COVERSHEET

3 1 1 7 1

P E T R O N C O R P O R A T I O N A N D
S U B S I D I A R I E S

(Company's Full Name)

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

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

ATTY. JHOANNA JASMINE M. JAVIER-ELACIO
Contact Person

8-884-9200
Company Telephone Number

1	2		3	1
Month			Day	

Fiscal Year

SEC Form 17-Q 2nd Quarter 2026
FORM TYPE

0	5		0	7
Month			Day	

Annual Meeting
(For 2026)

Permit to offer securities
Secondary License Type, if Applicable

Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Debt Outstanding: P274,270 Million (as of June 30, 2026- CONSO)

143,140 (as of June 30, 2026)
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

Fiscal Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

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 June 30, 2026.

2. SEC Identification Number 31171 3. BIR Tax Identification No. 000-168-801

4. Exact name of registrant as specified in its charter PETRON CORPORATION

5. Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. Mandaluyong City, 40 San Miguel Avenue, 1550
Address of principal office Postal Code

8. (632) 8-884-9200
Registrant's telephone number, including area code

9. N/A
(Former name, former address, and former fiscal year, if changed since last report.)

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 and Preferred Stock Outstanding and Amount of Debt Outstanding (As of June 30, 2026)	
Common Stock	8,911,446,400	Shares
Preferred Stock Series 4A	5,000,000	Shares
Preferred Stock Series 4B	2,995,000	Shares
Preferred Stock Series 4C	6,005,000	Shares
Preferred Stock Series 4D	8,500,000	Shares
Preferred Stock Series 4E	8,330,000	Shares
Series F Bonds Due 2027	P9,000	Million
Series G Bonds Due 2030	P15,910	Million
Series H Bonds Due 2032	P4,604	Million
Series I Bonds Due 2035	P11,486	Million
Total Debt	P274,270	Million

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 F, G, H, and I 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 [ ]

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: ______________________________
JHOANNA JASMINE M. JAVIER-ELACIO
VP, General Counsel, Corporate Secretary
and Compliance Officer

Date: August 13, 2026

Principal Financial/Accounting Officer/Controller

Signature and Title: ______________________________
MARK TRISTAN D. CAPARAS
Vice President - Controllers

Date: August 13, 2026

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

	Note	**Unaudited June 30 2026**	Audited December 31 2025
ASSETS			
Current Assets			
Cash and cash equivalents	*8, 9*	**P37,637**	P42,059
Financial assets at fair value	*8, 9*	**1,526**	1,080
Trade and other receivables - net	*6, 8, 9*	**115,575**	81,603
Inventories - net		**112,035**	67,495
Other current assets	*6*	**43,928**	46,429
Total Current Assets		**310,701**	238,666
Noncurrent Assets			
Investment in shares of stock of an associate and joint venture		**1,292**	1,227
Property, plant and equipment - net	*4, 5*	**166,316**	167,417
Right-of-use assets - net		**2,184**	2,315
Investment property - net		**30,598**	30,101
Deferred tax assets - net		**718**	548
Goodwill - net		**10,173**	9,767
Other noncurrent assets - net	*8, 9*	**2,336**	1,921
Total Noncurrent Assets		**213,617**	213,296
		P524,318	P451,962
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	*6, 7, 8, 9*	**P137,809**	P91,900
Liabilities for crude oil and petroleum products	*8, 9*	**64,317**	51,407
Trade and other payables	*6, 8, 9*	**46,084**	33,021
Lease liabilities - current portion	*8, 9*	**1,595**	1,513
Derivative liabilities	*8, 9*	**1,837**	1,722
Income tax payable		**1,225**	809
Current portion of long-term debt - net	*8, 9*	**22,718**	13,200
Total Current Liabilities		**275,585**	193,572

Forward

	Note	Unaudited June 30 2026	Audited December 31 2025
Noncurrent Liabilities			
Long-term debt - net of current portion	*8, 9*	**P113,743**	P111,277
Retirement benefits liability - net		**3,901**	3,734
Deferred tax liabilities - net		**8,646**	7,917
Lease liabilities - net of current portion	*8, 9*	**12,471**	12,572
Asset retirement obligation		**1,429**	1,384
Other noncurrent liabilities	*8, 9*	**490**	483
Total Noncurrent Liabilities		**140,680**	137,367
Total Liabilities		**416,265**	330,939
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**9,502**	9,502
Additional paid-in capital		**57,698**	57,698
Capital securities		**34,085**	40,321
Retained earnings		**42,433**	42,908
Equity reserves		**(17,859)**	(18,225)
Treasury stock		**(28,730)**	(22,133)
Total Equity Attributable to Equity Holders of the Parent Company		**97,129**	110,071
Non-controlling Interests		**10,924**	10,952
Total Equity		**108,053**	121,023
		P524,318	P451,962

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

Certified by:

MARK TRISTAN D. CAPARAS
Vice President – Controllers

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF INCOME
(UNAUDITED)

(Amounts in Million Pesos, Except Per Share Data)

		April to June		January to June	
	Note	**2026**	2025	**2026**	2025
SALES	*4*	**P359,872**	P192,019	**P605,891**	P386,395
COST OF GOODS SOLD		**348,160**	181,869	**583,658**	362,749
GROSS PROFIT		**11,712**	10,150	**22,233**	23,646
SELLING AND ADMINISTRATIVE EXPENSES		**(5,732)**	(4,972)	**(10,762)**	(9,448)
OTHER OPERATING INCOME		**597**	496	**1,169**	948
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*4*	**(4,746)**	(4,586)	**(8,415)**	(9,388)
INTEREST INCOME	*4*	**327**	275	**639**	555
SHARE IN NET INCOME OF AN ASSOCIATE AND JOINT VENTURE		**32**	39	**67**	84
OTHER INCOME (EXPENSES) - Net		**270**	32	**(238)**	193
		(9,252)	(8,716)	**(17,540)**	(17,056)
INCOME BEFORE INCOME TAX		**2,460**	1,434	**4,693**	6,590
INCOME TAX EXPENSE	*4*	**427**	207	**882**	1,338
NET INCOME		**P2,033**	P1,227	**P3,811**	P5,252
Attributable to:					
Equity holders of the Parent Company		**P2,178**	P1,081	**P4,092**	P4,822
Non-controlling interests		**(145)**	146	**(281)**	430
		P2,033	P1,227	**P3,811**	P5,252
BASIC/DILUTED EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	*11*	**P0.12**	(P0.09)	**P0.10**	P0.30

Certified by:

MARK TRISTAN D. CAPARAS
Vice President – Controllers

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

	April to June		January to June	
	2026	2025	**2026**	2025
NET INCOME	**P2,033**	P1,227	**P3,811**	P5,252
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
Exchange differences on translation of foreign operations	**276**	1,588	**2,851**	1,223
Share in other comprehensive income (loss) of an associate and joint venture	**-**	1	**(1)**	5
	276	1,589	**2,850**	1,228
OTHER COMPREHENSIVE INCOME - Net of tax	**276**	1,589	**2,850**	1,228
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD - Net of tax	**P2,309**	P2,816	**P6,661**	P6,480
Attributable to:				
Equity holders of the Parent Company	**P2,423**	P2,370	**P6,504**	P5,797
Non-controlling interests	**(114)**	446	**157**	683
	P2,309	P2,816	**P6,661**	P6,480

Certified by:

MARK TRISTAN D. CAPARAS
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										
					Retained Earnings		Equity Reserves					
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2026 (Audited)		P9,502	P57,698	P40,321	P-	P42,908	(P7,836)	(P10,389)	(P22,133)	P110,071	P10,952	P121,023
Exchange differences on translation of foreign operations		-	-	-	-	-	-	2,413	-	2,413	438	2,851
Share in other comprehensive loss of an associate and joint venture		-	-	-	-	-	-	(1)	-	(1)	-	(1)
Other comprehensive income for the period		-	-	-	-	-	-	2,412	-	2,412	438	2,850
Net income (loss) for the period		-	-	-	-	4,092	-	-	-	4,092	(281)	3,811
Total comprehensive income for the period		-	-	-	-	4,092	-	2,412	-	6,504	157	6,661
Cash dividends	*12*	-	-	-	-	(2,641)	-	-	-	(2,641)	(217)	(2,858)
Distributions paid	*12*	-	-	-	-	(1,915)	-	-	-	(1,915)	-	(1,915)
Redemption of preferred shares	*10*	-	-	-	-	-	-	-	(6,597)	(6,597)	-	(6,597)
Redemption of capital securities	*10*	-	-	(7,755)	-	-	-	(2,014)	-	(9,769)	-	(9,769)
Issuance of capital securities	*10*	-	-	1,519	-	-	-	-	-	1,519	-	1,519
Share issuance cost of a subsidiary		-	-	-	-	(11)	-	-	-	(11)	-	(11)
Effect of change in ownership interest in subsidiary	*10*	-	-	-	-	-	-	(32)	-	(32)	32	-
Transactions with owners		-	-	(6,236)	-	(4,567)	-	(2,046)	(6,597)	(19,446)	(185)	(19,631)
As of June 30, 2026 (Unaudited)		P9,502	P57,698	P34,085	P-	P42,433	(P7,836)	(P10,023)	(P28,730)	P97,129	P10,924	P108,053

Forward

		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2025 (Audited)		P9,502	P57,698	P34,555	P3	P33,712	(P7,670)	(P11,680)	(P21,003)	P95,117	P9,093	P104,210
Exchange differences on translation of foreign operations		-	-	-	-	-	-	970	-	970	253	1,223
Share in other comprehensive income of an associate and joint venture		-	-	-	-	-	-	5	-	5	-	5
Other comprehensive income for the period		-	-	-	-	-	-	975	-	975	253	1,228
Net income for the period		-	-	-	-	4,822	-	-	-	4,822	430	5,252
Total comprehensive income for the period		-	-	-	-	4,822	-	975	-	5,797	683	6,480
Cash dividends	12	-	-	-	-	(1,590)	-	-	-	(1,590)	(96)	(1686)
Distributions paid	12	-	-	-	-	(1,405)	-	-	-	(1,490)	-	(89)
Acquisition of common treasury shares		-	-	-	-	-	-	-	(1,119)	(1,119)	-	(1,119)
Repurchase of capital securities		-	-	(495)	-	-	-	(73)	-	(568)	-	(568)
Appropriation of retained earnings		-	-	-	7	(8)	-	-	-	(1)	1	-
Transactions with owners		-	-	(495)	7	(3,003)	-	(73)	(1,119)	(4,683)	(95)	(4,778)
As of June 30, 2025 (Unaudited)		P9,502	P57,698	P34,060	P10	P35,531	(P7,670)	(P10,778)	(P22,122)	P96,231	P9,681	P105,912

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

Certified by:

MARK TRISTAN D. CAPARAS
Vice President - Controllers

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in Million Pesos)

	Note	For the Six Months Ended June 30 **2026**	2025
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P4,693**	P6,590
Adjustments for:			
Share in net income of an associate and joint venture		**(67)**	(84)
Depreciation and amortization		**7,008**	7,274
Interest expense and other financing charges	*4*	**8,415**	9,388
Retirement benefits costs		**234**	194
Interest income	*4*	**(639)**	(555)
Unrealized foreign exchange losses/(gains) - net		**2,040**	(1,374)
Allowance for impairment/(net reversal) of receivables and inventories		**(673)**	60
Other gains – net		**(104)**	(90)
Operating income before working capital changes		**20,907**	21,403
Changes in current assets, certain current liabilities and others		**(51,980)**	33,414
Cash generated from/(used in) operations		**(31,073)**	54,817
Contributions to retirement fund		**(200)**	(300)
Interest paid		**(7,764)**	(9,177)
Income taxes paid		**(611)**	(777)
Interest received		**616**	569
Net cash flows provided by/(used in) operating activities		**(39,032)**	45,132
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	*5*	**(3,461)**	(3,436)
Proceeds from sale of property and equipment		**16**	2
Additions to investment property		**(197)**	(106)
Proceeds from sale of investment property		**1**	-
Dividend received from an associate		**-**	113
Increase in other noncurrent assets		**(177)**	(3)
Net cash flows used in investing activities		**(3,818)**	(3,430)

Forward

	Note	For the Six Months Ended June 30	
		2026	2025
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans and advances	*7*	**P295,789**	P148,526
Payments of:			
Loans	*7*	**(238,375)**	(176,570)
Lease liabilities		**(1,429)**	(1,368)
Cash dividends and distributions	*12*	**(4,536)**	(3,683)
Issuance of capital securities	*10*	**1,519**	-
Redemption/repurchase of capital securities	*10*	**(9,769)**	(568)
Redemption of preferred shares	*10*	**(6,597)**	-
Share issuance cost of a subsidiary		**(11)**	-
Acquisition of common treasury shares		**-**	(1,119)
Net cash flows used in financing activities		**(36,591)**	(34,782)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,837**	(874)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(4,422)**	6,046
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**42,059**	30,389
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P37,637**	P36,435

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

Certified by:

MARK TRISTAN D. CAPARAS
Vice President - Controllers

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 venture.

