P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
(a company incorporated under the laws of the Republic of the Philippines)

Primary Offer in the Philippines of
5,000,000 Preferred Shares
consisting of
Series 4 Preferred Shares (PNX4): 7.5673% p.a.
at an Offer Price of ₱1,000.00 per Preferred Share
with an Oversubscription Option of
up to 2,000,000 Preferred Shares
to be listed and traded on the
Main Board of The Philippine Stock Exchange, Inc.

SOLE ISSUE MANAGER AND SOLE BOOKRUNNER

JOINT LEAD UNDERWRITERS

SELLING AGENTS
Trading Participants of The Philippine Stock Exchange, Inc.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

This Prospectus is dated 18 October 2019.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
Stella Hizon Reyes Road
Bo. Pampanga, Davao City, Philippines
Telephone number: +6382-235-8888
Corporate website: https://www.phoenixfuels.ph

This Prospectus (the "**Prospectus**") relates to the offer and sale by **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** ("**PNX**", the "**Company**" or the "**Issuer**"), a corporation duly organized and existing under Philippine law, of the fourth series of the cumulative, non-voting, non-participating, non-convertible peso-denominated redeemable preferred shares with a par value of ₱1.00 per share (the "**Preferred Shares**"), comprised of up to 7,000,000 Preferred Shares. The offer and sale of the Preferred Shares will be by way of a primary offering of up to 7,000,000 Preferred Shares (the "**Offer Shares**" and, the primary offer of the Offer Shares, the "**Offer**") at an issue price of ₱1,000.00 per share (the "**Offer Price**"), subject to the registration requirements of the Securities and Exchange Commission (the "**SEC**") and listing requirements of The Philippine Stock Exchange, Inc. (the "**PSE**"). The Offer Shares shall be issued out of the authorized and unissued capital stock of the Company.

The Offer shall be comprised of a base offer of 5,000,000 Preferred Shares and an oversubscription option of up to 2,000,000 Preferred Shares. In the event of an oversubscription, China Bank Capital Corporation (the "**Sole Issue Manager, Joint Lead Underwriter and Sole Bookrunner**") and PNB Capital and Investment Corporation (together with China Bank Capital Corporation, the "**Joint Lead Underwriters**"), in consultation with the Company, has the right (but not the obligation) to increase the size of the Offer by up to 2,000,000 Preferred Shares (the "**Oversubscription Option**").

THE OFFER SHARES ARE BEING OFFERED FOR SALE SOLELY IN THE PHILIPPINES THROUGH THE JOINT LEAD UNDERWRITERS AND THE SELLING AGENTS NAMED HEREIN.

The Company filed an application with the SEC to register the Offer Shares (the "**Registration Statement**") under the provisions of Republic Act No. 8799 (the "**Securities Regulation Code**") and its implementing regulations (the "**SRC Rules**"). The SEC is expected to issue an order rendering the Registration Statement effective and a corresponding permit to offer securities for sale covering the Offer Shares.

An application to list the Offer Shares has been filed with the PSE and has been approved by the board of directors of the PSE on 9 October 2019. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. The PSE approval for listing is permissive only and does not constitute a recommendation or endorsement of the Preferred Shares by the PSE. The Offer Shares are expected to be listed on the Main Board of PSE on 7 November 2019 (the "**Issue Date**" or "**Listing Date**") under the trading symbol "PNX4".

The Company has an authorized capital stock of ₱2,550,000,000.00 divided into 2,500,000,000 common shares with a par value of ₱1.00 per share and 50,000,000 preferred shares with a par value of ₱1.00 per share. Out of the Company's authorized capital stock, 1,403,304,232 common shares and 21,500,000 preferred shares are issued and outstanding as of 30 June 2019. Following the Offer, the shareholding structure of the Company shall be as follows:

(a) if the Oversubscription Option is fully exercised, the Company will have 1,403,304,232 issued and outstanding common shares and 28,500,000 issued and outstanding preferred shares; and

(b) if the Oversubscription Option is not exercised, the Company will have 1,403,304,232 issued and outstanding common shares and 26,500,000 issued and outstanding preferred shares.

The holders of the Offer Shares do not have identical rights and privileges with holders of the existing common shares and existing preferred shares of the Company. Any and all preferred shares of the Company shall have preference over common shares in dividend distribution and in the event of liquidation or dissolution. For a further discussion on the rights and privileges of the Offer Shares, please refer to the section entitled "*Description of the Offer Shares*" starting on page 32 of this Prospectus.

The Company is allowed under Philippine laws to declare dividends, subject to certain requirements. The Board of the Company is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination thereof, as the Board shall determine.

The declaration and payment of cash dividends on the Offer Shares on each Dividend Payment Date (as defined below) will be subject to the sole and absolute discretion of the Company's Board of Directors (the "**Board**") to the extent permitted by applicable laws and regulations, and subject to the covenants (financial or otherwise) in the agreements to which the Company is a party. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders of the Company. Some of the Company's existing loan agreements contain covenants that restrict the declaration or payments of dividends under certain circumstances, such as the occurrence of an event of default under such loan agreements or if such payment would cause an event of default, if certain financial ratios are not met or would cause them not to be met.

The Company currently does not have a minimum dividend policy; the payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors. For a further discussion on the Company's dividend policy, please refer to the subsection entitled "Dividend Policy" starting on page 142 of this Prospectus.

As and if declared by the Board, dividends on the Offer Shares shall be fixed at a rate (the "**Dividend Rate**") of 7.5673% per annum (the "**Initial Dividend Rate**"), calculated in respect of each share by reference to the Offer Price for each three-month period following the Issue Date (a "**Dividend Period**"). Subject to the limitations described in this Prospectus, cash dividends on the Offer Shares will be payable quarterly in arrears on the last day of each Dividend Period, that is, February 7, May 7, August 7, and November 7 (each a "**Dividend Payment Date**") provided, that if the relevant Dividend Payment Date falls on a day that is not a Business Day, then the cash dividends shall be paid on the immediately succeeding Business Day without adjustment as to the amount of cash dividends to be paid.

Unless the Offer Shares are redeemed by the Company on the 3rd anniversary of the Issue Date, or on the immediately succeeding Business Day in case such date falls on a day that is not a Business Day, the applicable Dividend Rate shall be adjusted to the higher of:

(a) the Initial Dividend Rate; and

(b) the simple average of the yield designated as "Final BVAL YTM" (or its successor designation) for the 7-year Republic of the Philippines Peso-denominated domestic government bonds, as published in the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time) for three (3) Business Days immediately preceding (and including) the 3rd anniversary of the Issue Date *plus* 850 basis points (the "**Step-up Rate**"), provided that in the event that the Optional Redemption Date (as defined below) falls on a day that is not a Business Day, then:

  (i) the rate setting will be determined on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three consecutive Business Days preceding and inclusive of the said rate setting date; and

  (ii) the higher of the Initial Dividend Rate and the Step-up Rate will be applied commencing on the 3rd anniversary of the Issue Date (the "**Step-Up Date**").

If the Offer Shares are not redeemed within thirty Business Days after the occurrence of a Change of Control Event (as defined in the section "*Summary of the Offering*"), the applicable Dividend Rate will be increased by 2.50% per annum with effect from the next Dividend Payment Date In addition, upon the occurrence of an Indebtedness Default Event (as defined in the section "*Summary of the Offering*"), the applicable Dividend Rate will be increased by 2.50% per annum with effect from the next Dividend Payment Date.

Dividends on the Offer Shares will be cumulative. If, for any reason the Board of the Company does not declare dividends on the Offer Shares for a Dividend Period, the Company will not pay dividends on any class of the shares of stock of the Company on the Dividend Payment Date for the Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Offer Shares must receive the dividends due them on such Dividend Payment Date as well as all Arrears of Dividends (as defined in the section "*Summary of the Offering*"). Holders of the Offer Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Offer Shares. For a further discussion on the dividends payable on the Offer Shares, please refer to the section entitled "*Summary of the Offering*" starting on page 20 of this Prospectus.

The Company may redeem the Offer Shares in whole (and not in part) on the 3rd anniversary of the Issue Date or on any Dividend Payment Date thereafter (each an "**Optional Redemption Date**"), after giving each of the registrar and paying agent prior written notice of not less than 30 days nor more than 60 days from the intended date of redemption, which notice shall be irrevocable and binding upon the Company to effect such optional redemption. The Company shall redeem the Offer Shares at a redemption price equal to the Offer Price plus all dividends due them on such Optional Redemption Date as well as all Arrears of Dividends (the "**Redemption Price**"). In the event that the Optional Redemption Date falls on a day that is not a Business Day, then the redemption shall be made on the immediately succeeding day that is a Business Day without adjustment as to the Redemption Price to be paid.

In addition, the Company may redeem the Offer Shares in whole (and not in part) at any time prior to any Optional Redemption Date upon the occurrence of an Accounting Event (as defined in the section "*Summary of the Offering*"), a Tax Event (as defined in the section "*Summary of the Offering*") or a Change of Control Event (as defined in the section "*Summary of the Offering*"), provided that the Company shall have given each of the registrar and paying agent prior written notice of not less than 30 days nor more than 60 days from the intended date of redemption which must be a Business Day. A notice of redemption given hereunder shall be irrevocable and binding upon the Company to effect such redemption. Once the redemption option has been exercised, the Company shall redeem the Offer Shares and pay the Redemption Price no later than thirty (30) Business Days from the date of the intended date of redemption indicated in the notice.

