought leave with the Supreme Court to file a Supplemental Motion for Reconsideration seeking to supplement its primary motion for reconsideration filed earlier in December 2023. As of September 30, 2024, the Parent Company had yet to receive from the Supreme Court any notice on its action on PNOC's primary motion for reconsideration and its subsequent motion for leave to file its supplemental motion for reconsideration.

- b. On February 16, 2022, the Parent Company acquired 100% of the authorized capital stock of Mema Holdings, Inc. On June 30, 2022, control over the investee was transferred to the Group after the resolution of substantive pending issues. On December 29, 2022, a P300 adjustment in purchase price was agreed by the Parent Company and the seller which was settled in February 2023.
- c. On August 9, 2024, Petron Marketing Corporation secured the approval from the Securities and Exchange Commission to shorten its corporate life until December 31, 2025.
- d. There were no seasonal aspects that had a material effect on the financial position or financial performance of the Group.
- e. There were no material off-statements of financial position items, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the notional values of outstanding derivative transactions entered by the Group as of and for the period ended September 30, 2024.
- f. Known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

Gross Domestic Product (GDP)

The growth of the PH economy slowed to 5.2% in the third quarter of 2024, down from 6.0% in the same period last year. While this growth fell short of the government's target of 6-7% for the year, the Philippines still posted the second-fastest growth rate in the region, following Vietnam's 7.4% and surpassing Indonesia (4.9%), China (4.6%), and Singapore (4.1%).

<i>Economic growth (in percentage)</i>	3Q 2024	3Q 2023
GDP	5.2	6.0
<i>By Expenditure</i>		
Household Consumption	5.1	5.1
Government Consumption	5.0	6.7
Capital Formation	13.1	(0.3)
Exports	(1.0)	2.5
Imports	6.4	(1.6)
<i>By Industry</i>		
Agriculture	(2.8)	0.9
Industry	5.0	5.6
Services	6.3	6.8

Household consumption, which accounts for over 70% of the economy remained stable at 5.1%. Recent policy rate cuts and reductions in reserve requirements have boosted liquidity and strengthened consumer purchasing power. Gross capital formation showed a robust expansion of 13.1%, rebounding from a 0.3% decline the previous year, primarily driven by a recovery in investments in durable equipment. However, climate-related disruptions in the last quarter slowed government spending growth to 5.0%. Imports of goods and services improved by 6.4%, while exports contracted by 1.0%, reversing the 2.5% growth recorded a year ago.

On the supply side, the slowdown was driven by a contraction in agriculture and a moderation in growth in industry and services. Crop production declined by 2.8% year-on-year, primarily due to the severe impact of the El Niño phenomenon and a series of cyclones that hit the country, significantly disrupting agricultural output.

91-Day Treasury-Bill (T-bill) Rate

91-day T-Bill rates averaged 5.7% in the first nine months of 2024, higher compared to 5.3% of the same period last year. With price pressures beginning to ease, the Bangko Sentral ng Pilipinas (BSP) has lowered its key policy rates by 25 bps in August to 6.25% after remaining unchanged at 6.5% since October 2023.

Peso-Dollar Exchange Rate

The peso averaged P57.0/\$ as of YTD-September, a 2.6% depreciation from P55.5/\$ in the same period last year. The peso depreciated as the dollar sustained strength with the delay in the US Federal Reserve cutting interest rates.

Inflation

The rate of increase in prices of commodities and services eased to 3.4% as of YTD-September, from 6.6% in the same period last year, mainly due to the slower increases in utility and transport costs with the declining prices of fuels.

Industry Oil Demand

Oil demand in the country grew by 4.5% to 175,434 MB in 2023 from 167,809 MB in 2022. The normalization of the daily economic activities and lifting of the COVID-related state of public health emergency throughout the country contributed to the growth in demand for petroleum products.

Oil Market

Year-on-year prices of Dubai stood at \$81.6/bbl as of YTD-September, remaining unchanged compared to the same period last year mainly due to escalated geopolitical tensions from the continuing Israel and Hamas conflict and attacks in the Red Sea as well as the winter storms shutting off US production and the cooling US inflation. Meanwhile, YTD-September product cracks weakened due to lower-than-expected global oil demand growth with gasoline cracks declining from \$18.0/bbl in YTD-September 2023 to \$14.0/bbl in YTD-September 2024, diesel cracks from \$24.3/bbl to \$17.2/bbl, and kero-jet cracks from \$22.2/bbl to \$15.8/bbl.

Effect of Existing or Probable Government Regulations on the Business

Extended Producer's Responsibility Act of 2022 (EPR Law). Republic Act No. 11898 or the EPR Law lapsed into law on July 23, 2022. The law amends RA 9003, otherwise known as the Ecological Solid Waste Management Act of 2000, which requires product manufacturers and obliged companies to adopt proper management of plastic packaging wastes, from manufacturing to end-life cycle.

Electric Vehicle Industry Development Act (EVIDA). Republic Act No. 11697 or EVIDA lapsed into law on April 15, 2022. The law provides for a national policy framework to develop the electric vehicle industry in the Philippines. The promotion of the purchase and use of electric vehicles may impact oil industry demand.