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

As of June 30, 2026, the three (3) principal common shareholders of the Parent Company holding at least 5% of its common stock were SEA Refinery Corporation ("SEA Refinery") (52.71%), PCD Nominee Corporation - Filipino (21.28%), and SMC (19.11%). SEA Refinery is a wholly-owned subsidiary of SMC. SMC thus holds an aggregate of 71.82% ownership of the common shares of the Parent 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, 2025.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on August 4, 2026

The interim 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.

The Philippine 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) Accounting Standards.

Adoption of Amendments to Standards

The Group has adopted the following amendments to PFRS effective January 1, 2026 and accordingly, changed its accounting policies in the following areas:

- Disclosures about Uncertainties in the Financial Statements (Amendments to Illustrative Examples on PFRS 7, *Financial Instruments: Disclosures*, PFRS 18, *Presentation and Disclosure in Financial Statements*, PAS 1, *Presentation of Financial Statements*, PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, PAS 36, *Impairment of Assets* and PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments provide illustrative examples demonstrating how entities can apply PFRS Accounting Standards when reporting the effects of uncertainties in their financial statements. The examples use climate-related scenarios as practical illustrations, but the underlying principles apply more broadly to all uncertainties.

  The illustrative examples are not an integral part of the PFRS Accounting Standards and do not have an effective date or transition requirements. Entities are expected to consider these examples in applying the disclosure requirements of the relevant standards on a timely basis.

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments* and PFRS 7). The amendments clarify that a financial liability is derecognized on the settlement date when the related obligation is discharged, cancelled or expires. The amendments also introduce an accounting policy option to derecognize financial liabilities settled through an electronic payment system before the settlement date, if certain specified conditions are met.

  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.

- Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7). The amendments clarify the application of the own-use exemption for contracts referencing electricity from nature-dependent renewable energy sources, amend the hedge accounting requirements to allow these contracts to be designated as hedging instruments if certain conditions are met, and introduce additional disclosure requirements on the impact of these contracts on the financial performance and future cash flow.

- Annual Improvements to PFRS Accounting Standards - Volume 11. This cycle of improvements contains amendments to five standards, of which the following amendments are relevant to the Group:

  - Gain or loss on Derecognition (Amendments to PFRS 7). The amendments replaced the reference to ‘inputs that were not based on observable market data’ in the obsolete paragraph 27A of PFRS 7, with reference to ‘unobservable inputs’ in paragraphs 72-73 of PFRS 13, *Fair Value Measurement*.

- Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9). The amendments:

  - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in statement of income; and

  - replaced the term 'their transaction price (as defined in PFRS 15, *Revenue from Contracts with Customers*)' with 'the amount determined by applying PFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

The 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 amendments to standards are effective for annual reporting periods beginning after January 1, 2026 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

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

- PFRS 18, replaces PAS 1. 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.

  Consequential amendments to PAS 7, Statement of Cash Flows, require the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

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

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

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

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

On February 14, 2025, the FSRSC further deferred the date of initial application by two years, making PFRS 17 effective for annual reporting periods beginning on or after January 1, 2027, with comparative figures required. Early adoption is permitted. The Insurance Commission issued CL No. 2025-04, aligning with this deferral.

The Group continues to assess the impact of the above new and amendments to standards effective subsequent to 2026 on the interim consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the interim consolidated financial statements when these amendments are adopted.

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, 2025.

4. Segment Information

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

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

a. Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country.

b. Sales of fuel, liquified petroleum gas (LPG), and lubricants to industrial customers including manufacturing, transportation, aviation, and construction sectors.

c. Sales of LPG and lubricants through dealers and distribution network.

d. Lease of real properties and equipment at the service stations and other related structures.

e. Trading of crude oil, ethanol, catalysts, additives, coal, and various petroleum and petrochemical products with buyers across the Asia-Pacific region.

f. Export sales of various petroleum and non-fuel products to other countries such as China, Indonesia, India, Taiwan, Singapore, Malaysia and South Korea.

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 and other material information regarding the business segments as of and for the periods ended June 30, 2026, December 31, 2025 and June 30, 2025:

	Petroleum	Trading	Leasing**	Marketing	Elimination/ Others**	Total
June 30, 2026						
Revenue:						
External sales	**P510,916**	**P93,198**	**P594**	**P628**	**P555**	**P605,891**
Inter-segment sales	**867**	**321,170**	**198**	**-**	**(322,235)**	**-**
Operating income	**10,262**	**2,014**	**137**	**23**	**204**	**12,640**
Net income	**2,757**	**1,679**	**34**	**28**	**(687)**	**3,811**
Assets and liabilities:						
Segment assets*	**532,268**	**57,979**	**6,966**	**708**	**(74,321)**	**523,600**
Segment liabilities*	**396,150**	**53,329**	**255**	**69**	**(42,184)**	**407,619**
Other segment information:						
Property, plant and equipment - net	**161,808**	**1**	**-**	**71**	**4,436**	**166,316**
Depreciation and amortization	**6,829**	**10**	**1**	**-**	**168**	**7,008**
Interest expense	**8,382**	**111**	**25**	**-**	**(103)**	**8,415**
Interest income	**610**	**31**	**4**	**9**	**(15)**	**639**
Income tax expense	**557**	**296**	**10**	**5**	**14**	**882**
Cost of sales: Inventories	**465,584**	**403,245**	**-**	**573**	**(321,638)**	**547,764**

**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	Trading	Leasing**	Marketing	Elimination/ Others**	Total
December 31, 2025						
Revenue:						
External sales	P707,185	P99,407	P1,195	P809	P1,170	P809,766
Inter-segment sales	1,154	386,101	317	-	(387,572)	-
Operating income	33,777	2,860	240	23	423	37,323
Net income	17,705	2,396	206	38	(4,718)	15,627
Assets and liabilities:						
Segment assets*	454,720	48,995	7,128	686	(60,115)	451,414
Segment liabilities*	304,910	45,301	1,906	75	(29,170)	323,022
Other segment information:						
Property, plant and equipment	163,049	2	-	71	4,295	167,417
Depreciation and amortization	14,247	18	9	2	233	14,509
Impairment loss on property, plant and equipment and investment property	408	-	-	-	-	408
Interest expense	18,689	166	74	1	(222)	18,708
Interest income	1,137	67	6	18	(46)	1,182
Income tax expense	3,212	429	66	8	63	3,778
Cost of sales: Inventories	620,928	472,433	-	726	(386,838)	707,249

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	Trading	Leasing**	Marketing	Elimination/ Others**	Total
June 30, 2025						
Revenue:						
External sales	P348,956	P35,963	P588	P405	P483	P386,395
Inter-segment sales	562	195,013	158	-	(195,733)	-
Operating income	13,475	1,387	117	9	158	15,146
Net income	4,617	1,265	64	12	(706)	5,252
Assets and liabilities:						
Segment assets*	456,890	48,194	7,222	692	(68,596)	444,402
Segment liabilities*	323,953	43,783	1,923	108	(37,667)	332,100
Other segment information:						
Property, plant and equipment - net	163,097	2	-	67	4,176	167,342
Depreciation and amortization	7,144	9	4	6	111	7,274
Interest expense	9,355	104	37	1	(109)	9,388
Interest income	534	29	3	9	(20)	555
Income tax expense	1,213	82	20	4	19	1,338
Cost of sales: Inventories	316,063	40,627	-	362	(7,653)	349,399

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 P322,235, P387,572 and P195,733 for the periods ended June 30, 2026, December 31, 2025, and June 30, 2025, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the periods ended June 30, 2026, December 31, 2025, and June 30, 2025:

	Retail	Lube	LPG	Industrial	Others	Total
June 30, 2026						
Revenue	**P297,181**	**P4,752**	**P23,075**	**P120,462**	**P65,446**	**P510,916**
Property, plant and equipment	**8,928**	**52**	**3,366**	**89**	**149,373**	**161,808**
Capital expenditures	**1,157**	**10**	**4**	**67**	**5,275**	**6,513**
December 31, 2025						
Revenue	P364,341	P7,500	P38,673	P167,151	P129,520	P707,185
Property, plant and equipment	8,569	56	3,108	85	151,231	163,049
Capital expenditures	1,175	10	2	59	5,297	6,543
June 30, 2025						
Revenue	P178,211	P806	P19,814	P81,195	P68,930	P384,956
Property, plant and equipment	8,005	307	261	100	154,424	163,097
Capital expenditures	974	266	16	71	3,591	4,918

Geographical Segments

The following table presents segment assets of the Group as of June 30, 2026, December 31, 2025, and June 30, 2025:

	June 30, 2026	December 31, 2025	June 30, 2025
Local	**P388,459**	P336,444	P341,021
International	**135,141**	114,970	103,381
	P523,600	P451,414	P444,402

Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the periods ended June 30, 2026, December 31, 2025, and June 30, 2025:

	Petroleum	Trading	Leasing*	Marketing	Elimination/ Others*	Total
June 30, 2026						
Local	**P322,960**	**P -**	**P792**	**P628**	**(P640)**	**P323,740**
Export/international	**188,823**	**414,368**	**-**	**-**	**(321,040)**	**282,151**
December 31, 2025						
Local	P451,772	P -	P1,512	P809	(P517)	P453,576
Export/international	256,567	485,508	-	-	(385,885)	356,190
June 30, 2025						
Local	P229,134	P -	P746	P405	(P347)	P229,938
Export/international	120,384	230,976	-	-	(194,903)	156,457

**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 June 30, 2026 and December 31, 2025 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	Capital Projects in Progress	Total
Cost:							
January 1, 2025	P28,962	P229,130	P23,930	P10,187	P4,379	P7,023	P303,611
Additions	167	754	1,299	1,384	49	3,654	7,307
Disposals/reclassifications	1,122	2,903	77	107	38	(4,529)	(282)
Reclassification to/from investment property	(196)	-	-	-	10	356	170
Currency translation adjustment	266	3,351	1,259	342	242	139	5,599
December 31, 2025	30,321	236,138	26,565	12,020	4,718	6,643	316,405
Additions	**29**	**1,200**	**560**	**471**	**18**	**960**	**3,238**
Disposals/reclassifications	**319**	**420**	**68**	**(11)**	**197**	**(1,087)**	**(194)**
Reclassification to/from investment property	**(21)**	**-**	**6**	**-**	**(2)**	**95**	**78**
Currency translation adjustment	**304**	**1,299**	**492**	**135**	**96**	**116**	**2,442**
June 30, 2026	**30,952**	**239,057**	**27,691**	**12,615**	**5,027**	**6,627**	**321,969**
Accumulated Depreciation:							
January 1, 2025	17,625	92,980	16,384	6,434	886	-	134,309
Depreciation	817	9,136	1,085	537	120	-	11,695
Disposals/reclassifications	(40)	9	(141)	(65)	(7)	-	(244)
Reclassification to/from investment property	157	-	-	-	10	-	167
Currency translation adjustment	174	1,599	767	265	-	-	2,805
December 31, 2025	18,733	103,724	18,095	7,171	1,009	-	148,732
Depreciation	**437**	**4,116**	**611**	**312**	**58**	**-**	**5,534**
Disposals/reclassifications	**75**	**(11)**	**(90)**	**(32)**	**(14)**	**-**	**(72)**
Reclassification to/from investment property	**(51)**	**-**	**-**	**-**	**2**	**-**	**(49)**
Currency translation adjustment	**199**	**637**	**305**	**105**	**1**	**-**	**1,247**
June 30, 2026	**19,393**	**108,466**	**18,921**	**7,556**	**1,056**	**-**	**155,392**
Accumulated Impairment:							
January 1, 2025	-	-	-	-	-	-	-
Impairment	-	104	150	-	-	1	255
Currency translation adjustment	-	1	-	-	-	-	1
December 31, 2025	-	105	150	-	-	1	256
Currency translation adjustment	-	**4**	1	-	-	-	**5**
June 30, 2026	-	**109**	**151**	-	-	**1**	**261**
Carrying Amount:							
December 31, 2025	P11,588	P132,309	P8,320	P4,849	P3,709	P6,642	P167,417
June 30, 2026	**P11,559**	**P130,482**	**P8,619**	**P5,059**	**P3,971**	**P6,626**	**P166,316**

As of June 30, 2026 and December 31, 2025, impairment loss of nil and P255, respectively, was recognized for the carrying amount of Petron Malaysia's product jetty facility which was damaged during Tropical Storm Senyar in November 2025, as well as the carrying amount of LPG cylinders in circulation that are not expected to be recovered.

The Group's total unpaid acquisitions of property, plant and equipment amounted to P327 and P637 as of June 30, 2026 and December 31, 2025, respectively.

Certain fully depreciated property, plant and equipment with aggregate costs of P42,092 and P39,988 as of June 30, 2026 and December 31, 2025, respectively, are still being used in the Group's operations.

The Group capitalized interest amounting to P85 and P132 as of June 30, 2026 and December 31, 2025, respectively.