Upon listing on the PSE, the Company may purchase the Offer Shares at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Offer Shares. The Offer Shares so purchased may either be redeemed and cancelled (pursuant to the terms and conditions of the Offer Shares) or kept as treasury shares, as applicable.

In the event of a return of capital in respect of the Company's winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Company of any of its share capital, the holders of the Offer Shares at the time outstanding will be entitled to receive, in Philippine Pesos, out of the assets of the Company available for distribution to shareholders, together with the holders of any other securities of the Company ranking, as regards repayment of capital, *paripassu* with the Offer Shares and before any distribution of assets is made to holders of any class of the Company's shares ranking after the Offer Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Offer Shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period up to (and including) the date of commencement of the Company's winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in respect of the winding up of the Company, the amount payable with respect to the Offer Shares and any other securities of the Company ranking as to any such distribution *pari passu* with the Offer Shares are not paid in full, the holders of the Offer Shares and of such other securities will share ratably in any such distribution of the assets of the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Offer Shares will have no right or claim to any of the remaining assets of the Company and will not be entitled to any other or further participation or return of capital in a winding up.

All payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Government of the Republic of the Philippines (the "**Government**") including, but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that the holders of Offer Shares will receive the full amount of the relevant payment which otherwise would have been due and payable, provided, however, that the Company shall not be liable for (a) any withholding tax applicable on dividends payable or earned by, or on any amounts other payable, to the holders of the Offer Shares; (b) any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on redemption (or receipt of the redemption price) of the Offer Shares or on the liquidating distributions as may be received by a holder of the Offer Shares; (c) any expanded value added tax which may be payable by any holder of the Offer Shares on any amount to be received from the Company under the terms and conditions of the Offer Shares; and (d) any applicable taxes on any subsequent sale or transfer of the Offer Shares by any holder of the Offer Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). Documentary stamp tax due on the issuance the Offer Shares and the documentation relating to the offer and issue of the Offer Shares, if any, shall be for the account of the Company.

The Offer Shares shall constitute direct and unsecured obligations of the Company, ranking at least *pari passu* in all respects and ratably without preference or priority among themselves, and subordinated to all other indebtedness of the Company (other than Parity Securities (as defined in the section "*Description of the Offer Shares*"). For a further discussion on the status of the Offer Shares, please refer to the sections entitled "*Summary of the Offering*" and "*Description of the Offer Shares*" starting on pages 20 and 32, respectively, of this Prospectus.

The Offer Shares will be issued in scripless form. Title to the Offer Shares shall pass by endorsement and delivery to the transferee and registration in the registry of shareholders to be maintained by BDO Unibank, Inc. – Trust & Investments Group (the "**BDO-Trust**"), the registrar of the Offer Shares (the "**Registrar**") and, BDO-Trust, the stock transfer agent of the Company (the "**Stock Transfer Agent**"). Settlement of the Offer Shares in respect of such transfer or change of title of the Offer Shares, including the settlement of documentary stamp tax, if any, arising from subsequent transfers, shall be similar to the transfer of title and settlement procedures for listed securities in the PSE. Please see the section entitled "*Summary of the Offering*" starting on page 20 of this Prospectus.

The gross proceeds from the Offer shall be ₱5,000,000,000 or, should the Joint Lead Underwriters, in consultation with the Company, exercise the Oversubscription Option in full, ₱7,000,000,000. The net proceeds from the Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is, estimated to amount to ₱4,918,169,112 or, should the Joint Lead Underwriters, in consultation with the Company, exercise the Oversubscription Option in full, ₱6,889,099,112, and will be used by the Company primarily for capital expenditures, and/or general corporate purposes.

The Joint Lead Underwriters shall receive an estimated fee of 1.25% of the gross proceeds from the Offer, inclusive of amounts to be paid to the selling agents.

The Company owns parcels of land as identified in the section entitled "*Description of Property*" starting on page 110 of this Prospectus. In this connection, the 1987 Philippine Constitution provides that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Pursuant to prevailing regulations, for as long as the percentage of Filipino ownership of the Company's capital stock is at least 60% of (a) total outstanding and voting shares and (b) the total number of outstanding shares, whether or not entitled to vote, the Company shall be considered a Filipino-owned corporation qualified to own land.

All information contained in this Prospectus are deemed qualified by, and should be read together with, all disclosures, reports and filings of the Company as filed with the SEC, the PSE and/or the Philippine Dealing & Exchange Corp. (collectively, the "Company Disclosures") pursuant to the Revised Corporation Code, the Securities Regulation Code, and the disclosure rules of the PSE. All Company Disclosures are incorporated or deemed incorporated by reference in this Prospectus. Copies of the Company Disclosures may be viewed at the website of the Company at www.phoenixfuels.ph. The Company Disclosures contain material and meaningful information relating to the Company and investors should review all information contained in the Prospectus and the Company Disclosures incorporated or deemed incorporated herein by reference.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. The Company, having made all reasonable enquiries, confirms that: (a) this Prospectus contains all information with respect to the Company and the Offer Shares, which is material in the context of the issue and offering of the Offer Shares; (b) the statements contained in it relating to the Company are in every material respect true and accurate and not misleading; (c) the opinions and intentions expressed in this Prospectus with regard to the Company are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (d) there are no other facts in relation to the Company or the Offer Shares, the omission of which would, in the context of the issue and offering of the Offer Shares, make any statement in this Prospectus misleading in any material respect; and (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Company accepts full responsibility for the accuracy of the information contained in this Prospectus and in the listing application and all documents submitted to the PSE. The Joint Lead Underwriters have exercised due diligence required by law in ascertaining that all material representations contained in this Prospectus are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading. No representation, warranty, or undertaking, express or implied, is made by the Joint Lead Underwriters (and any person who controls it, or any director, officer, employee, representative, agent, affiliate or adviser of any such person), and no responsibility or liability is accepted by the Joint Lead Underwriters (or any person who controls it, or any director, officer, employee, representative, agent, affiliate or adviser of any such person) as to the accuracy, adequacy, reasonableness, or completeness of the information and materials contained or incorporated herein (excluding any and all information pertaining to the Joint Lead Underwriters) or any other information provided by the Company in connection with the Offer Shares, their distribution, or their future performance. The Joint Lead Underwriters (and any person who controls it, or any director, officer, employee, representative, agent, affiliate or adviser of any such person) accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. No representation or warranty, expressed or implied, is made or given by or on behalf of Joint Lead Underwriters or any person who controls it, or any director, officer, employee, representative, agent, affiliate or adviser of any such person, as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions.

This Prospectus has been prepared by the Company solely for use in connection with the proposed offering of the Offer Shares described in this Prospectus. The distribution of this Prospectus and the offer and sale of the Offer Shares may, in certain jurisdictions, be restricted by law. The Company and the Joint Lead Underwriters require persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions. This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Company, the Joint Lead Underwriters, or any affiliate or representative of any of the Company or the Joint Lead Underwriters to subscribe for or purchase, any Offer Shares in any jurisdiction or in any circumstances in which such offer, invitation, or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation, or solicitation.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company, the Joint Lead Underwriters, the underwriters and selling agents, or any director, officer, employee, representative, agent, affiliate or adviser of any such person.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Company and its subsidiaries since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Company since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Offer is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Prospectus nor any other information supplied in connection with the issue of the Offer Shares (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Company, the Joint Lead Underwriters, or any person who controls them, or any director, officer, employee, representative, agent, affiliate or adviser of any such person, that any recipient of this Prospectus or any other information supplied in connection with the issue of the Offer Shares should purchase any Offer Shares. Each investor contemplating purchasing any Offer Shares should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Company. Furthermore, no comment is made or advice is given by the Company, the Joint Lead Underwriters, or any person who controls them, or any director, officer, employee, representative, agent, affiliate or adviser of any such person, in respect of taxation matters relating to the Offer Shares or the legality of the purchase of the Offer Shares by an investor under applicable or similar laws. The Joint Lead Underwriters do not undertake to review the financial condition or affairs of the Company during the life of the arrangements contemplated by this Prospectus nor advise any investor or potential investor in the Offer Shares of any information coming to the attention of the Joint Lead Underwriters.

Each potential investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In making an investment decision, a prospective purchaser must rely on their own investigation, examination and analysis of the Company and the terms of the Offer Shares, including, without limitation, the merits and risks involved, an assessment of the Company's creditworthiness, such prospective purchaser's own determination of the suitability of any such investment with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. Each person should be aware that it may be required to bear the financial risks of any participation in the Offer Shares for an indefinite period of time. Each prospective investor is advised to consult its own tax adviser, legal adviser and business adviser as to tax, legal, business and related matters concerning the purchase of the Offer Shares. Investing in the Offer Shares involves certain risks. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Offer Shares. Investing in the Offer Shares involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Offer Shares, please refer to the section entitled "*Risk Factors*" starting on page 41 of this Prospectus.