- *Department Circular 2021-07-0023.* The DOE issued this circular on July 2, 2021 providing for a framework for the adoption and development and E-vehicles ("EVs") and electric charging stations ("EVCS") in the Philippines, including installation of EVCs in retail stations.

Corporate Recovery and Tax Incentives for Enterprise Act ("CREATE Act"). Republic Act No. 11534 or the CREATE Act took effect on April 11, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives.

The corporate income tax rate for domestic corporations and resident foreign corporations has been reduced to 25% effective July 1, 2021, and on January 1, 2021, for non-resident foreign corporations. Domestic corporations and resident foreign corporations no longer have an option to be taxed at 15% on gross income and the rate of the minimum corporate income tax (MCIT) was lowered to 1% from July 1, 2021 to June 30, 2023. Subsequently, commencing on July 1, 2023, the MCIT has reverted to its former rate of 2%. Under the CREATE Act, persons who directly import petroleum products for resale in the Philippine customs territory and/or in free zones will be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program and/or other tax-exempt sales by the importer.

The CREATE Act also provides for the rationalization of tax incentives that may be granted by investment promotion agencies (such as the 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.

LPG Industry Regulation Act. Republic Act No. 11592 or the “LPG Industry Regulation Act”, enacted into law on October 14, 2021, aims to ensure health, safety, security, environmental and quality standards in the LPG industry by instituting reforms in the existing standards and practices. The law defines prohibited acts such as engaging in LPG industry activities without the required licenses, certificates, and permits; selling, fabricating, or refilling unfilled LPG cylinders without the approval of the trademark owner; selling, exchanging, possessing empty LPG cylinders that belong to another trademark owner; and non-compliance with standards such as those relating to safety, materials, and markings. It also provides for the establishment of an LPG Cylinder Exchange and Swapping Program for the exchange, swapping, or buyback of LPG cylinders among industry participants and the establishment of accredited swapping centers. As of September 30, 2024, various circulars are currently being implemented and/or subject to public consultations to ensure timely and effective implementation of the law.

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

The TRAIN law also mandates the implementation of a fuel marking program for diesel, gasoline, and kerosene to help curb the illicit trading of fuel products. While the cost for the fuel marker would be shouldered by the government in the initial year of implementation, this cost was eventually passed on to oil companies beginning in 2020 which resulted in higher fuel prices.

Biofuels Act of 2006 (the “Biofuels Act”). The Biofuels Act and its implementing circulars mandate that gasoline and diesel volumes contain 10% bioethanol and 2% biodiesel/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.

In terms of reportorial requirements, The DOE issued the “Revised Circular for the Accreditation and Submission of Notices and Reports of the Philippine Downstream Oil Industry Pursuant to the Biofuels Act” on July 2, 2021 (Department Circular 2021-06-0014) requiring oil companies to submit notices, accreditation and reportorial requirements using revised templates in relation to the utilization of biofuels. The new circular provides for more stringent penalties and additional monthly and quarterly reports for DOE to monitor compliance with regard to the utilization of biofuels, including compliance to local monthly allocation for ethanol.

- *Department Circular no. 2024-05-0014.* Signed on May 7, 2024, the circular mandates all oil industry players to implement a 3% coco methyl ester (CME) blend, from current B2, beginning October 1, 2024. Further, this percentage will gradually increase to 4% by October 1, 2025, and to 5% by October 1, 2026. The circular also provides for the shift to E20 from E10, but on a voluntary basis. The current ethanol blend for gasoline has remained at 10% since 2012, while the CME blending last increased to 2% in 2007. This move aims to decrease dependence on imported fuels, reduce greenhouse gas emissions, and bolster the local biodiesel and bioethanol sectors. To ensure a smooth and timely transition to higher biofuel blend percentages, the downstream oil industry must maintain sufficient storage capacity, blending facilities, transport systems, and dedicated storage tanks and dispensing pumps.

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

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

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

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

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

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

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

Amended Price Freeze Act of 2013. RA 10623 was signed on September 6, 2013, and mandates the implementation of a 15-day price freeze of basic necessities, including LPG and kerosene, for areas declared under a state of emergency or calamity. Further to this, Senior Citizens and PWDs are entitled to a discount for LPG and kerosene as mandated by the following:

- Joint Administrative Order (JAO) 17-01. Issued on February 17, 2020, this Order provides for a 5% special discount for basic necessities, which includes household LPG and kerosene. The discount for 11 kg. can only be availed once every 5 months, while the discount for kerosene can be availed for not more than 2 liters per month.
 - An updated JAO was issued on 21 March 2024 (JAO 24-02) to include purchasing limits on other basic necessities but retains the said discount for LPG and kerosene.
- Joint Memorandum Circular (“JMC”) 24-02. Issued on 21 March 2024, this joint circular ensures that the discounts and privileges of Senior Citizens and PWDs are recognized if transactions are made online.