Capital Commitments
As of June 30, 2026 and December 31, 2025, the Group has outstanding commitments to acquire property, plant and equipment amounting to P10,500 and P8,605, respectively.

6. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint venture, and SMC and its subsidiaries, in the normal course of business, purchase products and services from one another. Transactions with related parties are made at market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the periods ended June 30, 2026 and December 31, 2025 follow:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	*a*	2025	P10	P -	P -	P -	On demand; interest bearing	Unsecured; no impairment
	a	2025	-	1,119	-	-	On demand; non-interest bearing	Unsecured; no impairment
Intermediate Parent	*b,e,f,h,i*	**2026**	**12**	**177**	**24**	**558**	On demand; non-interest bearing	Unsecured; no impairment
		2025	25	296	31	473		
Under Common Control	*k*	**2026**	**8,521**	**4,216**	**6,821**	**3,188**	On demand; interest bearing	Unsecured; no impairment
		2025	9,674	7,155	3,990	2,816		
	b,c,d,	**2026**	**-**	**142**	**-**	**8,590**	On demand; non-interest bearing	Unsecured; no impairment
	h,i,j,k	2025	-	299	-	5,879		
Associate	*b,h,i,m*	**2026**	**168**	**155**	**136**	**310**	On demand; non-interest bearing	Unsecured; no impairment
		2025	308	343	57	300		
Joint Venture	*c,g,h*	**2026**	**-**	**48**	**1**	**-**	On demand; non-interest bearing	Unsecured; no impairment
		2025	-	83	3	-		
Associates and Joint Ventures under Common Control	*b,h,i,l*	**2026**	**337**	**-**	**121**	**-**	On demand; non-interest bearing	Unsecured; no impairment
		2025	371	210	51	225		
	l	**2026**	**-**	**5**	**-**	-	Short-term: interest bearing	Unsecured; no impairment
		2025	-	32	-	-		
		2026	**P9,038**	**P4,743**	**P7,103**	**P12,646**		
		2025	P10,388	P9,537	P4,132	P9,693		

a. The Parent Company's interest-bearing advances to Petron Corporation Employees' Retirement Plan (PCERP) was fully settled on March 20, 2025. The Parent Company repurchased all of the 459,156,097 common shares held by PCERP on March 18, 2025.

b. Sales relate to the Parent Company's supply agreements with the Intermediate Parent, various

SMC subsidiaries, and an associate. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.

c. Purchases relate to purchase of goods and services such as power, construction, information technology, shipping and terminalling from a joint venture and various SMC subsidiaries.

d. The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for office space and certain parcels of land where service stations are located.

e. The Parent Company has existing lease agreements with SMC covering certain parcels of land where service stations are located.

f. The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.

g. Terminal Bersama Sdn Bhd (TBSB), an operator of Liquefied Petroleum Gas (LPG) bottling plant, provides bottling services to Petron Fuel International Sdn Bhd (PFISB) and another venturer.

h. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.

i. Amounts owed to related parties consist of trade and non-trade payables.

j. NVRC Corporation (formerly New Ventures Realty Corporation) leases out certain parcels of its land to Limay Power, Inc. for a period of 25 years.

k. Amounts owed to entities under common control include interest-bearing advances from San Miguel Insurance Company Ltd.

l. Amounts owed to associate of entities under common control include interest bearing short-term loans payable to Bank of Commerce.

m. The Parent Company obtains insurance coverage from Petrogen Insurance Corporation, which in turn obtains reinsurance coverage from Overseas Ventures Insurance Corporation Ltd. and other local reinsurers.

7. Loans and Borrowings

Short-term Loans

The movements of short-term loans for the six months ended June 30, 2026 follow:

Balance as of January 1, 2026	P91,900
Loan availments	274,236
Loan repayments	(228,327)
Balance as of June 30, 2026	**P137,809**

This account pertains to unsecured Philippine peso and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 5 to 92 days and annual interest ranging from 3.73% to 6.70% for the period ended June 30, 2026 and 5 to 119 days and annual interest ranging 4.00% to 7.05% for the period ended December 31, 2025. These loans are obtained to fund the importation of crude oil and petroleum products and working capital requirements.

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

The Group has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. The net leverage ratio and consolidated net worth are tested on incurrence and quarterly basis, respectively.

As of June 30, 2026 and December 31, 2025 the Group was in compliance with the financial covenants of its debt agreements.

8. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

a. The Enterprise-Wide Risk Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.

b. The Risk and Insurance Management Group, which is assigned to identify, assess, manage, and mitigate risks, while ensuring adequate insurance coverage across the Group.

c. The Treasurers Department, which is in charge of foreign currency hedging transactions.

d. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.

e. The Corporate Technical and Engineering Services Group, which oversees strict adherence to safety and environmental mandates across all facilities.

f. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.

g. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the BOD, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.

h. Petron Singapore Trading Pte. Ltd. (PSTPL) executes the hedging transactions involving crude and product imports on behalf of the Group.

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

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

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

b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.

c. The Compliance Officer, who is a senior officer of the Parent Company, reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

Foreign Currency Risk

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

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

The Group pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

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

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

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

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

b. changes in the timing of the hedged transactions.

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

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

	June 30, 2026		December 31, 2025	
	US dollar (in millions)	**Philippine peso Equivalent**	US dollar (in millions)	Philippine peso Equivalent
Assets				
Cash and cash equivalents	**452**	**27,751**	572	33,629
Trade and other receivables	**806**	**49,435**	576	33,852
Other assets	**26**	**1,621**	20	1,155
	1,284	**78,807**	1,168	68,636
Liabilities				
Short-term loans	**34**	**2,059**	-	-
Liabilities for crude oil and petroleum products	**859**	**52,723**	787	46,284
Long-term debt (including current maturities)	**1,115**	**68,416**	1,030	60,554
Other liabilities	**467**	**28,668**	270	15,816
	2,475	**151,866**	2,087	122,654
Net foreign currency -denominated monetary liabilities	**(1,191)**	**(73,059)**	(919)	(54,018)

The Group incurred net foreign currency exchange gains/(losses) of (P2,561) and gains of P2,462 for the periods ended June 30, 2026 and June 30, 2025, respectively, which were mainly countered by mark-to-market and hedging gains or losses (Note 9). The foreign currency rates from Philippine peso (PHP) to US dollar (US$) as of reporting dates are shown in the following table:

	PHP to US$
June 30, 2026	**61.360**
December 31, 2025	58.790
June 30, 2025	56.330

Managing 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 and equity reserves arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of June 30, 2026 and December 31, 2025:

	P1 Decrease in the US dollar Exchange Rate		**P1 Increase in the US dollar Exchange Rate**	
June 30, 2026	**Effect on Income Before Income Tax**	**Effect on Equity**	**Effect on Income Before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P270)**	**(P385)**	**P270**	**P385**
Trade and other receivables	**(172)**	**(763)**	**172**	**763**
Other assets	**(20)**	**(21)**	**20**	**21**
	(462)	**(1,169)**	**462**	**1,169**
Short-term loans	**-**	**34**	**-**	**(34)**
Liabilities for crude oil and petroleum products	**348**	**1,120**	**(348)**	**(1,120)**
Long-term debts (including current maturities)	**1,115**	**836**	**(1,115)**	**(836)**
Other liabilities	**50**	**456**	**(50)**	**(456)**
	1,513	**2,446**	**(1,513)**	**(2,446)**
	1,051	**1,277**	**(1,051)**	**(1,277)**

	P1 Decrease in the US dollar Exchange Rate		P1 Increase in the US dollar Exchange Rate	
December 31, 2025	Effect on Income Before Income Tax	Effect on Equity	Effect on Income Before Income Tax	Effect on Equity
Cash and cash equivalents	(P215)	(P518)	P215	P518
Trade and other receivables	(171)	(564)	171	564
Other assets	(7)	(18)	7	18
	(393)	(1,100)	393	1,100
Liabilities for crude oil and petroleum products	267	996	(267)	(996)
Long-term debts (including current maturities)	1,030	772	(1,030)	(772)
Other liabilities	11	266	(11)	(266)
	1,308	2,034	(1,308)	(2,034)
	P915	P934	(P915)	(P934)

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 P299 and P583 for the period ended June 30, 2026 and for the year ended December 31, 2025, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table

As of June 30, 2026 and December 31, 2025, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

June 30, 2026	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P8,250	P11,000	P2,000	P -	P15,910	P16,090	P53,250
Interest rate	7.2% - 7.5%	4.3% - 7.5%	7.5%	-	6.6%	7.0% - 7.4%	
US$ denominated (expressed in Php)	-	5,259	7,013	7,013	5,259	-	24,544
Interest rate	-	5.7%-6.4%	5.7%-6.4%	5.7%-6.4%	5.7%-6.4%		
Floating Rate							
Philippine peso denominated	2,667	2,667	5,000	3,333	2,333	-	16,000
Interest rate	3, 6 mos. Bloomberg Valuation (BVAL) + margin	3, 6 mos. BVAL + margin	3, 6 mos. BVAL + margin	3, 6 mos. BVAL + margin	3, 6 mos. BVAL + margin		
US$ denominated (expressed in Php)	12,149	18,575	8,765	4,383	-	-	43,872
Interest rate*	1, 3, 6 mos. Secured Overnight Financing Rate (SOFR) + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin			
	P23,066	P37,501	P22,778	P14,729	P23,502	P16,090	P137,666

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

December 31, 2025	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P5,000	P15,750	P2,000	P1,000	P15,910	P16,090	P55,750
Interest rate	7.2% - 7.5%	4.3% - 7.5%	7.5%	7.5%	6.6%	7.0% - 7.4%	
US$ denominated (expressed in Php)	-	P1,680	P3,359	P3,359	P3,359	-	11,757
Interest rate	-	5.74%	5.74%	5.74%	5.74%	-	
Floating Rate							
Philippine peso denominated	1,833	2,667	2,667	1,833	500	-	9,500
Interest rate	3, 6 Mos. BVAL + margin	3, 6 mos. BVAL + margin	3, 6 mos. BVAL + margin	3, 6 mos. BVAL + margin	3, 6 mos. BVAL + margin		
US$ denominated (expressed in Php)	6,719	23,390	10,289	8,399	-	-	48,797
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	-	-	
	P13,552	P43,478	P18,315	P14,591	P19,769	P 16,090	P125,804

**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:

	June 30, 2026	December 31, 2025
Cash in banks and cash equivalents	**P35,003**	P38,995
Derivative assets	**1,531**	1,085
Trade and other receivables - net	**115,575**	81,603
Noncurrent deposits	**96**	76
	P152,205	P121,759

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 P6,858 and P6,021 as of June 30, 2026 and December 31, 2025, 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 show the credit quality of the financial assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	June 30, 2026				
	Financial Assets at Amortized Cost				
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Financial Assets at Fair Value Through Profit or Loss (FVPL)**	**Total**
Cash in banks and cash equivalents	**P35,003**	**P -**	**P -**	**P -**	**P35,003**
Trade and other receivables	**-**	**115,575**	**864**	**-**	**116,439**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**1,531**	**1,531**
Long-term receivables	**-**	**-**	**11**	**-**	**11**
Noncurrent deposits	**96**	**-**	**-**	**-**	**96**
	P35,099	**P115,575**	**P875**	**P1,531**	**P153,080**

	December 31, 2025				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Financial Assets at Fair Value Through Profit or Loss (FVPL)	Total
Cash in banks and cash equivalents	P38,995	P -	P -	P -	P38,995
Trade and other receivables	-	81,603	886	-	82,489
Derivative assets not designated as cash flow hedge	-	-	-	1,085	1,085
Long-term receivables	-	-	11	-	11
Noncurrent deposits	76	-	-	-	76
	P39,071	P81,603	P897	P1,085	P122,656

Liquidity Risk

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

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

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

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

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of June 30, 2026 and December 31, 2025.

