

23 November 2018

Securities & Exchange Commission

Secretariat Building, PICC Complex
Roxas Blvd, Metro Manila

Philippine Stock Exchange

Disclosure Department
3/F PSE Plaza, Ayala Triangle Plaza
Makati City, Metro Manila

Philippine Dealing & Exchange Corporation

37th 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

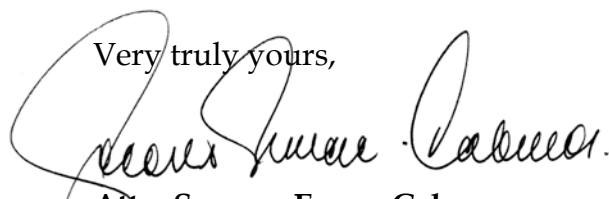
Ms. Paula Beatrice A. Bueno
OIC - Issuer Compliance and Disclosure Department (ICDD)

Sir and Mesdames:

Pursuant to the approval by the company's Board of Directors authorizing the company to issue up to 5,000,000 shares of perpetual preferred shares and in compliance with the requirement of the Philippine Stock Exchange for listing, the company submitted or filed the attached Preliminary Information Statement (PIS) with the Securities and Exchange Commission for purpose of seeking approval from the stockholders representing majority of the outstanding capital stock through written assent.

Thank you and warm regards.

Very truly yours,



Atty. Socorro Ermac Cabreros
Corporate Secretary

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: **December 10, 2018**
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 | 1,434,304,232 |
| Preferred Shares, Php 1.00 par value | 25,000,000 |

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, 1,434,304,232 Common Shares
25,000,000 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: **December 10, 2018.**

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.

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 **31 October 2018**, 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 **07 December, 2018**.

(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 **31 October 2018**.

(1) Security Ownership of Certain Record and Beneficial Owners

As of **31 October 2018**, 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 | 41.81% |
| 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 | 24.15% |
| Common | Top Direct Investments Limited | Record Owner is the direct beneficial owner | Filipino | 142,000,000 | 9.92% |
| Common | Udenna Corporation Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City Shareholder | Record Owner is the direct beneficial owner | Filipino | 117,245,918 | 8.19% |
| Common | PCD Nominee Corporation (Filipino) | Record Owner is the indirect | Filipino | 109,844,749 | 7.67% |

37/F Tower 1, The beneficial owner
Enterprise Center, 6766
Ayala Ave. cor. Paseo de
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 | 107,206,416 | 7.49%% |
|--------|--|---|----------|-------------|--------|

As of **31 October 2018**, 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:

| Name of Stockholders | Representative |
|--|---|
| 1. Phoenix Petroleum Holdings, Inc. | Domingo T. Uy |
| 2. Udenna Corporation | Cherylyn C. Uy |
| 3. Udenna Management & Resources Corp. | Igna 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 **31 October 2018**, the security ownership of Management is as follows:

Common

| Title of Class of Securities | Name/Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | % of Ownership |
|-------------------------------------|---|--|--------------------|-----------------------|
| Directors: | | | | |
| Common | Dennis A. Uy | 4,858,811 | Filipino | 0.34% |

| | | | | |
|--------|--|---|----------|--------|
| | Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City | direct beneficial owner | | |
| 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 | 1,300,819 direct beneficial owner | Filipino | 0.09% |
| Common | Joseph John L. Ong 80 Pola Bay, Southbay Gardens, Paranaque City | 520,836 direct beneficial owner | Filipino | 0.04% |
| 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 th 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 | Carolina Inez Angela S. Reyes 135 F. Manalo St., Brgy. Kabayanan, San Juan | 1 direct beneficial owner | Filipino | 0.00 % |
| Common | Stephen T. CuUnjieng | 1 direct beneficial owner | Filipino | 0.00 % |

Senior Management

| | | | | |
|--------|---|---|----------|-------|
| Common | Socorro T. Ermac Cabrerros 223 V. Mapa St., Davao City | 103,316 direct beneficial owner | Filipino | 0.01% |
| Common | Reynaldo A. Phala Block 5 Lot 20 Pioneers Village | 56,830 direct beneficial owner | Filipino | 0.00% |

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 | Domingo T. Uy* Ph2 Blk 07 Insular Village Phase II, Lanang, Davao City | - | 10,000 direct beneficial owner | 10,000 | 0.05% |
| Preferred | Romeo B. De Guzman* Hillsborough, Alabang Village, Muntinlupa City Bacaca, Davao City | 25,000 Indirect beneficial owner thru Spouse | - | 25,000 | 0.13% |
| Preferred | Consuelo Ynares Santiago Santiago Cruz & Associates Law Office Unit 1702 East Tower PSE Center, Pasig City | - | 10,000 direct beneficial owner | 10,000 | 0.05% |

| | | | | | |
|-----------|--|---|-------------------------------|--------|-------|
| Preferred | Joseph John L. Ong* 80 Pola Bay, Southbay Gardens, Paranaque City | - | 30,000 | 30,000 | 0.15% |
| | | | direct beneficial owner | | |

*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; William M. Azarcon – Vice President for Business Development for Terminal and Depot; 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, Asst. Vice President for Customer Service Unit and Corporate Communications and Joven Jesus G. Mugar-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 October 31, 2018 as follows:

| Names | No. of Shares |
|--------------------------|----------------------|
| Alan Raymond T. Zorrilla | 178,000 |
| Ericson S. Inocencio | 100,000 |
| Joselito G. De Jesus | 112,000 |
| William M. Azarcon | 132,000 |
| 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. Mugar | 44,000 |

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 ELEVEN MILLION ONE HUNDRED TWO THOUSAND THREE HUNDRED EIGHTY-ONE (11,102,381) for common shares and Seventy Five Thousand (75,000) 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. Authorization or Issuance of Securities Other than for Exchange

- (a) The matter to be submitted for approval from the Company's shareholders through written assent is the issuance of 5,000,000 shares of perpetual preferred shares with par value of Php1.00 per share at the price of One Thousand Pesos (Php 1,000.00) per share or up to a total of Five Billion Pesos (Php 5,000,000,000.00).
- (b) The Company plans to issue and list up to Five Billion Pesos (Php5,000,000,000.00) worth of Perpetual Preferred Shares (the "Offer Shares") with the following features:
 - Cumulative
 - Non-voting
 - Non-participating

- Non-convertible
- Redeemable

- (1) The Offer Shares has a par value of One Peso (Php1.00) per share with an offer price of One Thousand Pesos per share (Php 1,000.00). 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.

The Company has the option to redeem the Offer Shares on the 3rd Anniversary from Issue Date at 101.0% and on the 4th Anniversary from Issue Date at 100.5%. Unless the Offer Shares shall have been redeemed by the Company of the 5th anniversary of the listing date, a step up rate shall be paid on the Offer Shares, based on the initial dividend rate and the prevailing market conditions.

- (2) The proceeds of the issuance of preferred shares shall be used to fund the different Capital expenditures of the Company, particularly for Working Capital and Inventory requirements and payment of debts.

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 Third Quarter Financial Statement for Period ended September 30, 2018 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 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 07 December 2018, 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 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.

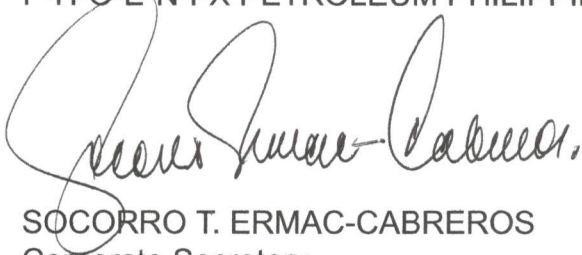
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SIGNATURE

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.

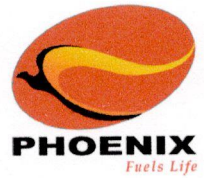
This report is signed in Davao City on NOV 23 2018.

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

A handwritten signature in black ink, appearing to read 'Socorro T. Ermac-Cabrereros', is written over the printed name.