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

Oil Deregulation Law (RA 8479). Approved on February 10, 1998, the law provides for a liberalized and deregulated framework for the downstream oil industry. Recent circulars that serve as additional and more updated guidelines for implementing the law include:

- *Department Circular 2019-05-008*. This DOE circular requires oil companies to submit a detailed computation, with corresponding explanation and supporting documents, of the cost components of liquid fuel and LPG on a per liter and per product basis. The circular has not been implemented following the temporary restraining orders and writs of preliminary injunction issued by the Regional Trial Courts of Taguig and Mandaluyong. On September 10, 2024, the Supreme Court made public its decision dated July 31, 2024 affirming the validity of the circular in one of the cases filed against its implementation.
- *Department Circular 2021-09-0029*. The “Revised Guidelines on Notices and Reportorial Requirements Pursuant to the Oil Deregulation Law”, published on November 5, 2021, requires the submission of monthly and annual reports using revised templates for DOE to monitor importation and/or production of oil companies (and for Petron as a refiner) and includes additional reportorial requirements for lubes and blending plants, with more stringent penalties for non-compliance.

Energy Regulatory Commission Resolution 17s2003. The ERC issued a resolution dated September 13, 2023, that provides for revised guidelines for the application and issuance of a Certificate of Compliance (COC) for generation facilities.

PETRON CORPORATION AND SUBSIDIARIES**RECEIVABLES**

As of September 30, 2024

(Amounts in Million Pesos)

Breakdown:

Accounts Receivable – Trade	P50,969
Accounts Receivable – Non-Trade	18,545
Total Accounts Receivable - Net	P69,514

AGING OF TRADE ACCOUNTS RECEIVABLES

Receivables	1 – 30 days	P45,566
	31 – 60 days	3,475
	61 – 90 days	468
	Over 90 days	2,183
Total		51,692
Allowance for doubtful accounts		(723)
Accounts Receivable – Trade		P50,969

Management's Discussion and Analysis of Financial Position and Financial Performance

Financial Performance

YTD September 2024 vs YTD September 2023

The Group's consolidated net income as of year-to-date (YTD) September 2024 amounted to **₱ 7.11 billion**, 25% lower than the ₱ 9.51 billion posted in the same period last year (LY). The strong performance by the Company's Marketing segments was countered by the drop in prices and weak regional refining cracks.

	Periods Ended		Horizontal Analysis		Vertical Analysis	
	September 30	September 30	Increase (Decrease)		2024	2023
	2024	2023	Amount	%	2024	2023
	(in Millions)					
Sales	657,933	587,283	70,650	12%	100%	100%
Cost of Goods Sold	(623,542)	(548,913)	74,629	14%	(95%)	(93%)
Gross Profit	34,391	38,370	(3,979)	(10%)	5%	7%
Selling and Administrative Expenses	(13,451)	(12,617)	834	7%	(2%)	(2%)
Other Operating Income	1,314	1,255	59	5%	0%	0%
Interest Expense and Other Financing Charges	(15,649)	(13,706)	1,943	14%	(2%)	(2%)
Interest Income	851	996	(145)	(15%)	0%	0%
Share in Net Income of an Associate and Joint Ventures	84	83	1	2%	0%	0%
Other Income (Expense) - net	1,263	(1,856)	3,119	high	0%	(0%)
Income Before Income Tax	8,803	12,525	(3,722)	(30%)	1%	2%
Income Tax Expense	(1,694)	(3,017)	(1,323)	(44%)	(0%)	(1%)
Net Income	7,109	9,508	(2,399)	(25%)	1%	2%
Attributable to Equity Holders of the Parent Company	6,828	8,750	(1,922)	(22%)	1%	1%
Attributable to Non-controlling Interests	281	758	(477)	(63%)	0%	0%
	7,109	9,508	(2,399)	(25%)	1%	2%
Sales Volume in Thousand Barrels	104,366	93,597	10,769	12%		

Consolidated Sales Volume was up 12% from 93.60 million barrels (MMB) to **104.37 MMB** as Philippines and Malaysian operations registered continued growth both in the domestic and export markets by a combined total of 6% versus YTD September 2023 level. Additionally, PSTPL's trading volume grew significantly by almost 40%.

Consequently, **Net Sales** rose by 12% to **₱ 657.93 billion** from ₱ 587.28 billion LY. The higher average USD/PHP exchange rate by ₱ 1.52 from ₱ 55.49 to ₱ 57.01 also contributed to the increase in revenues.

Similarly, **Cost of Goods Sold** escalated by 14% from ₱ 548.91 billion to **₱ 623.54 billion** because of the higher volume sold and the depreciation of the PHP against the USD. YTD September 2024 average price of Dubai at US\$82 per barrel was at par with the same period LY.

Gross Profit of **₱ 34.39 billion** was 10% lower than LY's ₱ 38.37 billion owing largely to the decline in refining cracks.

Meanwhile, **Selling and Administrative Expenses** climbed by 7% from ₱ 12.62 billion to **₱ 13.45 billion** mainly due to higher spending on maintenance and repairs at the service stations, outsourced services and utilities, and promotional activities.

Other Operating Income increased by 5% to **₱ 1.31 billion** on account of higher rental income.

Interest Expense and Other Financing Charges aggregated to **₱ 15.65 billion**, reflecting a 14% increase from same period LY due to higher borrowing levels and interest rates.

Conversely, **Interest Income** of **₱ 851 million** was down by 15% or by ₱ 145 million.

Share in Net Income of an Associate and Joint Ventures increased slightly to **₱ 84 million** from ₱ 83 million in 2023. .

Other Income - net of **₱ 1.26 billion** was a turnaround from LY's ₱ 1.86 billion Other Expense – net, due to this year's net forex-hedging and unrealized commodity hedging gains versus losses LY.