June 30, 2026	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	**P37,637**	**P37,637**	**P37,637**	**P -**	**P -**	**P -**
Trade and other receivables - net	**115,575**	**115,575**	**115,575**	**-**	**-**	**-**
Derivative assets (including non-current portion)	**1,531**	**1,531**	**1,526**	**5**	**-**	**-**
Proprietary membership shares	**497**	**497**	**-**	**-**	**-**	**497**
Noncurrent deposits	**96**	**96**	**-**	**-**	**7**	**89**
Financial Liabilities						
Short-term loans	**137,809**	**138,627**	**138,627**	**-**	**-**	**-**
Liabilities for crude oil and petroleum products	**64,317**	**64,317**	**64,317**	**-**	**-**	**-**
Trade and other payables*	**27,515**	**27,515**	**27,515**	**-**	**-**	**-**
Cylinder deposits	**4,176**	**4,176**	**4,176**	**-**	**-**	**-**
Derivative liabilities	**1,843**	**1,843**	**1,837**	**6**	**-**	**-**
Long-term debts (including current maturities)	**136,461**	**163,355**	**30,065**	**43,336**	**69,855**	**20,099**
Lease liability (including current portion)	**14,066**	**21,314**	**2,401**	**2,235**	**5,727**	**10,951**
Cash bonds	**433**	**433**	**-**	**418**	**15**	**-**
"Others" under other noncurrent liabilities	**51**	**51**	**-**	**39**	**12**	**-**

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

December 31, 2025	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P42,059	P42,059	P42,059	P -	P -	P -
Trade and other receivables	81,603	81,603	81,603	-	-	-
Derivative assets (including non-current portion)	1,085	1,085	1,080	5	-	-
Proprietary membership shares	488	488	-	-	-	488
Noncurrent deposits	76	76	-	-	-	76
Financial Liabilities						
Short-term loans	91,900	92,423	92,423	-	-	-
Liabilities for crude oil and petroleum products	51,407	51,407	51,407	-	-	-
Trade and other payables*	18,531	18,531	18,531	-	-	-
Cylinder deposits	3,819	3,819	3,819	-	-	-
Derivative liabilities	1,729	1,729	1,722	7	-	-
Long-term debts (including current maturities)	124,477	152,328	20,908	49,468	61,268	20,684
Lease liability (including current portion)	14,085	24,202	2,476	2,446	6,179	13,101
Cash bonds	427	427	-	412	15	-
"Others" under other noncurrent liabilities	49	49	-	37	12	-

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

<u>Commodity Price Risk</u>

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.

<u>Other Market Price Risk</u>

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.

<u>Capital Management</u>

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

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

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

	June 30, 2026	December 31, 2025
Total assets	**P524,318**	P451,962
Total liabilities	**416,265**	330,939
Total equity	**108,053**	121,023
Debt to equity ratio	**3.9:1**	2.7:1
Assets to equity ratio	**4.9:1**	3.7:1

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in 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, noncurrent receivables and deposits are included under this category.

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

At initial recognition, the Group may 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 other comprehensive income. 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 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 that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category.

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

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

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in consolidated interim statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated 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 that are not designated as cash flow hedge are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in 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 transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

Derecognition of Financial Assets and Financial Liabilities

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

- the contractual right to receive cash flows from the asset have expired; or

- the Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party 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 contractual rights to receive cash flows from the 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 includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

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

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of June 30, 2026 and December 31, 2025:

	June 30, 2026		December 31, 2025	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets (FA):				
Cash and cash equivalents	**P37,637**	**P37,637**	P42,059	P42,059
Trade and other receivables – net	**115,575**	**115,575**	81,603	81,603
Noncurrent deposits	**96**	**96**	76	76
FA at amortized cost	**153,308**	**153,308**	123,738	123,738
Proprietary membership shares	**497**	**497**	488	488
Derivative assets not designated as cash flow hedge	**1,531**	**1,531**	1,085	1,085
FA at FVPL	**2,028**	**2,028**	1,573	1,573
Total Financial Assets	**P155,336**	**P155,336**	P125,311	P125,311
Financial liabilities (FL):				
Short-term loans	**P137,809**	**P137,809**	P91,900	P91,900
Liabilities for crude oil and petroleum products	**64,317**	**64,317**	51,407	51,407
Trade and other payables*	**27,515**	**27,515**	18,531	18,531
Long-term debts including current portion	**136,461**	**136,461**	124,477	124,477
Cash bonds	**433**	**433**	427	427
Cylinder deposits	**4,176**	**4,176**	3,819	3,819
"Others" under other noncurrent liabilities	**51**	**51**	49	49
Other FL	**370,762**	**370,762**	290,610	290,610
Derivative liabilities not designated as cash flow hedge	**1,843**	**1,843**	1,729	1,729
Total Financial Liabilities	**P372,605**	**P372,605**	P292,339	P292,339

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

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Deposits. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

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

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

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

Cash Bonds and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rate used as of June 30, 2026 and December 31, 2025 is 10.15% and 9.24%, respectively.

Short-term Loans, Liabilities for Crude Oil and Petroleum Products, Trade and Other Payables, and Cylinder Deposits. The carrying amount of short-term loans, liabilities for crude oil and petroleum products, trade and other payables, and cylinder deposits approximates fair value primarily due to the relatively short-term maturities of these financial instruments.

<u>Derivative Financial Instruments and Hedge Accounting</u>
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 other comprehensive income and presented in the "Other reserves" 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 other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated 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 other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated interim statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the 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.

Currency Forwards. As of June 30, 2026 and December 31, 2025, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,044 million and US$1,322 million, respectively, and with various maturities. As of June 30, 2026 and December 31, 2025, the net negative fair value of these currency forwards amounted to P43 and P446, 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 61.0 million barrels and 116.5 million barrels as of June 30, 2026 and December 31, 2025, respectively. The estimated net pay-out for these transactions amounted to P269 and P198 as of June 30, 2026 and December 31, 2025, respectively.

Embedded Derivatives

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

As of June 30, 2026 and December 31, 2025, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of June 30, 2026 and December 31, 2025, the net fair value of these embedded currency forwards is minimal.

For the periods ended June 30, 2026 and December 31, 2025, the Group recognized mark-to-market gains (losses) from freestanding and embedded derivatives amounting to P1,889 and (P872), respectively.

Fair Value Measurements

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

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

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

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

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

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

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

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

The table below analyzes financial instruments carried at fair value, by valuation method, as of June 30, 2026 and December 31, 2025.

	Level 2	
	June 30, 2026	December 31, 2025
Financial Assets:		
Proprietary membership shares	**P497**	P488
Derivative assets	**1,531**	1,085
Financial Liabilities:		
Derivative liabilities	**(1,843)**	(1,729)

The Group has no financial instruments valued based on Level 1 and Level 3 as of June 30, 2026 and December 31, 2025. 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 April 13, 2026, the Parent Company made a full drawdown from a P7,000 term loan facility which was signed and executed on April 7, 2026. The facility is amortized over 5 years with 12 equal quarterly installments beginning July 13, 2028. The facility is subject to a floating interest rate repriced every 3 months, payable quarterly. The proceeds were used for the repayment of existing indebtedness.

On June 26, 2026, the Parent Company made a full drawdown from a US$200 million term loan facility signed and executed on June 19, 2026. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be repaid in 7 equal semi-annual installments beginning June 26, 2028. The facility is subject to a fixed interest rate of 6.35% per annum payable quarterly. The proceeds were used for the repayment of existing indebtedness and for general corporate purposes.

Both facilities are subject to a financial covenant ratio of consolidated gross debt to consolidated net worth, which must not exceed 2.75x.

b. Redemption of Senior Perpetual Capital Securities (SPCS)

On April 19, 2026, the Parent Company redeemed the remaining US$162.61 million (P7,755) SPCS issued in 2021. Related distributions amounting to US$4.84 million (P387) were also settled.

c. Increase in Ownership Interest in NVRC Corporation

On April 19, 2026, SEC approved the increase of authorized capital stock of NVRC Corporation. On the same date, the Parent Company acquired additional 1,480,000 common shares of NVRC Corporation at P1,000.00 per share for a total consideration of P1,480 which was effected through debt to equity conversion of NVRC Corporation's advances from the Parent Company. The transaction effectively increased the Parent Company's ownership interest in NVRC Corporation from 85.55% to 89.65%. Consequently, the proportionate share of the carrying amount of the net assets of NVRC Corporation amounting to P32 has been adjusted to reflect the revised ownership interests of equity holders of the Parent Company.

d. Redemption of Series 3B Preferred Shares

On May 5, 2026, the BOD of the Parent Company approved the redemption of Series 3B preferred shares issued in 2019 amounting to P6,597 on June 25, 2026.

e. Issuance of US$25 million Redeemable Perpetual Securities (RPS)

On June 29, 2026, Petron issued US$25 million RPS at an issue price of 100%, with an initial distribution rate of 7.50% per annum. The net proceeds were used for general corporate purposes.

11. Basic and Diluted Earnings -per Share

Basic and diluted earnings per share amounts for the six months ended June 30, 2026 and 2025 are computed as follows:

	2026	**2025**
Net income attributable to equity holders of the Parent Company	**P4,092**	P4,822
Dividends on preferred shares for the period	**(1,304)**	(652)
Distributions to the holders of capital securities for the period	**(1,915)**	(1,405)
Net income attributable to common shareholders of the Parent Company (a)	**P873**	P2,765
Weighted average number of common shares outstanding (in millions) (b)	**8,911**	9,107
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	**P0.10**	P0.30

As of June 30, 2026 and 2025, 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
2026				
Common	**P0.10000**	**March 3, 2026**	**March 18, 2026**	**April 15, 2026**
Series 3B	**17.84575**	**February 12, 2026**	**March 4, 2026**	**March 25, 2026**
Series 4A	**16.76975**	**February 12, 2026**	**March 16, 2026**	**April 7, 2026**
Series 4B	**16.99300**	**February 12, 2026**	**March 16, 2026**	**April 7, 2026**
Series 4C	**17.71525**	**February 12, 2026**	**March 16, 2026**	**April 7, 2026**
Series 4D	**17.09100**	**February 12, 2026**	**March 2, 2026**	**March 23, 2026**
Series 4E	**17.75800**	**February 12, 2026**	**March 2, 2026**	**March 23, 2026**
Series 3B	**17.84575**	**May 5, 2026**	**June 3, 2026**	**June 25, 2026**
Series 4A	**16.76975**	**May 5, 2026**	**June 16, 2026**	**July 7, 2026**
Series 4B	**16.99300**	**May 5, 2026**	**June 16, 2026**	**July 7, 2026**
Series 4C	**17.71525**	**May 5, 2026**	**June 16, 2026**	**July 7, 2026**
Series 4D	**17.09100**	**May 5, 2026**	**June 1, 2026**	**June 23, 2026**
Series 4E	**17.75800**	**May 5, 2026**	**June 1, 2026**	**June 23, 2026**
2025				
Common	P0.10000	March 4, 2025	March 18, 2025	April 2, 2025
Series 3B	17.84575	May 6, 2025	June 2, 2025	June 25, 2025
Series 4A	16.76975	May 6, 2025	June 16, 2025	July 7, 2025
Series 4B	16.99300	May 6, 2025	June 16, 2025	July 7, 2025
Series 4C	17.71525	May 6, 2025	June 16, 2025	July 7, 2025
Series 4D	17.09100	May 6, 2025	May 29, 2025	June 23, 2025
Series 4E	17.75800	May 6, 2025	May 29, 2025	June 23, 2025
Series 3B	17.84575	August 5, 2025	September 4, 2025	September 25, 2025
Series 4A	16.76975	August 5, 2025	September 16, 2025	October 7, 2025
Series 4B	16.99300	August 5, 2025	September 16, 2025	October 7, 2025
Series 4C	17.71525	August 5, 2025	September 16, 2025	October 7, 2025
Series 4D	17.09100	August 5, 2025	September 2, 2025	September 23, 2025
Series 4E	17.75800	August 5, 2025	September 2, 2025	September 23, 2025
Series 3B	17.84575	November 4, 2025	December 1, 2025	December 26, 2025
Series 4A	16.76975	November 4, 2025	December 9, 2025	January 7, 2026
Series 4B	16.99300	November 4, 2025	December 9, 2025	January 7, 2026
Series 4C	17.71525	November 4, 2025	December 9, 2025	January 7, 2026
Series 4D	17.09100	November 4, 2025	November 28, 2025	December 23, 2025
Series 4E	17.75800	November 4, 2025	November 28, 2025	December 23, 2025

Distributions

Senior Perpetual Capital Securities (SPCS)

Payments of distributions pertaining to SPCS were made on the following dates: April 17, 2026 (P387), March 19, 2026 (P1,399), September 22, 2025 (P746), and April 21, 2025 (P1,234).

RPS

Payment of distributions pertaining to RPS were made on June 22, 2026 (P10), May 11, 2026 (P56), March 22, 2026 (P10), February 10, 2026 (P53), September 22, 2025 (P10), August 14, 2025 (P13), August 8, 2025 (P52), June 23, 2025 (P31), May 13, 2025 (P50), April 4, 2025 (P1), March 22, 2025 (P36), and February 10, 2025 (P53).

13. Commitments and Contingencies

Supply Agreements

The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase the Parent Company's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), Kuwait Petroleum Corporation (KPC), Chevron USA Inc. Singapore Branch (Chevron), Abu Dhabi National Oil Company (ADNOC) PJSC, and Shell International Eastern Trading Company (SIETCO). The contract with Saudi Aramco is from January 1, 2026 to December 31, 2026 with an 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 January 1, 2026 to December 31, 2026 while the contract with Chevron is from February 1, 2026 to January 31, 2027. The contract with ADNOC is from February 1 to December 31, 2026. Lastly, 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 had 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 which ended in March 2026. PMRMB has other short-term supply contracts and spot crude purchases. Pricing is determined through a formula that is linked to international industry benchmarks. As of June 30, 2026, about 37% of the crude and condensate volume is sourced from spot purchases from EMEPMI, while the balance from other term and spot purchases.

Outstanding liabilities of the Group for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the consolidated statements of financial position as of June 30, 2026 and December 31, 2025.