THE SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

Each person receiving this Prospectus acknowledges that such person has not relied on the Joint Lead Underwriters or any person who controls it, or any director, officer, employee, agent, affiliate or adviser of any such person, in connection with its investigation of the accuracy of such information or its investment decision.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

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

By:

DENNIS A. UY
President

SUBSCRIBED AND SWORN to before me on OCT 18 2019 in MAKATI CITY, affiant exhibiting to me his Passport with No. P5257129A issued on 6 Dec 2017 as competent evidence of identity.

Doc. No. 337;
Page No. 76;
Book No. II;
Series of 2019.

JAN CATHERINE I. ALEGRE
NOTARY PUBLIC
ROLL NO. 70252
MAKATI CITY, PHILIPPINES

JAN CATHERINE I. ALEGRE
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M- 256
Commission Expires on December 31, 2020
Roll No. 70252
IBP LRN. 061630/05-15-2017/Makati City
PTR No. 7341617/01-07-2019/Makati City
MCLE Compliance No. VI-0011835/08-29-2018
10F 8 Rockwell, Hidalgo corner Plaza Drive
Rockwell Center, Makati City

INDUSTRY AND MARKET DATA

Certain statistical data and other information appearing in this Prospectus, including the section "*Industry Overview*", have been extracted from public sources identified in this Prospectus. In addition, certain information in this Prospectus relating to the Philippines and the industry in which the Company's business operates, including statistics relating to market size and market share, is derived from various internal surveys, market research, government data, private publications and/or the Company's internal assumptions and estimates. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable. However, there is no assurance that such information is accurate, complete, up-to-date or consistent with information compiled within or outside the Philippines. None of the Company, the Joint Lead Underwriters or any person who controls any of them, or any director, officer, employee, representative, agent, affiliate or adviser of any such person accepts responsibility for the factual correctness of any such statistics or information but the Company accepts responsibility for accurately extracting and transcribing such statistics and information and believes, after due inquiry, that such statistics and information represent the most current publicly available statistics and information from such sources at the dates and for the periods with respect to which they have been presented. The Company confirms that all such third party information has been accurately reproduced and, so far as the Company is aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

CERTAIN DEFINED TERMS AND CURRENCY PRESENTATION

In this Prospectus, unless the context otherwise requires, references to the “Company”, the “Issuer” and “Phoenix” refer to P-H-O-E-N-I-X Petroleum Philippines, Inc. and its subsidiaries, as the context requires. All references in this Prospectus to the “Philippines” are to the Republic of the Philippines.

The Company publishes its financial statements in Philippine Peso. In this Prospectus, references to “P”, “₱”, “Philippine Peso”, “Peso” and “Php” are to the lawful currency of the Philippines and references to “United States dollars”, “U.S. dollar” or “U.S.$” are to the lawful currency of the United States.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

The Company's financial year ends on 31 December and references in this document to a "financial year" are to the twelve-month period ended on 31 December of the year referred to.

The financial statements of the Company are reported in Philippine Pesos and are prepared based on our accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standards Council of the Philippines. Unless otherwise indicated, the description of the Company's business activities in this Prospectus is presented on a consolidated basis.

Unless otherwise stated, all financial information relating to us contained herein is derived from financial statements stated in accordance with PFRS or interim financial statements stated in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

The Company's fiscal year begins on January 1 and ends on December 31 of each year. Punongbayan & Araullo (member firm of Grant Thornton), independent auditors, has audited the audited consolidated financial statements of the Company for the financial year ended 31 December 2018.

This Prospectus includes certain non-GAAP financial measures, including Earnings Before Interest, Taxes, Depreciation and Amortization ("**EBITDA**"), which is supplemental measures of the Company's performance and liquidity that are not required by, or presented in accordance with, PFRS and should not be considered as an alternative to net income, operating revenue or any other performance measures derived in accordance with PFRS or as an alternative to cash flow from operating activities or as a measure of liquidity. EBITDA and the other operating measures are not standardized, hence a direct comparison between companies using such a term may not be possible. EBITDA and EBITDA-related ratios should not therefore be considered in isolation from, or as a substitute for, the analysis of the financial condition or results of operations of the Company, as reported under PFRS. Further, EBITDA may not reflect all of the financial and operating results and requirements of the Company. In particular, EBITDA does not reflect the Company's needs for capital expenditures, debt servicing or additional capital that may be required to replace assets that are fully depreciated or amortized. The Company has presented these supplemental financial measures because the Company believes these measures are frequently used by securities analysts and investors in evaluating similar issuers, and this data is not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019, and should not be used as the basis for, or prediction of, an annualized calculation. Investors are cautioned not to place undue reliance on these supplemental financial measures.

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FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical facts constitute "forward- looking statements." Some of these statements can be identified by forward-looking terms, such as "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "plan", "will" and "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Company's business strategy, its revenue and profitability (including, without limitation, any financial or operating projections or forecasts), planned projects and other matters discussed in this Prospectus regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Prospectus involve known and unknown risks, uncertainties and other factors that may cause the Company's actual financial results, performance or achievements to be materially different from any future financial results, performance or achievements expressed or implied by such forward-looking statements or other projections.

The factors that could cause the Company's actual results to be materially different include, among others:

- changes in the prices of petroleum products and raw materials used by the Company;
- general political and economic conditions in the Philippines;
- terms on which the Company finances its working capital and capital expenditure requirements;
- the ability of the Company to successfully implement its strategies;
- industry risk (including accidents, natural disasters or other adverse incidents) in the areas in which the Company, its subsidiaries and affiliates operate;
- terms on which the Company finances its working capital and capital expenditure requirements;
- the ability of the Company to successfully implement its strategies;
- changes in governmental regulations, including those pertaining to regulation of the oil industry, zoning, tax, subsidies, operational health, safety and environmental standards or licensing requirements in the Philippines; and
- competition in the oil industry in the Philippines.

Additional factors that could cause the Company's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under *"Risk Factors"* starting on page 41 of the Prospectus.

Should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected as well as from historical results. Specifically, but without limitation, revenues could decline, costs could increase, capital costs could increase, capital investments could be delayed and anticipated improvements in performance might not be realized fully or at all. Although the Company believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, prospective investors are cautioned not to place undue reliance on the forward-looking statements herein. In any event, these statements speak only as of the date hereof or the respective dates indicated herein, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

DEFINITION OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

AAI…………………..…………	Action.Able, Inc.
Applicant	A person, whether natural or juridical, who seeks to subscribe for the Offer of the Preferred Shares.
ASEAN………………………...	Association of Southeast Asian Nations
ATIGA………………………….	ASEAN Trade in Goods Agreement
Auto LPG Rules……………….	DOE Circular No. DC 2007-02-0002 entitled “Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas (LPG) for Automotive Use”
BARMM………………………..	Bangsamoro Autonomous Region in Muslim Mindanao
BBL…………………………….	Bangsamoro Basic Law
BFP…………………………….	the Bureau of Fire Protection of the Philippines
BIFF……………………………	Bangsamoro Islamic Freedom Fighters
Biofuels Act……………………	Republic Act No. 9367, otherwise known as the “Biofuels Act of 2006”
BIR……………………………..	the Bureau of Internal Revenue of the Philippines
BFP…………………………….	Bureau of Fire Protection of the Philippines
Board or Board of Directors…	the Board of Directors of Phoenix
BOC……………………………	Bureau of Customs
BOI……………………………..	Board of Investments of the Philippines
BOL…………………………….	Bangsamoro Organic Law
BPS…………………………….	Bureau of Product and Standards of the DTI
BSP…………………………….	Bangko Sentral ng Pilipinas (the central bank of the Philippines)
Business Day…………………	shall be used interchangeably to refer to a day, other than Saturday, Sunday and public holidays, on which facilities of the Philippine banking system are open and available for clearing and banks are generally open for the transaction of business in the city of Makati
BVAL…………………………..	Bloomberg Valuation Service, the electronic financial information service provider, and when used in connection with the designated page of the BVAL Rate, the display page so designated on BVAL (or such other page as may replace that page on that service), or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices to that BVAL Rate.

