

# COVER SHEET

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S.E.C. Registration Number

P	-	H	-	O	-	E	-	N	-	I	-	X								
P	E	T	R	O	L	E	U	M		P	H	I	L	I	P	P	I	N	E	S
I	N	C	.																	

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**  
(Company's Full Name)

S	T	E	L	L	A		H	I	Z	O	N		R	E	Y	E	S			
R	O	A	D		B	O	.		P	A	M	P	A	N	G	A	,			
L	A	N	A	N	G	,		D	A	V	A	O		C	I	T	Y			
P	H	I	L	I	P	P	I	N	E	S										

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

ROSALIO D. ROQUE II									
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Contact Person

403 4013 LOCAL 337									
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Company Telephone Number

1	2		3	1
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Month                  Day  
Fiscal Year Ending

**SEC FORM 20 - IS**  
FORM TYPE

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Month                  Day  
Annual Meeting

## CERTIFICATION OF PERMIT TO OFFER SECURITIES FOR SALE

Secondary License Type, if applicable

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Dept. Requiring this Doc

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic                  Foreign

To be accomplished by SEC Personnel Concerned

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File Number

LCU

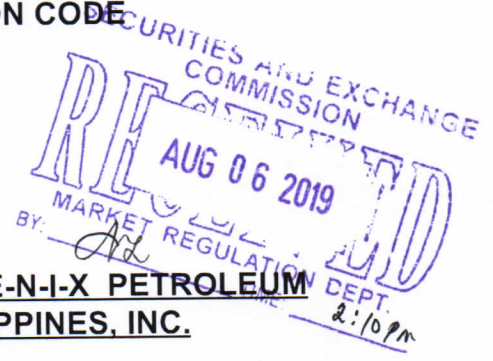
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Document I.D.

Cashier

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**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 20-IS**  
**INFORMATION STATEMENT PURSUANT TO SECTION 20**  
**OF THE SECURITIES REGULATION CODE**



1. Check the appropriate box:  
[ ☒ ] Preliminary Information Statement  
[    ] Definitive Information Statement
2. Name of Company as specified in its charter: **P-H-O-E-N-I-X PETROLEUM**  
**PHILIPPINES, INC.**
3. Country of Incorporation: **Philippines**
4. SEC Identification Number: **A200207283**
5. BIR Tax Identification Code: **006-036-274**
6. Address of principal office: **Stella Hizon Reyes Road, Bo. Pampanga**  
**Lanang, Davao City 8000**
7. Company's telephone number, including area code: **(082) 235-8888**
8. Date, time and place of the meeting of security holders: **N/A**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **August 23, 2019**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC:

<u>Title of Each Class</u>	<u>Number of Shares</u>
Common Shares, Php1.00 par value	1,403,304,232
Preferred Shares, Php 1.00 par value	22,000,000

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

Yes   X   No           

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

Philippine Stock Exchange, 1,403,304,232 Common Shares  
22,000,000 Preferred Shares

## PART I.

### **INFORMATION REQUIRED IN INFORMATION STATEMENT**

#### **A. GENERAL INFORMATION**

##### **Item 1. Written Consent of security holders**

- (a) Consent or Approval of the matter being presented by the Company is sought from the stockholders representing majority of the outstanding capital stock by written assent

Mailing Address: **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.  
Office of the Corporate Secretary  
Phoenix Petroleum Corporate Headquarters  
Stella Hizon Reyes Road, Bo. Pampanga  
Lanang, Davao City 8000**

- (b) Approximate date on which the Information Statement is first to be sent or given to security holders: **23 August 2019.**

##### **Item 2. Dissenter's Right of Appraisal**

##### **Procedure for the exercise of Appraisal Right**

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in case of any amendment to the articles of incorporation that, (1) in case of amendment to the articles of incorporation, has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (2) in case of lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, and (3) in case of merger or consolidation. Such appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the Company for notation thereon that such shares are dissenting shares **and proof that such dissenting shareholder has voted against the proposed corporation action in order to exercise his appraisal right.** His failure to do so shall, at the option of the Company, terminate his appraisal rights. No demand for

payment as aforesaid may be withdrawn by the dissenting stockholder unless the Company consents thereto.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company and third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: Provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

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The proposed action has no effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending the term of the corporation existence.

**HENCE, THERE ARE NO MATTERS THAT WILL BE PRESENTED FOR SHAREHOLDERS' APPROVAL THAT MAY OCCASION THE EXERCISE OF THE RIGHT OF APPRAISAL.**

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director of the Company, nor any of their associates, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.
- (b) No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company during the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- (a) Voting Securities

As of **30 June, 2019**, the total number of shares outstanding and entitled to vote on all corporate matters to be acted upon through written assent are 1,403,304,232 common shares.

- (b) Record Date

The record date for purposes of determining the stockholders entitled to notice of and to vote at the Annual Meeting is **20 August 2019**.

(c) Voting Rights and Trust

There are NO voting rights and/or trust agreement entered into by the Company or any of the major stockholders of the Company.

(d) Security Ownership of Certain Record and Beneficial Owners and Management as of **30 June 2019**.

(1) Security Ownership of Certain Record and Beneficial Owners

As of **30 June 2019**, the following are the owners of the Company's common stock in excess of five percent (5%) of the total outstanding shares:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Phoenix	Name of Beneficial Owners/Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	Phoenix Petroleum Holdings, Inc. Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City  Majority Shareholder	Record Owner is the direct beneficial owner	Filipino	588,945,630	41.97%
Common	ES Consulting Group, Inc. Unit 1506, 15th/F The Centerpoint Bldg., Julia Vargas cor., Garnet Road, Ortigas Center Pasig City	Record Owner is the direct beneficial owner	Filipino	340,270,980	24.25%
Common	Top Direct Investments Limited	Record Owner is the direct beneficial owner	Filipino	142,000,000	10.12%
Common	Udenna Corporation Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City Shareholder	Record Owner is the direct beneficial owner	Filipino	117,245,918	8.35%
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de	Record Owner is the indirect beneficial owner	Filipino	153,753,536	10.95%

Roxas, Makati City  
Shareholder

Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is the indirect beneficial owner	Filipino	66,301,661	4.72%
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As of **30 June 2019**, there are no beneficial owners under the PCD Nominee Corp. of the Company's common stock in excess of five percent (5%) of the total outstanding shares.

There are NO voting trust agreement entered into by the Company or any of the major stockholders of the Company.

However, the persons are authorized for purposes of this written assent to vote for and in behalf of the following stockholders are as follows:

<b>Name of Stockholders</b>	<b>Representative</b>
1. Phoenix Petroleum Holdings, Inc.	Domingo T. Uy
2. Udenna Corporation	Cherylyn C. Uy
3. Udenna Management & Resources Corp.	Ignia S. Braga IV
4. PCD Nominees/ Trading Participants	<i>Ultimate Beneficial Owners representing the trading participants shall be made available after lapse of the Record Date and only after submission of their respective proxy forms for validation</i>

## Security Ownership of Management

As of **30 June 2019**, the security ownership of Management is as follows:

### Common

<b>Title of Class of Securities</b>	<b>Name/Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>% of Ownership</b>
<b>Directors:</b>				
Common	Dennis A. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City	4,858,811  direct beneficial owner	Filipino	0.35%

Common	Dennis A. Uy &/or Cherylyn C. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City	1,098,099  direct beneficial owner	Filipino	0.08%
Common	Domingo T. Uy Insular Village Phase II, Lanang, Davao City	645,919  direct beneficial owner	Filipino	0.05%
Common	Romeo B. De Guzman Hillsborough, Alabang Village, Muntinlupa City	1,325,746  direct beneficial owner	Filipino	0.09%
Common	J.V. Emmanuel A. De Dios 95 A. Melchor St., Loyola Heights, Quezon City	1,050,819  direct beneficial owner	Filipino	0.07%
Common	Stephen T. Cuunjieng	1  direct beneficial owner	Filipino	0.00%
Common	Consuelo Ynares Santiago Santiago Cruz & Associates Law Office Unit 1702 East Tower PSE Center, Pasig City	1  direct beneficial owner	Filipino	0.00%
Common	Monico V. Jacob 7 <sup>th</sup> flr Philippine First Bldg, 6764 Ayala Ave., Makati City	1  direct beneficial owner	Filipino	0.00%
Common	Frederic C. DyBuncio	1  direct beneficial owner	Filipino	0.00 %
Common	Nicasio I. Alcantara	1  direct beneficial owner	Filipino	0.00 %
Common	Minoru Takeda	1	Filipino	0.00 %

direct beneficial  
owner

## Senior Management

Common	Socorro T. Ermac Cabrereros 223 V. Mapa St., Davao City	130,516	Filipino	0.01%
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direct beneficial  
owner

## **Preferred**

Title of Class of Securities	Name/Address of Beneficial Owner	Amount and Nature of Beneficial Ownership			% of Ownership
		Number of Shares			
Directors:		PNX3A	PNX3B	Total	% to total I/O shares
Preferred	<b>Domingo T. Uy*</b> Ph2 Blk 07 Insular Village Phase II, Lanang, Davao City	-	10,000  direct beneficial owner	10,000	0.05%
Preferred	<b>Romeo B. De Guzman*</b> Hillsborough, Alabang Village, Muntinlupa City Bacaca, Davao City	25,000  Indirect beneficial owner thru Spouse	-	25,000	0.13%
Preferred	<b>Consuelo Ynares Santiago</b> Santiago Cruz & Associates Law Office Unit 1702 East Tower PSE Center, Pasig City	-	10,000  direct beneficial owner	10,000	0.05%

\*named directors are likewise officers of the Company or Corporation per By-Laws

The other executive officers of the Company, Alan Raymond T. Zorrilla – SVP for External Affairs, Business Development and Security; Ericson Inocencio-General Manager for Retail Business; Joselito De Jesus-General Manager for Business Development, Strategies and Portfolio Unit; Ma. Rita A. Ros – Asst. Vice President for Supply; Richard Tiansay-General Manager for Pricing and Demand, Roy Jimenez-General Manager for Commercial and Industrial Business; Celina I.



Matias-AVP for Brand and Marketing, Celeste Marie G. Ong-AVP for Human Resources; Jonarest Z. Sibog, Asst. Vice President for Comptrollership; Debbie A. Uy-Rodolfo, General Manager for Customer Service Unit and Corporate Communications and Joven Jesus G. Mular-General Manager for Lubricant Sales and Distribution Business own common shares in scripless form through the Company's Employees Stock Option Plan (ESOP) as of 30 June 2019 as follows:

<b>Names</b>	<b>No. of Shares</b>
Alan Raymond T. Zorrilla	178,000
Ericson S. Inocencio	100,000
Joselito G. De Jesus	112,000
Ma. Rita A. Ros	114,000
Richard R. Tiansay	124,000
Roy O. Jimenez	96,000
Ma. Celina I. Matias	100,000
Celeste Marie G. Ong	75,000
Jonarest Z. Sibog	57,000
Debbie Uy-Rodolfo	60,000
Joven Jesus G. Mular	44,000
Renaldo A. Phala	65,000

However, some of the officers have disposed their shares through their respective brokers.

The numbers of aggregate shares for all directors and executive officers is TEN MILLION TWO HUNDRED THIRTY FOUR THOUSAND NINE HUNDRED SIXTEEN (10,234,916) for common shares and Forty Five Thousand (45,000 ) for preferred shares.

Other than those mentioned above, there are no persons holding more than five percent (5%) of a class under a voting trust or any similar agreements as of the date of this Report.

**(e) Change in Control**

Since the last Definitive Information Statement, there is NO significant change in control of the Company.

**Item 5. Directors and Executive Officers**

No action is to be taken by the Company with respect to the election of directors.