Oil Spill Incident in Guimaras

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

Complaints for damages for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as of June 30, 2026. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City. On January 9, 2020, the CA issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending as of June 30, 2026. On September 25, 2024, the CA denied the motion for reconsideration of another respondent International Oil Pollution Compensation ("IOPC") Funds and directed IOPC to file its comment. The CA held in abeyance any further action on the petition pending compliance with the directives of the said resolution. In the meantime, proceedings before the trial court continue. In one of the cases, the plaintiffs have already rested its case and trial dates have been set for the presentation of defendants' evidence. In the other case, plaintiffs are already expected to complete the presentation of their evidence testified so far.

In a Decision dated August 18, 2025 received by the Parent Company on February 6, 2026, the Court of Appeals dismissed the petition filed by the plaintiffs seeking the reversal of the trial court's previous order denying their Motion for Partial Summary Judgment. Similarly, in a decision dated August 19, 2025 received by the Parent Company only on January 19, 2026, the Court of Appeals likewise dismissed the petition filed by plaintiffs seeking the reversal of the trial court's previous order denying their motion for trial by commissioner.

As of June 30, 2026 and December 31, 2025, the Group has not set up any provision related to this case because while the case is still pending, Petron believes the resolution will be in its favor.

Unused Letters of Credit and Outstanding Standby Letters of Credit

The Group has unused letters of credit totaling approximately P85,564 and P35,338 as of June 30, 2026 and December 31, 2025, 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. Event After the Reporting Period

On August 4, 2026, 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 4A	16.76975	September 16, 2026	October 7, 2026
Series 4B	16.99300	September 16, 2026	October 7, 2026
Series 4C	17.71525	September 16, 2026	October 7, 2026
Series 4D	17.09100	September 2, 2026	September 23, 2026
Series 4E	17.75800	September 2, 2026	September 23, 2026

15. Other Matters

a. Lease Agreements with PNOC

On October 20, 2017, Petron filed with the Regional Trial Court (RTC) of Mandaluyong City a complaint against the Philippine National Oil Company (PNOC) for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Parent Company.

The subject landholdings consisted of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and the Parent Company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, the Parent Company, through its realty subsidiary, NVRC Corporation, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years. The complaint alleged that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

On December 11, 2017, the trial court granted Parent Company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Parent Company from possession of the subject properties until the case is decided.

The court-mandated mediation in 2018 and the judicial dispute resolution proceedings before the court in 2019 were likewise terminated, after the parties failed to agree to a settlement. The Parent Company filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Parent Company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent Company of all such properties, and (iii) the payment by the Parent Company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent Company all lease payments the latter had paid to PNOC since 1993.Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Parent Company filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Parent Company and PNOC and affirmed the resolution of the trial court as described above. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Parent Company and PNOC. The PNOC filed a petition for review on certiorari with the Supreme Court in December 2022 which the Supreme Court denied on July 25, 2023 on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. In a resolution dated November 25, 2024, the Supreme Court denied with finality the motion for reconsideration and the motion to refer to the Supreme Court *En Banc* that the PNOC filed in December 2023. The November 2024 resolution also ordered the immediate issuance of the entry of judgment and declared that no further pleadings or motions shall be entertained.

On January 21, 2025, PNOC filed a second motion for reconsideration. A second motion for reconsideration is generally prohibited under the Internal Rules of the Supreme Court.

Given the finality of the Supreme Courts's ruling, the Group recognized in its 2024 books the reversal of the conveyance of the land declared as property dividends in 1993 at P143 equivalent to the net book value of the land at the time of dividend declaration and instead recognized a liability for cash dividends to PNOC of the same amount plus legal interest of P267 computed from 1993 to 2024. The landholdings were recognized as part of "Property, plant and equipment" and "Investment property" at P110 and P33, respectively. Correspondingly, all accruals related to the lease contracts with PNOC on the subject landholdings of the rescinded deeds of conveyance, namely, lease liabilities of P3,629, asset retirement obligation (ARO) of P2,600 for the cost of land restoration and remediation at the end of lease term, and the corresponding right of use (ROU) assets of P2,720 recognized previously were reversed which resulted in the recognition of gain on lease termination of P3,509.

On December 12, 2025, the trial court issued an order granting the Parent Company's Motion for Issuance of Writ of Execution. On December 23, 2025, PNOC filed a motion for reconsideration with the trial court seeking the reversal of the trial court's order. In an Order dated January 8, 2026, the trial court denied PNOC's Omnibus Motion praying for the reversal of the trial court's December 12, 2025 Order granting the Writ of Execution and for the voluntary inhibition of presiding Judge Ryan Scott F. Robińos.

The Parent Company recognized in its 2025 books additional legal interest amounting to P178 computed up to December 16, 2025 and made a valid tender of payment on December 17, 2025, when it offered to pay PNOC the amount of P588 through a Manager's Check. The Parent Company's judgment debt in favor of PNOC could have been immediately satisfied had PNOC accepted the tender, but PNOC refused to do so. The Parent Company's tender of payment was followed by its attempt to deposit the amount with the Branch Sheriff and the

Branch Clerk of Court on January 27, 2026, pursuant to Rule 39 of the Rules of Court. When this was also refused without the payment of various fees, the Parent Company filed a Motion for Consignation with the RTC on February 16, 2026. Also on February 16, 2026, the Parent Company filed an Omnibus Motion seeking the court's order to divest PNOC of its ownership over all subject landholdings covered by the case and to vest ownership in the Parent Company.

On February 19, 2026, the Parent Company received an Order from the RTC divesting PNOC of its title over all the properties covered by the Deeds of Conveyance and vested title over them in the Parent Company and ordered the relevant Registers of Deeds to cancel the transfer certificates of the title in the name of PNOC and to issue new ones in the name of the Parent Company. The trial court also ordered the Parent Company to consign the check that was refused acceptance by PNOC in December 2025.

On March 4, 2026, PNOC accepted the check amounting to P588 in full satisfaction of the Parent Company's monetary obligations, inclusive of legal interest. The liability of the Parent Company to PNOC was derecognized.

b. Impact of Israel-US-Iran Conflict

The joint attack of the United States and Israel against Iran on February 28, 2026 has resulted in significant volatility in global oil markets. Dubai crude prices surged, peaking at $129 per barrel in March from an average of $62 per barrel in January 2026. The market reaction was driven by supply concerns following the closure of the Strait of Hormuz, a key transit route through which about 20% of global oil and a significant share of liquefied natural gas supply pass. Prices began to ease by June as ceasefire negotiations progressed and the signing of U.S.–Iran Memorandum of Understanding (MOU) led to the re-opening of the Strait of Hormuz, mitigating concerns on prolonged supply disruptions. Dubai crude prices averaged $79 per barrel in June 2026 despite the sharp decline, average for the second quarter was at $96 per barrel, up from $86 per barrel in the first quarter.

The Group sources most of its crude oil requirements from the Middle East under term supply arrangements. The closure of the Strait of Hormuz has affected the movement of crude oil from the region. In response, the Group has undertaken measures to support the continuity of supply, including pursuing alternative sources of crude oil through its network of suppliers and securing imported fuel products to supplement refinery production and maintain product availability.

The increase in oil prices resulted in higher working capital requirements for the Group. This impact was further influenced by depreciation of the Philippine peso, as crude oil and fuel purchases and a portion of the Group's borrowings are denominated in US dollars. The Group manages its exposure to commodity price and foreign currency fluctuations using derivative instruments under its risk management strategies. The Group also maintains access to funding as part of its ongoing capital management activities.

In a deregulated market environment, the Group generally adjusts product prices in response to changes in prevailing regional prices and related costs, subject to market conditions. Although elevated prices affected demand, competitive pricing strategies and sufficient fuel availability helped moderate the impact on the Group's sales volume. Refining margins continue to be affected by the prevailing market conditions.

The Group remains compliant with all financial covenants as of the reporting date and maintains headroom under its existing debt facilities. In light of the continuing situation, management continues to monitor developments and their potential impact on the Group's financial position and covenant compliance.

The Group remains focused on ensuring supply chain reliability, pursuing diversification of crude and product sourcing, optimizing inventory levels, and implementing cost management initiatives. The Group continues to adopt prudent risk management to mitigate the adverse effects of the war, and implement appropriate measures to ensure continuity of supply, operations, and cash flows, amid the oil market volatility and disruptions in 2026.

c. There were no seasonal aspects that had a material effect on the financial position or financial performance of the Group.

d. There were no material off-statements of financial position items, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the notional values of outstanding derivative transactions entered by the Group as of and for the period ended June 30, 2026.

e. Known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

Gross Domestic Product (GDP)

The Philippine economy grew by 2.3% in the second quarter of 2026, slower than the 2.8% recorded in Q1, reflecting softer household spending and a contraction in industry. This brings GDP growth for the first half of the year to 2.6%, a big drop from the 5.4% in the same period last year.

Despite the slowdown, economic activity was supported by higher government spending, stronger exports, modest uptick in agriculture, and stable expansion in the services sector, particularly wholesale and retail trade. However, overall momentum remained constrained due to weaker investment activity and decline in industrial activity.

		2026		2025	
Economic growth (*in percentage*)	1Q	2Q	1H	2Q	1H
GDP	2.8	2.3	2.6	5.4	5.4
By Expenditure					
Household Consumption	3.0	2.8	2.9	5.2	5.2
Government Consumption	4.8	8.3	6.7	8.7	13.1
Capital Formation	(3.1)	(9.2)	(6.5)	0.9	2.5
Exports	7.8	12.2	10.0	4.9	6.0
Imports	6.8	5.5	6.1	3.6	6.9
By Industry					
Agriculture	(0.3)	2.7	1.2	7.0	4.5
Industry	0.1	(2.4)	(1.2)	2.1	3.3
Services	4.6	4.5	4.5	6.9	6.5

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

The Bureau of Treasury's average auction rate for 91-day Treasury bills stood at 4.8% in 1H2026, a decline of 60 basis points from 5.4% in the same period in 2025. In addition, while the BSP implemented two policy rate hikes in April and June in response to inflationary pressures, the resulting target reverse repurchase rate is 4.75%, still 50 basis points lower than last year.

Peso-Dollar Exchange Rate

The peso averaged P60.0/USD in the first half of 2026, reflecting a 4.8% depreciation from P57.1/USD in the same period in 2025. The peso depreciation was primarily driven by sustained US dollar strength amid expectations of elevated US interest rates. Additional pressure stemmed from heightened oil supply uncertainty brought about by the US-Iran war, as oil shipments remained stranded in the Strait of Hormuz. Resulting high oil prices led to lower economic growth prospects and higher inflation risks, further weighing down on the peso.

Inflation

Inflation for goods and services accelerated to 4.8% in 1H 2026, up from 1.8% in the same period in 2025, exceeding the government's 2%-4% target range. Headline inflation in June 2026 surged to 6.4% from 1.4% in June 2025, although it eased slightly from 6.8% in May 2026. The acceleration in the June year-on-year inflation rate was primarily attributable to the transport sector, which posted a 12.8% increase in its index, compared with a 1.6% contraction a year earlier. Contributing further to the increase were the food and non-alcoholic beverages index, which accelerated to 5.2% from 0.4%, and the housing, water, electricity, gas and other fuels index, which increased to 8.0% from 3.2%.

Industry Oil Demand

According to the Department of Energy, oil demand in the country decreased by 2.36% to 28,645 million liters (ML) in FY 2025 from 29,338 ML in FY 2024. This decline was primarily driven by a contraction in the demand for naphtha. On the other hand, demand for gasoline, diesel, and LPG products posted an increase.

Oil Market

Dubai crude prices averaged $91.2/bbl in 1H 2026, a 26.9% increase from $71.9/bbl in the same period in 2025. Product cracks likewise sharply widened in 1H 2026: gasoline cracks doubled to $19.3/bbl, while diesel cracks and kero-jet cracks more than tripled to $49.6/bbl and $49.2/bbl, respectively. This upward pressure in prices was primarily attributed to the disruption in global oil supply following the effective closure of the Strait of Hormuz, a critical transit route for ~20% of global oil supply, and direct attacks on oil and energy infrastructure arising from the US-Iran war.

Effect of Existing or Probable Government Regulations on the Business

Extended Producer's Responsibility Act of 2022 (EPR Law). Republic Act No. 11898 or the EPR Law lapsed into law on July 23, 2022. The law, which amends Republic Act No. 9003 or "The Ecological Solid Waste Management Act of 2000", requires product manufacturers and obliged companies to recover a certain portion of their plastic packaging wastes to reduce their plastic footprint. Under the EPR Law, the Parent Company is obliged to comply with target recovery rates starting with 20% in 2023 and gradually increasing to 80% until 2028.

Electric Vehicle Industry Development Act (EVIDA); Department Circular 2021-07-0023. 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 ("EV") industry in the Philippines. The DOE issued the above circular on July 2, 2021, which provides the framework for the adoption and development of EVs and electric charging stations in the Philippines, including the installation of EV charging stations in retail stations. The promotion of the purchase and use of electric vehicles may impact oil industry demand.