BVAL Rate…………………….	shall mean the PHP Bloomberg Valuation Service (BVAL) reference rates as published on the Philippine Dealing & Exchange Corporation website.
CA……………………………..	the Court of Appeals of the Philippines
CAR……………………………	Certificate Authorizing Registration
Caltex………………………….	Chevron Philippines, Inc.
Cebgo………………………….	Cebgo, Inc., formerly Tigerair Philippines Inc.
Cebu Pacific…………………..	Cebu Air, Inc., operating as Cebu Pacific
CEO……………………………	Chief Executive Officer
Chevron……………………….	Chevron Philippines, Inc.
CLC…………………………….	Chelsea Logistics Corporation
Clean Air Act…………………..	Republic Act No. 8749, otherwise known as the “Philippine Clean Air Act of 1999”
Civil Code.…………………….	Republic Act No. 386, otherwise known as the “Civil Code of the Philippines”
CMTA………………………….	Republic Act No. 10863, otherwise known as the “Customs Modernization and Tariff Act”
CNC……………………………	Certificate of Non-Coverage issued by the DOE, pursuant to the Revised Retail Rules
CNI……………………………..	Cong Ty Tnhh Cong Nghiep
CNOOC Gas and Power…….	CNOOC Gas and Power Group Co. Ltd.
COCOs………………………..	Company-owned, company-operated retail service stations
CODOs………………………..	Company-owned, dealer-operated retail service stations
Commission or SEC………….	the Securities and Exchange Commission of the Philippines
Company, Issuer or Phoenix………………………..	P-H-O-E-N-I-X Petroleum Philippines, Inc.
Consumer Act…………………	Republic Act No. 7394, otherwise known as the “Consumer Act of the Philippines”
CSC……………………………	Chelsea Shipping Corporation
CTRP………..…………………	Comprehensive Tax Reform Program
CVS……………………………	means convenience stores
DENR…….……………………	the Department of Environment and Natural Resources of the Philippines
Directors………………………	the members of the Board of Directors of the Company

DODOs……………………….	Dealer-owned, dealer-operated retail service stations
DOE……………………………	the Department of Energy of the Philippines
DOJ……………..…………..	the Department of Justice of the Philippines
DTI……………………………..	the Department of Trade and Industry of the Philippines
ECC……………………………	means the environmental compliance certificate issued by the DENR
EIS……………………………..	Environmental Impact Statement
EMB……………………………	Environmental Management Bureau
Duta……………………………	Duta, Inc.
ESGI…..……………………….	ES Consulting Group, Inc.
ESOP…….……………………	refers to the employee stock option plan of the Company
Exchange or the PSE………...	The Philippine Stock Exchange, Inc.
FIA……………………………..	Republic Act No. 7042, as amended, otherwise known as the “Foreign Investments Act of 1991”
Fire Code……………………...	Fire Code of the Philippines
Government …………………..	Government of the Philippines
IEE..……………………………	Initial Environmental Examination
IPOPHIL……………………….	the Intellectual Property Office of the Philippines
Jollibee………………………...	Jollibee Foods Corporation
Joint Lead Underwriters…......	China Bank Capital Corporation and PNB Capital and Investment Corporation
Liwanag……………………….	Liwanag Philippine Property Management Inc.
LGC……………………………	Republic Act No. 7160, as amended, otherwise known as the “Local Government Code of 1991”
LGU……………………………	Local Government Unit
LMA……………………………	Local Monthly Allowance
LNG……………………………	Liquefied natural gas
LPG…………………………….	liquefied petroleum gas
LPG Industry Rules…………..	Department Circular 2014-01-0001, or the “Rules and Regulations Governing the Liquefied Petroleum Gas Industry”
LTO…………………………….	Land Transportation Office
MARINA……………………….	Maritime Industry Authority

MB……………………………..	thousand barrels
MILF……………………………	Moro Islamic Liberation Front
MNLF…………………………..	Moro National Liberation Front
MOPS………………………….	Mean of Platts Singapore, which is the daily average of all trading transactions between a buyer and a seller of petroleum products as assessed and summarized Standard and Poor's Platts, a Singapore-based market wire service
NWRB…………………………	National Water Resources Board
OIMB…………………………..	the Oil Industry Management Bureau of the DOE
Oil Deregulation Law…………	Republic Act No. 8479, otherwise known as the "Downstream Oil Industry Deregulation Act of 1998", and its implementing rules and regulations
Omnibus Investments Code…	Executive Order No. 226, as amended, otherwise known as "Omnibus Investments Code"
Origin Energy…………………	Origin Energy Holdings Pty. Ltd
Origin Vietnam………………..	Origin LPG (Vietnam) Limited Liability Company (now, Phoenix Gas Vietnam, LLC)
PAPI……………………………	Phoenix Asphalt Philippines, Inc.
PAS…………………………….	Philippine Accounting Standards
PCC……………………………	Philippine Competition Commission of the Philippines
PCSPC………………………...	Philippine Coastal Storage and Pipeline Corporation
PEIH…………………………...	PNX Energy International Holdings Pte Ltd
PEPI……………………………	Petronas Energy Philippines, Inc., now Phoenix LPG Philippines, Inc.
Person…………………………	means an individual, firm, partnership, limited liability company, joint venture, association, trust, corporation, government, committee, department, authority, or any body, incorporated or unincorporated, whether having a distinct legal personality or not
Petron………………………….	Petron Corporation
PFM or Philippines FamilyMart…………………..…	Philippine Family Mart CVS, Inc.
PFRS…………………………..	Philippine Financial Reporting Standards
PGMI…………………………..	Phoenix Global Mercantile, Inc.
Philippine Constitution……….	1987 Constitution of the Philippines
Philippines…………………….	Republic of the Philippines

₱ or Philippine Peso or PHP or Peso……………………..…….	Philippine Pesos, the legal currency of the Republic of the Philippines
PLPI……………………………	Phoenix LPG Philippines, Inc., formerly Petronas Energy Philippines, Inc.
PNX SG………………………..	PNX Petroleum Singapore Pte. Ltd.
POS……………………………	Point of sale
PPHI…………………………...	Phoenix Petroleum Holdings, Inc.
PPM……………………………	parts per million
PPMI………….………………..	PFL Petroleum Management, Inc.
PTC…………………………….	Phoenix Tsuper Club
PTPPI………………………….	PT Phoenix Petroleum Indonesia
PVPL…………………………..	Phoenix Vietnam Pte. Ltd.
Revised Retail Rules…………	Department Circular No. 2017-11-0011 or the “Revised Rules and Regulations Governing the Business of Retailing Liquid Fuels”
Seaoil………………………….	Seaoil Philippines, Inc.
SBMA………………………….	Subic Bay Metropolitan Authority
SCC……………………………	Standard Compliance Certificate issued by the OIMB
Selling Agents……………..….	Trading Participants of the PSE
Shell……………………………	Pilipinas Shell Petroleum Corporation
Sole Issue Manager, Joint Lead Underwriter and Sole Bookrunner……………………	China Bank Capital Corporation
SPTT…………………………..	Subic Petroleum Trading and Transport Phils., Inc.
SRC……………………………	Republic Act No. 8799, otherwise known as “The Securities Regulation Code”
SRC……………………………	Republic Act No. 8799, otherwise known as “The Securities Regulation Code”
Subsidiaries…………………..	means, with respect to the Company, any corporation, association or business entity, more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly, through one or more intermediaries of the Company
Supreme Court………………..	Supreme Court of the Philippines
TA………………………………	Think Able Ltd.
Tanglawan…………………….	Tanglawan Philippine LNG, Inc.

Tax Code………………………	means the National Internal Revenue Code, as amended, and its implementing rules and regulations
TIPCO Asphalt………………..	Tipco Asphalt Public Company Limited
Total……………………………	Total (Philippines) Corporation
TRAIN Law……………………	Republic Act No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion Act”
TDIL……………………………	Top Direct Investments Limited
UC……………………………..	Udenna Corporation
Udenna Group………………..	Udenna Corporation, its subsidiaries and affiliates
UNCLOS………………………	United Nations Convention on the Law of the Sea
Unioil………..…………………	Unioil Petroleum Phils. Inc.
United States………………….	United States of America
U.S. Dollars, USD or US$.......	United States Dollars, the legal currency of the United States of America
voting stock…………………..	means, with respect to any person, share capital of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the consolidated financial statements of the Company that appear elsewhere in this Prospectus. The meaning of terms not defined in this summary can be found elsewhere in this Prospectus.

Prospective investors should read this entire Prospectus fully and carefully, including investment considerations and the Company's audited financial statements and the related notes. In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail.

Overview

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products, operation of oil depots and storage facilities and allied services. Its operations started in Southern Mindanao and soon expanded in the islands of Luzon and Visayas. Its products and services are distributed and marketed under *the PHOENIX Fuels Life*™ trademark. With a market share of 7.09%[1] of the Philippine oil market as of 30 June 2019, the Company is the largest independent oil company in the Philippines that is engaged in all aspects of the local downstream oil industry.

The Company's operations are divided between trading, and terminalling and hauling services. Under trading, the Company offers its refined petroleum products and lubricants to retailers and industrial customers. The Company sells its products through its network of retail service stations and has a total of 630retail service stations as of 30 June 2019. The retail service stations are classified as company-owned-dealer-operated service stations ("**CODO**"), which account for 49.0% of the stations, dealer-owned-dealer-operated service stations ("**DODO**"), which account for 50.3% of the stations, and company-owned-company-operated service stations ("**COCO**"), which account for the remaining 0.6%. For CODOs, the Company buys or leases the land and owns the retail service station structures and equipment, but are operated by a third-party dealer. For DODOs, a third-party dealer buys or leases the land, builds the retail service station structure according to Company specifications, leases the retail service station equipment from the Company, and operates the DODOs. For COCOs, the Company buys or leases the land, owns the retail service station structures and equipment, and operates the stations. Its main areas of retail operations are in Luzon and Mindanao which account for 48.3 % and 37.8%, respectively, of the retail service stations established as of 30 June 2019, while its Visayas operations account for the remaining 13.2% of the network.