**Item 6. Compensation of Directors and Executive Officers**

No action is to be taken by the Company with regard to:

- (a) the election of directors;
- (b) any bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the company will participate;
- (c) any pension or retirement plan in which any such person will participate; or
- (d) the granting or extension to any such person of any option/s, warrant/s or right/s to purchase

any securities, other than warrants or rights issued to security holders as such, on a pro rata basis.

#### **Item 7. Independent Public Accountants**

No action relates to the election, approval or ratification of the Company's accountant.

#### **Item 8. Compensation Plans**

No action is to be taken by the Company with respect to any compensation plans.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Modification of the Terms of the Offer Shares**

- (a) The matter to be submitted for approval from the Company's stockholders through written assent is the ratification of the change in the terms of the offer of the Offer Shares (as defined below). The offer, issue and listing with the Philippine Stock Exchange ("PSE") of up to 5,000,000 shares of perpetual preferred shares, with par value of Php1.00 per share, (the "Offer Shares") at the price of One Thousand Pesos (Php1,000.00) per share or up to a total of Five Billion Pesos (Php5,000,000,000.00) was previously approved and ratified via written assent by the stockholders of the Company pursuant to a Definitive Information Statement dated 28 November 2018.
- (b) The revised offer terms of the Offer Shares are as follows:
  - (i) The Offer Shares will have the following features:
    - Cumulative
    - Non-voting
    - Non-participating
    - Non-convertible
    - Redeemable
    - In the event of liquidation, the Preferred Shares shall have priority over Common Shares in terms of distribution of the proceeds of the Company's Assets

There are no provisions in the Company's charter or by-laws that would delay, defer or prevent a change in control of the registrant.

- (ii) The Offer Shares have a par value of One Peso (Php1.00) per share with an offer price of One Thousand Pesos per share (Php1,000.00). The Offer Shares shall bear cumulative, non-participating cash dividends based on the issue price, at the dividend rate to be determined by management prior to the issue date. The dividends shall be payable quarterly or semi-annually basis, to be determined before the issue date.

- (iii) The other features of the Offer Shares shall be determined by the Company and the relevant arrangers and/or underwriters prior to the issue date.
- (iv) The proceeds of the issuance of Offer Shares shall be used primarily for permanent working capital and/or general corporate purposes or for such other purposes as the Company may determine prior to the commencement of the offer of the Offer Shares.

#### **Item 10. Modification or Exchange of Securities**

No action is to be taken by the Company with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

#### **Item 11. Financial and Other Information**

The First Quarter Financial Statement for Period ended March 31, 2019 is attached herewith as **Annex A** and the Management Report is included therein as Management Discussion;

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No action is to be voted upon involving any merger, consolidation, acquisition or other similar matter.

#### **Item 13. Acquisition or Disposition of Property**

No action is to be voted upon involving any acquisition or disposition of any property.

#### **Item 14. Restatement of Accounts**

No action is to be voted upon involving the restatement of any asset, capital or surplus account of the Company.

### **D. OTHER MATTERS**

#### **Item 15. Action with respect to Reports**

No action is to be voted upon with respect to any report of the Company or its Directors, Officers or Committees.

#### **Item 16. Matters Not Required to be Submitted**

No action is to be voted upon.

#### **Item 17. Amendment of Charter, Bylaws or other Documents**

No action is to be voted upon involving any amendment of the registrant's charter, by-laws or other related documents.

#### **Item 18. Other Proposed Action**

No other action is to be voted upon.

#### **Item 19. Voting Procedures**

1. Vote required for approval.

The vote of shareholders representing at least a majority of the outstanding capital stock of the Company shall be required for the approval of the reclassification of the Company's unissued common shares to preferred shares.

2. Method by which votes will be counted.

Stockholders on record as of **20 August 2019**, shall be entitled to one (1) vote for each share of stock recorded in their names in the books of the Company. In accordance with Section 16 of the Corporation Code, votes shall be taken by means of written assent and shall be evidenced by the Written Assent Form attached to this Information Statement as **Annex B**, prepared and completed in all parts and duly received by the Corporate Secretary of P-H-O-E-N-I-X Petroleum Philippines Inc., Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City. The Written Assent Form must be signed by the holder recorded in the books of the Company or by his authorized representative. When voting by proxy, the Written Assent Form must be submitted together with a proxy instrument, herein attached as Annex **Annex C**, duly executed by the holder on record in favor of his authorized representative.

The external auditor of the Company, Punongbayan & Araullo, will validate the votes when voting is done by Written Assent.

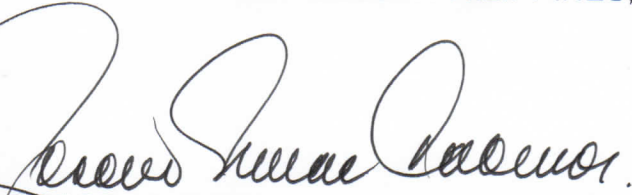
*-signature page follows-*

**SIGNATURE**

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

This report is signed in Davao City on AUG 06 2019.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.



SOCORRO T. ERMAC-CABREROS  
Corporate Secretary

10 May 2019

**Securities & Exchange Commission**

Secretariat Building, PICC Complex  
Roxas Blvd, Metro Manila

**Philippine Stock Exchange**

Disclosure Department  
6/F PSE Tower, 28<sup>th</sup> Street corner 5<sup>th</sup> Avenue,  
BGC, Taguig City, Metro Manila

**Philippine Dealing & Exchange Corporation**

37<sup>th</sup> Floor, Tower 1, The Enterprise Center  
6766 Ayala Ave. corner Paseo de Roxas  
Makati, 1226 Metro Manila, Philippines

**Attention: Hon. Vicente Graciano P. Felizmenio, Jr.**  
Director, Market and Securities Regulation Department  
Securities & Exchange Commission

**Ms. Janet Encarnacion**  
Head - Disclosure Department  
Philippine Stock Exchange

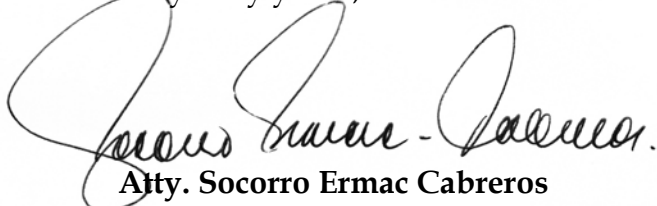
**Atty. Joseph B. Evangelista**  
Head - Issuer Compliance and Disclosure Department (ICDD)

**Ladies and Gentlemen:**

We are herewith submitting the Company's first quarter report for period ended 31 March 2019 (SEC 17-Q) in compliance with the Securities Regulation Code and Revised Disclosure Rules.

Thank you and warm regards.

Very truly yours,



**Atty. Socorro Ermac Cabrerios**  
Corporate Secretary

# COVER SHEET

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S.E.C. Registration Number

P	H	O	E	N	I	X		P	E	T	R	O	L	E	U	M			
P	H	I	L	I	P	P	I	N	E	S		I	N	C	.				

**P-H-O-E-N-I-X Petroleum Philippines, Inc.**

(Company's Full Name)

S	T	E	L	L	A		H	I	Z	O	N		R	E	Y	E	S		R	D.
B	O.		P	A	M	P	A	N	G	A		L	A	N	A	N	G			
D	A	V	A	O		C	I	T	Y											

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

DENNIS A. UY
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Contact Person

(082) 235-8888
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Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year Ending

**SEC FORM 17-Q**

FORM TYPE

3
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Month

last Friday

XX
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Day

Annual Meeting

## **CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE**

Secondary License Type, if applicable

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Dept. Requiring this Doc

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Amended Articles Number/Section

61
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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel Concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1. For the quarterly period ended: 31 March 2019
2. SEC identification number: A200207283
3. BIR Tax Identification No. 006-036-274
4. Exact name of issuer as specified in its charter **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
5. Province, country or other jurisdiction of incorporation or organization Davao City, Philippines.
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office: Stella Hizon Reyes Road, Bo.  
Pampanga, Lanang, Davao City  
Postal Code: 8000
8. Issuer's telephone number, including area code: (082) 235-8888
9. Former name, former address and former fiscal year, if changed since last report: Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of Shares Outstanding
COMMON	1,403,304,232.00
PREFERRED	20,000,000.00

Amount of Debt Outstanding as of  
31 March 2019:

Php49,404,171,310.00



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

Yes [ ☒ ] No [ ☐ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange  
Common Shares  
Preferred Shares

12. Check whether the issuer has:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports):

Yes [ ☒ ] No [ ☐ ]

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

Yes [ ☒ ] No [ ☐ ]

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**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**UNAUDITED as of MARCH 31, 2019**  
*(With Comparative Figures as of December 31, 2018*  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<b>UNAUDITED</b> <b>Marc 31, 2019</b>	<b>AUDITED</b> <b>December 31, 2018</b>
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	P 5,182,047,666	7,889,708,807
Trade and other receivables - net	6	14,591,617,544	15,030,714,704
Inventories - net	7	11,152,645,740	11,135,494,286
Due from related parties - net	11	937,904,172	937,904,172
Restricted deposits	6	53,421,713	52,719,265
Input value-added tax - net		1,282,592,225	1,517,537,410
Prepayments and other current assets	6	<u>1,607,633,363</u>	<u>695,698,779</u>
Total Current Assets		<u>34,807,862,423</u>	<u>37,259,777,423</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment - net	8	21,797,611,827	18,715,994,505
Investment properties		1,738,846,184	1,739,021,205
Intangible assets - net	9	298,880,616	328,054,350
Investments in joint ventures		461,722,113	455,436,370
Goodwill - net		5,070,794,325	4,418,842,831
Deferred tax assets - net		151,160,341	147,484,516
Other non-current assets		<u>1,527,602,553</u>	<u>1,595,667,530</u>
Total Non-current Assets		<u>31,046,617,959</u>	<u>27,400,501,307</u>
<b>TOTAL ASSETS</b>		<b>P 65,854,480,383</b>	<b>P 64,660,278,730</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	10	P 26,410,495,370	26,309,487,284
Trade and other payables		7,570,620,203	7,434,839,252
Due to related parties		-	-
Income tax payable		<u>11,896</u>	<u>99,380,682</u>
Total Current Liabilities		<u>33,981,127,469</u>	<u>33,843,707,218</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	10	13,327,192,918	13,590,520,166
Deferred tax liabilities - net		615,103,737	631,776,224
Other non-current liabilities		<u>1,480,747,186</u>	<u>620,602,265</u>
Total Non-current Liabilities		<u>15,423,043,841</u>	<u>14,842,898,655</u>
Total Liabilities		<u>49,404,171,310</u>	<u>48,686,605,873</u>
<b>EQUITY</b>			
Equity attributable to parent company	12		
Capital stock		1,112,004,232	1,112,004,232
Additional paid-in capital		7,233,692,486	7,233,692,486
Revaluation reserves		827,510,428	827,510,428
Other reserves	(	730,361,725 )	(730,361,725)
Accumulated translation adjustment	(	3,895,511 )	24,928,394
Retained earnings		<u>8,039,690,027</u>	<u>7,542,843,961</u>
		16,478,639,937	16,010,617,776
Non-controlling interest	(	28,330,864 )	( 36,944,919 )
Total Equity		<u>16,450,309,073</u>	<u>15,973,672,857</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 65,854,480,383</b>	<b>P 64,660,278,730</b>