SOCORRO T. ERMAC-CABREROS
Corporate Secretary

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

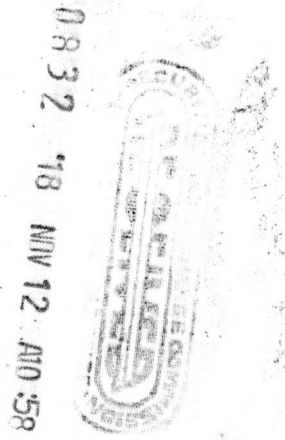


08 November 2018

Securities & Exchange Commission
Secretariat Building, PICC Complex
Roxas Blvd, Metro Manila

Philippine Stock Exchange
Disclosure Department
3/F PSE Plaza, Ayala Triangle Plaza
Makati City, Metro Manila

Philippine Dealing & Exchange Corporation
37th 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

Ms. Ms. Paula Beatrice A. Bueno
OIC - Issuer Compliance and Disclosure Department (ICDD)

Sir and Mesdames:

We are herewith submitting the Company's Third Quarter Report for period ended 30 September 2018 (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 Cabreros
Corporate Secretary

HEAD OFFICE: Phoenix Bulk Depot, Lanang, Davao City 8000,
Philippines
Trunkline: +63 (82) 235-8888
Fax: +63 (82) 233-0168

MANILA OFFICE: 25/F Fort Legend Towers, 3rd Avenue corner 31st St.,
Fort Bonifacio Global City, Taguig City 1634, Philippines
Trunkline: +632-403-4013
Fax: +632-403-4009

CEBU OFFICE: Phoenix Maguikay Gasoline Station, M.C. Briones St.,
National Highway, Maguikay, Mandaue City, Cebu 6014,
Philippines
Tel. No.: +63 (32) 236-8168 / 236-8198

COVER SHEET

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S.E.C. Registration Number

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P-H-O-E-N-I-X Petroleum Philippines, Inc.
(Company's Full Name)

| | | | | | | | | | | | | | | | | | | | | |
|---|----|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|---|----|
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| 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 |
|--------------|

Contact Person

| |
|----------------|
| (082) 235-8888 |
|----------------|

Company Telephone Number

| | |
|---|---|
| 1 | 2 |
|---|---|

Month

| | |
|---|---|
| 3 | 1 |
|---|---|

Day

Fiscal Year Ending

SEC FORM 17-Q
FORM TYPE

| |
|---|
| 3 |
|---|

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

| |
|----|
| 69 |
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Total No. of Stockholders

Total Amount of Borrowings

| | | | | |
|--|--|--|--|--|
| | | | | |
|--|--|--|--|--|

Domestic

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Foreign

To be accomplished by SEC Personnel Concerned

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Document I.D.

Cashier

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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: 30 September 2018
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 | 1,409,304,232.00 |
| PREFERRED | 25,000,000.00 |

Amount of Debt Outstanding as of
30 September 2018:

Php 36,144,893,625.00

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
SEPTEMBER 30, 2018
(With Comparative Figures as of December 31, 2017)
(Amounts in Philippine Pesos)

| | <u>Notes</u> | <u>September 30, 2018</u> | <u>Dec. 31, 2017</u> |
|--------------------------------------|--------------|--------------------------------|--------------------------------|
| <u>A S S E T S</u> | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | P 2,405,214,654 | P 1,831,542,441 |
| Trade and other receivables - net | 7 | 13,203,183,369 | 7,509,198,377 |
| Inventories - net | 8 | 8,088,357,586 | 12,969,947,045 |
| Due from related parties | 27 | 3,572,124 | 518,004,898 |
| Restricted deposits | 9 | 52,280,997 | 51,281,559 |
| Input value-added tax - net | | 963,743,002 | 1,773,091,281 |
| Prepayments and other current assets | 10 | 1,126,951,023 | 581,435,883 |
| Total Current Assets | | <u>25,843,302,755</u> | <u>25,234,501,484</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment - net | 11 | 16,304,398,907 | 13,400,687,345 |
| Investment in Joint Venture | | 75,550,200 | - |
| Investment properties | 15 | 1,114,255,223 | 1,114,780,281 |
| Intangible assets - net | 12 | 290,039,494 | 274,931,452 |
| Goodwill - net | 14 | 4,507,859,894 | 3,990,666,606 |
| Deferred tax assets - net | 26 | 235,002,162 | 231,866,237 |
| Other non-current assets | 16 | 431,977,753 | 223,467,068 |
| Total Non-current Assets | | <u>22,959,083,633</u> | <u>19,236,398,989</u> |
| TOTAL ASSETS | | <u>P 48,802,386,388</u> | <u>P 44,470,900,473</u> |
| <u>LIABILITIES AND EQUITY</u> | | | |
| CURRENT LIABILITIES | | | |
| Interest-bearing loans and borrowing | 17 | P 12,671,697,408 | P 16,796,874,145 |
| Trade and other payables | 19 | 6,154,598,053 | 3,832,668,620 |
| Income tax payable | | 8,300,877 | 17,301,439 |
| Total Current Liabilities | | <u>18,834,596,338</u> | <u>20,646,844,204</u> |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing loans and borrowing | 17 | 16,664,782,265 | 11,374,559,853 |
| Other non-current liabilities | 20 | 645,515,022 | 497,806,312 |
| Total Non-current Liabilities | | <u>17,310,297,287</u> | <u>11,872,366,165</u> |
| Total Liabilities | | <u>36,144,893,625</u> | <u>32,519,210,369</u> |
| EQUITY | | | |
| Capital stock | 28 | 1,459,186,232 | 1,456,538,232 |
| Treasury shares - at cost | | (279,500,000) | - |
| Additional paid-in capital | | 5,729,780,006 | 5,709,303,309 |
| Revaluation reserves | | (2,306,048) | (2,306,049) |
| Other reserves | | (732,561,564) | (730,361,725) |
| Accumulated translation adjustment | | 40,438,340 | (6,065,195) |
| Retained earnings | | 6,444,187,889 | 5,524,581,532 |
| Minority Interest | | (1,732,092) | - |
| Total Equity | | <u>12,657,492,763</u> | <u>11,951,690,104</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>P 48,802,386,388</u> | <u>P 44,470,900,473</u> |

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018 and 2017 (UNAUDITED)
(Amounts in Philippine Pesos)

| | | YTD September | | 3rd Quarter (July - September) | |
|--|--------------|-------------------------|------------------|---------------------------------------|-----------------|
| | Notes | 2018 | 2017 | 2018 | 2017 |
| REVENUES | | | | | |
| Sale of goods | 27 | P 64,595,464,614 | P 32,274,326,027 | P 24,549,798,136 | 13,560,378,644 |
| Fuel service and other revenues | 2 | 291,258,526 | 200,309,819 | 121,211,763 | 72,909,353 |
| Rent and storage income | 15, 31 | 76,587,930 | 81,755,026 | 44,148,990 | 34,470,770 |
| | | 64,963,311,069 | 32,556,390,872 | 24,715,158,888 | 13,667,758,767 |
| COST AND EXPENSES | | | | | |
| Cost of sales and services | 21 | 58,545,178,249 | 27,838,378,317 | 22,732,034,047 | 11,783,947,457 |
| Selling and administrative expenses | 22 | 4,161,403,493 | 3,049,729,994 | 1,426,935,019 | 1,236,713,079 |
| | | 62,706,581,742 | 30,888,108,311 | 24,158,969,066 | 13,020,660,536 |
| OTHER CHARGES (INCOME) | | | | | |
| Finance costs | 23 | 930,359,495 | 593,121,720 | 270,790,887 | 258,914,431 |
| Finance income | 23 | (57,825,454) | (16,683,436) | (19,275,882) | (9,168,496) |
| Others - net | 15 | (20,851,240) | (47,201,082) | (9,303,546) | (47,197,837) |
| | | 851,682,801 | 529,237,202 | 242,211,459 | 202,548,098 |
| RECURRING OPERATING INCOME | | | | | |
| Excess of fair value of net assets acquired over acquisition cost | 1 | 1,405,046,526 | 1,139,045,359 | 313,978,363 | 444,550,133 |
| PRE-ACQUISITION PROFIT | | (2,174,620) | (253,764,508) | (2,174,620) | (253,764,508) |
| PROFIT BEFORE TAX | | 1,402,871,906 | 1,535,796,080 | 311,803,743 | 841,300,854 |
| TAX EXPENSE | 26 | 84,934,958 | 99,173,884 | (36,335,627) | 14,758,676 |
| NET PROFIT | | P 1,317,936,948 | P 1,436,622,196 | P 350,313,990 | P 826,542,178 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| Item that will be reclassified subsequently to profit or loss | | | | | |
| Translation adjustment related to a foreign subsidiary | 2 | 46,503,535 | - | 7,290,000 | - |
| Other Comprehensive Income - net of tax | | 46,503,535 | - | 7,290,000 | - |
| TOTAL COMPREHENSIVE INCOME | | P 1,364,440,483 | P 1,436,622,196 | P 357,603,990 | P 826,542,178 |
| Basic and Diluted Earnings per share | 29 | P 0.34 | P 0.92 | | |