The Company's terminalling and hauling services involve leasing of storage space in its terminal depot, hauling and into-plane services (hauling of Jet A1 fuel to airports and refuelling of aircraft) in 18 airports, including Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City, Zamboanga City, Dumaguit, Bacolod, Kalibo, Iloilo, Caticlan, Tacloban, Cebu Mactan, Roxas City, San Jose, Mindoro and Ninoy Aquino International Airport. Since 2005, the Company has been providing all of Cebu Pacific's terminal, hauling and into-plane requirements for its Mindanao operations. The Company currently provides services to Cebu Pacific in a total of 18 domestic airports consisting of two in Luzon, eight in Visayas, and eight in Mindanao.

The Company presently has a nationwide network of depots and retail service stations. Its industrial customers include air, land and sea transport companies and other industrial users.

Since its commercial operations in 2005, the Company has expanded rapidly and developed into the fourth largest oil company in the Philippines as of 30 December 2018.[2] The Company has achieved these on the back of strong compounded annual sales volume growth of approximately 40.0% since its public listing in 2007. As of 30 June 2019, the Company had a market capitalization of ₱16,980 million, based on the Company's common share closing price of ₱12.10on 28 June 2019, the last trading day of the said month.

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[1] Based on the total market demand of petroleum products based on industry data from the DOE. See the section entitled "*Industry Overview*" of this Prospectus for a more detailed discussion.
[2] Based on the industry data from the DOE. See the section entitled "*Industry Overview*" of this Prospectus for a more detailed discussion.

As at 31 December 2016, 2017 and 2018, the Company's total assets were ₱26,538 million, ₱44,166 million and ₱64,660 million (U.S.$1,226 million), respectively. For the years ended 31 December 2016, 2017 and 2018, the Company's total revenues were ₱30,451 million, ₱44,543 million and ₱88,611 million (U.S.$ 1,681 million), respectively, and net profit was ₱1,092 million, ₱1,521 million and ₱2,767 million (U.S.$52 million), respectively.

Strengths

The Company believes that its principal competitive strengths which contribute to its success include the following:

- Largest independent oil player;
- Rapid and sustainable network expansion;
- Strategic import terminal, depot and retail service station locations;
- Integrated supply chain and logistics infrastructure;
- Diverse and comprehensive service experience driving retail volumes;
- Experienced management team and employees;
- Strong brand recall.

Strategy Pillars

The Company's principal strategies are set out below:

- Strengthen the brand;
- Grow position in markets with strong structural, macro drivers;
- Improve operational efficiency and drive synergies across the Group;
- Invest in future growth and innovation through partnerships and acquisition of new businesses that have growth potential and synergies with its portfolio;
- Enhance the quality of its cash flow generation

Risks Relating to the Offer

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Preferred Shares. These risks include the following, which are discussed in more detail under the section *"Risk Factors"* starting on page 41.

Risks Relating to the Company's Business and Operations

- Volatility of the price of petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition
- The Company's business, results of operations and financial condition may be affected by intense competition in the downstream oil industry.
- Failure to respond quickly and effectively in identifying and importing the relevant alternative fuels in line with market demands or governmental regulations may adversely affect the Company's business and prospects.
- The Company's exposure to costs and liabilities arising from compliance with safety, health, environmental and zoning laws and regulations may adversely affect its business, results of operations and financial condition.
- Any significant disruption in operations or casualty loss at the Company's storage and distribution facilities could affect its business and results of operations and result in potential liabilities.
- The Company requires significant capital expenditures and financing for its business, which are subject to a number of risks and uncertainties. If the Company is unable to obtain additional capital on acceptable terms when needed, its growth prospects and future profitability may be adversely affected.
- Regulatory decisions and changes in the legal and regulatory environment (including the Comprehensive Tax Reform Program) could increase the Company's operating costs and

affect its business, results of operations and financial condition.

- The Company currently benefits from income tax holidays on the operation of certain depots. If the Company did not have the benefit of income tax holidays, its profitability would be affected, as it would have to pay income tax at the prevailing rates.
- The Company's controlling shareholder may have interests that may not be the same as those of other shareholders.
- The Company's business, financial condition and results of operations may be adversely affected by the fluctuations in the value of the Philippine Peso against the U.S. dollar.
- The growth of the Company is dependent on the successful execution of its expansion plans.
- The Company depends on experienced, skilled and qualified key personnel and senior management, and its business and growth prospects may be disrupted if it is unable to retain their services.
- The Company may fail to integrate acquired businesses properly, which could adversely affect its results of operations and financial condition.
- If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the cost of damages and claims proves to be more severe than its insurance coverage, the Company's financial condition and results of operations may be materially affected.
- Existing or future claims against the Company and its Subsidiaries, or joint ventures, or directors or key management may have an unfavorable impact on the Company and its business.
- The Company from time to time considers business combination alternatives.
- Changes in applicable accounting standards may impact the Company's businesses, financial condition and results of operations.
- The products that the Company handles are hazardous and could result in spills and/or environmental damage.
- The Company is subject to joint venture and partnership risks.
- The Company's franchisees may not be willing or able to renew their franchise agreements with the Company.
- The Company may not be able to obtain suitable locations for its oil depots and the quality of the locations of the Company's current oil depots may decline.
- The Company's expansion plans will place additional pressure and demands on the Company's management and key-in house operating divisions.
- The Company depends on third-party operators for a significant number of its projects and operations.
- The Company relies primarily on a small number of suppliers for a significant portion of its petroleum products.
- Failure to respond quickly and effectively to product substitution or government-mandated product formulations may adversely affect the Company's business and prospects.

Risks Relating to the Philippines

- The Company's business and sales may be negatively affected by slow growth rates and economic instability globally and in the Philippines.
- Political instability, acts of terrorism or military conflict or changes in laws or government policies in the Philippines could have a destabilizing effect and may have a negative effect on the Company.
- The occurrence of natural or man-made catastrophes or electricity blackouts may materially disrupt the Company's operations.
- The oil smuggling situation in the Philippines.
- Investors may face difficulties enforcing judgments against the Company.
- If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase petroleum, petroleum products, raw materials, equipment and other imported products could be affected.
- Corporate governance and disclosure standards in the Philippines may be different from those in other countries.
- The Company may not be able to purchase U.S. dollars from the Philippine banking system to settle its obligations under the Offer Shares.

- Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.
- There are risks associated with emerging and developing markets generally.

Risks Relating to the Preferred Shares

- The Offer Shares may not be a suitable investment for all investors.
- The Offer Shares are perpetual securities and investors have no right to require redemption.
- The Offer Shares are subordinated obligations.
- There may be insufficient distributions upon liquidation.
- Holders may not receive dividend payments if the Company elects to defer dividend payments.
- The ability of the Company to make payments under the Offer Shares is limited by the terms of the Company's other indebtedness.
- The market price of the Offer Shares may be volatile, which may result in the decline in the value of investments of the investors.
- There may be a lack of public market for the Offer Shares.
- An active or liquid trading market for the Offer Shares may not develop.
- Holders of the Offer Shares may not be able to reinvest at a similar return on investment.
- The Preferred Shares have no voting rights.

Corporate Information

The Company was incorporated in the Philippines on 8 May 2002 under its original name "Oilink Mindanao Distribution, Inc." The Company's principal office is located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines. The Company's telephone number at this address is +6382 235 8888. Information on the Company can be obtained on its website: www.phoenixfuels.ph.

SUMMARY FINANCIAL INFORMATION

The following table sets forth financial and operating information of the Company. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Company, including the notes thereto, contained in this Prospectus and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information included herein. The summary financial data as of June 30, 2019 and 2018 and March 31, 2019 and 2018 and December 31, 2018, 2017 and 2016 were derived from the Company's unaudited and audited consolidated financial statements, including the notes thereto, which are included in this Prospectus and from the Company's 2018 annual report.

The consolidated financial statements as of December 31, 2018, 2017 and 2016 were audited by Punongbayan & Araullo. The consolidated financial information of the Company as of and for the six months ended June 30, 2019 and 2018 and the three months ended March 31, 2019 and 2018 have not been audited by the Company's independent auditor. As a result, the consolidated financial statements of the Company as of and for the six months ended June 30, 2019 and 2018 and the three months ended March 31, 2019 and 2018 should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Company's financial condition and results of operations. The Company's financial information included in this Prospectus were prepared in accordance with the Philippine Financial Reporting Standards ("PFRS").The summary financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date. The Joint Lead Underwriters and any of their affiliates, directors, officers and advisers disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any financial information of the Company.