*See Notes to Consolidated Financial Statements.*

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018**  
**UNAUDITED**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>			
Sale of goods	4,11	P 23,943,611,160	17,996,195,821
Fuel service and other revenues	4,11	133,845,671	74,105,246
Rent income	4,11	15,175,539	12,378,018
		<u>24,092,632,370</u>	<u>18,082,679,085</u>
<b>COST AND EXPENSES</b>			
Cost of sales and services	4	21,600,233,278	15,746,245,569
Selling and administrative expenses	4	1,471,240,106	1,530,796,910
		<u>23,071,473,384</u>	<u>17,277,042,479</u>
<b>OTHER CHARGES (INCOME)</b>			
Finance costs	4	582,444,290	326,638,125
Finance income	4	( 9,727,678 )	(7,810,919)
Equity share in net income of joint ventures		( 11,507,240 )	440,553.00
Others - net	4	( 6,122,023 )	( 3,486,113 )
		<u>555,087,349</u>	<u>315,781,646</u>
<b>PROFIT BEFORE TAX</b>		466,071,637	489,854,960
<b>TAX EXPENSE</b>		<u>51,400,534</u>	<u>51,164,607</u>
<b>NET PROFIT</b>		<u>P 414,671,103</u>	<u>P 438,690,353</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>			
Parent company		P 417,698,931	P 438,690,353
Non-controlling interest		( 3,027,828 )	-
		<u>P 414,671,103</u>	<u>P 438,690,353</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Item that will be reclassified subsequently to profit or loss</b>			
Translation adjustment related to a foreign subsidiary		( P 28,823,946 )	<u>26,063,535</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Gain on revaluation of land		-	-
Remeasurements of post-employment defined benefit obligation		-	-
Tax expense		-	-
		<u>-</u>	<u>-</u>
<b>Other Comprehensive Income - net of tax</b>		( <u>28,823,946</u> )	<u>26,063,535</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>P 385,847,157</u>	<u>P 464,753,888</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Parent company		P 388,874,984	
Non-controlling interest		( 3,027,828 )	
		<u>P 385,847,157</u>	
<b>Basic Earnings per share</b>		<u>P 0.24</u>	<u>P 0.27</u>
<b>Diluted Earnings per share</b>		<u>P 0.24</u>	<u>P 0.27</u>

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES  
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018  
(Amounts in Philippine Pesos)

	Notes	Capital Stock				Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Accumulated Translation Adjustment	Total Equity			
		Preferred Treasury Stock -		Common Treasury Stock -							Attributable to the Shareholders of Parent Company	Non-controlling Interest	Total Equity	
		Preferred Stock	At Cost	Common Stock	At Cost									
Balance at January 1, 2019		32,000,000	(10,000,000)	1,434,304,232	(344,300,000)	1,112,004,232	7,233,692,486	827,510,428	(730,361,725)	24,928,394	7,542,843,961	16,010,617,776	(36,944,919)	15,973,572,857
Cash dividends											(79,665,000)	(79,665,000)		(79,665,000)
Issuance of shares during the year														
Adjustments for adoption of PFRS 16											158,812,135	158,812,135		158,812,135
Acquisition of shares during the year														
Share-based compensation														
Business combination													11,641,882	11,641,882
Translation adjustments during the year									(28,823,905)			(28,823,905)	(3,027,828)	(31,851,733)
Total comprehensive income for the year											417,698,931	417,698,931		417,698,931
Balance at March 31, 2019		32,000,000	(10,000,000)	1,434,304,232	(344,300,000)	1,112,004,232	7,233,692,486	827,510,428	(730,361,725)	(3,895,511)	8,039,690,027	16,478,639,937	(28,330,864)	16,450,309,073
Balance at January 1, 2018		30,000,000	(5,000,000)	1,431,538,232	-	1,456,538,232	5,709,303,309	(2,306,049)	(730,361,725)	(6,065,195)	5,574,650,498	12,001,759,070		12,001,759,070
Sale of treasury shares	28													
Cash dividends	28													
Acquisition of shares during the year	28										(263,458,236)	(263,458,236)		(263,458,236)
Issuance of shares during the year	28													
Share-based compensation	24													
Translation adjustments during the year	2									26,063,535	(76,132,501)	(50,068,966)		(50,068,966)
Total comprehensive income for the year											464,753,888	464,753,888		464,753,888
Balance at March 31, 2018		30,000,000	(5,000,000)	1,431,538,232	-	1,456,538,232	5,709,303,309	(2,306,049)	(730,361,725)	19,998,340	5,699,813,649	12,152,985,756	-	12,152,985,756

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018**  
**UNAUDITED**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>P 466,071,637</b>	463,969,196.00
Adjustments for:			
Interest expense on bank loans and other borrowings	10	<b>611,233,424</b>	282,303,108.00
Depreciation and amortization	8	<b>383,749,646</b>	234,792,260.00
Impairment losses on trade and other receivables		-	6,170,916.00
Interest income		<b>( 7,887,168 )</b>	(1,319,524.00)
Unrealized foreign exchange currency loss (gain) - net		<b>( 12,516,660 )</b>	42,067,943.00
Translation adjustment		<b>( 28,823,905 )</b>	
Loss (gain) on disposal of property, plant and equipment		-	(903,286.00)
Operating profit before working capital changes		<b>1,411,826,974</b>	1,027,080,613
Decrease (increase) in trade and other receivables		<b>439,097,160</b>	(3,094,040,142.00)
Decrease (increase) in inventories		<b>423,750,128</b>	6,874,422,571.00
Decrease (increase) in input value-added tax - net		<b>234,945,185</b>	544,391,094.00
Increase in prepayments and other current assets		<b>( 912,377,737 )</b>	(411,394,317.00)
Increase (decrease) in trade and other payables		<b>163,307,581</b>	( 2,565,189,596 )
Cash generated from operations		<b>1,760,549,291</b>	2,375,270,223
Cash paid for income taxes		<b>( 7,841,932 )</b>	( 3,493,159 )
Net Cash From Operating Activities		<b>1,752,707,359</b>	2,371,777,064
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property, plant and equipment	8	<b>( 3,454,528,427 )</b>	(510,445,002.00)
Increase in other non-current assets		<b>80,995,525</b>	(1,196,926,345.00)
Advances to related parties	11	-	(21,195,536.00)
Investments in joint ventures		<b>( 6,285,743 )</b>	
Acquisition of subsidiaries	11	<b>( 651,951,494 )</b>	
Acquisitions of intangible assets	9	-	
Translation of financial statements of foreign subsidiary			26,063,534.00
Interest received		<b>7,627,873</b>	1,319,524.00
Collections from related parties		-	
Proceeds from disposal of property, plant and equipment		<b>1,903,840</b>	917,483.00
Increase in land held for future development		-	(7,118,893.00)
Net Cash Used in Investing Activities		<b>( 4,022,238,426 )</b>	( 1,707,385,235 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of interest-bearing loans and borrowings		<b>( 11,525,441,562 )</b>	(29,961,541,963.00)
Proceeds from additional interest-bearing loans and borrowings		<b>10,934,737,477</b>	32,588,665,771.00
Proceeds from issuance of shares of stock		-	
Interest paid		<b>( 611,233,424 )</b>	(282,303,108.00)
Acquisition of treasury shares		-	
Payments of cash dividends		<b>( 79,665,000 )</b>	(48,727,501.00)
Increase in other non-current liabilities		<b>843,472,435</b>	(165,201,703.00)
Net Cash Used in Financing Activities		<b>( 438,130,074 )</b>	2,130,891,496
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>( 2,707,661,140 )</b>	2,795,283,325
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>7,889,708,807</b>	1,831,542,441
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P 5,182,047,667</b>	<u>P 4,626,825,766</u>

*See Notes to Consolidated Financial Statements.*

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**  
**SELECTED NOTES TO INTERIM CONDENSED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

**1. GROUP INFORMATION**

***1.1 Incorporation and Operations***

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is currently owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a Philippine company, at 41.97% of the Parent Company's outstanding capital stock.

The Parent Company is presently engaged in trading of refined petroleum products on wholesale basis and operation of oil depots, storage facilities and allied services. The registered office of the Parent Company, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City. The Parent Company is listed with the Philippine Stock Exchange (PSE) with its initial public offering on July 11, 2007. It has a total of 615 opened retail service stations, and a total of ten service stations under construction as of March 31, 2019.

On the other hand, PPHI was incorporated in the Philippines on May 31, 2006. PPHI's primary purpose is to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises. PPHI's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

The ultimate parent is Udenna Corporation, which is primarily organized to purchase, acquire, take over and manage all or any part of the rights, assets, business and property; undertake and assume the liabilities of any person, firm, association, partnership, syndicate of corporation; and to engage in the distribution, selling, importation, installation of pollution control devices, units and services, and all other pollution control related products and emission test servicing. The ultimate parent company's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

## 1.2 Subsidiaries, Associate, Joint Venture and their Operations

As of December 31, the Parent Company holds ownership interests in the following entities, which are all incorporated and domiciled in the Philippines or otherwise stated:

Subsidiaries/Joint Venture	Explanatory Notes	Percentage of Ownership	
		2018	2017
<b>Direct interest:</b>			
<i><u>Subsidiaries</u></i>			
P-F-L Petroleum Management, Inc. (PPMI)	(a)	100.00%	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	100.00%	100.00%
Subic Petroleum Trading and Transport Phil., Inc. (SPTI)	(c)	100.00%	100.00%
PNX Petroleum Singapore Pte. Ltd. (PNX SG)	(d)	100.00%	100.00%
Phoenix LPG Philippines, Inc. (PLPI)	(e)	100.00%	100.00%
Duta, Inc. <sup>4</sup>	(f)	100.00%	100.00%
Philippine FamilyMart CVS, Inc. (PFM) <sup>1</sup>	(g)	100.00%	-
PNX Energy International Holdings, Pte. Ltd. (PNX Energy) <sup>1</sup>	(h)	100.00%	-
Action.Able, Inc.(AAI) <sup>1</sup>	(i)	74.90%	-
Think.Able Limited (TAL) <sup>1</sup>	(j)	74.90%	-
<i><u>Joint venture</u></i>			
Phoenix Asphalt Philippines, Inc. <sup>3</sup>	(k)	40.00%	-
<b>Indirect interest:</b>			
Kaparangan, Inc. (Kaparangan) <sup>2,4</sup>	(l)	100.00%	100.00%
PNX (Vietnam) Pte. Ltd. (PNX Vietnam) <sup>5</sup>	(m)	100.00%	-
PT Phoenix Petroleum Indonesia (PNX Indonesia) <sup>6</sup>	(n)	100.00%	-
Galaxi Petroleum Fuel, Inc. (Galaxi) <sup>7</sup>	(o)	51.00%	-
Phoenix Southern Petroleum Corp. (PSPC) <sup>7</sup>	(p)	51.00%	-

Notes:

1 New subsidiaries

2 Wholly-owned subsidiary of Duta

3 Joint venture of Parent Company

4 Duta and Kaparangan, collectively known as Duta Group

5 Subsidiary of PNX Energy

6 Subsidiary of PGMI

7 Joint venture of PPMI

- (a) Incorporated on January 31, 2007 and is engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations.
- (b) Incorporated on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI started commercial operations in 2007 and temporarily ceased its operation in 2008 but has resumed its business in October 2015 through selling of acid oil and coconut fatty acid distillates, both are by-products from manufacturing of coconut methyl ester (CME).
- (c) Incorporated on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use.



- (d) Incorporated on October 30, 2012 in Singapore and started operations in October 2017. It is the regional trading arm of the Group. It currently holds office in Singapore and is able to buy directly from the refineries in the region due to its bigger requirements. It also sells to other local and regional buyers.
- (e) Incorporated on June 20, 1995 to engage in the buying, selling, storing, distributing, and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas (LPG) and other petroleum products.
- (f) Incorporated on November 9, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing of land.
- (g) Incorporated on November 29, 2012. PFM is engaged in the business of operating convenience stores (CVS) under the trademark "FamilyMart" either by direct operation and/or by franchise system in the Philippines and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.
- (h) Incorporated on October 29, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses but has not yet started commercial operations as of December 31, 2018.
- (i) Incorporated on May 6, 2015 to engage in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or ecommerce and to engage in the business of providing an outline digital network for the purpose of digital marketing and/or e-commerce accessible through electronic devices.
- (j) Incorporated on May 5, 2014 and is a Hong Kong based company that handles the trademark of AAI.
- (k) Incorporated on March 23, 2018 and was established to import, store, manufacture, sell market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.
- (l) Incorporated on January 21, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.
- (m) Incorporated on October 30, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses and has not yet started its commercial operations.
- (n) Incorporated on September 10, 2018 in Indonesia to serve as an avenue for the Parent Company to explore business opportunities in different parts of Indonesia. PNx Indonesia has not yet started its commercial operations.
- (o) Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.
- (p) Incorporated on July 5, 2018 to operate petroleum service stations in areas within Southern Luzon under the Parent Company's name and brand.