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts in Philippine Pesos)

| | Notes | Capital Stock | | | | | Additional | Revaluation | Other | Accumulated Translation | Retained | Total Equity | Non Controlling | TOTAL |
|---|-------|----------------------------|---------------|-------------------------|-----------------|------------------------------------|-----------------|----------------|-----------------|-------------------------|--|------------------|-----------------|------------------|
| | | Preferred Treasury Stock - | | Common Treasury Stock - | | Total | | | | | | | | |
| | | Preferred Stock | At Cost | Common Stock | At Cost | | | | | | | | | |
| | | | | | | Paid-in Capital | Reserves | Reserves | Adjustment | Earnings | Attributable to the Shareholders of Parent Company | Interest | | |
| 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) | 5,524,581,532 | 11,951,690,104 | - | 11,951,690,104 |
| Sale of treasury shares | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stock Options Exercised | | - | - | 2,648,000 | - | 2,648,000 | 20,476,697 | - | - | - | (840,390) | 22,284,307 | - | 22,284,307 |
| Cash dividends | | - | - | - | - | - | - | - | - | - | (360,913,235) | (360,913,235) | - | (360,913,235) |
| Acquisition of shares during the year | | - | - | - | (279,500,000) | (25,000,000) | (254,500,000) | - | - | - | (279,500,000) | (279,500,000) | - | (279,500,000) |
| Issuance of shares during the year | | - | - | - | - | - | - | - | - | - | - | - | (1,732,092) | (1,732,092) |
| OCI of new subsidiary | | - | - | - | - | - | - | (2,199,839) | - | - | (2,199,839) | (2,199,839) | - | (2,199,839) |
| Translation adjustments during the year | | - | - | - | - | - | - | - | 46,503,535 | - | (83,080,501) | (36,576,966) | - | (36,576,966) |
| Total comprehensive income for the year | | - | - | - | - | - | - | - | - | - | 1,364,440,483 | 1,364,440,483 | - | 1,364,440,483 |
| Balance at September 30, 2018 | | P 30,000,000 | (P 5,000,000) | P 1,434,186,232 | (P 279,500,000) | P 1,434,186,232 (25,000,000.00) | P 5,475,280,006 | (P 2,306,049) | (P 732,561,564) | P 40,438,340 | P 6,444,187,889 | P 12,659,224,854 | (P 1,732,092) | P 12,657,492,762 |
| Balance at January 1, 2017 | | P 30,000,000 | (P 5,000,000) | P 1,428,777,232 | (P 330,679,783) | P 1,123,097,449 | P 5,320,816,182 | (P 12,148,102) | (P 730,361,725) | - | P 4,060,689,929 | P 9,762,093,733 | - | - |
| Sale of treasury shares | 28 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cash dividends | 28 | - | - | - | - | - | - | - | - | - | (282,390,883) | (282,390,883) | - | - |
| Acquisition of shares during the year | 28 | - | - | - | (109,407,705) | (109,407,705) | - | - | - | - | - | (109,407,705) | - | - |
| Issuance of shares during the year | 28 | - | - | 2,160,000 | - | 2,160,000 | 16,703,046 | - | - | - | (6,890,581) | 11,972,465 | - | - |
| Share-based compensation | 24 | - | - | - | - | - | - | - | - | - | 5,793,979 | 5,793,979 | - | - |
| Translation adjustments during the year | 2 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | | - | - | - | - | - | - | - | - | - | 1,436,622,196 | 1,436,622,196 | - | - |
| Balance at September 30, 2017 | | P 30,000,000 | (P 5,000,000) | P 1,430,937,232 | (P 440,087,488) | P 1,015,849,744 | P 5,337,519,228 | (P 12,148,102) | (P 730,361,725) | - | P 5,213,824,640 | P 10,824,683,785 | - | - |

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (AUDITED)
(Amounts in Philippine Pesos)

| | Notes | 2018 | 2017 |
|---|-------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | P 1,405,046,526 | P 1,789,560,588 |
| Adjustments for: | | | |
| Depreciation and amortization | 22 | 838,427,400 | 823,828,436 |
| Interest expense on bank loans and other borrowings | 23 | 889,956,692 | 214,624,588 |
| Excess of fair value of net assets acquired over acquisition cost | 1 | - | (650,515,229) |
| Impairment losses on trade and other receivables | 23 | 64,233,948 | 18,000,000 |
| Gain on reversal of impairment losses on investment properties | 15 | - | - |
| Interest income | 23 | (16,169,360) | (16,768,940) |
| Pre-acquisition income | | | 238,324,765 |
| Share based benefit expense | 24 | 7,243,666 | 5,793,979 |
| Gain on disposal of property, plant and equipment | | - | - |
| Translation adjustment | 1 | - | - |
| Unrealized foreign exchange currency loss (gain) - net | | 64,723,209 | 43,039,873 |
| Gain on reversal of allowance for inventory obsolescence | 8 | - | - |
| Impairment losses on non-financial assets | | - | - |
| Operating profit before working capital changes | | 3,253,462,082 | 2,465,888,060 |
| Decrease (increase) in trade and other receivables | | (5,758,218,940) | 1,198,236,044 |
| Decrease (increase) in inventories | | 4,816,866,250 | (1,050,184,073) |
| Decrease (increase) in restricted deposits | | - | - |
| Decrease in input value-added tax - net | | 809,348,279 | 727,443,333 |
| Decrease (increase) in prepayments and other current assets | | (546,514,578) | (1,347,692,217) |
| Increase (decrease) in trade and other payables | | 2,344,779,764 | (1,526,007,062) |
| Cash generated from (used in) operations | | 4,919,722,856 | 467,684,085 |
| Cash paid for income taxes | | (75,592,861) | (238,324,765) |
| Net Cash From (Used in) Operating Activities | | 4,844,129,995 | 229,359,320 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of subsidiaries | 1 | (843,030,591) | (6,738,046,064) |
| Acquisitions of property, plant and equipment | 11 | (3,436,637,343) | (2,341,375,495) |
| Collections from related parties | 27 | - | - |
| Advances to related parties | 27 | 514,432,774 | 273,177,912 |
| Acquisitions of intangible assets | 12 | - | (13,207,997) |
| Increase in other non-current assets | | (208,510,685) | (8,437,913) |
| Translation of financial statements of a foreign subsidiary | | (36,576,966) | - |
| Interest received | | 16,169,360 | 16,683,436 |
| Increase in Finance Lease Liability | | - | - |
| Proceeds from disposal of property, plant and equipment | | 1,820,769 | 24,250,339 |
| Additional investment in an indirectly-owned joint venture | 13 | (75,550,200) | - |
| Net Cash Used in Investing Activities | | (4,067,882,882) | (8,786,955,782) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of interest-bearing loans and borrowings | | (57,991,729,802) | - |
| Proceeds from additional interest-bearing loans and borrowings | | 58,266,818,784 | 39,139,898,101 |
| Proceeds from sale of treasury shares | 28 | - | (27,523,956,782) |
| Stock Options | | (5,436,057) | - |
| Interest paid | | - | (552,487,034) |
| Payments of cash dividends | 28 | (360,913,235) | (282,390,883) |
| Acquisition of treasury shares | 28 | (279,500,000) | (109,407,705) |
| Increase (decrease) in other non-current liabilities | | 147,708,711 | 14,355,753 |
| Increase/decrease in APIC | | 20,476,697 | 12,268,800 |
| Proceeds from issuance of shares of stock | 28 | - | - |
| Repayments to related parties | | - | - |
| Net Cash From (Used in) Financing Activities | | (202,574,902) | 10,698,280,250 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 573,672,212 | 2,140,683,788 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 1,831,542,441 | 2,338,780,526 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | P 2,405,214,653 | P 4,479,464,314 |

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 NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

1. CORPORATE 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 41.81% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company's shares of stock are listed with the Philippine Stock Exchange (PSE). The Parent Company is presently engaged in trading of petroleum products on wholesale and retail basis and operating of gas stations, 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.

PPHI was incorporated in the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) 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.

The Parent Company has a total of **558** opened retail service stations, and a total of thirty service stations under construction as of September 30, 2018.