BALANCE SHEET DATA

Balance Sheet Data (in ₱ thousand)	**As at June 30**	**As at March 31**	**As at December 31**		
	2019 Unaudited	**2019 Unaudited**	**2018 Audited**	**2017 Audited**	**2016 Audited**
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5,334,544	5,182,048	7,889,709	1,831,558	2,338,781
Trade and other receivables – net	15,218,332	14,591,618	15,030,715	7,705,308	8,789,006
Inventories – net	7,971,410	11,152,646	11,135,494	12,416,237	2,998,780
Due from related parties	393,720	937,904	937,904	518,005	1,506,998
Restricted deposits	53,910	53,422	52,719	51,282	50,925
Input value-added tax – net	1,558,835	1,282,592	1,517,537	1,773,091	731,736
Prepayments and other current assets	1,145,434	1,607,633	695,699	610,271	595,964
Total Current Assets	**31,676,185**	**34,807,862**	**37,259,777**	**24,905,752**	**17,012,189**
NON-CURRENT ASSETS					
Property, plant and equipment — net	22,632,145	21,797,612	18,715,995	13,399,980	9,002,313
Investment properties	1,738,671	1,738,846	1,739,021	1,114,780	-
Intangible assets — net	314,766	298,881	328,054	295,458	275,037
Investment in Joint Venture	468,725	461,722	455,436	-	-
Goodwill — net	5,070,794	5,070,794	4,418,843	3,990,667	10,222
Deferred tax assets — net	186,937	151,160	147,485	235,996	46,192
Other Non-current assets	1,970,316	1,527,603	1,595,668	223,467	192,084
Total Non-current Assets	**32,382,354**	**31,046,618**	**27,400,501**	**19,260,348**	**9,525,848**
TOTAL ASSETS	**64,058,539**	**65,854,480**	**64,660,279**	**44,166,100**	**26,538,038**

LIABILITIES AND EQUITY					
LIABILITIES					
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	27,685,347	26,410,495	26,309,487	16,796,874	11,262,859
Trade and other payables	5,441,880	7,570,620	7,434,839	3,584,624	3,232,653
Income tax payable	120,292	12	99,381	3,671	100,283
Total Current Liabilities	**33,247,519**	**33,981,127**	**33,843,707**	**20,385,169**	**14,595,795**
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	12,372,247	13,327,193	13,590,520	11,374,560	1,921,565
Deferred tax liabilities — net	613,339	615,104	631,776	225,027	-
Other non-current liabilities – net	1,829,380	1,480,747	620,602	497,806	258,584
Total Non-current Liabilities	**14,814,967**	**15,423,044**	**14,842,899**	**12,097,393**	**2,180,149**
TOTAL LIABILITIES	**48,062,486**	**49,404,171**	**48,686,606**	**32,482,562**	**16,775,944**
EQUITY					
Capital stock	1,107,004	1,112,004	1,112,004	1,456,538	1,123,097
Additional paid-in capital	6,738,692	7,233,692	7,233,692	5,709,303	5,320,816
Revaluation reserves	827,510	827,510	827,510	(2,306)	(12,148)
Other reserves	(730,362)	(730,362)	(730,362)	(730,362)	(730,362)
Accumulated translation adjustment	6,942	(3,896)	24,928	(3,791)	-
Retained earnings	8,078,680	8,039,690	7,542,844	5,254,155	4,060,690
Minority Interest	(32,413)	(28,331)	(36,945)	-	-
Total Equity	**15,996,053**	**16,450,309**	**15,973,673**	**11,683,538**	**9,762,094**
TOTAL LIABILITIES AND EQUITY	**64,058,539**	**65,854,480**	**64,660,279**	**44,166,100**	**26,538,038**

INCOME STATEMENT DATA

(in ₱ thousands, except Earnings per share (EPS))	**For the six months ended June 30**		**For the three months ended March 31**		**For the years ended December 31**		
	2019 Unaudited	**2019 Unaudited**	**2019 Unaudited**	**2018 Unaudited**	**2018 Audited**	**2017 Audited**	**2016 Audited**
Revenues	51,199,780	40,248,152	24,092,632	18,082,679	88,610,768	**44,542,982**	**30,450,958**
Cost and Expenses	49,133,341	38,547,613	23,071,473	17,277,042	84,580,715	**42,552,132**	**28,451,015**
Other Charges	1,079,793	609,471	555,087	326,638	656,323	**61,359**	**737,665**
Profit Before Tax	986,646	1,091,068	466,072	**489,855**	**3,373,730**	**1,929,490**	1,262,278
Tax Expense	89,820	121,271	51,401	51,165	606,588	**408,067**	169,803
Net Profit	896,826	969,798	414,671	**438,690**	**2,767,142**	**1,521,423**	1,092,475
Other Comprehensive Income	32,272	39,214	(28,824)	26,064	801,097	**6,051**	10,753
Total Comprehensive Income	929,098	1,009,011	385,847	**464,754**	3,568,238	**1,527,473**	1,103,227

Basic Earnings per share*	0.59	0.61	0.24	**0.27**	1.72	**0.97**	0.64
Diluted Earnings per share**	0.59	0.61	0.24	**0.27**	1.72	**0.96**	0.64

STATEMENT OF CASH FLOWS DATA

	For the six months Ended June 30	For the three months ended March 31	For the years ended December 31		
	2019	2019	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	986,646	466,072	3,373,730	1,929,490	1,262,278
Adjustments for:					
Interest expense on bank loans and other borrowings	1,191,000	611,233	1,376,995	780,917	863,399
Depreciation and amortization	661,134	383,750	1,056,749	851,081	1,002,088
Impairment losses on trade and other receivables	-	-	68,465	50,335	112,987
Interest income	(13,089)	(7,887)	(31,425)	(18,481)	(7,110)
Unrealized foreign exchange currency loss (gain) - net		(12,517)	(30,578)	3,893	(171,373)
Translation adjustment	(15,242)	(28,824)	28,720	(3,791)	-
Provision for loss on lost cylinders	-	-	24,290	-	-
Share in net income of an indirectly-owned joint venture	-	-	(7,342)	-	50,069
Employee share options	4,428	-	7,244	11,590	5,758
Recovery of accounts written off	-	-	(2,769)	-	-
Loss (gain) on disposal of property, plant and equipment	-	-	(1,006)	9,166	-
Excess of fair value of net assets acquired over acquisition cost	-	-	-	(650,182)	-
Gain on reversal of impairment losses on investment properties	-	-	-	(40,786)	-
Impairment losses on non-financial assets	-	-	-	93	-
Operating profit before working capital changes	2,814,8788	1,411,827	5,863,073	2,923,325	3,118,096
Decrease (increase) in trade and other receivables	(187,617)	439,097	(7,415,944)	1,784,569	528,697
Decrease (increase) in inventories	3,164,084	423,750	26,812,186	11,723,876	(370,318)
Decrease (increase) in input value-added tax - net	-	234,945	363,029	(1,027,547)	(36,266)
Increase in prepayments and other current assets	(492,224)	(912,378)	(1,174,856)	(235,827)	(637,593)
Increase (decrease) in trade and other payables	(2,065,810)	163,308	3,555,862	101,085	(288,096)
Decrease (increase) in restricted deposits	-	-	(1,438)	(356)	20,047
Decrease in land held for sale and land development costs	-	-	-	-	22,667

Cash generated from operations	3,233,312	1,760,549	28,001,912	15,269,125	2,357,235
Cash paid for income taxes	(46,837)	(7,842)	(29,603)	(7,345)	(4,508)
Net Cash From Operating Activities	**3,186,474**	**1,752,707**	**27,972,308**	**15,261,779**	**2,352,727**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property, plant and equipment	(4,553,907)	(3,454,528)	(4,517,753)	(3,176,344)	(2,155,961)
Increase in other non-current assets	(374,648)	80,996	(1,698,692)	27,351	(15,994)
Advances to related parties	544,185	-	(524,779)	(669,527)	(944,762)
Investments in joint ventures	(13,289)	(6,286)	(448,094)	-	-
Acquisition of subsidiaries	(651,951)	(651,951)	(397,455)	(6,705,621)	-
Acquisitions of intangible assets	(11,914)	-	(58,063)	(50,549)	(203,909)
Interest received	13,089	7,628	27,226	15,769	3,777
Collections from related parties	-		25,953	1,158,520	25
Proceeds from disposal of property, plant and equipment	2,175	1,904	22,619	14,532	2,434
Proceeds from disposal of subsidiaries	-	-	-	-	2,450,000
Increase in land held for future development	-	-	-	-	(151,281)
Net Cash Used in Investing Activities	**(5,046,261)**	**(4,022,238)**	**(7,569,039)**	**(9,385,868)**	**(1,015,670)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of interest-bearing loans and borrowings	(34,459,053)	(11,525,442)	(71,873,588)	(43,104,708)	(19,886,545)
Proceeds from additional interest-bearing loans and borrowings	34,616,640	10,934,737	57,798,572	37,016,648	20,684,210
Proceeds from issuance of shares of stock	-	-	2,015,711	15,682	-
Interest paid	(1,191,000)	(611,233)	(1,638,605)	(741,202)	(801,738)
Acquisition of treasury shares	-	-	(844,300)	(109,408)	(330,680)
Payments of cash dividends	(370,742)	(79,665)	(409,641)	(331,118)	(309,212)
Increase in other non-current liabilities	1,208,778	843,472	606,732	63,749	13,900
Proceeds from issuance of shares of stock	-	-	-	807,224	-
Increase (Decrease) in APIC	(495,000)	-	-	-	-
Redemption of Preferred Stock	(5,000)	-	-	-	-
Net Cash Used in Financing Activities	**(695,378)**	**(438,130)**	**(14,345,119)**	**(6,383,133)**	**(630,064)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,555,165)**	**(2,707,661)**	**(6,058,151)**	**(507,223)**	**706,992**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,889,709**	**7,889,709**	**1,831,558**	**2,338,781**	**1,631,788**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**5,334,544**	**5,182,048**	**7,889,709**	**1,831,558**	**2,338,781**

SUMMARY OF THE OFFERING

The following do not purport to be a complete listing of all the rights, obligations and privileges of the Offer Shares. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective purchasers are enjoined to perform their own independent investigation and analysis of the Company and the Preferred Shares. Each prospective purchaser must rely on its own appraisal of the Company and the terms of the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to purchase the Offer Shares and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective purchaser's independent evaluation and analysis.