Income tax expense amounted to **₱ 1.69 billion**, 44% lower than the previous year due to lower earnings before tax and tax credit utilization of Petron Malaysia.

YTD September 2023 vs YTD September 2022

Petron Corporation's consolidated net income for the first nine months of 2023 closed at **₱9.51 billion**, 16% higher than last year's (LY) ₱ 8.18 billion. Incremental margins from volume growth boosted earnings this year.

	Periods Ended		Horizontal Analysis		Vertical Analysis	
	September 30	September 30	Increase (Decrease)		2023	2022
	2023	2022	Amount	%	2023	2022
	(in Millions)					
Sales	587,283	631,138	(43,855)	(7%)	100%	100%
Cost of Goods Sold	(548,913)	(604,374)	(55,461)	(9%)	(93%)	(96%)
Gross Profit	38,370	26,764	11,606	43%	7%	4%
Selling and Administrative Expenses	(12,617)	(11,375)	1,242	11%	(2%)	(2%)
Other Operating Income	1,255	1,109	146	13%	0%	0%
Interest Expense and Other Financing Charges	(13,706)	(8,825)	4,881	55%	(2%)	(1%)
Interest Income	996	550	446	81%	0%	0%
Share in Net Income of an Associate and Joint Ventures	83	49	34	70%	0%	0%
Other Income (Expense) - net	(1,856)	1,369	(3,225)	(high)	(0%)	0%
Income Before Income Tax	12,525	9,641	2,884	30%	2%	2%
Income Tax Expense	(3,017)	(1,462)	1,555	high	(1%)	(0%)
Net Income	9,508	8,179	1,329	16%	2%	1%
Attributable to Equity Holders of the Parent Company	8,750	7,139	1,611	23%	1%	1%
Attributable to Non-controlling Interests	758	1,040	(282)	(27%)	0%	0%
	9,508	8,179	1,329	16%	2%	1%
Sales Volume in Thousand Barrels	93,597	80,435	13,162	16%		

The following factors affected the Group's performance during the first three quarters of 2023:

Consolidated Sales Volume grew by 16% to **93.60 million barrels (MMB)** as demand across trades increased especially for the retail and aviation industries for both Philippines and Malaysia.

Despite the increase in sales volume, **Net Sales** decreased by 7% to **₱ 587.28 billion** from ₱ 631.14 billion LY due to the further correction of regional MOPS prices from extraordinarily high prices LY brought about by the Russia-Ukraine war.

Cost of Goods Sold (CGS) also dropped to **₱ 548.91 billion**, 9% lower than LY's ₱ 604.37 billion traced to lower cost per liter with the 18% decline in the year-to-date average price of Dubai from US\$100/bbl LY to US\$82/bbl this year. The higher sales volume and the 4% depreciation of the Philippine Peso against the US Dollar partly cushioned the drop in prices.

Gross profit rose significantly by **43%** to **₱ 38.37 billion** attributable mainly to higher sales volume.

Selling and Administrative Expenses (OPEX) climbed **11%** from ₱ 11.38 billion LY to **₱ 12.62 billion** in 2023 owing primarily to more LPG cylinders purchased this year, outsourced services and utilities, maintenance and repairs expenses particularly for service stations, and promotional activities.

Other Operating Income of **₱ 1.26 billion** was 13% higher than LY's **₱ 1.11 billion** traced to higher rental income.

Interest Expense and Other Financing Charges ballooned to **₱ 13.71 billion**, a 55% increase from the **₱ 8.83 billion** level in the same period in 2022 due to higher interest rates and borrowing levels.

Interest Income also went up by 81% to **₱ 996 million** from **₱ 550 million** as interest rates rose, partly moderated by the lower average placement level.

Equity in Net Earnings of an Associate and Joint Ventures (JV) amounted to **₱ 83 million** versus **₱ 49 million** LY, representing mainly the Group's share in net income of Petrogen Insurance Corporation, an associate.

Other Expense - net amounted to **₱ 1.86 billion** as against Other Income – net of **₱ 1.37 billion** registered in the first three quarters of 2022 on account of mark-to-market loss on commodity hedges and net forex-hedging loss posted this year versus gains recorded LY.

Income tax expense of **₱ 3.02 billion** more than doubled the previous year's **₱ 1.46 billion** due to higher financial income before tax of Philippines operations and full utilization of tax incentives related to the expansion and modernization-related capital expenditures of Malaysia.