1.2 Subsidiaries, Associate, Joint Venture and their Operations

As of September 30, the Parent Company holds ownership interests in the following entities, which are all incorporated in the Philippines, except for PNX Petroleum Singapore Pte. Ltd., which is incorporated and domiciled in Singapore as well as Think Able which is incorporated and domiciled in Hongkong.

| Subsidiaries/ Associate/Joint Venture | Explanatory Notes | Percentage of Ownership | |
|---|-------------------|-------------------------|---------|
| | | 2018 | 2017 |
| 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 Phils., Inc. (SPTT) | (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. (Duta) | (f) | 100.00% | 100.00% |
| Kaparangan, Inc. (Kaparangan) ² | (g) | 100.00% | 100.00% |
| Philippine Family Mart CVS, Inc. (PFM) | (h) | 100.00% | - |
| Phoenix Asphalt Philippines, Inc.(PAPI) ⁴ | (i) | 40.00% | - |
| Action Able ¹ | (j) | 74.90% | |
| Think Able ¹ | (k) | 74.90% | |

Notes:

1 New subsidiaries

2 Wholly-owned subsidiary of Duta

3 Duta and Kaparangan, collectively known as Duta Group

4 New Joint Venture

- (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 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.
- (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 and started operations in October 2017. It is the regional trading arm of the Company. 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. It is formerly known as Petronas Energy Philippines, Inc.
- (f) Incorporated on November 9, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.
- (g) Incorporated on January 21, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.
- (h) Incorporated on November 29, 2012 and is domiciled in the Republic of the Philippines. The Company was incorporated to engage 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.
- (i) Incorporated on March 23, 2018 to engage in the business of selling, importation, marketing, manufacturing and storage of bitumen related products.
- (j) Incorporated on May 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; 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.
- (k) Hong Kong based Company that handles the trademark of Action.Able Inc.

1.3 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 |
| Duta | – | 15 th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City |
| Kaparangan | – | 15 th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City |
| PAPI | – | 25 th Floor, Fort Legend Tower, 3 rd Avenue corner 31 st Street, The Fort Global City, Taguig City |
| Action Able | – | 2 nd Floor Crown Center 148 Jupiter St. Corner N. Garcia St. Bel-Air Village Makati City |
| Think Able Limited | – | RM 1902 Wilson House 19-27 Wyndham Central Hong Kong |

PPMI’s registered office is located at Penthouse, Valero Tower, 122 Valero Street, Salcedo Village, Makati City and its principal place of business is located at 26th Floor, The Fort Legend Tower, 3rd Avenue corner 31st Street, The Fort Global City, Taguig City.

1.3 Approval of Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements (unaudited) of the Group as of and for the six months ended Sept. 30, 2018 (including the comparative consolidated financial information as of December 31, 2017 and for the nine months ended September 30, 2017) were authorized for issue by the Parent Company’s Board of Directors (BOD) on November 8, 2018.

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 in the succeeding pages. The policies have been consistently applied to all the periods presented, unless otherwise stated. *Basis of Preparation of Interim Condensed Consolidated Financial Statements*

These interim condensed consolidated financial statements for the six months ended September 30, 2018 and 2017 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, 2017.

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.

2.1 *Adoption of New and Amended PFRS*

(a) *Effective in 2017 that are Relevant to the Group*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods beginning on or after January 1, 2017. Among those new PFRS, amendments and annual improvements, presented in the succeeding pages are relevant to the Group but did not have any significant impact on the Group's financial statements.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the consolidated statement of financial position including those changes identified immediately above.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.
- (iii) PFRS 2 (Amendments), *Share-based Payments – Classification and Measurement of Share-based Payment Transactions*. The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management assessed that no significant impact in the consolidated financial statements of the Group.

(b) *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

- (i) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
 - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (ii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right of use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its consolidated financial statements.

- (iii) 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.
- (iv) PFRS 15, *Revenue from Contracts with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Management is currently assessing the impact of this standard on the Group's financial statements.

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, 2017.

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 six months ended September 30, 2018 and as of December 31, 2017, goodwill arising from business combination and other intangible assets with indefinite useful life are not impaired.

4. SEGMENT INFORMATION

- (a) 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 September 30, 2018, 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 table present revenue and profit information regarding segments for the nine months ended September 30, 2018 and 2017 and certain asset and liability information regarding segments as at September 30, 2018 and December 31, 2017 (amounts in thousands).

| | <u>Trading</u> | | <u>Depot and Logistics</u> | | <u>Real Estate</u> | | <u>Total</u> | |
|--------------------------------------|--------------------|----------------------|----------------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| | Sept. 30, 2018 | Sept. 30, 2017 | Sept. 30, 2018 | Sept. 30, 2017 | Sept. 30, 2018 | Sept. 30, 2017 | Sept. 30, 2018 | Sept. 30, 2017 |
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| TOTAL REVENUES | | | | | | | | |
| Sales to external customers | P 64,494,111 | P 32,341,840 | P 367,846 | P 200,130 | P 1,354 | P 14,421 | P 64,963,311 | P 32,556,391 |
| Intersegment sales | <u>35,109</u> | <u>51,979</u> | <u>409,160</u> | <u>67,334</u> | <u>12,260</u> | <u>-</u> | <u>456,629</u> | <u>119,313</u> |
| Total revenues | <u>64,629,220</u> | <u>32,393,819</u> | <u>777,006</u> | <u>267,464</u> | <u>13,714</u> | <u>14,421</u> | <u>65,419,940</u> | <u>32,675,704</u> |
| COSTS AND OTHER | | | | | | | | |
| OPERATING EXPENSES | | | | | | | | |
| Cost of sales and services excluding | | | | | | | | |
| depreciation and amortization | 62,203,656 | 30,588,765 | 118,181 | 183,000 | 2,945 | 13,749 | 62,324,782 | 30,785,514 |
| Depreciation and amortization | <u>601,627</u> | <u>211,670</u> | <u>236,800</u> | <u>363,174</u> | <u>-</u> | <u>-</u> | <u>838,427</u> | <u>574,844</u> |
| | <u>65,805,283</u> | <u>30,800,435</u> | <u>354,981</u> | <u>546,174</u> | <u>2,945</u> | <u>13,749</u> | <u>63,163,209</u> | <u>31,360,359</u> |
| SEGMENT OPERATING | | | | | | | | |
| PROFIT (LOSS) | <u>P 1,823,937</u> | <u>P 1,593,384</u> | <u>P 422,205</u> | <u>P (278,710)</u> | <u>P 10,769</u> | <u>P 671</u> | <u>P 2,256,731</u> | <u>P 1,351,345</u> |
| | | | | | | | | |
| | <u>Trading</u> | | <u>Depot and Logistics</u> | | <u>Real Estate</u> | | <u>Total</u> | |
| | Sept. 30, 2018 | December 31, 2017 | Sept. 30, 2018 | December 31, 2017 | Sept. 30, 2018 | December 31, 2017 | Sept. 30, 2018 | December 31, 2017 |
| | <u>(Unaudited)</u> | <u>(Audited)</u> | <u>(Unaudited)</u> | <u>(Audited)</u> | <u>(Unaudited)</u> | <u>(Audited)</u> | <u>(Unaudited)</u> | <u>(Audited)</u> |
| ASSETS AND LIABILITIES | | | | | | | | |
| Segment assets | P 48,154,738 | P 47,968,156 | P 6,758,691 | P 493,812 | P 412,646 | P 411,922 | P 55,561,077 | P 48,873,890 |
| Segment liabilities | 36,144,894 | 33,730,458 | 1,351,738 | 363,152 | 318,121 | 324,150 | 37,814,753 | 34,417,760 |

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).

| | Sept. 30, 2018 <u>(Unaudited)</u> | Sept. 30, 2017 <u>(Unaudited)</u> |
|---|---|--|
| Revenues | | |
| Total segment revenues | P 65,419,940 | P 32,675,704 |
| Elimination of intersegment revenues | (456,629) | (119,313) |
| Revenues as reported in profit or loss | <u>P 64,963,311</u> | <u>P 32,556,391</u> |
| Profit or loss | | |
| Segment operating profit | P 2,256,729 | P 1,315,345 |
| Other unallocated income | | 650,615 |
| Other unallocated expense | () | () |
| Operating profit as reported in profit or loss | 2,256,729 | 1,965,860 |
| Finance costs | (930,360) | (593,122) |
| Finance income | <u>78,677</u> | <u>63,884</u> |
| Profit before tax as reported in profit or loss | <u>P 1,405,046</u> | <u>P 1,436,622</u> |
| | | |
| | Sept. 30, 2018 <u>(Unaudited)</u> | December 31, 2017 <u>(Audited)</u> |
| Assets | | |
| Segment assets | P 55,326,075 | P 48,642,024 |
| Deferred tax asset – net | 235,002 | 231,866 |
| Elimination of intercompany accounts | (6,758,691) | (4,402,990) |
| Total assets reported in the consolidated statement of financial position | <u>P 48,802,386</u> | <u>P 44,470,900</u> |
| Liabilities | | |
| Segment liabilities | P 37,814,753 | P 34,417,760 |
| Deferred tax liabilities - net | - | - |
| Elimination of intercompany accounts | (1,669,859) | (1,898,550) |
| Total liabilities as reported in the consolidated statement of financial position | <u>P 36,144,894</u> | <u>P 32,519,210</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.