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, 2020 and for non-resident foreign corporations on January 1, 2021. Domestic corporations and resident foreign corporations no longer have the option to be taxed at 15% on gross income and the rate of the minimum corporate income tax ("MCIT") was lowered to 1% from July 1, 2020 to June 30, 2023.

Subsequently, commencing on July 1, 2023, the MCIT has reverted to its former rate of 2%. Under the CREATE Act, persons who directly import petroleum products for resale in the Philippine customs territory and/or in free zones will be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program and/or other tax-exempt sales by the importer.

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

Under the CREATE Act, the Parent 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.

The law also provides that domestic refiners pay VAT on finished petroleum products sourced from crude importation upon withdrawal from the refinery. Prior to the CREATE Act, VAT was required to be paid upon crude importation. With this change, the timing of the payment of VAT by domestic refiners has been aligned with oil importers who pay VAT upon importation of finished petroleum products.

Amendments to the CREATE Law ("CREATE MORE"). Republic Act No. 12066, or the CREATE Maximize Opportunities for Reinvigorating the Economy, was signed on November 11, 2024. The law amended several provisions of the CREATE Law to enhance the tax regime and incentive framework to attract both domestic and international investments, particularly, in strategic industries and provide clearer guidelines on excise tax exemptions, VAT zero-rating, and tax refund claims, among others.

Some provisions are expected to have an impact on the Parent Company, as follows:
- Removal of the minimum creditable withholding tax rate and reducing the maximum creditable withholding tax rate to 15%
- Reduction of the BIR's period to process excise tax refund claims to a period of ninety (90) days from filing of the application by the taxpayers.

The law also provided for an increased threshold for investments that will fall within the approval of Investment Promotion Activities instead of the Fiscal Incentives Review Board ("FIRB"). In particular, only those investments amounting to above Php15 billion will go through the FIRB for approval.

- Revenue Regulations No. 24-2025 was issued by the BIR on the imposition of creditable withholding tax on top withholding agents, reducing the withholding tax rate from 1% to 0.5% on gross payments to the manufacturers and direct importers of solid or liquid fuels and related products.

LPG Industry Regulation Act. Republic Act No. 11592 or the "LPG Industry Regulation Act" was enacted into law on October 14, 2021 and 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, or possessing empty LPG cylinders that belong to another trademark owner; and non-compliance with prescribed 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 buy back of LPG cylinders among industry participants and the establishment of accredited swapping centers.

As of June 30, 2026, various circulars are in their implementation stage, including the application guidelines for License to Operate (DOE DC 2022-11-037), and establishment of LPG Cylinder Exchange and Swapping Program (DOE DC 2022-11-0002).

In compliance with the Guidelines for the Recognition of LPG Training Institutions (DC 2023-08-0025) Petron was officially recognized by the DOE as a Training Institution on 30 September 2025. This accreditation allows Petron to provide training and certification for qualified LPG service personnel from its own refinery, bulk facilities and network of dealers and retailers.

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 as follows:

- Php2.65-Php2-Php1 per liter ("/li") per year for gasoline;
- Php2.50-Php2-Php1.50/li for diesel and fuel oil;
- Php1-Php1-Php1/kg for LPG; and
- Php0.33-Php0-Php0/li for jet fuel

The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene and electric, and gasoline with public transportation as alternative.

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

Biofuels Act of 2006 (the "Biofuels Act"). Republic Act No. 10745 or the Biofuels Act and its implementing circulars mandate that gasoline and diesel volumes contain 10% bioethanol and 2% biodiesel/CME components, respectively. To produce compliant fuels, the Parent Company invested in CME injection systems at the Petron Bataan Refinery and the depots. On the bioethanol component, the DOE issued in June 2015, "Amending Department Circular No. 2011-02-0001 entitled Mandatory Use of Biofuel Blend" (Department Circular No. 2015-06-0005) that 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 and 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 on the utilization of biofuels, including compliance with local monthly allocation for ethanol.

For the CME component, the DOE issued last May 7,2024 Department Circular 2024-05-0014 which mandates all oil industry players to implement a 3% (CME blend), from current B2, beginning October 1, 2024. On May 29, 2025, the National Biofuel Board officially deferred the implementation of the 4% and 5% biodiesel blend mandates originally scheduled for October 2025 and October 2026, respectively. This suspension, formalized through Resolution No. 2025-01, Series of 2025, was prompted by concerns over potential increases in pump prices and inflationary effects on the national economy. While increase in CME blend is mandatory, the shift to E20 from E10 is on a voluntary basis.

Renewable Energy Act of 2008 (the "Renewable Energy Act"). Republic Act No. 9513 or the Renewable Energy Act aims to promote the development and commercialization of renewable and environment-friendly energy resources (e.g. biomass, solar, wind, hydro, and geothermal) through various tax incentives—such as a seven (7)-year income tax holiday and duty-free importation of renewable energy equipment and machinery. The sale of power generated from these energy sources is also exempt from value-added tax under the TRAIN Law. The growth in renewable energy may displace or reduce use of oil-based power plants affecting the Parent Company's sales to the power sector.

Clean Air Act of 1999 (the "Clean Air Act"). Republic Act No. 8749 or the Clean Air Act established air quality guidelines and emission standards for stationary and mobile equipment. It also included the required specifications for gasoline, diesel, and IFO to attain emission standards. Petron invested in a gasoil hydrotreater plant and an isomerization plant in order to produce diesel and gasoline that are 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 provided a list of 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 Department of Environment and Natural Resources issued Administrative Order 2010-23, which mandated 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 Department Circular 2015-06-0004, "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 end-2008 and white products by 2011. Petron has been using double-hull vessels in transporting all its products.

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

Compliance with International Maritime Organization (IMO) on Marine Fuel Specifications. The DOE issued Department Circulars No. 2025-02-0002 and No. 2025-02-0003, published on February 17, 2025. These circulars provide guidelines for marine bunker fuel traders to comply with the mandatory use of the 0.50% m/m sulphur limit for all fuel used on ships for propulsion (i.e. bunkering).

Anti-Competition Law (the "Philippine Competition Act"). The Philippine Competition Act, approved in July 2015, prohibits anti-competitive agreements, abuses of dominant positions, and mergers and acquisitions that limit, prevent, and restrict competition. To implement the national competition policy and attain the objectives and purposes of the law, the Philippine Competition Commission ("PCC") was created. Among the powers of the PCC is the review of mergers and acquisitions based on factors it may deem relevant. The PCC, after due notice and hearing, may impose administrative fines on any entity found to have violated the provisions of the law on prohibited arrangements or to have failed to provide prior notification to the PCC of certain mergers and acquisitions.

The PCC is empowered to impose criminal penalties on an entity that enters into any anti-competitive agreement and, when the entities involved are juridical persons, on its officers, directors, or employees holding managerial positions who are knowingly and willfully responsible for such violation. Currently pending with the House of Representatives are two bills to amend the Philippine Competition Act to, among others, legislate competition policy, amend requirements for PCC notification, and strengthen the powers of the PCC.

Amended Price Freeze Act of 2013. Republic Act No. 10623 or the Amended Price Freeze Act was signed on September 6, 2013. This law mandates the implementation of a 15-day price freeze for basic necessities, including LPG and kerosene, in areas declared under a state of emergency or calamity. Further to this, senior citizens and persons with disabilities ("PWDs") are entitled to a discount for LPG and kerosene as mandated by the following:

- Joint Administrative Order 17-01. Issued on February 17, 2021, this order provides for a 5% special discount for basic necessities including household LPG and kerosene.

- Joint Memorandum Circular No. 01, s. 2022. Issued on May 6, 2022, 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 tariff 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 EO 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 in implementing the law include the following:

- Department Circular 2019-05-008. This DOE circular requires oil companies to submit a detailed computation, with corresponding explanation and supporting documents, of the cost components of liquid fuel and LPG on a per liter and per product basis. The circular has not been implemented following the temporary restraining orders and writs of preliminary injunction issued by the Regional Trial Courts of Taguig and Mandaluyong. Last September 10, 2024, the Supreme Court made public its decision dated July 31, 2024 affirming the validity of the circular in one of the cases filed against its implementation.

- Department Circular 2021-09-0029. The "Revised Guidelines on Notices and Reportorial Requirements Pursuant to the Oil Deregulation Law" was published on November 5, 2021. It requires the submission of monthly and annual reports using revised templates for DOE to monitor importation and/or production of oil companies (and for Petron as a refiner) and includes additional reportorial requirements for lubes and blending plants, with more stringent penalties for non-compliance.

Energy Regulatory Commission Resolution 17 (Series of 2003). 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.

Enhanced Policy to Rationalized Benefits to Communities Hosting Energy Generation and Resource Development Facilities. The DOE signed on October 14, 2025 the Department Circular 2025-10-0023, increasing the financial benefits for host communities from one centavo

(PhP0.01/kWh) to three centavos (PhP0.03/kWh) generated from the Electricity Sales of the GenCos. This policy was implemented effective January 2026.

EO 110: Declaring a State of National Emergency and Authorizing the Unified Package for Livelihoods, Industry, Food and Transport. On March 24, 2026, EO 110 was signed declaring a State of National Energy Emergency in light of the conflict in the Middle East. EO 110 was issued to adopt a whole-of-government response to ensure energy supply and provide complementary measures to support consumers and affected sectors affected by the increase in fuel prices. Efforts undertaken by the government include directing the PNOC to procure fuel, energy conservation and prioritization measures, fuel subsidies for the transport sector, and increased monitoring by the DOE and Department of Trade and Industry on possible excessive price increases on basic commodities. The government may request for oil companies' participation in programs or activities they may implement to address possible energy supply and price concerns (e.g., PUV discounting program).

Suspension of Reduction of Excise Tax on Petroleum Products. Republic Act No. 12316 was signed on March 25, 2026 which authorizes the President to suspend or reduce excise taxes on petroleum when the average Dubai crude oil price based on Means of Platts Singapore reaches or exceeds US$80/barrel for one month. Subsequently, EO 114 was signed on April 16, 2026, which orders the temporary suspension of the excise tax rates for LPG and kerosene. The BOC and BIR also issued Customs Memorandum Circular (CMC) 103-2026 and Revenue Regulation 03-2026, which serves as additional implementing guidelines on this regard. The DOE also issued an advisory dated April 17 requiring oil companies to submit reports as part of their implementation of inventory monitoring.

Department Circular No. 2026-03-008. This circular, signed on March 17, 2026, provides the security guidelines for data and reports submitted by oil companies to the DOE in terms of unbundling the cost components of fuel prices and price adjustments. Under the circular, the DOE will keep the data and reports it receives in strict confidence, but it may use the information to produce its own derivative data, which will not be considered as confidential.

Department Circular No. 2026-03-0010. This DOE circular provides guidelines on the "Interim Authority to Introduce Euro II/2 Petroleum Products in the Transport and Industry Sector." It allows the use of fuel products with Euro 2 specifications for select transportation such as vehicle models from 2015 and earlier, traditional jeepneys, and industrial applications such as powerplants and generators, and the shipping industry. If a downstream oil industry participant intends to sell Euro 2 fuels, a notification to the DOE is required, along with complete segregation of Euro 2 and Euro 4 fuels in their storage (terminals) and retail outlets. As of date, the Parent Company continues to serve products with Euro 4 specifications.

PETRON CORPORATION AND SUBSIDIARIES
RECEIVABLES
As of June 30, 2026
(Amounts in Million Pesos)

Breakdown:

Accounts Receivable – Trade	**P84,170**
Accounts Receivable – Non-Trade	**31,405**
Total Accounts Receivable - Net	**P115,575**

AGING OF TRADE ACCOUNTS RECEIVABLES

Receivables	1 – 30 days	P71,751
	31 – 60 days	2,854
	61 – 90 days	7,181
	Over 90 days	3,048
Total		**84,834**
Allowance for doubtful accounts		(664)
Accounts Receivable – Trade		**P84,170**

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

Financial Performance

1H 2026 vs 1H 2025

For the first half (1H) of 2026, global oil market was initially marked with oversupply concerns until lingering tensions in the Middle East escalated into a direct military attack of the United States (U.S.) and Israel against Iran in late February. As a result, traffic through the Strait of Hormuz, where approximately 20% of the world oil supply passes, was severely disrupted, significantly affecting Middle East oil exports. The destruction of oil refineries and infrastructures within the conflict area and neighboring countries further pushed the international oil prices up to record-high levels in March and remained elevated in April-May. Premium and freight also rose due to heightened supply risk and logistical challenges. However, by June, prices began to drop as ceasefire negotiations progressed, the U.S.–Iran Memorandum of Understanding (MOU) was signed, and the partial reopening of the Strait of Hormuz alleviated fears of prolonged supply disruptions.

In light of these developments, the Group's operating income for the six months ending June 30, 2026 declined by 17% to **₱ 12.64 billion** while net income of **₱ 3.81 billion** was 27% lower than the ₱ 5.25 billion posted in the previous year. The increase in crude and product import costs, and operating expenses coupled with lower production volume from both its Port Dickson Refinery (PDR) in Malaysia and Bataan refinery owing to the temporary shutdown and scheduled maintenance in the first quarter, respectively, negatively impacted the Company's operations.