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective purchasers should consider before deciding to invest in the Offer Shares. Accordingly, any decision by a prospective purchaser to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

Issuer	P-H-O-E-N-I-X Petroleum Philippines, Inc. (the "**Company**")
Issue Size	Up to Php5 billion with oversubscription option of up to Php2 billion (the "**Offer**")
Instrument	Cumulative, non-voting, non-participating, non-convertible, redeemable, peso-denominated perpetual preferred shares (collectively, the "**Offer Shares**")
Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner	China Bank Capital Corporation
Joint Lead Underwriters	China Bank Capital Corporation PNB Capital and Investment Corporation
Registration and Listing	To be registered with the Securities and Exchange Commission ("**SEC**") and listed on the Philippine Stock Exchange ("**PSE**"), subject to compliance with SEC regulations and PSE listing rules. The Offer Shares are expected to be listed on the PSE Main Board under the symbol "PNX4".
Use of Proceeds	The net proceeds of the Offer shall be used to partially finance the Company's capital expenditures and/or general corporate purposes.
Par Value	Php1.00 per share
Offer Price	Php1,000.00 per share
Initial Dividend Rate	The Initial Dividend Rate is 7.5673%.
Benchmark Rate	The Benchmark Rate will be equivalent to the simple average of the yield designated as "Final BVAL YTM" (or its successor designation) for the 3-year Republic of the Philippines Peso-denominated domestic government bonds, as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time), for the three (3) Business Days immediately preceding and inclusive of the Pricing Date.

	In the event that BVAL is replaced by a new benchmark rate as determined by the Bankers Association of the Philippines ("**BAP**") or the *Bangko Sentral ng Pilipinas* ("**BSP**"), such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the "**New Benchmark Rate**"). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use or apply BVAL, the Company and the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.
Dividend Rate	As and if cash dividends are declared by the Board of Directors, cash dividends on the Offer Shares shall be at the "**Initial Dividend Rate**" equal to the Benchmark Rate plus 350 basis points per annum, and shall be calculated for each Offer Share by reference to the Offer Price thereof in respect of each Dividend Period, subject to step-up as provided below. "**Dividend Rate**" means (a) from the Listing Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, the higher of the Initial Dividend Rate and the Step Up Rate. The Dividend Rate shall be on a per annum basis. (Please see below relevant definitions.)
Step-Up Benchmark Rate	The Step-Up Benchmark Rate will be equivalent to the simple average of the yield designated as "Final BVAL YTM" (or its successor designation) for the 7-year Republic of the Philippines Peso-denominated domestic government bonds, as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time), for the three (3) Business Days immediately preceding and inclusive of the Pricing Date. However, if the Initial Dividend Rate is higher than the applicable Step Up Rate, there shall be no adjustment on the Dividend Rate, and the Initial Dividend Rate shall continue to be the Dividend Rate.
Dividend Rate Step-Up	If the Offer Shares are not redeemed by the third (3rd) anniversary of the Issue Date, the Dividend Rate shall be adjusted to the higher of: (a) the prevailing Dividend Rate; or (b) a Dividend Rate equal to the Step-Up Benchmark Rate plus 850 basis points.
Special Dividend Rate Step-Up	If the Offer Shares are not redeemed within thirty (30) Business Days after occurrence of a Change of Control Event or an Indebtedness Default Event, the Dividend Rate shall be adjusted to a Dividend Rate equal to the prevailing Dividend Rate plus 250 basis points.
Dividend Payment Dates	Cash dividends on the Offer Shares will be payable once for every Dividend Period on such date set by the Board of Directors at the time of declaration of such dividends (each a "**Dividend Payment Date**") in accordance with the terms and conditions of the Offer Shares, which date shall be any day within the period commencing on (and including) the last day of a Dividend Period and fifteen (15) calendar days from the end of the relevant Dividend Period. A "**Dividend Period**" shall refer to the period commencing on the Issue Date and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day

	of the immediately preceding Dividend Period up to, but excluding, the first day of the immediately succeeding Dividend Period. If a Dividend Payment Date occurs after the end of a Dividend Period, there shall be no adjustment as to the amounts of dividends to be paid. The dividends on the Offer Shares will be calculated on a 30/360-day basis. If the Dividend Payment Date is not a Business Day, dividends will be paid on the next succeeding Business Day, without adjustment as to the amount of dividends to be paid.
Conditions on Declaration and Payment of Cash Dividends	The declaration and payment of cash dividends for each Dividend Period will be subject to the sole and absolute discretion of the Board of Directors of the Company, to the extent permitted by applicable laws and regulations, and the covenants (financial or otherwise) in the agreements to which the Company is a party. The Board of Directors will not declare and pay dividends for any Dividend Period where payment of such dividends would cause the Company to breach any of its covenants (financial or otherwise). If the profits available to distribute as dividends or distributions are, in the Board's reasonable opinion, not sufficient to enable the Company to pay in full, on the same date, both dividends on the Offer Shares and the dividends or distributions on other securities that are scheduled to be paid on or before the same date as the dividends on the Offer Shares, and have an equal right to dividends or distributions as the Offer Shares, the Company is required: **first**, to pay in full, or to set aside an amount equal to, all dividends or distributions scheduled to be paid on or before that dividend or distribution payment date,and any arrears on past cumulative dividends or distributions, on any securities with a right to dividends or distributions ranking in priority to that of the Offer Shares; and **second**, to pay dividends or distributions on the Offer Shares and any other securities ranking equally with the Offer Shares as to participation in profits, *pro rata* to the amount of the cash dividends or distributions scheduled to be paid to them. The amount scheduled to be paid will include the amount of any dividends or distributions payable on that date and any arrears on past cumulative dividends or distributions on any securities ranking equal in the right to dividends or distributions with the Offer Shares. The profits available for distribution are, in general and with some adjustments, equal to the Company's accumulated, realized profits less accumulated, realized loss. Dividends on the Offer Shares will be cumulative. If for any reason the Company's Board does not declare a dividend on the Offer Shares for a Dividend Period, the Company will not pay dividends for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Offer Shares must receive the dividends due them on such Dividend Payment Date as well as all dividends accrued and unpaid to the holders of the Offer Shares prior to such Dividend Period. Holders of Offer Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Offer Shares.

	The Company shall covenant that, in the event that (a) any dividends due with respect to any Offer Shares then outstanding for any period are not declared and paid in full when due, (b) any dividends in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the "**Arrears of Dividends**"), or (c) there remains any other amounts payable under the Preferred Share terms and conditions are not paid in full when due for any reason: a) It will not declare or pay any dividends or other distributions in respect of, or repurchase or redeem, securities ranking junior or *pari passu* to Offer Shares (or contribute any moneys to a sinking fund for the redemption of any securities ranking junior or *pari passu* to the Offer Shares); b) Subject to legal requirements, the Company will procure that no subsidiary over which the Company has a Controlling Participation (as defined below) will pay any discretionary dividends or other discretionary distributions on, or at the Company's discretion repurchase or redeem, any security ranking senior to the respective subsidiary's common shares other than those senior securities held by the Company or a wholly-owned subsidiary thereof (or contribute any moneys to a sinking fund for the purposes of any such redemption). "**Controlling Participation**" shall refer to the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of the corporation, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including, without limitation, the ownership, directly or indirectly, of securities having the power to elect at least a majority of the board of directors or similar body governing the affairs of the corporation.
Optional Redemption and Purchase	As and if approved by the Board of Directors (or the Executive Committee), the Company may redeem the Offer Shares on the 3rd anniversary of the Listing Date or on any Dividend Payment Date thereafter (each an "**Optional Redemption Date**"), in whole but not in part, at a redemption price (the "**Redemption Price**") equal to the relevant Offer Price of the Offer Shares plus all dividends due them on such Optional Redemption Date as well as all Arrears of Dividends. On the applicable Optional Redemption Date, the Company has the option to redeem, without preference or priority, in whole but not in part, the Offer Shares. The Company may also redeem the Offer Shares, in whole but not in part, at any time prior to any Optional Redemption Date if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not more than 60 nor less than 30 days' notice prior to the intended date of redemption. The redemption due to any Change of Control Event, Indebtedness Default Event, Accounting Event, or Tax Event shall be made by the Company at the Redemption Price which shall be paid within thirty (30) Business Days of the exercise of the right to redeem the Offer Shares. Upon listing on the PSE, the Company may purchase the Offer Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Offer Shares so purchased may either be redeemed and cancelled (after the Optional Redemption Date) or kept as treasury shares, as applicable.