Financial Position

September 2024 vs December 2023

			Horizontal Analysis		Vertical Analysis	
	Sep 30	Dec 31	Increase (Decrease)		Sep 30	Dec 31
	2024	2023	Amount	%	2024	2023
Cash and cash equivalents	46,998	27,519	19,479	71%	10%	6%
Financial assets at fair value	2,080	1,162	918	79%	0%	0%
Trade and other receivables – net	69,514	86,479	(16,965)	(20%)	15%	19%
Inventories	82,559	77,318	5,241	7%	18%	17%
Other current assets	54,746	40,529	14,217	35%	12%	9%
Total Current Assets	255,897	233,007	22,890	10%	54%	52%
Investment in shares of stock of an associate and joint ventures	1,136	1,158	(22)	(2%)	0%	0%
Property, plant and equipment – net	168,443	166,046	2,397	1%	36%	37%
Right-of-use assets – net	5,218	5,286	(68)	(1%)	1%	1%
Investment property – net	28,837	27,194	1,643	6%	6%	6%
Deferred tax assets – net	826	1,190	(364)	(31%)	0%	0%
Goodwill	9,171	8,093	1,078	13%	2%	2%
Other noncurrent assets – net	2,097	1,930	167	9%	0%	0%
Total Noncurrent Assets	215,728	210,897	4,831	2%	46%	48%
Total Assets	471,625	443,904	27,721	6%	100%	100%
Short term loans	131,312	137,910	(6,598)	(5%)	28%	31%
Liabilities for crude oil and petroleum products	45,474	44,840	634	1%	10%	10%
Trade and other payables	23,817	23,890	(73)	0%	5%	5%
Current portion of lease liability	1,505	1,566	(61)	(4%)	0%	0%
Derivative liabilities	1,652	749	903	121%	0%	0%
Income tax payable	268	132	136	103%	0%	0%
Current portion of long-term debt – net	16,309	25,642	(9,333)	(36%)	3%	6%
Total Current Liabilities	220,337	234,729	(14,392)	(6%)	47%	53%

Forward

	Horizontal Analysis				Vertical Analysis	
	Sep 30	Dec 31	Increase (Decrease)		Sep 30	Dec 31
	2024	2023	Amount	%	2024	2023
Long-term debt – net of current portion	100,155	83,254	16,901	20%	21%	19%
Retirement benefits liability	2,375	2,621	(246)	(9%)	1%	1%
Deferred tax liabilities – net	4,632	4,432	200	5%	1%	1%
Lease liability – net of current portion	14,988	14,378	610	4%	3%	3%
Asset retirement obligation	3,812	3,612	200	6%	1%	1%
Other noncurrent liabilities	1,437	1,243	194	16%	0%	0%
Total Noncurrent Liabilities	127,399	109,540	17,859	16%	27%	25%
Total Liabilities	347,736	344,269	3,467	1%	74%	78%
Capital stock	9,502	9,485	17	0%	2%	2%
Additional paid-in capital	57,792	40,985	16,807	41%	12%	9%
Capital securities	35,546	37,529	(1,983)	(5%)	8%	8%
Retained earnings	34,944	31,834	3,110	10%	7%	7%
Equity Reserves	(16,143)	(21,252)	5,109	(24%)	(3%)	(5%)
Treasury stock	(7,600)	(7,600)	-	-	(2%)	(2%)
Total Equity Attributable to Equity Holders of the Parent Company	114,041	90,981	23,060	25%	24%	20%
Non-controlling Interests	9,848	8,654	1,194	14%	2%	2%
Total Equity	123,889	99,635	24,254	24%	26%	22%
Total Liabilities and Equity	471,625	443,904	27,721	6%	100%	100%

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end-September 2024 stood at **₱ 471.63 billion**, 6% or ₱ 27.72 billion higher than end-2023 level of ₱ 443.90 billion. The increase in total assets was largely traced to cash and cash equivalents, and other current assets.

Cash and cash equivalents increased by 71% to **₱ 47.00 billion** from ₱ 27.52 billion. The increase was mainly driven by cash generated from operations and the issuance of additional preferred shares, partially offset by payment of interest, cash dividends, and distributions.

Financial assets at fair value went up to **₱ 2.08 billion** from ₱ 1.16 billion primarily from higher mark-to-market valuation of outstanding commodity hedges.

Trade and other receivables – net declined by 20% to **₱ 69.51 billion** attributable to lower trade accounts receivable and claims from the Malaysian government.

Inventories went up by ₱ 5.24 billion to **₱ 82.56 billion** mainly from higher volume of both crude and finished products, partly offset by the lower average prices this year compared to LY.

Other current assets rose by 35% to **₱ 54.75 billion** on account of additional creditable withholding taxes, input VAT, and excise tax claims. .

Investment property – net increased by 6% to **₱ 28.84 billion** due to additions during the period and impact of currency translation with the devaluation of the Philippine peso versus US dollar and Malaysian Ringgit, partly offset by the depreciation expense recognized during the period.

Deferred tax assets – net were reduced to ₱ 826 million from ₱ 1.19 billion due to temporary difference in depreciation method used for tax vis-a-vis financial reporting, allowable deduction related to retirement benefits, and utilization of previous years' Net Operating Loss Carry-over (NOLCO), partly offset by Minimum Corporate Income Tax (MCIT) and unrealized foreign exchange losses for the period.

Goodwill – net increased by 13% to **₱ 9.17 billion** due to currency translation with the depreciation of the Philippine peso against the US dollar and Malaysian Ringgit.

Other noncurrent assets – net rose to **₱ 2.10 billion** from ₱ 1.93 billion pertaining mainly to prepaid rental and long-term receivables of Petron Malaysia.

Short-term loans declined by 5% from ₱ 137.91 billion to **₱ 131.31 billion** due to the net settlement of short-term loans during the period.

Derivative liabilities increased to **₱ 1.65 billion** with the accrual of commodity and currency hedging settlements.

Income tax payable more than doubled from ₱ 132 million to **₱ 268 million** as tax liabilities of foreign subsidiaries increased.