## 1.1 Other Corporate Information

The registered office and principal place of business of the existing subsidiaries, except those presented in below, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

SPTT	–	Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales
PNX SG	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PNX Energy	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PNX Vietnam	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PLPI	–	Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	–	15 <sup>th</sup> Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Kaparangan	–	15 <sup>th</sup> Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
PFM	–	4 <sup>th</sup> Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila
AAI	–	2 <sup>nd</sup> Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City
TAL	–	Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong
PAPI and PSPC	–	25 <sup>th</sup> Floor Fort Legend Tower, 3 <sup>rd</sup> Avenue Fort corner 31 <sup>st</sup> Street, Bonifacio Global City, Taguig City
PNX Indonesia	–	The Prominence Office Tower, 12 <sup>th</sup> Floor B, Jl. JalurSutera Barat No. 15, AlamSutera, Indonesia
Galaxi	–	1846 FB Harrison Street Pasay City

## 1.2 Approval of Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements (unaudited) of the Group as of and for the three months ended March 31, 2019 (including the comparative consolidated financial information as of December 31, 2018 and for the three months ended March 31, 2018) were authorized for issue by theParent Company’s Board of Directors (BOD) on May 8, 2019.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these interim condensed consolidated financial statements are summarized below. The Interim Condensed Financial Statements have been prepared in accordance with the accounting policies adopted in the Group’s most recent annual financial statements for the year ended December 31, 2018.

### 2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements for the three months ended March 31, 2019 and 2018 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2018.

The preparation of interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management’s best

knowledge of current events and actions, actual results may ultimately differ from those estimates.

These interim condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated. The presentation of the interim condensed consolidated financial statement is consistent with the most recent annual consolidated financials except for the amendments introduced by the new accounting standards mentioned in Note 2.2.

## **2.2 Adoption of New and Amended PFRS**

### *Effective in 2019 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PFRS16	:	Leases
PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PFRS 9	:	Financial Instrument
PAS28 (Amendments)	:	Investment in Associates – Long- Term Interest in Associates and Joint Ventures
PFRS 10 (Amendments)	:	Consolidated Financial Statements

International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
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#### Annual Improvements – (2015-2017 Cycle)

PAS 12 (Amendments)	:	Income Taxes
PAS 23 (Amendments)	:	Borrowing Costs
PFRS 3 (Amendments)	:	Business Combination
PFRS 11(Amendments)	:	Joint Arrangements – Remeasurement of Previously Held Interests in Joint Operations

- (i) The Group has applied PFRS 16 using the modified retrospective approach and therefore, comparative information has not been restated. This means comparative information is still reported under PAS 17 and IFRIC 4.

### **The Group as a lessee**

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use.
- The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

### **Measurement and recognition of leases as a lessee**

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in Other non-current liabilities.

## **The Group as a lessor**

The Group's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

### **Finance leases**

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

### **Operating leases**

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

## **The Group as a lessor**

The Group also earns rental income from operating leases of its investment properties. Rental income is recognized on a straight-line basis over the term of the lease.

- (ii) PAS19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

The amendments were approved by the FRSC on March 14, 2018 but is still subject to the approval by the BOA.

The management is still evaluating the impact of this pronouncement. It is not expected to have significant impact on the Group's consolidated financial statements.

- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective for annual period beginning or after January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

The management is still evaluating the impact of this pronouncement. It is not expected to have significant impact on the Group’s consolidated financial statements.

- (iv) PAS 28(Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture.
- (v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor’s financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor’s interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (vi) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.
- (vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the amendments presented in the succeeding page are relevant to the Group but had no material impact on the Group’s consolidated financial statements as these amendments merely clarify existing requirements.
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

## **2.3 Financial Instruments**

### *(a) Recognition and derecognition*

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

### *(b) Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items.

The financial assets category relevant to the Group is financial assets at amortized cost.

(c) *Subsequent measurement of financial assets*

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

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

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables, due from related parties, restricted deposits and refundable rental deposit (presented as part of Other Non-Current Assets in the consolidated condensed statement financial position) fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). This category also contains an equity investment. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Group has no FVTPL as of reporting date.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is hold to collect the associated cash flows and sell; and,
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in OCI will be recycled upon derecognition of the asset. The Group has no FVOCI as of reporting date.

(d) *Impairment of financial assets*

PFRS 9's new impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss' (ECL) model. This replaces PAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under PFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not



measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and,
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category. '12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The key elements used in the calculation of ECL are as follows:

- Probability of Default – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.
- Loss Given Default – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.
- Exposure at Defaults – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

(e) *Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely the same under PFRS 9 compared to PAS 39, the Group's financial liabilities were not impacted by the adoption of PFRS 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits (which are presented under Other Non-Current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. All other interest related charges are recognized as an expense in the consolidated condensed statement of comprehensive income under the caption Finance Costs.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Security deposits are initially recognized at fair value. Interest on security deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Costs. The excess of the principal amount of the deposit over its present value is immediately recognized as Unearned rent (presented as part of Other Non-Current Liabilities in the consolidated statement of financial position). Meanwhile, the rent income arising from subsequent amortization of unearned rent is accounted for using the straight-line method over the lease term and is presented as part of Rent and Storage Income in the consolidated statement of comprehensive income.

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-77.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the consolidated statement of financial position, are reduced for estimated non-returns. The reduction is recognized directly in profit or loss.

Obligations under finance lease (included as part of Interest-bearing Loans and Borrowings) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Parent Company.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

## 2.4 Revenues

Revenue arises mainly from the sale of goods and rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT), rebates and trade discounts.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated condensed statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated condensed statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e. generally when the customer has acknowledged delivery of goods or when the customer has taken undisputed delivery of goods.

- (b) *Fuel service and other revenues, and storage income* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. In addition, this includes revenue arising from port and cargo handling services.
- (c) *Rent income* – Revenue is recognized on a straight-line basis over the lease term.
- (d) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Except for revenues from rentals and interest, the performance obligation for revenues arising from the rendering of services and sale of goods is determined to be satisfied at a point in time.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the interim condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim condensed consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements as of and for the year ended December 31, 2018, except on the newly applied PFRS 16.

The Group performed its annual impairment test of goodwill and other intangible assets with indefinite useful life at year end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that for the three months ended March 31, 2019 and as of December 31, 2018, goodwill arising from business combination and other intangible assets with indefinite useful life are not impaired.

### 4. REVENUES

All of the Group's revenues except for rentals (covered under PFRS 16, *Leases*) are transferred at a point in time.

The Group's revenue disaggregated by primary geographical markets and major goods/service lines are presented in the next page.

		Three months to March 31, 2019			
		Trading	Depot and Logistics	Real Estate	Total
<i>Primary Geographical Markets</i>					
Philippines	P	17,561,821	P 63,526	P 15,175	P 17,640,522
Singapore		6,452,110	-	-	6,452,110
	<b>P</b>	<b>24,013,931</b>	<b>P 63,526</b>	<b>P 15,175</b>	<b>P 24,092,632</b>
<i>Major goods/ service lines</i>					
Fuels	P	22,557,852	P -		P 22,557,852
LPG		1,223,243	-	-	1,223,243
Merchandise		589	-	-	589
Lubricants		162,731	-	-	162,731
Terminalling/hauling		-	63,526	-	63,526
Rentals		15,035	-	140	15,175
POS device		32,584	-	-	32,584
Others		36,932	-	-	36,932
	<b>P</b>	<b>24,028,966</b>	<b>P 63,526</b>	<b>P 140</b>	<b>P 24,092,632</b>
		Three months to March 31, 2018			
		Trading	Depot and Logistics	Real Estate	Total
<i>Primary Geographical Markets</i>					
Philippines	P	15,478,553	P 48,534	P 12,378	P 15,539,465
Singapore		2,543,214			2,543,214
<i>Major goods/ service lines</i>					
Fuel	P	16,901,917	P -	P -	P 16,901,917
Lubricants		154,010	-	-	154,010
LPG		957,801	-	-	957,801
Rentals		12,117	-	261	12,378
Terminalling/hauling		-	48,534	-	48,534
Merchandise		4,651	-	-	4,651
Others		3,388	-	-	3,388
	<b>P</b>	<b>18,033,884</b>	<b>P 48,534</b>	<b>P 261</b>	<b>P 18,082,679</b>

## 5. SEGMENT INFORMATION

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products or services and serves different markets. The Group's trading segment is engaged in marketing, merchandising, purchasing, selling, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), lubricants and other products.

The Group is also engaged in operating of oil depots, storage facilities and provides logistics services to various entities on its Depot and Logistics Services segment. The Group's real estate segment is involved in real estate development, management and operations. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

As of March 31, 2019, there have been no change from prior periods in the measurement methods used to determine operating segments and reported segment revenues, expenses and performance.

The succeeding tables present revenue and profit information regarding segments for the three months ended March 31, 2019 and 2018 and certain asset and liability information regarding segments as at March 31, 2019 and December 31, 2018 (amounts in thousands).

	<u>Trading</u>		<u>Depot and Logistics</u>		<u>Real Estate</u>		<u>Total</u>	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>TOTAL REVENUES</b>								
Sales to external customers	P 24,013,931	P 18,066,181	P 63,526	P 12,117	P 15,715	P 4,381	P 424,092,632	P 18,082,679
Intersegment sales	<u>7,234,813</u>	<u>-</u>	<u>92,321</u>	<u>110,120</u>	<u>4,120</u>	<u>-</u>	<u>7,331,254</u>	<u>110,120</u>
Total revenues	<u>31,248,744</u>	<u>18,822,683</u>	<u>155,847</u>	<u>122,237</u>	<u>19,295</u>	<u>4,381</u>	<u>31,423,886</u>	<u>18,192,799</u>
<b>COSTS AND OTHER</b>								
<b>OPERATING EXPENSES</b>								
Cost of sales and services excluding depreciation and amortization	29,951,380	17,072,956	65,830	97,970	1,767	1,597	30,018,977	17,172,343
Depreciation and amortization	<u>289,000</u>	<u>187,226</u>	<u>59,355</u>	<u>47,566</u>	<u>35,395</u>	<u>-</u>	<u>383,750</u>	<u>234,792</u>
	<u>30,240,380</u>	<u>17,260,182</u>	<u>125,185</u>	<u>145,356</u>	<u>37,162</u>	<u>1,597</u>	<u>30,402,727</u>	<u>17,407,135</u>
<b>SEGMENT OPERATING PROFIT (LOSS)</b>	<u>P 1,008,364</u>	<u>P 805,999</u>	<u>P 30,662</u>	<u>P (23,119)</u>	<u>P (17,867)</u>	<u>P 2,784</u>	<u>P 1,021,159</u>	<u>P 785,664</u>
	<u>Trading</u>		<u>Depot and Logistics</u>		<u>Real Estate</u>		<u>Total</u>	
	March 31, 2019	December 31, 2018	March 31,December 31, 2019 2018		March 31,December 31, 2019 2018		March 31, 2019	December 31, 2018
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>ASSETS AND LIABILITIES</b>								
Segment assets	P 65,282,610	P 70,099,484	P 8,513,166	P 564,287	P 571,870	P 415,081	P 74,367,646	P 71,078,852
Segment liabilities	<u>48,836,504</u>	<u>51,410,451</u>	<u>255,230</u>	<u>421,481</u>	<u>312,437</u>	<u>324,206</u>	<u>49,404,171</u>	<u>52,150,138</u>

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its interim condensed consolidated financial statement (in thousands).