| | Sept. 30, 2018 (Unaudited) | | December 31, 2017 (Audited) | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | P 2,405,214,654 | P 2,405,214,654 | P 1,831,542,441 | P 1,831,542,441 |
| Trade and other receivables-net* | 10,933,833,045 | 10,933,833,045 | 6,843,698,948 | 6,843,698,948 |
| Due from related parties | 3,572,104 | 3,572,104 | 518,004,898 | 518,004,898 |
| Restricted deposits | 52,280,997 | 52,280,997 | 51,281,559 | 51,281,559 |
| Refundable rental deposits | <u>246,621,152</u> | <u>246,621,152</u> | <u>182,480,300</u> | <u>182,480,300</u> |
| | <u>P 13,641,521,972</u> | <u>P 13,641,521,972</u> | <u>P 9,427,008,146</u> | <u>P 9,427,008,146</u> |
| Financial Liabilities | | | | |
| Financial liabilities at amortized cost: | | | | |
| Interest-bearing loans and borrowings | P 29,336,479,673 | P 29,336,479,673 | P 28,171,433,998 | P 28,171,433,998 |
| Trade and other payables** | 6,125,134,053 | 6,125,134,053 | 3,730,046,488 | 3,730,046,488 |
| Cash Bond Deposits | 52,246,724 | 52,246,724 | 33,492,002 | 33,492,002 |
| Customers' Cylinder Deposits | 358,653,667 | 358,653,667 | 196,380,513 | 196,380,513 |
| Security deposits | <u>264,681,544</u> | <u>264,681,544</u> | <u>245,488,541</u> | <u>245,488,541</u> |
| | <u>P 36,137,195,661</u> | <u>P 36,137,195,661</u> | <u>P 32,376,841,542</u> | <u>P 32,376,841,542</u> |

* Excludes certain advances to suppliers and advances subject to liquidation

** Excludes tax-related payable

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.

| September 30, 2018 (Unaudited) | | | | |
|---|------------------------|------------|-------------------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets | | | | |
| <i>Loans and receivables:</i> | | | | |
| Cash and cash equivalents | P 2,405,214,654 | P - | P - | P 2,405,214,654 |
| Trade and other receivables - net | - | - | 10,933,833,405 | 10,933,833,405 |
| Due from related parties | - | - | 3,572,104 | 3,572,104 |
| Restricted deposits | - | - | 52,280,997 | 52,280,997 |
| Refundable rental deposits | - | - | 246,621,152 | 246,621,152 |
| | <u>P 2,405,214,654</u> | <u>P -</u> | <u>P 11,236,307,318</u> | <u>P 13,641,521,972</u> |
| Financial Liabilities | | | | |
| <i>Financial liabilities at amortized cost:</i> | | | | |
| Interest-bearing loans and borrowings | P - | P - | P 29,336,479,673 | P 29,336,479,673 |
| Trade and other payables | - | - | 6,125,134,053 | 6,125,134,053 |
| Cash Bond Deposits | - | - | 52,246,124 | 52,246,124 |
| Customers' Cylinder Deposits | - | - | 358,653,667 | 358,653,667 |
| Security deposits | - | - | 264,681,544 | 264,681,544 |
| | <u>P -</u> | <u>P -</u> | <u>P 36,137,195,661</u> | <u>P 36,137,195,661</u> |
| December 31, 2017 (Audited) | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| <i>Financial Assets</i> | | | | |
| <i>Loans and receivables:</i> | | | | |
| Cash and cash equivalents | P 1,831,542,441 | P - | P - | P 1,831,542,441 |
| Trade and other receivables - net | - | - | 6,843,698,948 | 6,843,698,948 |
| Due from related parties | - | - | 518,004,898 | 518,004,898 |
| Restricted deposits | 51,281,559 | - | - | 51,281,559 |
| Refundable rental deposits | - | - | 182,480,300 | 182,480,300 |
| | <u>P 1,882,824,000</u> | <u>P -</u> | <u>P 7,544,184,146</u> | <u>P 9,427,008,146</u> |
| <i>Financial Liabilities</i> | | | | |
| <i>Financial liabilities at amortized cost:</i> | | | | |
| Interest-bearing loans and borrowings | P - | P - | P 28,171,433,998 | P 28,171,433,998 |
| Trade and other payables | - | - | 3,730,046,488 | 3,730,046,488 |
| Cash Bond Deposits | - | - | 33,492,002 | 33,492,002 |
| Customers' Cylinder Deposits | - | - | 196,380,513 | 196,380,513 |
| Security deposits | - | - | 245,488,541 | 245,488,541 |
| | <u>P -</u> | <u>P -</u> | <u>P 32,376,841,542</u> | <u>P 32,376,841,542</u> |

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:

| | <u>Sept. 30, 2018</u> | |
|-----------------------|------------------------|-----------------------------|
| | <u>U.S. Dollar</u> | <u>Singapore Dollar</u> |
| Financial assets | P 5,512,714,686 | P 855,421 |
| Financial liabilities | (4,599,084,078) | () |
| Net exposure | <u>P 963,630,609</u> | <u>P 855,421</u> |

| | <u>December 31, 2017</u> | |
|-----------------------|--------------------------|-----------------------------|
| | <u>U.S. Dollar</u> | <u>Singapore Dollar</u> |
| Financial assets | P 1,260,407,888 | P 317,739 |
| Financial liabilities | (1,566,782,434) | - |
| Net exposure | (P 306,374,546) | P 317,739 |

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 9 and 12 months, respectively, at a 99% confidence level.

| | <u>Sept. 30, 2018</u> | |
|------------------------------------|-----------------------|---------------------------|
| | <u>(U.S. Dollar)</u> | <u>(Singapore Dollar)</u> |
| Reasonably possible change in rate | 8.99% | 5.64% |
| Effect in profit before tax | P 86,591,422 | P 48,207 |
| Effect in equity after tax | 60,613,955 | 33,745 |

| | <u>December 31, 2017</u> | |
|------------------------------------|--------------------------|---------------------------|
| | <u>(U.S. Dollar)</u> | <u>(Singapore Dollar)</u> |
| Reasonably possible change in rate | 10.77% | 16.88% |
| Effect in profit before tax | P (32,996,539) | P 53,635 |
| Effect in equity after tax | (23,097,577) | 37,544 |

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 December 31, 2016 and 2015, 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.

Cash in banks are tested on a reasonably possible change of +/- 0.25% and +/-0.47% as of Sept. 30, 2018 and December 31, 2017, respectively. Banks loans subject to variable interest rates are tested on a reasonably possible change of +/-0.11% and +/-0.30% for Philippine peso and +/- 0.13% and +/-0.25% for U.S. dollar as of Sept. 30, 2018 and December 31, 2017, respectively. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in previous three and 12 months estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P39.5 million and +/-P94.5 million for the nine months ended Sept. 30, 2018 and for the year ended December 31, 2017, respectively, and equity after tax by +/-P27.7 million and +/-P66.2 million the nine months ended Sept. 30, 2018 and for the year ended December 31, 2017, respectively.

(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.

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.

| | September 30, 2018 <u>(Unaudited)</u> | December 31, 2017 <u>(Audited)</u> |
|------------------------------------|--|--|
| Cash and cash equivalents | P 2,405,214,654 | P 1,831,542,441 |
| Trade and other receivables – net* | 10,933,833,045 | 6,843,698,948 |
| Due from related parties | 3,572,124 | 518,004,898 |
| Restricted deposits | 52,280,997 | 51,281,559 |
| Refundable rental deposits | <u>246,621,152</u> | <u>182,480,300</u> |
| | <u>P13,641,521,972</u> | <u>P9,427,008,146</u> |

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

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.

None of the financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(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 Corporation 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*

In respect of trade and other receivables and due from related parties, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates,

management considers the credit quality of trade receivables that are not past due or impaired to be good.