Long-term debt including current portion went up by 7% to **₱ 116.46 billion** from ₱ 108.90 billion mainly from new Peso and US Dollar-denominated long-term loans, net of maturities during the period.

Retirement benefits liability decreased by 9% to **₱ 2.38 billion** as total contributions to the retirement fund was higher than the recorded expense during the period.

Deferred tax liabilities – net went up to **₱ 4.63 billion** from ₱ 4.43 billion attributed to the foreign subsidiaries' temporary difference between tax versus financial reporting with respect to qualifying assets.

Asset retirement obligation increased to **₱ 3.81 billion** from ₱ 3.61 billion after recognition of accretion expense during the period.

Other noncurrent liabilities stood at **₱ 1.44 billion**, 16% higher than end-2023 level brought about mainly by the increase in LPG cylinder deposits.

Additional paid-in capital increased by ₱ 16.81 billion to **₱ 57.79 billion** as a result of issuance of preferred shares.

Capital securities declined by 5% to **₱ 35.55 billion** following the partial repurchase of US\$130 million redeemable perpetual securities.

Retained earnings rose by 10% to **₱ 34.94 billion** traced to the net income realized during the period partly offset by the payment of cash dividends and distributions.

The negative balance of **Equity reserves** decreased from **₱21.25 billion** to **₱ 16.14 billion** on account of the translation gain on investment in foreign subsidiaries following the weakening of the Peso against the US dollar and Malaysian Ringgit.

September 2023 vs December 2022

	Horizontal Analysis				Vertical Analysis	
	Sep 30	Dec 31	Increase (Decrease)		Sep 30	Dec 31
	2023	2022	Amount	%	2023	2022
Cash and cash equivalents	28,633	37,183	(8,550)	(23%)	6%	8%
Financial assets at fair value	1,935	1,753	182	10%	0%	0%
Trade and other receivables – net	87,868	81,979	5,889	7%	19%	18%
Inventories	83,541	85,347	(1,806)	(2%)	18%	19%
Other current assets	42,010	37,025	4,985	13%	9%	8%
Total Current Assets	243,987	243,287	700	(0%)	53%	53%
Investment in shares of stock of an associate and joint ventures	1,175	1,085	90	8%	0%	0%
Property, plant and equipment – net	167,446	170,153	(2,707)	(2%)	37%	37%
Right-of-use assets - net	6,052	5,398	654	12%	1%	1%
Investment property – net	27,168	28,437	(1,269)	(4%)	6%	6%
Deferred tax assets - net	898	1,812	(914)	(50%)	0%	0%
Goodwill	8,118	8,509	(391)	(5%)	2%	2%
Other noncurrent assets – net	2,083	1,390	693	50%	0%	0%
Total Noncurrent Assets	212,940	216,784	(3,844)	(2%)	47%	47%
Total Assets	456,927	460,071	(3,144)	(1%)	100%	100%
Short term loans	122,772	137,886	(15,114)	(11%)	27%	30%
Liabilities for crude oil and petroleum products	56,644	51,067	5,577	11%	12%	11%
Trade and other payables	26,018	22,896	3,122	14%	6%	5%
Current portion of lease liability	1,449	1,380	69	5%	0%	0%
Derivative liabilities	2,726	723	2,003	277%	1%	0%
Income tax payable	672	204	468	229%	0%	0%
Current portion of long-term debt – net	27,881	13,399	14,482	108%	6%	3%
Total Current Liabilities	238,162	227,555	10,607	5%	52%	49%

Forward

	Horizontal Analysis				Vertical Analysis	
	Sep 30	Dec 31	Increase (Decrease)		Sep 30	Dec 31
	2023	2022	Amount	%	2023	2022
Long-term debt - net of current portion	90,334	93,662	(3,328)	(4%)	20%	20%
Retirement benefits liability	2,731	3,261	(530)	(16%)	1%	1%
Deferred tax liabilities - net	4,175	3,601	574	16%	1%	1%
Lease liability - net of current portion	14,183	13,714	469	3%	3%	3%
Asset retirement obligation	4,303	3,527	776	22%	1%	1%
Other noncurrent liabilities	1,164	1,201	(37)	(3%)	0%	0%
Total Noncurrent Liabilities	116,890	118,966	(2,076)	(2%)	26%	26%
Total Liabilities	355,052	346,521	8,531	2%	78%	75%
Capital stock	9,485	9,485	-	-	2%	2%
Additional paid-in capital	40,988	37,500	3,488	9%	9%	8%
Capital securities	37,529	62,712	(25,183)	(40%)	8%	14%
Retained earnings	33,875	30,357	3,518	12%	7%	7%
Equity Reserves	(20,946)	(16,887)	(4,059)	24%	(5%)	(4%)
Treasury stock	(7,600)	(18,000)	10,400	(58%)	(2%)	(4%)
Total Equity Attributable to Equity Holders of the Parent Company	93,331	105,167	(11,836)	(11%)	20%	23%
Non-controlling Interests	8,544	8,383	161	2%	2%	2%
Total Equity	101,875	113,550	(11,675)	(10%)	22%	25%
Total Liabilities and Equity	456,927	460,071	(3,144)	(1%)	100%	100%

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end September 2023 totaled **₱ 456.93 billion**, 1% or ₱ 3.14 billion lower than end-2022 balance of ₱ 460.07 billion. The decrease in total assets can be traced primarily to the reduced cash and cash equivalents level.