	<b>March 31 2019 (Unaudited)</b>	<b>March 31 2018 (Unaudited)</b>
<b>Revenues</b>		
Total segment revenues	<b>P 31,423,886</b>	P 18,192,799
Elimination of intersegment revenues	<b>( 7,331,254)</b>	( 110,120)
Revenues as reported in profit or loss	<b><u>P 24,092,632</u></b>	<u>P 18,082,679</u>
<b>Profit or loss</b>		
Segment operating profit	<b>P 1,021,159</b>	P 785,664
Other unallocated income		24,064
Other unallocated expense	<b>-</b>	( 3,046)
Operating profit as reported in profit or loss	<b>1,021,159</b>	808,682
Finance costs	<b>( 582,444)</b>	( 326,638)
Finance income	<b><u>27,357</u></b>	<u>7,811</u>
Profit before tax as reported in profit or loss	<b><u>P 466,072</u></b>	<u>P 489,855</u>
	<b>March 31 2019 (Unaudited)</b>	<b>December 31 2018 (Audited)</b>
<b>Assets</b>		
Segment assets	<b>P 74,367,646</b>	P 71,078,852
Deferred tax liabilities – net	<b>615,104</b>	307,198
Elimination of intercompany accounts	<b>( 9,128,270)</b>	( 6,566,058)
Total assets reported in the consolidated statements of financial position	<b><u>P 65,854,480</u></b>	<u>P 64,819,992</u>
<b>Liabilities</b>		
Segment liabilities	<b>P 49,404,171</b>	P 32,673,838
Elimination of intercompany accounts	<b>-</b>	-
Total liabilities as reported in the consolidated statements of financial position	<b><u>P 49,404,171</u></b>	<u>P 32,673,838</u>



## 5. CATEGORIES, FAIR VALUE MEASUREMENTS AND DISCLOSURES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are presented below.

	March 31, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	P 5,182,047,666	P 5,182,047,666	P 7,889,708,807	P 7,889,708,807
Trade and other receivables-net*	13,376,585,175	13,376,585,175	11,363,226,589	11,363,226,589
Due from related parties	937,904,272	937,904,272	937,904,172	937,904,172
Construction Bond***			5,504,822	5,504,822
Restricted deposits	53,421,713	53,421,713	52,719,265	52,719,265
Refundable rental deposits	<u>729,285,265</u>	<u>729,285,265</u>	<u>289,572,937</u>	<u>289,572,937</u>
	<b><u>P 20,279,244,091</u></b>	<b><u>P 20,279,244,091</u></b>	<b><u>P 20,538,636,592</u></b>	<b><u>P 20,538,636,592</u></b>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P 39,737,688,286	P 39,737,688,286	P 39,945,245,450	P 39,945,245,450
Trade and other payables**	7,570,620,203	7,570,620,203	7,271,897,097	7,271,897,097
Security deposits	305,192,297	305,192,297	266,616,512	266,616,512
Customers' cylinder deposits	309,968,874	309,968,874	276,285,588	276,285,588
Cash bond deposits	<u>16,599,752</u>	<u>16,599,752</u>	<u>56,702,491</u>	<u>56,702,491</u>
	<b><u>P 47,940,069,411</u></b>	<b><u>P 47,940,069,411</u></b>	<b><u>P 47,816,747,138</u></b>	<b><u>P 47,816,747,138</u></b>

\* Excludes certain advances to suppliers and advances subject to liquidation

\*\* Excludes tax-related payables

\*\*\* Included as part of Others under Prepayments and Other Current Assets

## ***5.2 Fair Value Hierarchy***

The Group uses the following hierarchy level in determining the fair values that will be disclosed for its financial instruments.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

## ***5.3 Valuation Methods and Assumptions***

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale. The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The valuation requires management to use unobservable inputs in the model. Management regularly assesses a range of reasonably possible alternatives for the significant unobservable inputs and determines their impact on the total fair value.

#### 5.4 Fair Value Hierarchy of Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the interim condensed consolidated statements of financial position but for which fair value is disclosed.

		March 31, 2019 (Unaudited)			
		Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>					
<i>At amortized cost:</i>					
Cash and cash equivalents	P 5,182,047,666	P -	P -	P 5,182,047,666	
Trade and other receivables - net	-	-	13,376,585,175	13,376,585,175	
Due from related parties	-	-	937,904,272	937,904,272	
Restricted deposits	53,421,713	-	-	53,421,713	
Refundable rental deposits	-	-	729,285,265	223,417,240	
	<b>P5,235,469,379</b>	<b>P -</b>	<b>P15,043,774,712</b>	<b>P20,279,244,091</b>	
<b>Financial Liabilities</b>					
<i>Financial liabilities at amortized cost:</i>					
Interest-bearing loans and borrowings	P -	P -	P 39,737,688,286	P 39,737,688,286	
Trade and other payables	-	-	7,570,620,203	7,570,620,203	
Cash bond deposits	-	-	16,599,752	16,599,752	
Customers' cylinder deposits	-	-	309,968,874	309,968,874	
Security deposits	-	-	305,192,297	305,192,297	
	<b>P -</b>	<b>P -</b>	<b>P 47,940,069,411</b>	<b>P47,940,069,411</b>	
		December 31, 2018 (Audited)			
		Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>					
<i>At amortized cost:</i>					
Cash and cash equivalents	P 7,889,708,807	P -	P -	P 7,889,708,807	
Trade and other receivables - net	-	-	11,363,226,589	11,363,226,589	
Due from related parties	-	-	937,904,172	937,904,172	
Restricted deposits	52,719,265	-	-	52,719,265	
Refundable rental deposits	-	-	289,572,937	289,572,937	
	<b>P 7,942,428,072</b>	<b>P -</b>	<b>P 12,596,208,520</b>	<b>P 20,538,636,592</b>	
<b>Financial Liabilities</b>					
<i>Financial liabilities at amortized cost:</i>					
Interest-bearing loans and borrowings	P -	P -	P 36,188,613,995	P 36,188,613,995	
Trade and other payables	-	-	7,271,897,097	7,271,897,097	
Cash bond deposits	-	-	56,702,491	56,702,491	
Customers' cylinder deposits	-	-	276,285,588	276,285,588	
Security deposits	-	-	266,616,512	266,616,512	
	<b>P -</b>	<b>P -</b>	<b>P 44,060,115,683</b>	<b>P 44,060,115,683</b>	

For financial assets with fair value included in Level 1, management considers that the carrying amount of this short-term financial instrument approximates their fair values.

## 6. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 5. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

### 6.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

#### (a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars (US\$).

The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). Further, the Group has several U.S. dollar loans from certain banks, which were used to finance its capital expenditures.

The Group also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate follow:

	<b>March 31, 2019 (Unaudited)</b>	
	<b>U.S. Dollar</b>	<b>Singapore Dollar</b>
Financial assets	<b>P 9,596,570,978</b>	<b>P16,516,926</b>
Financial liabilities	<b>( 7,864,403,281)</b>	<b>-</b>
Net exposure	<b><u>P 1,732,167,697</u></b>	<b><u>P16,516,926</u></b>

	<u>December 31, 2018 (Audited)</u>	
	<u>U.S.</u>	<u>Singapore</u>
	<u>Dollar</u>	<u>Dollar</u>
Financial assets	P 5,361,837,054	P 5,566,810
Financial liabilities	( <u>5,253,328,012</u> )	<u>14,176,750</u>
Net exposure	( <u>P 108,509,042</u> )	<u>P 8,609,940</u>

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous three and 12 months, respectively, at a 99% confidence level.

	<u>March 31, 2019 (Unaudited)</u>	
	<u>U.S.</u>	<u>Singapore</u>
	<u>Dollar</u>	<u>Dollar</u>
Reasonably possible change in rate	2.19%	24.456%
Effect in profit before tax	(P 37,926,578)	P 4,369,410
Effect in equity after tax	( 26,548,605)	3,058,587

	<u>December 31, 2018 (Audited)</u>	
	<u>U.S.</u>	<u>Singapore</u>
	<u>Dollar</u>	<u>Dollar</u>
Reasonably possible change in rate	11.14%	16.28%
Effect in profit before tax	P 12,087,907	P( 1,401,698 )
Effect in equity after tax	8,461,535	981,189

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

*(b) Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually made at fixed rates. As of March 31, 2019 and 2018, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings, which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates.

The Group's objectives and policies for managing interest rate risks are described in its recent annual consolidated financial statements.

(c) *Other Price Risk*

The Group's market price risk arises from its purchases of fuels. It manages its risk arising from changes in market prices by monitoring the daily movement of the market price of

fuels and to some extent, using forward and other similar contracts to manage the fluctuation of the fuel price.

## 6.2 *Credit Risk*

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting of loans and selling goods and services to customers including related parties; and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Estimate of the fair value of collateral held against trade and other receivables as of March 31, 2019 and December 31, 2018 follows:

	<u>March 31, 2019</u>	<u>Dec. 31, 2018</u>
Standby letter of credits	P 833,006,951	P 940,522,926
Cash bond	321,792,049	318,976,639
Real estate mortgage	<u>68,138,850</u>	<u>68,138,850</u>
	<u>P 1,222,937,850</u>	<u>P 1,327,638,425</u>

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as follows.

	<u>March 31, 2019 (Unaudited)</u>	<u>December 31, 2018 (Audited)</u>
Cash and cash equivalents	P 5,182,047,666	P 7,889,708,807
Trade and other receivables – net*	13,376,585,175	11,363,226,589
Due from related parties	937,904,172	937,904,172
Construction Deposit**		5,504,822
Restricted deposits	53,421,713	52,719,265
Refundable rental deposits	<u>729,285,265</u>	<u>289,572,937</u>
	<u>P 20,279,244,091</u>	<u>P 20,538,636,592</u>

\*excluding certain advances to suppliers and advances subject to liquidation

\*\*included as part of Others under Prepayments and Other Current Assets

The Group's management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality. The Group's objectives and policies for managing credit risk are described in its recent annual consolidated financial statements.

*(a) Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corp. up to a maximum coverage of P0.5 million for every depositor per banking institution.

*(b) Trade and Other Receivables and Due from Related Parties*

The Group applies the PFRS 9 using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's(S&P)] in order to reference/benchmark with published equivalent external cumulative PD. The Group's definition of Trade and Other Receivables and Due from Related Parties classification [known as Phoenix Risk Rating (PRR)] and corresponding credit risk ratings are presented in the next page.