The Group has a Credit Committee which approves credit lines given to its customers. The Group's Credit Risk Management Unit (formerly Credit and Collection Department), which regularly reports to the Credit Committee, continuously monitors customers' performance and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

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.

| | September 30, 2018 (Unaudited) | December 31, 2017 (Audited) |
|--|---|-----------------------------------|
| Not more than one month | P 646,673,072 | P 577,035,340 |
| More than one month but not more than two months | 170,404,977 | 681,732,537 |
| More than two months but not more than six months | 519,434,527 | 1,475,835,606 |
| More than six months but not more than one year | 131,065,909 | 579,628,183 |
| More than one year | <u>49,980,602</u> | <u>455,810,155</u> |
| | <u>P 1,517,559,087</u> | <u>P 3,770,041,821</u> |

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 Sept. 30, 2018 (Unaudited) as presented below.

| | Current | | Non-current | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Within 6 months | 6 to 12 months | 1 to 5 years | More than 5 years |
| Interest-bearing loans and borrowings | P 12,086,697,408 | P 585,000,000 | P 13,331,825,812 | P 3,332,956,453 |
| Trade and other payables (excluding tax-related payables) | 4,864,387,211 | 1,214,890,660 | 45,856,182 | |
| Security deposits | - | - | - | 264,681,544 |
| Customers' cylinder deposits | - | - | - | 358,653,667 |
| Cash bond | - | - | - | 52,246,724 |
| | <u>P 16,951,084,619</u> | <u>P 1,799,890,660</u> | <u>P 13,377,681,994</u> | <u>P 4,008,538,388</u> |

As of December 31, 2017 (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 17,093,687,980 | P 770,678,974 | P 9,934,502,651 | P 2,318,636,250 |
| Trade and other payables (excluding tax-related payables) | 3,730,046,488 | - | - | - |
| Security deposits | - | - | 245,488,541 | - |
| Customers' cylinder deposits | - | - | - | 196,380,513 |
| Cash bond | - | - | - | 33,492,002 |
| | <u>P 20,823,734,468</u> | <u>P 770,678,974</u> | <u>P 10,179,991,192</u> | <u>P 2,548,508,765</u> |

7. INVENTORIES

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

| | September 30, 2018 (Unaudited) | December 31, 2017 (Audited) |
|---|---|--|
| At cost: | | |
| Fuels | P 7,419,051,873 | P 12,571,587,151 |
| LPG | 224,495,345 | 124,305,656 |
| Others | 77,588,849 | 2,185,536 |
| | | 12,698,078,343 |
| At net realizable value – Lubricants | <u>367,221,519</u> | <u>271,868,702</u> |
| | <u>P 8,088,357,586</u> | <u>P 12,969,947,045</u> |

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of **P2,088** million and P5,139 million as of Sept. 30, 2018 and December 31, 2017, 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 all of the periods presented.

8. PROPERTY, PLANT AND EQUIPMENT

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

| | Sept. 30, | | December 31, |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2018 | 2017 | 2017 |
| Balance at beginning of period | P 13,400,687,345 | 9,002,313,141 | P 9,002,313,141 |
| Business combination -net | 321,905,372 | | 2,046,988,345 |
| Additions | 3,387,546,575 | | 3,195,335,770 |
| Transfers | | 4,447,518,256 | - |
| Disposals – net | (1,820,769) | | (23,697,376) |
| Reclassifications/adjustments | | | (-) |
| Depreciation and amortization | (803,919,616) | (574,845,195) | (820,252,535) |
| Balance at end of the period | <u>P 16,304,398,907</u> | <u>P 12,874,986,202</u> | <u>P 13,400,687,345</u> |

9. INTANGIBLE ASSETS

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

| | | September 30, | | December 31, |
|---|------|-----------------------------|-----------------------------|-----------------------------|
| | | 2018 | 2017 | 2017 |
| | Note | (Unaudited) | (Unaudited) | (Audited) |
| Balance at beginning of period | | P 274,931,452 | P 275,037,490 | P 275,037,490 |
| Additions | | 49,090,768 | 13,307,997 | 30,021,932 |
| Transfer from property, plant and equipment | 7 | - | | - |
| Amortization expense for the period | | (33,982,726) | (22,662,294) | (30,127,970) |
| Balance at end of the period | | <u>P 290,039,494</u> | <u>P 265,583,193</u> | <u>P 274,931,452</u> |

10. INTEREST-BEARING LOANS AND BORROWINGS

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

| | September 30, 2018 (Unaudited) | December 31, 2017 (Audited) |
|--|--------------------------------------|-----------------------------------|
| Current: | | |
| Liabilities under LC and TR | P 2,088,636,632 | P 5,139,141,223 |
| Term loans | 10,583,060,766 | 11,657,732,922 |
| Liabilities under short-term commercial papers | - | - |
| Obligations under finance lease | - | - |
| | <u>12,671,697,408</u> | <u>16,796,874,145</u> |
| Non-current – | | |
| Term loans | <u>16,664,782,265</u> | <u>11,374,559,853</u> |
| | <u>P 29,336,479,673</u> | <u>P28,171,433,99</u> |

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 4.703% and 3.97% per annum as of September 30, 2018 and December 31, 2017, respectively.

10.2 Borrowings and Repayments

During the period, the Group obtained various term loans with banks in the total amount of **P58,267** million with outstanding balance as of Sept. 30, 2018 of **P15,583** million. The loans bear interest ranging from 4.00% to 5.00% and is repayable in various dates until July 4, 2025.

As of Sept. 30, 2018, repayments of other term loans amounting to **P57,992** 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 in the succeeding pages.

The summary of the Group's transactions with its related parties for the periods ended September 30, 2018 and 2017 and the related outstanding balances as of September, 2018 and December 31, 2017 is presented below.

| Related Party Category* | Amount of Transactions | | Outstanding Balance | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Sept. 30, 2018 (Unaudited) | Sept. 30, 2017 (Unaudited) | Sept. 30, 2018 (Unaudited) | December 31 2017 (Audited) |
| Other related parties under common ownership | | | | |
| Sale of subsidiaries | P - | P - | P - | P 500,000,000 |
| Sale of goods* | 316,538,256 | 103,230,562 | | 955,539,554 |
| Purchases of services* | 2,132,601,754 | 668,813,118 | | 20,995,548 |
| Advances to suppliers* | - | - | - | - |
| Management fees | - | - | | 86,598,808 |
| Rentals | 43,085,930 | 70,497,544 | - | 2,740,627 |
| Due from related parties* | - | 13,834,791 | 3,572,124 | 518,004,898 |
| Due to related parties | - | - | - | - |
| Donations | 30,000,000 | - | - | - |
| Udenna Corporation | | | | |
| Advances to suppliers | - | - | | 424,838,624 |
| Rentals | 7,603,900 | 4,736,649 | | 710,545 |
| Associate | | | | |
| Technical ship Services | - | - | - | - |
| Key management personnel | | | | |
| Salaries and employee benefits | 121,520,446 | 49,059,672 | - | - |

*As a result of the deconsolidation of PPIPC and CSC (see Note 1.4), these formerly wholly-owned subsidiaries fall under related party under common ownership in 2016.

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 nine months ended Sept. 30, 2018 and 2017 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 nine months ended Sept. 30, 2018 and 2017.

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 PPIPC) 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

On May 2018, the Parent Company acquired Action. Able Inc. and Think.Able Limited.

There are no disposal of subsidiaries for the months ended September 30, 2018.

On January 11, 2018, the Parent Company has signed a deed of absolute sale and concluded the acquisition of the 100.00% shares in Philippine FamilyMart CVS, Inc. (PFM) from its shareholders, namely: SIAL CVS Retailers, Inc., FamilyMart Co. Ltd. and ITOCHU Corporation. PFM is engaged in operating convenience stores under the trademark "Family Mart".

A new exclusive Area Franchise Agreement of the Family Mart branch of convenience store in the Philippines was granted to Philippine FamilyMart CVS, Inc. under the management of the Parent Company. The transaction was approved by the Philippine Competition Commission (PCC) sometime in January 2018.

On January 16, 2018, the Parent Company has entered into a JV agreement with TIPCO Asphalt Public Company Limited (TIPCO Asphalt) and Mr. Carlito B. Castrillo to set-up and incorporate a JV company – PhilAsphalt (Dev't) Corporation (PhilAsphalt). The JV company is registered for the purpose of operating, marketing and distribution of bitumen and bitumen-related products in the Philippines. The authorized share capital of PhilAsphalt will be P275.0 million divided into 275.0 million shares with par value of P1 per share. Both the Parent Company and TIPCO Asphalt's percentage of shareholding will be 40% each and 20.00% for Mr. Castrillo.