	For the Six Months Ended June 30		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2026**	**2025**	**Amount**	**%**	**2026**	**2025**
Sales	**605,891**	386,395	219,496	57%	100%	100%
Cost of Goods Sold	**(583,658)**	(362,749)	220,909	61%	(96%)	(94%)
Gross Profit	**22,233**	23,646	(1,413)	(6%)	4%	6%
Selling and Administrative Expenses	**(10,762)**	(9,448)	1,314	14%	(2%)	(2%)
Other Operating Income	**1,169**	948	221	23%	0%	0%
Interest Expense and Other Financing Charges	**(8,415)**	(9,388)	(973)	(10%)	(1%)	(2%)
Interest Income	**639**	555	84	15%	0%	0%
Share in Net Income of an Associate and Joint Venture	**67**	84	(17)	(20%)	0%	0%
Other Income (Expense) - net	**(238)**	193	(431)	(high)	(0%)	0%
Income Before Income Tax	**4,693**	6,590	(1,897)	(29%)	1%	2%
Income Tax Expense	**(882)**	(1,338)	(456)	(34%)	(1%)	(0%)
Net Income	**3,811**	5,252	(1,441)	(27%)	1%	1%
Attributable to Equity Holders of the Parent Company	**4,092**	4,822	(730)	(15%)	1%	1%
Attributable to Non-controlling Interests	**(281)**	430	(711)	(high)	0%	0%
	3,811	5,252	(1,441)	(27%)	1%	1%
Sales Volume in Thousand Barrels	**67,888**	64,235	3,653	6%		

Consolidated Sales Volume went up by 6% to **67.89 million barrels (MMB)** from 64.24 million MMB in the first semester of 2025 mainly attributable to the increase in PSTPL's trading transactions and growth in Retail Sales, which more than offset the lower volume from other domestic trades and export sales.

Considering the foregoing, **Net Sales** surged by 57% to **₱ 605.89 billion** from last year's ₱ 386.40 billion prompted by the high fuel prices due to the ongoing conflict in the Middle East, additional sales volume and the higher USD/PHP exchange rate.

Cost of Goods Sold also climbed by 61% to **₱ 583.66 billion** on account of the escalated importation cost of crude and product with the benchmark crude Dubai soaring to as high as US$129 per barrel in March and averaging to US$91 per barrel during the first six months of 2026 versus the US$72 per barrel in the same period last year. This was further amplified by the increase in the total volume sold during the period.

As a result, **Gross Profit** softened to **₱ 22.23 billion**, 6% lower than 1H 2025's ₱ 23.65 billion.

Selling and Administrative Expenses rose by 14% from ₱ 9.45 billion to **₱ 10.76 billion** attributed to higher employee costs, rental expense, and repairs and maintenance primarily of service stations. The depreciation of the Philippine Peso against the Malaysian Ringgit also resulted in higher peso translation of the Malaysian subsidiary's operating expenses.

Other Operating Income amounted to **₱ 1.17 billion,** 23% or ₱ 221 million higher than last year's level chiefly due to increase in rental income.

Interest Expense and Other Financing Charges shrank by 10% to **₱ 8.42 billion** due to lower average interest rate on borrowings this year.

Interest Income increased to **₱ 639 million**, 15% or ₱ 84 million more than prior year's ₱ 555 million because of the higher average placement level.

Share in Net Income of an Associate and Joint Venture of **₱ 67 million** was 20% less than 1H 2025's ₱ 84 million due to the lower earnings of Petrogen (associate) and higher loss of Terminal Bersama Sdn. Bhd. (joint venture).

Other Expense - net amounted to **₱ 238 million**, reversing 2025's ₱ 193 million Other Income - net mainly due to the unrealized commodity hedging loss this year versus gain last year, and higher net forex loss with the depreciation of the PHP against the US Dollar (USD).

Income tax expense amounted to **₱ 882 million,** a 34% decline from last year's level traced mainly to lower financial income.

1H 2025 vs 1H 2024

Petron posted a consolidated net income of **₱ 5.25 billion** for the first half of 2025, lower by 14% than the ₱ 6.10 billion reported during the same period last year. Margins were affected by the weak refining cracks and overall drop in international oil prices during the period. Prices were pressured by the global tariff tension and the decision of OPEC plus to unwind production cuts which may result in oversupply amid concerns of weakening demand. The sustained growth in domestic sales volume and the Company's optimized plant operations and increased production helped cushion the impact of market factors.

In Millions	For the Six Months Ended June 30 2025	2024	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2025	2024
Sales	**386,395**	444,490	(58,095)	(13%)	100%	100%
Cost of Goods Sold	**(362,749)**	(418,921)	(56,172)	(13%)	(94%)	(94%)
Gross Profit	**23,646**	25,569	(1,923)	(8%)	6%	6%
Selling and Administrative Expenses	**(9,448)**	(9,114)	335	4%	(2%)	(2%)
Other Operating Income	**948**	858	91	11%	0%	0%
Interest Expense and Other Financing Charges	**(9,388)**	(10,226)	(838)	(8%)	(2%)	(2%)
Interest Income	**555**	561	(6)	(1%)	0%	0%
Share in Net Income of an Associate and Joint Ventures	**84**	40	44	high	0%	0%
Other Income (Expense) - net	**193**	(149)	342	high	0%	0%
Income Before Income Tax	**6,590**	7,539	(949)	(13%)	2%	2%
Income Tax Expense	**(1,338)**	(1,516)	(178)	(12%)	(1%)	(0%)
Net Income	**5,252**	6,023	(771)	(13%)	1%	1%
Attributable to Equity Holders of the Parent Company	**4,822**	5,757	(935)	(16%)	1%	1%
Attributable to Non-controlling Interests	**430**	266	164	62%	0%	0%
	5,252	6,023	(771)	(13%)	1%	1%
Sales Volume in Thousand Barrels	**64,235**	69,122	(4,887)	(7%)		

Highlights of the first half (1H) performance were as follows:

Consolidated Sales Volume slipped by 7% to **64.23 MMB** from 69.12 million barrels (MMB) due to reduced trading volumes of the Company's subsidiary in Singapore. Exports likewise dropped with the deliberate diversion in production of low margin yields to higher valued finished products. These were partly mitigated by the 13% increase in Philippine retail sales, outpacing the industry growth, and the 5% overall growth in commercial sales.

Net Sales of **₱ 386.39 billion** was 13% less than 1H 2024's ₱ 444.49 billion on account of lower sales volume and prices.

Cost of Goods Sold decreased by 13% to **₱ 362.75 billion** mainly owing to the lower volume sold and lower cost per liter as the benchmark Dubai crude averaged 14% lower at US$72 per barrel versus last year's US$83 per barrel. As a result, **Gross Profit** of **₱ 23.65 billion** slid by 8% from last year's ₱ 25.57 billion.

Selling and Administrative Expenses climbed by 5% to **₱ 9.45 billion** from ₱ 8.98 billion traced primarily to terminalling fees and operations of company-owned service stations.

Other Operating Income of **₱ 948 million** rose by 11% or ₱ 90 million traced to higher rental income.

Interest Expense and Other Financing Charges were reduced by 8% to **₱ 9.39 billion** following the interest rate cuts implemented since the second half of last year.

Interest Income settled at **₱ 555 million**, slightly lower by ₱ 6 million than 1H 2024's level due to the overall decrease in average placement level.

Share in Net Income of an Associate and Joint Ventures increased to **₱ 84 million** from last year's ₱ 40 million, mainly pertaining to the Company's share in the earnings of its associate, Petrogen.

Other Income - net of **₱ 193 million** was a reversal from last year's ₱ 185 million Other Expense - net due to the unrealized gain on commodity hedges recorded for the period versus the loss recognized last year, partly offset by the net forex loss in 1H 2025 compared to the net gain recorded in 1H 2024.

Income tax expense amounted to **₱ 1.34 billion,** lower by 13% from the level for the first half last year largely due to lower financial income.

Financial Position

June 2026 vs December 2025

			Horizontal Analysis		**Vertical Analysis**	
	June 30	December 31	Increase (Decrease)		**June 30**	December 31
(in million Pesos)	**2026**	2025	Amount	%	**2026**	2025
Cash and cash equivalents	**37,637**	42,059	(4,422)	(11%)	**7%**	9%
Financial assets at fair value	**1,526**	1,080	446	41%	**0%**	0%
Trade and other receivables – net	**115,575**	81,603	33,972	42%	**22%**	18%
Inventories	**112,035**	67,495	44,540	66%	**21%**	15%
Other current assets	**43,928**	46,429	(2,501)	(5%)	**8%**	10%
Total Current Assets	**310,701**	238,666	72,035	30%	**59%**	53%
Investment in shares of stock of an associate and a joint venture	**1,292**	1,227	65	5%	**0%**	0%
Property, plant and equipment – net	**166,316**	167,417	(1,101)	(1%)	**32%**	37%
Right of Use – net	**2,184**	2,315	(131)	(6%)	**0%**	1%
Investment property – net	**30,598**	30,101	497	2%	**6%**	7%
Deferred tax assets - net	**718**	548	170	31%	**0%**	0%
Goodwill – net	**10,173**	9,767	406	4%	**2%**	2%
Other noncurrent assets – net	**2,336**	1,921	415	22%	**0%**	0%
Total Noncurrent Assets	**213,617**	213,296	321	0%	**41%**	47%
Total Assets	**524,318**	451,962	72,356	16%	**100%**	100%
Short term loans	**137,809**	91,900	45,909	50%	**26%**	20%
Liabilities for crude oil and petroleum products	**64,317**	51,407	12,910	25%	**12%**	11%
Trade and other payables	**46,084**	33,021	13,063	40%	**9%**	7%
Current portion of lease liability	**1,595**	1,513	82	5%	**0%**	0%
Derivative liabilities	**1,837**	1,722	115	7%	**0%**	0%
Income tax payable	**1,225**	809	416	51%	**0%**	0%
Current portion of long-term debt – net	**22,718**	13,200	9,518	72%	**4%**	3%
Total Current Liabilities	**275,585**	193,572	82,013	42%	**53%**	43%

Forward

(in million Pesos)	June 30 2026	December 31 2025	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis June 30 2026	December 31 2025
Long-term debt - net of current portion	**113,743**	111,277	2,466	2%	**22%**	25%
Retirement benefits liability – net	**3,901**	3,734	167	4%	**1%**	1%
Deferred tax liabilities – net	**8,646**	7,917	729	9%	**2%**	2%
Lease liability - net of current portion	**12,471**	12,572	(101)	(1%)	**2%**	3%
Asset retirement obligation	**1,429**	1,384	45	3%	**0%**	0%
Other noncurrent liabilities	**490**	483	7	1%	**0%**	0%
Total Noncurrent Liabilities	**140,680**	137,367	3,313	2%	**27%**	30%
Total Liabilities	**416,265**	330,939	85,326	26%	**79%**	73%
Capital stock	**9,502**	9,502	-	0%	**2%**	2%
Additional paid-in capital	**57,698**	57,698	-	0%	**11%**	13%
Capital securities	**34,085**	40,321	(6,236)	(15%)	**7%**	9%
Retained earnings	**42,433**	42,908	(475)	(1%)	**8%**	9%
Equity Reserves	**(17,859)**	(18,225)	366	(2%)	**(3%)**	(4%)
Treasury stock	**(28,730)**	(22,133)	(6,597)	30%	**(5%)**	(5%)
Total Equity Attributable to Equity Holders of the Parent Company	**97,129**	110,071	(12,942)	(12%)	**19%**	24%
Non-controlling Interests	**10,924**	10,952	(28)	(0%)	**2%**	2%
Total Equity	**108,053**	121,023	(12,970)	(11%)	**21%**	27%
Total Liabilities and Equity	**524,318**	451,962	72,356	16%	**100%**	100%

The **consolidated assets** of Petron Corporation and its subsidiaries as of end-June 2026 stood at **₱ 524.32 billion**, 16% or ₱ 72.36 billion higher than end-2025 level of ₱ 451.96 billion. The increase in total assets was largely traced to higher inventories, and trade and other receivables due to elevated prices.

Cash and cash equivalents decreased by 11% from ₱ 42.06 billion to **₱ 37.64 billion** as cash was used to fund additional working capital, settle financing costs, pay dividends and distribution, as well as finance various capital projects.

Financial assets at fair value spiked to **₱ 1.53 billion** from ₱ 1.08 billion due to higher gains on outstanding commodity and currency hedges.

Trade and other receivables – net rose by 42% to **₱ 115.58 billion** primarily due to higher trade balances and subsidy claims from Malaysian government, both resulting from elevated product prices.

Inventories climbed up by ₱ 44.54 billion to **₱ 112.04 billion** mainly from higher volume and average prices of both crude and finished products.