Phoenix Risk Rating (PRR)	Description (PRR)		Equivalent S&P Rating	S&P PD (%)
	Financial and Business Profiles	Other Information		
PRR 3A	Counterparties with both very strong financial and business profiles. Lowest risk of default in the scale.	These counterparties do not have a greater-than-normal risk. The track record of the client in terms of profit is very good and exhibits highest quality under virtually all economic conditions. Probability of default is quite low and it bears some degree of stability and substance. However, client may be	BBB	0.01 – 0.02
PRR 2A	Counterparties with strong financial profile and very strong business profile or vice versa.		BBB	0.021 – 0.03
PRR 1A	Counterparties with a strong to adequate financial profile and very strong to adequate business profile.		BBB	0.031 – 0.08

		susceptible to cyclical changes and more concentration of business risk, by product or by market.		
PRR 3B	Counterparties with a sustainable financial profile and adequate business profile.	Counterparties whose risk elements are sufficiently pronounced to withstand normal business cycles but any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.	BB	0.081 – 0.26
PRR 2B	Counterparties with an average financial profile and sustainable business profile.		BB	0.261 – 0.41
PRR 1B	Counterparties with both average financial and business profile.	Credit exposure is not at risk of loss at the moment but performance of the client has weakened and unless present trends are reversed, could lead to losses.	B	0.411 – 1.13
PRR 3C	Counterparties with an average financial profile and adequate business profile.	This rating is given to a client where repayment of the receivable, through normal course of business, may be in jeopardy due to adverse events. There exists the possibility of future losses to the institution	CCC/C	1.131 – 1.96
PRR 2C	Counterparties with a weak financial profile and adequate business profile.		CCC/C	1.961 – 3.71



		unless given closer supervision.		
PRR 1C	Counterparties with a weak financial profile and sustainable business profile.	Counterparties credits or portions thereof which exhibit more severe weaknesses. This rating is given to a counterparties whose receivables or portions thereof are considered uncollectible. The collectible amount, with no collateral or which collateral is of little value, is difficult to measure and more practical to write-off than to defer even though partial recovery may be obtained in the future.	D	3.72-100
PRR D	Counterparties with a weak financial profile and average business profile.		D	100
PRR F	Counterparties with both weak financial profile and business profiles.		D	100

A reconciliation of the closing loss allowance for trade and other receivables and due from related parties as at March 31, 2019 and December 31, 2018 to the opening loss allowance is presented below:

	Trade and Other Receivables	Due from Related Parties
Credit Loss allowance at January1, 2019	634,396,128	P1,908,282
Decrease in credit loss allowance during the year	( 19,152,585 )	1,485,984
Write-offs	-	-
Recoveries	( 5,492,672 )	-
Credit loss allowance at December 31, 2018	<b><u>P 609,750,871</u></b>	<b><u>P 3,394,266</u></b>

		Trade and Other Receivables		Due from Related Parties
Loss allowance at December 31, 2017 – PAS 39	P	478,153,676	P	-
Additional loss allowance charged to opening retained earnings		<u>107,699,501</u>		<u>1,908,282</u>
Loss allowance at January 1, 2018 – PFRS 9		585,853,177		1,908,282
Increase in credit loss allowance during the year		68,465,111		-
Write-offs	(	17,153,577)		-
Recoveries	(	<u>2,768,583</u> )		<u>-</u>
Credit loss allowance at December 31, 2018	<b>P</b>	<b><u>634,396,128</u></b>	<b>P</b>	<b><u>1,908,282</u></b>

The credit loss allowance provided as of March 31, 2019 is as follows:

Trade and Other Receivables				
PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.01 – 0.02	P 256,420,967	P 25,642
PRR 2A	BBB	0.021 – 0.030	371,574,739	111,472
PRR 1A	BBB	0.031 – 0.080	378,149,347	222,663
PRR 3B	BB	0.081 – 0.260	2,367,973,565	6,159,272
PRR 2B	BB	0.261 – 0.410	1,156,028,592	4,746,307
PRR 1B	B	0.411 – 1.13	730,869,044	8,274,557
PRR 3C	CCC/C	1.131 – 1.96	73,260,034	1,774,366
PRR 2C	CCC/C	1.961 – 3.71	227,827,336	8,487,418
PRR 1C/D/F	D	3.72-100	<u>680,308,696</u>	<u>579,949,174</u>
			<b>P <u>6,142,412,320</u></b>	<b>P <u>609,750,871</u></b>

Due From Related Parties				
PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 2A	BBB	0.01 – 0.03	P 907,671,652	P 272,304
PRR 1A	BBB	0.04 – 0.08	760,917,222	608,734
PRR 3B	BB	0.09 – 0.26	497,074,476	1,292,394
PRR 2B	BB	0.27 – 0.41	5,867,496	24,064
PRR 3C	CCC/C	0.42 - 1.96	1,853,419	36,327
PRR 2C	CCC/C	1.97 – 3.71	<u>31,450,229</u>	<u>1,166,804</u>
			<b>P <u>2,204,846,494</u></b>	<b>P <u>3,400,627</u></b>

The credit loss allowance provided as of December 31, 2018 is as follows:

Trade and Other Receivables				
PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.14 – 0.62	P 52,149,981	P 215,228
PRR 2A	BBB	0.14 – 0.62	2,436,112,580	5,789,403
PRR 1A	BBB	0.14 – 0.62	3,376,579,304	5,932,107
PRR 3B	BB	0.63 – 1.90	3,228,077,625	21,232,653
PRR 2B	BB	0.63 – 1.90	1,569,274,748	6,774,836
PRR 1B	B	3.16 – 6.53	405,322,564	25,020,588
PRR 3C	CCC/C	17.97 – 22.33	68,521,800	13,649,151
PRR 2C	CCC/C	17.97 – 22.33	335,572,541	64,998,979
PRR 1C/D/F	D	100	490,783,183	490,783,183
			<u>P 11,962,394,326</u>	<u>P 634,396,128</u>

Due From Related Parties				
PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.14 – 0.62	P 61,149,279	P 85,609
PRR 1A	BBB	0.14 – 0.62	808,510,976	1,414,100
PRR 3B	BB	0.63 – 1.90	70,152,199	408,573
			<u>P 939,812,454</u>	<u>P 1,908,282</u>

Some of the unimpaired trade and other receivables are past due at the end of the reporting date. The age of financial assets past due but not impaired is presented below.

	<b>March 31, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
Not more than one month	<b>P 139,429,124</b>	P 577,035,340
More than one month but not more than two months	<b>1,046,400,448</b>	681,732,537
More than two months but not more than six months	<b>230,855,196</b>	1,475,835,606
More than six months but not more than one year	<b>96,722,629</b>	579,628,183
More than one year	<b><u>119,276,818</u></b>	<u>455,810,155</u>
	<b><u>P 1,632,684,216</u></b>	<b><u>P 3,770,041,821</u></b>

In respect of due from a related party, the Group has assessed that these advances are collectible and the credit risk exposure is considered to be low.

### 6.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash and cash equivalents to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

This compares to the maturity of the Group's financial liabilities as of March 31, 2019 (Unaudited) as presented below.

	<b>Current</b>		<b>Non-current</b>	
	<b>Within 6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
Interest-bearing loans and borrowings	P 12,124,143,969	P 4,286,351,400	P 13,327,192,917P	-
Trade and other payables (excluding tax-related payables)	7,566,252,482	1,800	-	
Security deposits	-	-	305,192,297	-
Customers' cylinder deposits	-	-	-	309,968,874
Cash bond	-	-	-	16,599,752
	<b><u>P 29,690,396,459</u></b>	<b><u>P 4,286,353,200</u></b>	<b><u>P 13,632,385,213</u></b>	<b><u>P 321,792,049</u></b>

As of December 31, 2018 (Audited), the Group's financial liabilities have contractual maturities which are summarized as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings	P 21,479,255,558	P 6,272,692,441	P 11,302,340,399	P 4,925,525,000
Trade and other payables (excluding tax-related payables)	819,565,247	6,452,331,850	-	-
Security deposits	-	-	266,616,512	-
Customers' cylinder deposits	-	-	-	276,285,588
Cash bond	-	-	-	56,702,491
	<b><u>P 22,316,820,805</u></b>	<b><u>P 12,725,024,291</u></b>	<b><u>P 11,568,956,911</u></b>	<b><u>P 5,258,513,079</u></b>

## 7. INVENTORIES

Inventories which are stated at cost, which is lower than its net realizable value, are broken down as follows:

	<b>March 31, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
At cost:		
Fuels	<b>P10,393,075,920</b>	P 10,303,317,190
Lubricants	<b>406,593,521</b>	427,496,011
LPG	<b>198,568,521</b>	157,495,582
Others	<b>154,407,778</b>	247,185,503
	<b><u>P 11,152,645,740</u></b>	<b><u>P 11,135,494,286</u></b>

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P3,655.9 million and P3,045.6 million as of March 31, 2019 and December 31, 2018, respectively, have been released to the Group in trust for by the bank.

The Group is accountable to the bank for the trusted inventories or their sales proceeds.

There were no Inventory write-down in March 31, 2019 and December 31, 2018.

## 8. PROPERTY, PLANT AND EQUIPMENT

The reconciliation of the carrying amounts of property, plant and equipment is shown below.

	<b>March 31, 2019 (Unaudited)</b>	<b>2018 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
Balance at beginning of period	<b>P 18,715,994,505</b>	P 13,400,687,345	P 13,400,687,345
Business combination – net	<b>215,698,587</b>	331,685,363	370,140,357
Additions	<b>2,306,819,001</b>	498,980,497	4,779,363,474
Revaluation Increments			1,219,846,043
PFRS 16 Leases (Right to Use recognition)	<b>919,618,497</b>		
Disposals – net	<b>( 1,903,840 )</b>	( 1,820,769 )	( 28,844,956 )
Depreciation and amortization	<b>( 358,614,923 )</b>	( 226,915,091 )	( 1,025,197,758 )
Balance at end of the period	<b><u>P 21,797,611,827</u></b>	<b><u>P 14,002,617,344</u></b>	<b><u>P 18,715,994,505</u></b>

## 9. INTANGIBLE ASSETS

The reconciliation of the carrying amounts of intangible assets is shown below.

	March 31,		December 31,
	2019	2018	2018
	(Unaudited)	(Unaudited)	(Audited)
Balance at beginning of period	P 290,275,877	P 274,931,452	P 274,931,452
Additions	21,172,100	23,220,767	-
Amortization expense for the period	( 12,567,361)	( 7,877,169)	( 53,122,898)
Balance at end of the period	<u>P 298,880,616</u>	<u>P 290,275,877</u>	<u>P 328,054,350</u>

## 10. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings are broken down as follow:

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
Current:		
Liabilities under LC and TR	P 3,655,941,635	P 3,045,567,756
Term loans	16,036,032,079	16,667,005,937
Liabilities under short-term commercial papers	<u>6,718,521,655</u>	<u>6,596,913,591</u>
	26,410,495,369	26,309,487,284
Non-current –		
Obligations under finance lease*	1,020,918,416	
Term loans	<u>13,327,192,917</u>	<u>13,590,520,166</u>
	<u>P 40,758,606,702</u>	<u>P 39,900,007,450</u>

*\*first time adoption of PFRS 16 (leases)*

### 10.1 Liabilities under Letters of Credits and Trust Receipts

The Group avails of LC and TR lines with local banks to finance its purchases of inventories. These short-term trust receipts bear interests based on prevailing market interest rates at an average of 6.61% and 6.14% per annum as of March 31, 2019 and December 31, 2018, respectively.

### 10.2 Borrowings and Repayments

During the period, the Group obtained various term loans with banks in the total amount of P12,657.0 million with outstanding balance as of March 31, 2019 of P12,657.0 million. The loans bear interest ranging from 5.80% to 7.75% and is repayable in various dates until July 26, 2019.

As of March 31, 2019, repayments of term loans amounting to P11,729.1 million were made in line with previously disclosed repayment terms.

## 11. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate Parent Company, PPHI, stockholders, the Group's key management personnel, entities under common ownership by the ultimate parent Company and others as described below and in the succeeding pages.

The summary of the Group's transactions with its related parties for the periods ended March 31, 2019 and 2018 and the related outstanding balances as of March 31, 2019 and December 31, 2018 is presented below.