12. EQUITY

12.1 Capital Stock

Capital stock consists of:

| | Shares | | | Amount | | |
|--|---|----------------------|--|---|------------------------|--|
| | For the nine months ended Sept. 30, (Unaudited) | 2017 | For the year ended December 31, 2017 (Audited) | For the nine months ended Sept. 30, (Unaudited) | 2017 | For the year ended December 31, 2017 (Audited) |
| | <u>2018</u> | <u>2017</u> | <u>(Audited)</u> | <u>2018</u> | <u>2017</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 period | 30,000,000 | 30,000,000 | 30,000,000 | P 30,000,000 | P 30,000,000 | P 30,000,000 |
| Issuance during the period | - | - | - | - | - | - |
| Balance at end of period | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 | 30,000,000 |
| Treasury shares | (5,000,000) | (5,000,000) | (5,000,000) | (5,000,000) | (5,000,000) | (5,000,000) |
| Issued and outstanding | <u>25,000,000</u> | <u>25,000,000</u> | <u>5,000,000</u> | <u>P 25,000,000</u> | <u>P 25,000,000</u> | <u>P 25,000,000</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 period | 1,431,538,232 | 1,374,383,932 | 1,428,777,232 | P 1,431,538,232 | P 1,098,097,449 | P 1,428,777,232 |
| Issuance during the period | 2,648,000 | | | 2,648,000 | | |
| Treasury shares | (25,000,000) | (70,193,400) | (2,761,000) | (25,000,000) | (109,407,705) | (2,761,000) |
| Balance at end of period | <u>1,409,186,232</u> | <u>1,358,584,232</u> | <u>1,431,538,232</u> | <u>P 1,409,186,232</u> | <u>P 988,689,744</u> | <u>P 1,431,538,232</u> |
| | | | | <u>P 1,434,186,232</u> | <u>P 1,013,689,744</u> | <u>P 1,456,538,232</u> |

12.2 Employee Stock Options

On January 24, 2013, the BOD of the Parent Company approved the ESOP. Under the ESOP program, the Parent Company will allocate up to a total of 5.00% of its issued and outstanding common shares to be granted to eligible employees. Share options benefit expense included as part of Salaries and employee benefits under Selling and Administrative Expenses in the September 30, 2018 consolidated statement of comprehensive income amounted to P7.24 million, while the corresponding credit to Retained Earnings of the same amount is presented under the Equity section of the September 30, 2018 consolidated statement of financial position. In 2015 and 2014, there are no stock options granted yet to the employees; hence, there are no share option benefits expense recognized for those years.

12.3 Cash Dividends

The details of the Parent Company's cash dividend declarations, both for preferred and common shares, for the nine months ended September 30 (unaudited) are as follows:

| | <u>2018</u> | <u>2017</u> |
|------------------|-----------------------------|-----------------------------|
| Common shares | P 214,730,735 | P 136,208,383 |
| Preferred shares | <u>146,182,500</u> | <u>146,182,500</u> |
| | <u>P 360,913,235</u> | <u>P 184,935,883</u> |

Of the total amount of dividends declared, dividend payments for preferred shares amounted to P 146,182,500 for both of the nine months ended September 30, 2018 and 2017.

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;
- Issuances of equity securities;
- 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 nine months ended September 30, (Unaudited) | | For the year ended December 31, 2017 (Audited) |
|--|---|-----------------|---|
| | 2018 | 2017 | |
| a) Net profit pertaining to common shares | P 1,171,754,448 | P 1,290,439,696 | P 1,596,939,154 |
| b) Net profit attributable to common shares and potential common shares | 1,171,754,448 | 1,290,439,696 | 1,791,849,154 |
| c) Weighted average number of outstanding common shares | 1,430,799,235 | 1,398,209,098 | 1,372,487,454 |
| d) Weighted average number of outstanding common and potential common shares | 1,430,799,235 | 1,398,209,098 | 1,377,270,489 |
| Basic EPS (a/c) | <u>P 0.34</u> | <u>P 0.92</u> | <u>P 1.16</u> |
| Diluted EPS (b/d) | <u>P 0.34</u> | <u>P 0.92</u> | <u>P 1.16</u> |

13. COMMITMENTS AND CONTINGENCIES

As of September 30, 2018 and December 31, 2017, the Group has commitments of more than P2,000 and P2,000.0 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 **550** and 530 opened retail service stations as of September 30, 2018 and December 31, 2017, respectively. An additional of 10 and 8 retail service stations are under various stages of completion as of September 30, 2018 and December 31, 2017, 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 September 30, 2018 and December 31, 2017, the Parent Company has unused LCs amounting to **P12,723** million and P8,652.3 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 Nine Months Ended September 30, 2018 vs. September 30, 2017.

Revenues, Cost of Sales and Gross Margins

The Group's Revenues during the first nine months of 2018 grew to ₱64.963 billion, almost double the ₱32.566 billion generated during the same period in 2017. This was due to the combined effect of the 51% growth in total volume sold in the same period (2018: 2,022 million liters vs. 2017: 1,346 million liters), the 39% increase in the price of benchmark (Brent) crude (2018: US\$72.129/ bbl vs. US\$51.838/ bbl) and the implementation of the new excise tax rates on the sale of domestic petroleum products. This was augmented by the ₱0.634 million sales contributed by Philippine Family Mart CVS, Inc. (PFM).

The 687 million liters incremental sales volume was mainly attributable to the 522 million liters sold by Pnx Singapore. In addition, volume sold by both the parent company and Phoenix LPG Philippines, Inc. rose by 11% and 23% or 165 million liters and 24 million liters, respectively, during the comparative period.

Similarly, Cost of Sales and Services increased by 110%, from ₱27.838 billion in 2017 to ₱58.545 billion in 2018, as a result of the volume growth, aggravated by the higher product costs reflecting the global oil price movements, as well as the imposition of excise taxes on petroleum products starting in January 1, 2018.

Consequently, Gross Margin rose by 36% or ₱1.700 billion. With the volume contribution of Pnx SG Gross Margin Rate, however, decreased to 10% from the 14% registered in 2017 mainly because of the slimmer margins generally realized by international oil trading companies.

Operating Expenses, Non-operating Expenses, Recurring Income

Meanwhile, Selling and Administrative Expenses of ₱4.161 billion, up by 36% versus the ₱3.050 billion incurred in 2017, primarily because of the cost outlay of the new businesses.

On the other hand, Other Net Non-operating Charges of ₱0.852 billion was 61% greater than the ₱0.529 billion incurred in 2017, mainly due to the rise in borrowing rates as well additional debt service for the acquisition of the new businesses.

Despite the increases in both operating and non-operating expenses, recurring income of ₱1.405 billion, rose by 23% from first nine months 2017 level of ₱1.139 billion.

Non-recurring Transactions and Net Income

Meanwhile, the company recorded non-recurring transactions, principally as a result of the acquisition of the companies, ₱0.002 billion negative adjustment in 2018 versus the ₱0.397 billion positive adjustment in 2017.

Considering these adjustments, as well as the the ₱0.046 million translation adjustment related to Pnx SG, total Comprehensive Income stood at ₱1.364 billion, 5% lower than the ₱1.437 billion reported in 2017.

Financial Condition

(As of September 30, 2018 versus December 31, 2017)

Total resources of the Group as of September 30, 2018 stood at ₱48.802 billion, a 9.7% growth compared to the ₱44.471 billion level as of December 31, 2017. This was mainly due to the increases in Property, Plant, and Equipment, and Goodwill, the latter of which was incurred in relation to the acquisition of Philippine Family Mart CVS, Inc.

As a result of the doubling of revenues, Cash and Cash Equivalents as well Trade and Other Receivables rose by 31.3% (from ₱1.832 billion in December 31, 2017 to ₱2.405 billion as of September 30, 2018), and 75.8% (from ₱7.509 billion as of December 31, 2017 to ₱13.203 billion as of September 30, 2018), respectively.

Inventories declined by 37.6% to ₱8.088 billion as of September 30, 2018, from ₱12.970 billion as of December 31, 2017. The build-up in December 2017 was brought about by the confluence of the following factors: to address the new businesses such as LPG with the purchase of PEPI, operation of Pnx SG and the volume requirements of the new accounts, higher price of imported petroleum products as a result of movement of prices in the international market, and the decrease in the demand for IFO by the power companies.

As of September 30, 2018, the Group's Property and Equipment, net of accumulated depreciation, increased to ₱16.304 billion versus the ₱13.401 billion as of December 31, 2017 (by 21.7%), representing the assets of the newly acquired subsidiaries as well as the continuing expansion program of the group.

Interest-bearing Loans and Borrowings, both current and non-current, was up by 4.1% from ₱28.171 billion as of December 31, 2017 to ₱29.336 billion as of September 30, 2018. The increment of ₱1.165 billion was from the availment of new loans during the quarter to finance various capital expenditures as well as working capital requirements of the new subsidiaries.

Trade and Other Payables increased by 60.6% from ₱3.833 billion as of December 31, 2017 to ₱6.159 billion as of September 30, 2018 due to the additional trade transactions of the new subsidiaries.

Total Stockholders' Equity increased to ₱12.657 billion as of September 30, 2018 from ₱11.952 billion as of December 31, 2017, (by 5.9%) resulting from the earnings generated during the period. This was partly offset by the declaration of cash dividends for both common and preferred shares. In addition, new stocks were issued in relation to the Company's Employee Stock Option Plan (ESOP).