Cash and cash equivalents decreased by 23% to **₱ 28.63 billion** from ₱ 37.18 billion mainly on account of the redemption of US\$500 million Senior Perpetual Capital Securities (SPCS).

Financial assets at fair value went up to **₱ 1.94 billion** from ₱ 1.75 billion due to higher gains on outstanding commodity hedging transactions, partly offset by lower gains on outstanding currency hedges as well as the reclassification of stock investments to non-current asset.

Trade and other receivables - net increased by 7% to **₱ 87.87 billion** attributable to the higher government receivables of Parent company and foreign subsidiaries.

Other current assets increased by 13% to **₱ 42.01 billion** from additional creditable withholding taxes and excise claims related to sales to tax exempt entities.

Investment in shares of stock of an associate and joint venture increased by 9% to **₱ 1.18 billion** after the recognition of the share in net income and other comprehensive income for the period.

Right of Use asset went up by 12% to **₱ 6.05 billion** after recognition of additional leases for the period.

Deferred tax assets – net went down from ₱ 1.81 billion to **₱ 0.90 billion** owing to the temporary differences of inventory valuation and depreciation per tax accounting vis-a-vis financial reporting, application of Net Operating Loss Carry-Over (NOLCO) from prior years, offset by the Minimum Corporate Income Tax (MCIT) for the period.

Goodwill – net dropped by 5% to **₱ 8.12 billion** due to currency translation loss with the depreciation of the Malaysian Ringgit versus the US dollar and Philippine peso.

Other noncurrent assets – net went up to **₱ 2.08 billion** from ₱ 1.39 billion mainly from additional catalysts and reclassification of stock investment from current asset.

Short-term loans declined by 11% from ₱ 137.89 billion to **₱ 122.77 billion** due to the net settlement of short-term loans during the period.

Liabilities for crude oil and petroleum products stood higher at **₱ 56.64 billion** compared to end-2022 level of ₱ 51.07 billion owing primarily to higher outstanding crude purchases at the end September vs. December 2022.

Trade and other payables jumped by 14% to **₱ 26.02 billion** due to higher outstanding liabilities to vendors and suppliers.

Derivative liabilities went up to **₱ 2.73 billion** with the increase in expected settlement on outstanding commodity and currency hedging transactions.

Income tax payable escalated to **₱ 672 million** as tax liabilities of foreign subsidiaries increased.

Long-term debt including current portion went up by 10% to **₱ 118.22 billion** from ₱ 107.06 billion mainly from availment of US Dollar-denominated long-term loans, net of maturities paid during the period.

Retirement benefits liability declined from ₱ 3.26 billion to **₱ 2.73 billion** after deducting the contributions to the retirement fund, offset by the recognition of expenses during the period.

Deferred tax liabilities – net went up to **₱ 4.18 billion** from ₱ 3.60 billion due to Petron Malaysia's utilization of deferred tax on carry-forward capital allowance.

Asset retirement obligation increased to **₱ 4.30 billion** from ₱ 3.53 billion after liability remeasurements and accretion recognized during the period.

Additional paid-in capital increased by ₱ 3.49 billion to **₱ 40.99 billion**, while the negative balance of **Treasury stock** decreased by ₱ 10.40 billion to **₱ 7.60 billion** as a result of reissuance of preferred treasury shares.

Capital securities declined by 40% to **₱ 37.53 billion** following the full redemption of US\$500 million SPCS.

Retained Earnings increased by 12% to **₱ 33.88 billion** traced to the net income realized during the period partly offset by the payment of cash dividends and distributions.

The negative balance of **Equity reserves** increased from ₱16.89 billion to **₱ 20.95 billion** on account of translation losses on the redemption of US\$500 million SPCS and investment in Petron Malaysia.

Cash Flows

YTD September 2024 vs YTD September 2023

Cash and cash equivalents as of September 30, 2024 increased by ₱ 19.48 billion to ₱ 47.00 billion from the balance at the beginning of the year. Cash generated from operations of ₱ 32.57 billion was used to settle ₱ 14.80 billion in interest and taxes, ₱ 4.46 billion of dividends and distributions, and fund various capital projects totaling ₱ 7.22 billion. The proceeds from the issuance of preferred shares of ₱ 16.82 billion were partly used to pay off crude oil liabilities of ₱ 2.45 billion. The remaining ₱ 14.37 billion were retained in cash and cash equivalents at the end of the period.

In Million Pesos	Sep 30, 2024	Sep 30, 2023	Change
Operating inflows	17,064	22,712	(5,648)
Investing outflows	(7,219)	(5,189)	(2,030)
Financing inflows (outflows)	9,451	(25,940)	35,391

YTD September 2023 vs YTD September 2022

As of end-September 2023, cash and cash equivalents stood at **₱ 28.63 billion**, lower by ₱ 8.55 billion from the balance at the beginning of the year. Existing cash and cash generated from operations of ₱ 36.28 billion were used to settle short-term loans (₱ 14.95 billion), interest and taxes (₱ 12.77 billion), dividends and distributions (₱ 5.38 billion), and fund various capital projects totaling ₱ 4.89 billion. Net long-term loans availed and proceeds from reissuance of preferred shares were used to redeem the outstanding capital securities amounting to ₱ 27.47 billion.