Related Party Category	Amount of Transactions		Outstanding Balance	
	Mar. 31, 2019 (Unaudited)	Mar. 31, 2018 (Unaudited)	Mar 31, 2019 (Unaudited)	December 31 2018 (Audited)
<b>Other related parties under common Ownership</b>				
Sale of subsidiaries			<b>P500,000,000</b>	P 500,000,000
Sale of goods	<b>401,011,177</b>	918,014,979	<b>1,052,994,942</b>	1,851,288,462
Purchases of services	<b>53,312,216</b>	3,000	<b>10,255,096</b>	2,467,366
Advances to suppliers	-	-	-	-
Management fees	-	-	-	86,598,808
Rentals	<b>28,844,845</b>	14,265,532	-	5,774,879
Due from related parties	-	2,797,403	<b>929,271,644</b>	929,271,644
Due to related parties	-	-	-	-
Donations	-	-	-	-
<b>Udenna Corporation</b>				
Advances to suppliers	-	-	<b>1,167,194,841</b>	1,167,194,841
Rentals	-	-	-	710,545
<b>Associate</b>				
Technical ship Services	-	-	-	-
<b>Key management personnel</b>				
Salaries and employee benefits	<b>61,449,101</b>	24,947,788	-	-

### 11.1 Sale of Goods

The Group sells products to certain related parties under common ownership. Goods are sold on the basis of the price lists in force with non-related parties. The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized for the three months ended March 31, 2019 and 2018 based on management's assessment.



### ***11.2 Purchases of Goods and Services***

The Group purchased goods and services from related parties on the basis of price lists in force with non-related parties. The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

In addition, the Group advances certain amount to certain related parties for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of the three months ended March 31, 2019.

### ***11.3 Due from Related Parties***

The Group grants and obtains unsecured advances to and from related parties under common ownership for working capital requirements and other purposes. Due from Related Parties (excluding advances to CISC) are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year.

### ***11.4 Disposal and Acquisition of Subsidiaries / Joint Ventures***

On February 21, 2019, Pnx Vietnam, a subsidiary of Phoenix Energy International Holdings Pte. Ltd. based in Singapore completed the purchase of 75% shares of Phoenix Gas Vietnam LLC (PGV LLC). PGV LLC is engaged in LPG business operating based in Ho Chi Minh City, Vietnam.

There are no disposal of subsidiaries for the three months ended March 31, 2019.

## 12. EQUITY

### 12.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	For the three months Ended March 31, (Unaudited)	2018	For the year ended December 31, 2018 (Audited)	For the three months ended March 31, (Unaudited)	2018	For the year ended December 31, 2018 (Audited)
	<u>2019</u>	<u>2018</u>	<u>(Audited)</u>	<u>2019</u>	<u>2018</u>	<u>(Audited)</u>
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>P 50,000,000</u>	<u>P 50,000,000</u>	<u>P 50,000,000</u>
Issued:						
Balance at beginning of year	<u>22,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>P 22,000,000</u>	<u>P 30,000,000</u>	<u>P 30,000,000</u>
Issuance during the year	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Balance at end of year	<u>22,000,000</u>	<u>30,000,000</u>	<u>32,000,000</u>	<u>22,000,000</u>	<u>30,000,000</u>	<u>32,000,000</u>
Treasury shares	<u>(-)</u>	<u>(5,000,000)</u>	<u>(10,000,000)</u>	<u>(-)</u>	<u>(5,000,000)</u>	<u>(10,000,000)</u>
Issued and outstanding	<u>22,000,000</u>	<u>25,000,000</u>	<u>22,000,000</u>	<u>P 22,000,000</u>	<u>P 25,000,000</u>	<u>P 22,000,000</u>
Common – P1 par value						
Authorized:	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>P 2,500,000,000</u>	<u>P 2,500,000,000</u>	<u>P 2,500,000,000</u>
Issued:						
Balance at beginning of year	<u>1,403,304,232</u>	<u>1,431,538,232</u>	<u>1,428,777,232</u>	<u>P 1,090,004,232</u>	<u>P 1,431,538,232</u>	<u>P 1,431,538,232</u>
Issuance during the year	<u>-</u>	<u>-</u>	<u>2,766,000</u>	<u>-</u>	<u>-</u>	<u>2,766,000</u>
Balance at end of year	<u>1,403,304,232</u>	<u>1,431,538,232</u>	<u>1,431,538,232</u>	<u>1,090,004,232</u>	<u>1,431,538,232</u>	<u>1,434,304,232</u>
Treasury shares	<u>-</u>	<u>-</u>	<u>(31,000,000)</u>	<u>-</u>	<u>-</u>	<u>(344,300,000)</u>
Issued and outstanding	<u>1,403,304,232</u>	<u>1,431,538,232</u>	<u>1,403,304,232</u>	<u>P 1,090,004,232</u>	<u>P 1,431,538,232</u>	<u>P 1,090,004,232</u>
				<u>P 1,112,004,232</u>	<u>P 1,456,538,232</u>	<u>P 1,112,004,232</u>

## 12.2 Employee Stock Options

On January 24, 2013, the Parent Company's BOD approved the ESOP for its eligible employees.

The initial offering date of the option was on July 1, 2016 and will vest five years from the date of grant. Pursuant to this ESOP, on July 1, 2016, the Parent Company granted share options to certain key executives to subscribe to 24.5 million common shares of the Parent Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.68 per share.

Stock options will be granted in two tranches until July 1, 2021. The allocation for Tranche 1 every year is computed at 10.0% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 is based on the forecasted assessment of the executives' performance rating for five years.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Life of the option	5 years
Current share price at grant date	P 6.25
Exercise price at grant date	P 5.68
Standard deviation of the rate of return	0.4
Risk-free interest rate	3.80%

The underlying expected volatility was determined by reference to historical data of the Group's shares over a period of time consistent with the option life.

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time consistent with the option life.

A total of P7.2 million and P11.6 million share-based executive compensation is recognized in 2018 and 2017, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in 2017 and 2016 consolidated statements of comprehensive income, respectively, with a corresponding credit to Retained Earnings account.

## 12.3 Cash Dividends

The details of the Parent Company's cash dividend declarations, both for preferred and common shares, for the three months ended March 31 (unaudited) are as follows:

	<u>2019</u>	<u>2018</u>
Common shares	<b>P 210,495,635</b>	P 214,730,735
Preferred shares	<b><u>79,665,000</u></b>	<u>48,727,500</u>
	<b><u>P 290,160,635</u></b>	<b><u>P 263,458,236</u></b>

## 12.4 Other Interim Disclosures

The Group's management is not aware of the following or is not applicable to the Group's interim operations:

- Unusual items that materially affect the Group's interim condensed consolidated assets, liabilities, equity, net income or cash flows because of their size, nature or incidents;
- Material changes in contingent liabilities or contingent assets since the last annual balance sheet date;
- Existence of material contingencies and other events of transactions that are material to an understanding of the current interim period;
- Events that will trigger direct or contingent material financial obligations to the Group;
- Material off-balance sheet transactions, arrangements, obligations (direct or contingent) and other relationships of the Group;
- Significant elements of income or loss that did not arise from the Group's continuing operations;
- Material events subsequent to end of the reporting period that have not been reflected in this report;
- Material changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries, restructurings and discontinuing operations; and,
- Any seasonal aspect that had a material effect on the consolidated financial condition or results of operation.

## 12.5 Earnings Per Share

EPS were computed as follows:

	For the three months ended March 31, (Unaudited)		For the year ended December 31, 2018 (Audited)
	<u>2019</u>	<u>2018</u>	
a) Net profit pertaining to common shares	<b>P 335,006,103</b>	P 389,962,853	P 2,455,907,552
b) Net profit attributable to common shares and potential common shares	<b>335,006,103</b>	389,962,853	2,455,907,552
c) Weighted average number of outstanding common shares	<b>1,403,304,232</b>	1,431,535,232	1,424,576,265
d) Weighted average number of outstanding common and potential common shares	<b>1,403,304,232</b>	1,431,535,232	1,426,593,300
Basic EPS (a/c)	<b><u>P 0.24</u></b>	<u>P .27</u>	<u>P 1.72</u>
Diluted EPS (b/d)	<b><u>P 0.24</u></b>	<u>P .27</u>	<u>P 1.72</u>

### **13. COMMITMENTS AND CONTINGENCIES**

As of March 31, 2019 and December 31, 2018, the Group has commitments of more than P4,000.0 million and P6,000.0 million, respectively, for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 615 and 600 operating retail service stations as of March 31, 2019 and December 31, 2018, respectively. An additional of 15 and 10 retail service stations are opened and under various stages of completion as of March 31, 2019, respectively.

The Group plans to expand further its petroleum retail service stations and carry out its investments in its subsidiaries to put up depot and terminalling facilities in strategic locations and complete its chain of logistical support to strengthen its foothold in the industry.

As of March 31, 2019 and December 31, 2018, the Parent Company has unused LCs amounting to P11,800.1 million and P17,111.3 million, respectively.

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim condensed consolidated financial statements. Management of the Group is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial statements.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

### **14. EVENTS AFTER THE REPORTING PERIOD**

There are no material events that occurred subsequent to the interim period that is required to be recorded or disclosed in these interim condensed consolidated financial statements.

### **15. SEASONAL FLUCTUATIONS**

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

## **Item II: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

Comparable discussion on Material Changes in Results of Operations for the Period Ended March 31, 2019 vs. March 31, 2018.

### **Revenues, Cost of Sales and Gross Margins**

The Group's **Revenues** during the first quarter of 2019 grew to ₱24.093billion, about 33% higher compared to the ₱18.083billion generated in the same period of 2018. This was due to the combined effect of the 34% growth in total volume sold in the same period (2019: 795million liters vs. 2018: 597million liters) and the increase in the domestic selling prices of petroleum products as a result of the implementation of the new excise tax rates starting in January 2019. This was augmented by the ₱0.203 billion sales contributed by Philippine Family Mart CVS, Inc. (PFM) and ₱33million sales contributed by Action Able, Inc.

The 197million liters incremental sales volume was mainly attributable to the 145million liters sold by Pnx Singapore. In addition, volume sold by both the parent company and Phoenix LPG Philippines, Inc. rose by 41 million liters (9%) and 11 million liters (30%), respectively, during the comparative years.

Similarly, **Cost of Sales and Services** increased by 38%, from ₱15.746billion in the first quarter of 2018 to ₱21.678billion in the same period of 2019, as a result of the volume growth as well as by the imposition of the new excise tax rates.

Consequently, **Gross Margin** rose by 3% or ₱0.078billion. On the other hand, Gross Margin Rate decreased to 10% from the 12% registered in 2018, mainly as a result of the change in company's sales volume mix. The volume sold to commercial accounts coupled with PNX Singapore sales to external customers grew faster (by 11% and 143%, respectively) than volume sold through the company's retail outlets where margins are generally higher.

### **Operating Expenses, Non-operating Expenses, Recurring Income**

Meanwhile, the company was able to manage its **Selling and Administrative Expenses** as it started implementing projects to streamline operations. As such, the ₱1.471billion incurred during the first quarter of 2019 was down by 4% versus the ₱1.531billion 2018 level. Considering the volume growth, operating expenses on a peso per liter basis significantly decreased by 28%, from ₱2.56 in 2018 to ₱1.85 in 2019.

On the other hand, **Net Non-operating Charges** of ₱0.555billion was 76% greater than the ₱0.316billion incurred in 2018, mainly due to the 34% rise in average borrowing rates equivalent about 1.33% as published by Bangko Sentral ng Pilipinas (BSP) comparing the first quarter of 2019 and 2018. Furthermore, additional debt service was incurred due to the acquisition of the new businesses which were funded by short-term debt, carry-over from 2018.

## Operating, Net and Comprehensive Incomes

With the decrease in operating expenses, the 2019 **Operating Income** of ₱1.021 billion was higher by 19% (₱0.156 billion) compared to the 2018 Operating Income of ₱0.806 billion.

However, with the rise in Net Non-operating Charges, the 2019 **Net Income Before Tax**(NIBT) of ₱0.466 billion declined by 5% (₱0.024 billion) vis-à-vis the 2018 NIBT of ₱0.490 billion.

Meanwhile, the company recorded a negative ₱0.029 billion translation adjustment related to Pnx SG resulted in 2019, in contrast to the positive ₱0.026 billion recorded in 2018. As such, **Comprehensive Income** of ₱0.386 billion, was 17% lower than the ₱0.465 billion reported in the same period in 2018.