Key Performance Indicators and Relevant Ratios

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

| | <u>September 30, 2018</u> | <u>December 31, 2017</u> |
|--|---------------------------|--------------------------|
| Current Ratio ¹ | 1.37:1 | 1.22:1 |
| Debt to Equity Ratio ² | 2.86:1 | 2.72:1 |
| Net Book Value per Share ³ | 8.96:1 | 8.33:1 |
| Debt to Equity Interest-Bearing ⁴ | 2.32:1 | 2.36:1 |
| Earnings per Share ⁵ | 0.34* | 1.16** |

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

* Three (3) quarters figure

** One (1) year figure

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 September 30, 2018 vs. December 31, 2017

31.3% increase in Cash and Cash Equivalents

Increased cash inflow due to the 100% increase in revenue compared to the previous period.

75.8% increase in Trade Receivables

A result of the 100 % increase in revenue this period compared to the previous period.

37.6% decrease in Inventory

This is the normal minimum inventory requirement given the current growth in revenue.

99.3% decrease in Due from related parties

Settlement of the remaining P500 million balance of CSC spin-off

45.6% decrease in Net Input VAT

In relation to the normalized inventory movement.

93.8% 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 entire year evenly.

21.7% increase in PPE

Due to new additional expansions, new acquisitions, retail and depot facilities.

5.5% increase in intangible assets

Additions from a newly acquired subsidiary – PFM related to the franchise fee paid to use Family Mart brand.

13.0% increase in Goodwill

Due to the acquisition of PFM, Think Able and Action Able.

93.3% increase in Other Non-current Assets

Due to the acquisition of PFM and additional rental deposits for the new leases intended for network expansions.

24.6% decrease in Current Interest-bearing loans

Due to the reduced trust receipts related to the normalized inventory requirement.

60.7% decrease in Trade and Other payables

Due to the increased trade transaction of the new subsidiaries.

52.0% decrease in Income Tax payable

Creditable Withholding Tax was offset against the income tax due.

46.5% increase in Non-current Interest-bearing loans

Due the availment of certain long-term loans within the year

29.7% increase in Non-current liabilities

Due the increase security deposits from customers of PPPI and PLPI.

766.7% increase in Accumulated Translation Adjustments

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

Material (5% or more) changes to the Group's Income Statement as of September 30, 2018 vs. September 30, 2017

100% increase in Sale of Goods

Due to the revenues coming from the new subsidiaries namely; PLPI, Duta Group, PFM and Pnx SG, coupled with, higher fuel prices (by 39%) and additional volume sold relative to last year (by 50%). The parent company recorded an 11% improvement on its volume sold this year.

30% increase in fuel service, shipping, storage income, rental income and other revenue

This is due to the revenues from the newly acquired subsidiary – PFM.

110% 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 first nine months of 2018 which is higher compared to the same period in 2017. The increase in excise taxes to petroleum products also contributed to the increment.

36% increase in selling and administrative expenses

This is primarily because of the operating requirements of the new subsidiaries. The expansion program of the group caused higher salaries and wages, depreciation, fuel expenses and other operating expenses. The launching of various advertisements and promotions like PULSE Technology are also factors causing the increment.

57% increase in Finance Costs

A substantial portion represents interest from the P6B loan used to acquire Petronas during the last quarter of 2017.

23% increase in Finance Income and Others

These pertain to the reversal of certain bad debts, which were collected in 2018, and expenses accrued in the prior years which would no longer be paid.

100% decrease in One-time gain in excess of fair value over net assets acquired

The 2017 one time-gain was related to the acquisition of Petronas Energy Philippines, Inc. from which a one-time gain of P651 million was recognized. No similar transaction was recorded in 2018 yet.

14% decrease in Income Tax Expense

Effect of new ITH approved for PPPI late last year.

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, 2018 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 15, 2018, with record date of April 2, 2018 and payment date of April 26, 2018.

The company also declared the following cash dividends to preferred stockholders:

- 8.25% to preferred stockholders (2nd tranche) with record date of February 22, 2018 and payment date of March 20, 2018.
- 7.427% dividend to preferred stockholders (3rd tranche PN3A) with record date February 21, 2018 and payment date of March 19, 2018.
- 8.1078% dividend for preferred stockholders (3rd tranche PN3B) with record date February 21, 2018 and payment date of March 19, 2018.
- 8.25% to preferred stockholders (2nd tranche) with record date of May 24, 2018 and payment date of June 20, 2018.
- 7.427% dividend to preferred stockholders (3rd tranche PN3A) with record date May 22, 2018 and payment date of June 18, 2018.
- 8.1078% dividend for preferred stockholders (3rd tranche PN3B) with record date August 22, 2018 and payment date of September 18, 2018.
- 8.25% to preferred stockholders (2nd tranche) with record date of August 24, 2018 and payment date of September 20, 2018.
- 7.427% dividend to preferred stockholders (3rd tranche PN3A) with record date August 22, 2018 and payment date of September 18, 2018.

3. As of September 30, 2018, 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.
4. 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.
5. 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.
6. 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 DE CLARO

Chief Finance Officer



JONAREST Z. SIBOG

Controller



December 10, 2018

Dear Shareholder:

The Board of Directors of Phoenix Petroleum Philippines, Inc. (the "Company") in a meeting held on 22 November 2018, resolved approve the issuance of Five Million (5,000,000) preferred shares with a par value of One Peso (Php 1.00) at One Thousand Pesos (Php 1,000.00) per share with the following general features:

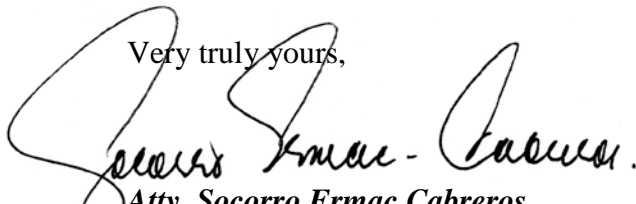
- Issue value to be determined by the Board of Directors at the time of issuance
- Non-convertible into common shares
- Dividend rate to be determined by the Board of Directors; cumulative in payment of dividends
- Redeemable at Company's option under such terms as the Board of Directors may provide at the time of issuance
- Preference over holders of common shares as to distribution of net assets in the event of dissolution or liquidation, and in the payment of dividends at the specified rate
- Non-participating in any other or further dividends
- Non-voting except in cases specified by law
- No preemptive rights to any issue of the Company's shares
- Re-issuable when fully redeemed

In accordance with Section 16 of the Corporation Code of the Philippines, we are now submitting the above-described issuance for the approval of our shareholders of record as of 07 December 2018 through written assent. 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 04 January 2018:

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,


Atty. Socorro Ermac Cabreros
Corporate Secretary

PHOENIX PETROLEUM PHILIPPINES, INC.

Head Office: Phoenix Bulk Depot, Lanang, Davao City 8000, Philippines
Davao Tel : 082-302-5998 Fax: 082- 235-8888

Manila Office: 25th Floor, Fort Legend Towers, 3rd Ave., corner 31st St., Bonifacio Global City, Taguig City, Philippines
Manila Telefax: 02-403-4013
www.phoenixphilippines.com



WRITTEN ASSENT FORM

Office of the Corporate Secretary
Phoenix Petroleum Philippines, Inc.
Stella Hizon Reyes Road, Bo. Pampanga
Lanang, Davao City, 800

In connection with the issuance of a total of Five Million (5,000,000) preferred shares with a par value One Peso (1.00 Php) at One Thousand Pesos (1,000.00) per share, along with the following attributes:

- Issue value to be determined by the Board of Directors at the time of issuance
- Non-convertible into common shares
- Dividend rate to be determined by the Board of Directors; cumulative in payment of dividends
- Redeemable at Company's option under such terms as the Board of Directors may provide at the time of issuance
- Preference over holders of common shares as to distribution of net assets in the event of dissolution or liquidation, and in the payment of dividends at the specified rate
- Non-participating in any other or further dividends
- Non-voting except in cases specified by law
- No preemptive rights to any issue of the Company's shares
- Re-issuable when fully redeemed

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: _____

PHOENIX PETROLEUM PHILIPPINES, INC.

Head Office: Phoenix Bulk Depot, Lanang, Davao City 8000, Philippines
Davao Tel : 082-302-5998 Fax: 082- 235-8888

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www.phoenixphilippines.com

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 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 07 December 2018 of the Company through written assent, thus:

1. Amendment of Article VII of the Company's Articles of Incorporation reclassifying of shares from common shares to preferred shares

☐ 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 **04 JANUARY 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.