Other current assets reduced by 5% to **₱ 43.93 billion** on account of lower input VAT and excise claims from sales to tax-exempt entities, partly offset by the increase in creditable withholding taxes.

Investment in shares of stock of an associate and a joint venture grew to **₱ 1.29 billion** mainly from share in net income of an associate during the period.

Right-of-use assets – net declined by 6% to **₱ 2.18 billion** due to the depreciation recognized for the period.

Deferred tax assets – net rose to **₱ 718 million** from ₱ 548 million largely due to Petron Malaysia's net operating loss carry-over (NOLCO) and various temporary differences.

Other noncurrent assets – net grew to **₱ 2.34 billion** or by ₱ 415 million higher mainly due to additional prepaid leases and other prepayments.

Short term loans increased by ₱ 45.91 billion to **₱ 137.81 billion** to support working capital requirements.

Liabilities for crude oil and petroleum products climbed up by 25% to **₱ 64.32 million** mainly due to elevated prices coupled by increased purchases of crude oil and finished products.

Trade and other payables rose to **₱ 46.08 billion** associated with higher liabilities to hedging counterparties as well as sales tax and excise tax obligations to government authorities.

Current portion of lease liability inched up by ₱ 82 million to **₱ 1.60 billion** owing to maturing leases within one year.

Derivative liabilities grew to **₱ 1.84 billion** from ₱ 1.72 billion due to higher expected payout on outstanding commodity hedges partly offset by lower expected payout on outstanding currency hedges.

Income tax payable increased to **₱ 1.23 billion** or by 51% than end 2025 mainly from provision for International Tax Reform – Pillar Two of PSTPL and higher income tax liabilities of Petron Malaysia.

Long-term debt increased by ₱ 11.98 billion to **₱ 136.46 billion** mainly from newly availed loans partly offset by payments during the period.

Deferred tax liabilities – net went up to **₱ 8.65 billion** from ₱ 7.92 billion following the Parent company's use of NOLCO and minimum corporate income tax (MCIT) partly offset by temporary differences mainly on inventory valuation, depreciation and unrealized forex.

Capital securities declined to **₱ 34.09 billion** mainly due to redemption of senior perpetual capital securities issued in 2021, partly offset by the issuance of redeemable perpetual securities during the period.

Treasury stock went up by 30% to **₱ 28.73 billion** reflecting the redemption of Series 3B preferred shares issued in 2019.

June 2025 vs December 2024

(in million Pesos)	**June 30 2025**	December 31 2024	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **June 30 2025**	December 31 2024
Cash and cash equivalents	**36,435**	30,389	6,046	20%	**8%**	6%
Financial assets at fair value	**1,609**	1,044	565	54%	**0%**	0%
Trade and other receivables – net	**69,401**	82,762	(13,361)	(16%)	**16%**	18%
Inventories	**77,551**	90,570	(13,019)	(14%)	**17%**	19%
Other current assets	**48,667**	51,108	(2,441)	(5%)	**11%**	11%
Total Current Assets	**233,663**	255,873	(22,210)	(9%)	**53%**	55%
Investment in shares of stock of an associate and joint ventures	**1,142**	1,165	(23)	(2%)	**0%**	0%
Property, plant and equipment – net	**167,342**	169,302	(1,960)	(1%)	**38%**	36%
Right of Use – net	**2,798**	2,925	(127)	(4%)	**1%**	1%
Investment property – net	**28,461**	28,243	218	1%	**6%**	6%
Deferred tax assets - net	**550**	560	(10)	(2%)	**0%**	0%
Goodwill – net	**8,978**	8,731	247	3%	**2%**	2%
Other noncurrent assets – net	**2,018**	2,003	15	1%	**0%**	0%
Total Noncurrent Assets	**211,289**	212,929	(1,640)	(1%)	**47%**	45%
Total Assets	**444,952**	468,802	(23,850)	(5%)	**100%**	100%
Short term loans	**109,200**	138,906	(29,706)	(21%)	**25%**	30%
Liabilities for crude oil and petroleum products	**55,477**	51,625	3,852	7%	**12%**	11%
Trade and other payables	**29,215**	29,012	203	1%	**7%**	6%
Current portion of lease liability	**1,380**	1,295	85	7%	**0%**	0%
Derivative liabilities	**1,136**	1,699	(563)	(33%)	**0%**	0%
Income tax payable	**294**	304	(10)	(3%)	**0%**	0%
Current portion of long-term debt – net	**37,078**	29,418	7,660	26%	**8%**	6%
Total Current Liabilities	**233,780**	252,259	(18,479)	(7%)	**53%**	54%

Forward

			Horizontal Analysis		Vertical Analysis	
	June 30	December 31	Increase (Decrease)		**June 30**	December 31
(in million Pesos)	**2025**	2024	Amount	%	**2025**	2024
Long-term debt - net of current portion	**80,975**	88,025	(7,050)	(8%)	**18%**	19%
Retirement benefits liability – net	**3,566**	3,661	(95)	(3%)	**1%**	1%
Deferred tax liabilities – net	**6,940**	6,719	221	3%	**2%**	1%
Lease liability - net of current portion	**11,899**	12,120	(221)	(2%)	**3%**	3%
Asset retirement obligation	**1,401**	1,321	80	6%	**0%**	0%
Other noncurrent liabilities	**479**	487	(8)	(2%)	**0%**	0%
Total Noncurrent Liabilities	**105,260**	112,333	(7,073)	(6%)	**24%**	24%
Total Liabilities	**339,040**	364,592	(25,552)	(7%)	**76%**	78%
Capital stock	**9,502**	9,502	-	0%	**2%**	2%
Additional paid-in capital	**57,698**	57,698	-	0%	**13%**	12%
Capital securities	**34,060**	34,555	(495)	(1%)	**8%**	7%
Retained earnings	**35,541**	33,715	1,826	5%	**8%**	7%
Equity Reserves	**(18,448)**	(19,350)	902	(5%)	**(4%)**	(4%)
Treasury stock	**(22,122)**	(21,003)	(1,119)	5%	**(5%)**	(4%)
Total Equity Attributable to Equity Holders of the Parent Company	**96,231**	95,117	1,114	1%	**22%**	20%
Non-controlling Interests	**9,681**	9,093	588	6%	**2%**	2%
Total Equity	**105,912**	104,210	1,702	2%	**24%**	22%
Total Liabilities and Equity	**444,952**	468,802	(23,850)	(5%)	**100%**	100%

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end-June 2025 totaled **₱ 444.95 billion**, 5% or ₱ 23.85 billion lower than end-2024 balance of ₱ 468.80 billion. The reduction can be traced primarily to trade and other receivables, and inventories.

Cash and cash equivalents rose by 20% to **₱ 36.44 billion** mainly from cash provided by operations, which were used partly to settle loans, cash dividends and distributions, interest, and fund various capital projects.

Financial assets at fair value went up to **₱ 1.61 billion** from ₱ 1.04 billion due to higher recorded gains on commodity and currency hedging transactions.

Trade and other receivables - net declined by 16% to **₱ 69.40 billion** attributable mainly to lower trade accounts receivables and subsidy claims from the Malaysian government.

Inventories dropped to **₱ 77.55 billion** from ₱ 90.57 billion from lower volume and average prices of both crude and finished products.

Other current assets decreased by 5% to **₱ 48.67 billion** from lower excise claims from sales to tax-exempt entities and input VAT, partly offset by increase in creditable withholding taxes.

Short-term loans declined by 21% from ₱ 138.91 billion to **₱ 109.20 billion** due to the net settlement of loans during the period.

Liabilities for crude oil and petroleum products up by 7% at **₱ 55.48 billion** versus ₱ 51.63 billion as of Dec 2024 due to higher outstanding crude shipments as of end June 2025.

Derivative liabilities reduced to **₱ 1.14 billion** from ₱ 1.70 billion with lower estimated payout on outstanding currency and commodity hedging transactions.

Asset retirement obligation went up to **₱ 1.40 billion** from ₱ 1.32 billion mainly due to remeasurement of the liability.

Retained Earnings inched up by 5% to **₱ 35.54 billion** from the net income realized during the period partly offset by the payment of cash dividends to shareholders and distributions to holders of capital securities**.**

Equity reserves improved by 5% to negative **₱ 18.45 billion** on account of the net translation gain on investment in foreign subsidiaries arising from the weakening of Peso against the Malaysian Ringgit partly offset by the loss on partial repurchase of capital securities.

Treasury stock went up by 5% to **₱ 22.12 billion** following the buyback of common shares initiated by the Parent Company in March 2025.

Cash Flows

YTD June 2026 vs YTD June 2025

Cash and cash equivalents stood at **₱ 37.64 billion** as of June 30, 2026**,** lower by ₱ 4.42 billion compared to its balance at the beginning of the year**.** Internally generated cash from operating activities of ₱ 20.91 billion and net proceeds from loans availment of ₱ 57.41 billion along with cash on hand were used to finance the higher working capital requirements of ₱ 51.98 billion, payment of interest and taxes (₱ 7.76 billion), cash dividends and distribution (₱ 4.54 billion), various capital projects (₱ 3.82 billion), net redemption of capital securities (₱ 8.25 billion), redemption of preferred shares (₱ 6.60 billion), and lease liabilities (₱ 1.43 billion).

In Million Pesos	**June 30, 2026**	**June 30, 2025**	**Change**
Operating inflows (outflows)	(₱ 39,032)	₱ 45,132	(₱ 84,164)
Investing outflows	(3,818)	(3,430)	(388)
Financing inflows (outflows)	36,591	(34,782)	71,373

YTD June 2025 vs YTD June 2024

As of end-June 2025, cash and cash equivalents stood at **₱ 36.44 billion,** higher than the ₱ 30.39 billion at the beginning of the year. Cash derived from operations of ₱ 54.82 billion was used to settle loans (₱ 28.04 billion), interest and taxes (₱ 9.95 billion), dividends and distributions (₱ 3.68 billion), lease liabilities (₱ 1.37 billion), acquisition of common treasury shares (₱ 1.12 billion), as well as fund various capital projects amounting to ₱ 3.44 billion.

In Million Pesos	**June 30, 2025**	**June 30, 2024 As Restated**	**Change**
Operating inflows	₱ 45,132	₱ 14,679	₱ 30,453
Investing outflows	(3,430)	(5,150)	1,720
Financing outflows	(34,782)	(7,966)	(26,816)

Key Performance Indicators

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year.

Financial Ratios	Formula	June 30, 2026	December 31, 2025
Liquidity			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	**1.13**	1.23
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	**0.56**	0.64
Solvency			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^{b}}{\text{Total Equity}}$	**2.54**	1.79
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	**4.85**	3.73
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	**1.56**	2.04
Profitability			
f) Return on Average Equity	$\frac{\text{Net Income}^{a}}{\text{Average Total Equity}}$	**12.39%**	13.88%
g) Return on Average Assets	$\frac{\text{Net Income}^{a}}{\text{Average Total Assets}}$	**2.91%**	3.39%
Operating Efficiency			
h) Volume Growth	$\left(\frac{\text{Current Period Volume}}{\text{Prior Period Volume}}\right) -1$	**5.69%**	-1.42%
i) Sales Growth	$\left(\frac{\text{Current Period Sales}}{\text{Prior Period Sales}}\right) -1$	**56.81%**	-6.71%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	**2.09%**	4.61%

[a] *trailing 12 months net income*
[b] *excludes lease liabilities and advances from a related party*

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	June 30, 2026	December 31, 2025
Liquidity			
e) Current Ratio	Current Assets / Current Liabilities	**1.13**	1.23
f) Quick Ratio	Current Assets less Inventories and Other Current Assets / Current Liabilities	**0.56**	0.64
Solvency			
g) Debt to Equity Ratio	Total Interest-bearing Liabilities [b] / Total Equity	**2.54**	1.79
h) Asset to Equity Ratio	Total Assets / Total Equity	**4.85**	3.73
k) Interest Rate Coverage Ratio	Earnings Before Interests and Taxes / Interest Expense and Other Financing Charges	**1.56**	2.04
Profitability			
l) Return on Average Equity	Net Income [a] / Average Total Equity	**12.39%**	13.88%
m) Return on Average Assets	Net Income [a] / Average Total Assets	**2.91%**	3.39%
Operating Efficiency			
n) Volume Growth	$\left(\frac{\text{Current Period Volume}}{\text{Prior Period Volume}}\right) -1$	**5.69%**	-1.42%
o) Sales Growth	$\left(\frac{\text{Current Period Sales}}{\text{Prior Period Sales}}\right) -1$	**56.81%**	-6.71%
p) Operating Margin	Income from Operating Activities / Sales	**2.09%**	4.61%

[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
June 30, 2026

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 Parent Company	63.00
Taxes to be paid by the Parent 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 Parent 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	3,112.09
Payment of long term loan amortization to:	
Bank of the Philippine Islands	697.49
BDO Unibank, Inc.	535.71
UnionBank	250.00
Total Payments	**P17,595.29**
Balance	**P176.76**

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

As of June 30, 2026, balance of proceeds amounted to P176.76 million.