## Financial Condition

*(As of March 31, 2019 versus December 31, 2018)*

Total resources of the Group as of March 31, 2018 stood at ₱65.854 billion, 2% growth compared to the ₱64.660 billion level as of December 31, 2018. This was mainly due to the increases in Property, Plant, and Equipment, as a result of the implementation of the PFRS 16 requiring recognition of Right to Use and Finance Lease Liabilities on leases.

**Cash and Cash Equivalents** decreased by 34% (from ₱7.890 billion in December 31, 2018 to ₱5.182 billion as of March 31, 2019) as the company settled its maturing loans.

Similarly, **Trade and Other Receivables** declined by 3% (from ₱15.031 billion as of December 31, 2018 to ₱14.592 billion as of March 31, 2019) resulting from the intensified collection efforts of the company.

**Inventory** was relatively flat at ₱11.152 billion as of March 31, 2019, from ₱11.135 billion as of December 31, 2018.

As of March 31, 2019, the Group's **Property and Equipment**, net of accumulated depreciation, increased to ₱21.798 billion versus the ₱18.716 billion as of December 31, 2018. The 16% growth represented the value of the assets of the newly acquired subsidiaries, the continuing expansion program of the group and the implementation of PFRS 16.

**Interest-bearing Loans and Borrowings**, both current and non-current of ₱39.738 billion as of March 31, 2019 slightly increased to ₱39.945 billion as of December 31, 2018 or by xx%. The availment of new loans to service the working capital requirements, the bulk of which was drawn by PNX SG, as well as the company's various capital expenditures was partly offset by the settlement of debts.

**Trade and Other Payables** increased by 2% from ₱7.435 billion as of December 31, 2018 to ₱7.571 billion as of March 31, 2019 due to the additional trade transactions, specifically of PNX SG.

**Total Stockholders' Equity** increased to ₱16.450 billion as of March 31, 2019 from ₱15.973 billion as of December 31, 2018, (by 3%) resulting from the earnings generated. This was partly offset by the declaration of cash dividends for both common and preferred shares.

## Key Performance Indicators and Relevant Ratios

The Group's key performance indicators and relevant ratios and how they are computed are listed below:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Current Ratio <sup>1</sup>	1.0x :1x	1.1x :1x
Debt to Equity Ratio <sup>2</sup>	3.0x :1x	3.0x :1x
Net Book Value per Share <sup>3</sup>	₱8.74	₱8.68
Debt to Equity Interest-Bearing <sup>4</sup>	2.4x :1x	2.5x :1x
Earnings per Share <sup>5</sup>	₱0.24	₱1.72

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding

4 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)

5 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

These key indicators were chosen to provide management with a measure of the Group's financial strength (Current Ratio and Debt to Equity) and the Group's ability to maximize the value of its stockholders' investment in the Group (Return on Equity, Net Book Value Per Share and Earnings Per Share). Likewise, these ratios are used to compare the Group's performance with similar companies.

## Material (5% or more) Changes to the Group's Balance Sheet as of March 31, 2019 vs. December 31, 2018

34% decrease in Cash and Cash Equivalents

Settlement of debts during the period.

12% decrease in Input Vat-Net

Lower input VAT from purchases compared to the output VAT on sales.

131% increase in Prepayments and other current assets.

Due to the renewal of insurances of all the assets, prepaid rentals advertising and other services and acquisitions which will cover the periods beyond March 31, 2019.

16% increase in PPE

Due to new acquisitions, and construction of new retail and depot facilities, and the recognition of Right to Use Asset in compliance with the implementation of PFRS 16.

9% decrease in Intangible Assets

Due to the amortization of the software assets.

15% increase in Goodwill

Due to the acquisition of Phoenix Gas Vietnam.

100% decrease in Income Tax Payable

Due to the increased Certificates of Withholding Tax



139% increase in Non-current liabilities

Due the recognition of Finance Lease Liabilities in compliance with PFRS 16

116% decrease in Accumulated Translation Adjustments

Due to increased transaction of the foreign currency denominated subsidiary, Pnx Singapore.

7% increase in Retained Earnings

Increase coming from the Net Income after tax net of the dividends declared and distributed during the year.

**Material (5% or more) changes to the Group's Income Statement as of March 31, 2019 vs. March 31, 2018**

33% increase in Sale of Goods

Due to the revenues coming from the new subsidiaries namely; PLPI, Pnx SG and Pnx Energy, coupled with the additional volume sold relative to last year (by 33%). The parent company recorded an 9% improvement on its volume sold this year while Pnx SG volume increased by 143% compared to the same period of last year.

72% increase in fuel service, storage income, rental income and other revenue

This is due increase in into-plane services, additional rental income from new retail stations, non-fuel related businesses and from Action Able, Inc.

37% increase in Cost of Sales and Services

This mirrors the increase in the sale of goods, reflecting the price movements in the world market during the year which is little higher compared to the same period in 2018. The increase in excise tax rates on petroleum products also contributed to the increment.

78% increase in Finance Costs

A substantial portion represents interest from the P6B loan used to acquire Petronas during the last quarter of 2017 and from the 7B STCP from PNB capital.

40% increase in Finance Income and Others

Net realized and unrealized forex gains and additional income of Pnx SG.

2612% increase in Equity Share in Net Income of a Joint Venture

This is the net share from PAPI, PSPC and Galaxi joint ventures.

100% increase in Translation Adjustments

Due to the increased forex exposure on the increased transactions of the foreign denominated subsidiary.

There are no other material changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Furthermore, there are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the Group.

## PART II – OTHER INFORMATION

1. The Parent Company held its annual stockholders' meeting last March 15, 2019 at the Phoenix Petroleum Corporate Headquarters, Lanang, Davao City, Philippines.
2. The Board of Directors approved the declaration of cash dividend of ₱0.15 per share as disclosed last March 14, 2019, with record date of April 8, 2019 and payment date of May 8, 2019.
3. The Board of Directors has declared cash dividends for the Company's preferred shares (3<sup>rd</sup>Tranche) for the first quarter of 2019 as follows:

Shares	Record Date	Payment Date	Interest Rate Per Annum
PNX3A	February 19, 2019	March 18, 2019	7.427%
PNX3B	February 19, 2019	March 18, 2019	8.1078%

4. As of March 31, 2019, there are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result, in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity issues. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.
5. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.
6. There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Parent Company.
7. There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Parent Company.

## SIGNATURES

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

Registrant **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**

By:



**DENNIS A. UY**

President and Chief Executive Officer



**MA. CONCEPCION F. DE CLARO**

Chief Finance Officer



**JONAREST Z. SIBOG**

Controller

August 23, 2019

**Dear Shareholder:**

We refer to the written assent given by the stockholders representing a majority of the issued and outstanding capital stock of P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. (the "Company") pertaining to issuance of perpetual preferred shares of up to Five Million (5,000,000) shares (the "Offer Shares"), at issue price of One Thousand Pesos (Php 1,000.00) per share or a total of Five Billion Pesos (Php5,000,000,000.00), by way of public offering, subject to registration with the Securities & Exchange Commission and listing with the Philippine Stock Exchange.

In relation to the foregoing, and in accordance with Section 16 of the Corporation Code of the Philippines, we are now submitting the ratification of the change/modification in the terms of the offer of the Offer Shares for the approval of our shareholders of record as of 20 August 2019 through written assent.

The revised offer terms of the Offer Shares are as follows:

- (i) The Offer Shares will have the following features:
- Cumulative
  - Non-voting
  - Non-participating
  - Non-convertible
  - Redeemable
  - In the event of liquidation, the Preferred Shares shall have priority over Common Shares in terms of distribution of the proceeds of the Company's Assets
- There are no provisions in the Company's charter or by-laws that would delay, defer or prevent a change in control of the registrant.
- (ii) The Offer Shares have a par value of One Peso (Php1.00) per share with an offer price of One Thousand Pesos per share (Php1,000.00). The Offer Shares shall bear cumulative, non-participating cash dividends based on the issue price, at the dividend rate to be determined by management prior to the issue date. The dividends shall be payable quarterly or semi-annually basis, to be determined before the issue date.
- (iii) The other features of the Offer Shares shall be determined by the Company and the relevant arrangers and/or underwriters prior to the issue date.
- (iv) The proceeds of the issuance of Offer Shares shall be used primarily for permanent working capital and/or general corporate purposes or for such other purposes as the Company may determine prior to the commencement of the offer of the Offer Shares.

*To be an indispensable partner in the journey of everyone  
whose life we touch*



Enclosed herewith is a form on which you may indicate your vote on the proposed issuance. Please accomplish and sign the form and return the same to the Office of Corporate Secretary and have it reach such office not later than 16 September 2019. Enclosed herewith is an envelope with postage prepaid addressed to the office of the Corporate Secretary for you to send your reply.


Office of the Corporate Secretary  
Phoenix Petroleum Philippines, Inc.  
Stella Hizon Reyes Road, Bo. Pampanga  
Lanang, Davao City 8000

Thank you and best regards.

Very truly yours,

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.

By:

  
**Atty. Socorro Ermac Cabreros**  
Corporate Secretary

**WRITTEN ASSENT FORM**

Office of the Corporate Secretary  
Phoenix Petroleum Philippines, Inc.  
Stella Hizon Reyes Road, Bo. Pampanga  
Lanang, Davao City, 8000

In connection with the issuance of a total of Five Million (5,000,000) preferred shares with a par value of One Peso (1.00 Php) per share (the "Offer Shares") at an issue price of One Thousand Pesos (1,000.00) per share, under the following revised offer terms:

- Cumulative
- Non-voting
- Non-participating
- Non-convertible
- Redeemable
- In the event of liquidation, the Preferred Shares shall have priority over Common Shares in terms of distribution of the proceeds of the Company's assets
- The Offer Shares shall bear cumulative, non-participating cash dividends based on the issue price, at the dividend rate to be determined by management prior to the issue date.
- The dividends shall be payable quarterly or semi-annually basis, to be determined before the issue date.
- The other features of the Offer Shares shall be determined by the Company and the relevant arrangers and/or underwriters prior to the issue date.

the undersigned shareholder hereby votes as follows:

\_\_\_\_\_ IN FAVOR of the Amendment

\_\_\_\_\_ NOT IN FAVOR of the Amendment

\_\_\_\_\_  
Name and Signature of the Shareholder  
Number of Shares Owned: \_\_\_\_\_  
Date: \_\_\_\_\_

## **PROXY**

The undersigned stockholder of P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. (the "Company") hereby appoints \_\_\_\_\_ or in his absence, the Chairman of Board of Directors of the Company, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, in connection with the modification of the terms of the proposed issuance of a total of Five Million (5,000,000) preferred shares with a par value One Peso (1.00 Php) per share at One Thousand Pesos (1,000.00 Php) per share with features specified in such issuance, which is being submitted for the approval of the shareholders of record as of 20 August 2019 of the Company through written assent, thus:

1. Modification of the terms of the issuance of Five Million (5,000,000) preferred shares with a par value of One Peso (Php 1.00) per share and at issue price of One Thousand Pesos (Php 1,000.00) per share with features specified:

☐

Yes

☐

No

☐

Abstain

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/AUTHORIZED  
SIGNATORY

\_\_\_\_\_  
DATE

\_\_\_\_\_  
No. of Shares

THIS PROXY ALONG WITH THE COMPLETELY FILLED IN WRITTEN ASSENT FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **16 SEPTEMBER 2019**, THE DEADLINE FOR SUBMISSION OF PROXIES AND WRITTEN ASSENTS.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE DEADLINE FOR SUBMISSION OF THE WRITTEN ASSENT IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER SUBMITS HIS DULY ACCOMPLISHED WRITTEN ASSENT FORM AND EXPRESSES HIS INTENTION TO VOTE IN PERSON.