In Million Pesos	Sep 30, 2023	Sep 30, 2022	Change
Operating inflows (outflows)	22,712	(25,896)	48,608
Investing outflows	(5,189)	(4,839)	(350)
Financing (outflows) inflows	(25,940)	30,744	(56,684)

Discussion of the company's key performance indicators:

Ratio	30-Sep-24	31-Dec-23
Current Ratio	1.2	1.0
Total Interest-bearing Debt to Equity Ratio	2.0	2.5
Return on Equity (%)	6.9	9.5
Interest Rate Coverage Ratio	1.6	1.7
Assets to Equity Ratio	3.8	4.5

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 – Trailing 12 months 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.

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

NONE.

PETRON CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	Formula	September 30, 2024	December 31, 2023
Liquidity			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.16	0.99
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	0.54	0.49
Solvency			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^b}{\text{Total Equity}}$	2.00	2.48
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	3.81	4.46
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	1.56	1.69
Profitability			
f) Return on Average Equity	$\frac{\text{Net Income}^a}{\text{Average Total Equity}}$	6.92%	9.51%
g) Return on Average Assets	$\frac{\text{Net Income}^a}{\text{Average Total Assets}}$	1.69%	2.24%
Operating Efficiency			
h) Volume Growth	$\left(\frac{\text{Current Period Volume}}{\text{Prior Period Volume}} \right) - 1$	11.50%	12.50%
i) Sales Growth	$\left(\frac{\text{Current Period Sales}}{\text{Prior Period Sales}} \right) - 1$	12.03%	-6.60%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	3.38%	3.84%

^a trailing 12 months net income

^b excludes lease liabilities and advances from a related party

PETRON CORPORATION
Proceeds from Issuance of Series E and Series F Fixed Rate Bonds
September 30, 2024

i. Gross and Net Proceeds as disclosed in the final prospectus

In P Millions	
Gross Proceeds	P18,000.00
Less: Underwriting fees for the Preferred Shares being sold by the Company	63.00
Taxes to be paid by the Company	135.00
Philippine SEC filing and legal research fee	5.11
Listing application fee	0.20
Listing maintenance fee	0.45
Rating fee	4.05
Trustee fees	0.13
Registry and paying	0.50
Estimated legal and other professional fees	7.80
Estimated other expenses	0.55
Total Expenses	P216.79
Net Proceeds	P17,783.21

The net proceeds of the Offer shall be used for (i) the redemption of the Company's Series A Bonds, (ii) the partial financing of the Power Plant Project, and (iii) payment of existing indebtedness.

ii. Actual Gross and Net Proceeds

In P Millions	
Actual Gross Proceeds	P18,000.00
Less: Underwriting Fees, Filing and Processing Fees, Documentary Stamp Tax, Legal and Professional Fees and Other Expenses	227.95
Actual Net Proceeds	P17,772.05

iii. Each Expenditure Item where the Proceeds was Used

In P Millions	
Actual Net Proceeds	P17,772.05
Less: Redemption of the Series A Bonds	13,000.00
Payment for power plant project	3,081.53
Payment of long term loan amortization to:	
Bank of the Philippine Islands	697.49
BDO Unibank, Inc.	535.71
UnionBank	250.00
Total Payments	P17,564.73
Balance	P207.32

iv. Balance of the Proceeds as of the End of the Reporting Period

As of September 30, 2024, balance of proceeds amounted to P207.32 million.

PETRON CORPORATION
Proceeds from Issuance of Series 4D and Series 4E Preferred Shares
September 30, 2024

i. Gross and Net Proceeds as disclosed in the final prospectus

In P Millions	
Gross proceeds	P 17,000.00
Less: Estimated fees, commissions and expenses relating to the issue:	
Underwriting and selling fees	76.50
Taxes	4.72
Philippine SEC filing and legal research fee	0.25
PSE filing fee	1.00
Legal and other professional fees	9.00
Other expenses	1.00
Total Expenses	P 92.47
Net Proceeds	P 16,907.53

The Gross and Net Proceeds as Disclosed in the Final Offer Supplement is based on (i) 13,000,000 Series 4 Preferred Shares with an (ii) oversubscription option of 4,000,000 Series 4 Preferred Shares at P1,000.00 per share amounting to P17.00 billion.

ii. Actual Gross and Net Proceeds

In P Millions	
Actual Gross proceeds	P 16,830.00
Less: Fees, commissions and expenses relating to the issue	
	6.49
Actual Net Proceeds	P 16,823.51

The Actual Gross and Net Proceeds is based on (i) 13,000,000 Series 4 Preferred Shares with an (ii) oversubscription option of 3,830,000 Series 4 Preferred Shares at P1,000.00 per share amounting to P16.83 billion.

iii. Each Expenditure Item Where the Proceeds were Used

In P Millions	
Actual Net proceeds	P 16,823.51
Less: Purchase of crude oil	
	2,450.00
Balance	P 14,373.51

iv. Balance of the Proceeds as of the End of the Reporting Period

As of September 30, 2024, balance of proceeds amounted to P14,373.51 million.