Change of Control Event	A change of control event ("**Change of Control Event**") shall occur if any person or group of related persons, other than the Permitted Holders, becomes the beneficial owner(s), directly or indirectly, of a greater percentage of the total voting power of the outstanding voting stock of the Company than the aggregate percentage of the total voting power of the outstanding voting stock of the Company beneficially owned, directly or indirectly, by the Permitted Holders. "**Permitted Holders**" means (i) Mr. Dennis A. Uy and (ii) any Affiliate of Mr. Dennis A. Uy. "**Affiliate**" means, with respect to any person, any other person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such person; or (ii) who is a spouse, child or step child, parent or step parent, brother, sister, step brother or step sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a person described in (i). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract, or otherwise.
Indebtedness Default Event	An indebtedness default event ("**Indebtedness Default Event**") shall occur if: (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default, or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (iii) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guaranty or suretyship for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guaranties, suretyships, and indemnities in respect of which one or more of the events mentioned above in this definition have occurred equals or exceeds Php1,250,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the Philippine Peso as quoted by any leading bank on the day on which a calculation is made).
Accounting Event	An accounting event ("**Accounting Event**") shall occur if an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Company stating that the Offer Shares may no longer be recorded as equity in the audited consolidated financial statements of the Company prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**"), or such other accounting standards which succeed PFRS as adopted by the Company for the preparation of its audited consolidated financial statements for the relevant financial year and such event cannot be avoided by the Company taking reasonable measures available to it.
Tax Event	A tax event ("**Tax Event**") shall occur if payments on the Offer Shares become subject to additional or higher withholding tax or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Company.

Taxation	All payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines, including, but not limited to, stamp, issue, registration, documentary, value-added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Offer Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Company shall not be liable for, and the foregoing payment undertaking of the Company shall not apply to: (a) any withholding tax applicable to dividends earned by or on any amounts payable to the holders of the Offer Shares; (b) any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption of the Offer Shares or on the liquidating distributions as may be received by a holder of Offer Shares, (c) any expanded value-added tax which may be payable by any holder of the Offer Shares on any amount to be received from the Company under the terms and conditions of the Offer Shares; (d) any withholding tax on any amount payable to any holder of Offer Shares or any entity which is a non-resident foreign corporation; and (e) any applicable taxes on any subsequent sale or transfer of the Offer Shares by any holder of the Offer Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). All sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities. Documentary stamp tax for the primary issue of the Offer Shares and the documentation, if any, shall be for the account of the Company.
Form, Title and Registration of the Offer Shares	The Offer Shares will be issued in scripless form through the electronic book-entry system of the Registrar for the Offer, and lodged with the Depository Agent on Listing Date through the PSE Trading Participants nominated by the accepted Applicants. For this purpose, Applicants shall indicate in the proper space provided for in the Application to Purchase forms to be issued and circulated in connection with the Offer (together with the required documents, the "**Application**") the name of the Trading Participants under whose name their Offer Shares will be registered. After Listing Date, holders of the Offer Shares (the "**Shareholders**") may request their nominated PSE Trading Participants to facilitate the conversion of their scripless Offer Shares into stock certificates. Any expense that will be incurred in relation to such issuance of stock certificates shall be for the account of the requesting Shareholder. Legal title to the Offer Shares will be shown in an electronic register of shareholders (the "**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting Shareholder). The Registrar shall send (at the cost of the Company) at

	least once every year a statement of account to all Shareholders named in the Registry of Shareholders, except certificated Shareholders and Depository Participants, confirming the number of Offer Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of the given date thereof. Any request by a Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.
Selling and Transfer Restrictions	Initial placement and subsequent transfers of interests in the Offer Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
FEATURES OF THE OFFER SHARES	
Status	The Offer Shares shall constitute the direct and unsecured subordinated obligations of the Company ranking at least *pari passu* in all respects and ratably without preference or priority among themselves. The obligations of the Company in respect of the Offer Shares will, in the event of the winding-up of the Company (subject to and to the extent permitted by applicable law), rank: (a) junior to all unsubordinated obligations of the Company (other than Parity Securities) and any obligation assumed by the Company under any guarantee of, or any indemnity in respect of, any obligation or commitment which rank or are expressed to rank senior to the Offer Shares; (b) *pari passu* with each other and with any Parity Securities of the Company; and (c) senior only to the Company's Junior Securities. "**Parity Securities**" means: (i) any instrument, security (including preferred shares) or obligation issued or entered into by the Company which ranks, or is expressed to rank, by its terms or by operation of law, *pari passu* with the Offer Shares; (ii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the Company where the Company's obligations under the relevant guarantee or indemnity rank, or are expressed to rank, *pari passu* with the Company's obligations under the Offer Shares; and (iii) the preferred shares of the Company issued and outstanding as of the Listing Date. "**Junior Securities**" means (i) the common shares of the Company, (ii) any instrument, security or obligation issued or entered by the Company which ranks, or is expressed to rank, junior to the Offer Shares; and (iii) any security guaranteed by, or subject to the benefit of an indemnity entered into by, the Company where the Company's obligations under the relevant guarantee or indemnity rank, or are expressed to rank, junior to the Company's obligations under the Offer Shares. The Company is at liberty from time to time without the consent of the holders of the Offer Shares to create and issue additional preferred shares or securities either (a) ranking at least *pari passu* in all respects with the Offer Shares, or (b) upon such terms as to ranking, distributions, conversion, redemption and otherwise as the Company may determine at the time of the issue.

Dividend Cumulative	Dividends on the Offer Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Offer Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Offer Shares must receive the dividends due them on such Dividend Payment Date as well as all Arrears of Dividends. Holders of the Offer Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Offer Shares. The Company will covenant that, in the event (for any reason): (a) any dividends due with respect to any Offer Shares then outstanding for any period are not declared and paid in full when due; (b) where there remains Arrears of Dividends; or (c) any other amounts payable in respect of the Offer Shares are not paid in full when due, then the Company will not: (i) declare or pay any dividends or other distributions in respect of Parity Securities and Junior Securities (unless such declaration or payment of dividends or distributions in respect of Parity Securities shall be in accordance with Conditions on Declaration and Payment of Cash Dividends), or (ii) repurchase or redeem any Parity Securities or Junior Securities (or contribute any moneys to a sinking fund for the redemption of any Parity Securities or Junior Securities), until any and all amounts described in (a), (b) and (c) have been paid to the holders of the Offer Shares.
No Voting Rights	Holders of the Offer Shares shall not be entitled to vote at the Company's stockholders' meetings, except as otherwise provided by law.
Non-Participating	Holders of the Offer Shares shall not be entitled to participate in any other or future dividends beyond the dividends specifically payable on the Offer Shares.
Non-Convertible	Holders of the Offer Shares shall have no right to convert the Offer Shares to any other preferred shares or common shares of the Company.
No Pre-emptive Rights	Holders of the Offer Shares shall have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued or sold by the Company.
Liquidation Rights	In the event of a return of capital in respect of the Company's winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Company of any of its share capital, the holders of the Offer Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Company available for distribution to shareholders, together with the holders of any other securities of the Company ranking, as regards repayment of capital, *pari passu* with the Offer Shares and before any distribution of assets is made to holders of any class of the securities of the Company ranking after the Offer Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Offer Shares plus an amount equal to any dividends declared but unpaid in respect of the previous

	dividend period and any accrued and unpaid dividends for the then-current dividend period to (and including) the date of commencement of the winding up of the Company or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Company, the amount payable with respect to the Offer Shares and any other securities of the Company ranking as to any such distribution *pari passu* with the Offer Shares is not paid in full, the holders of the Offer Shares and of such other securities will share ratably in any such distribution of the assets of the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Offer Shares will have no right or claim to any of the remaining assets of the Company and will not be entitled to any further participation or return of capital in a winding up.
OTHER TERMS OF THE OFFER	
Expected Timetable	The timetable of the Offer is expected to be as follows: SEC en Banc approval and issuance of Pre-effective Clearance: 27 September 2019 PSE Board Approval and issuance of Notice of Approval: 9 October 2019 Dividend Rate Setting: 17 October 2019 Dividend Rate Announcement: 18 October 2019 Issuance of Permit to Sell and Order of Registration: 18 October 2019 Offer Period: 21-29 October 2019 PSE Trading Participants' Commitment Period: 23 October 2019 Release of PSE Trading Participants' Allocation: 24 October 2019 Settlement Date: 07 November 2019 Listing Date and commencement of trading on the PSE: 07 November 2019 The dates indicated above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.
Offer Period	The offer period shall commence at 9:00 a.m. (Philippine Standard Time) on 21 October 2019 and end at 12:00 noon (Philippine Standard Time) on 29 October 2019 (the "**Offer Period**"). The Company and the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner reserve the right to extend or terminate the Offer Period with the approval of the SEC. An application to subscribe to the Offer Shares ("**Application**") shall be considered irrevocable upon submission to the Joint Lead Underwriters or a Selling Agent of a duly executed application form to subscribe to the Offer Shares (the "**Application to Purchase**"). The Application shall be subject to the terms and conditions of the Offer as stated in the Prospectus and the Application to Purchase.

	Applications to Purchase must be received by the Joint Lead Underwriters not later than 12:00 noon (Philippine Standard Time) on 29 October 2019. Applications to Purchase received thereafter or without the required documents and/or full payments will be rejected. The Company may waive any requirement for the acceptance of an Application.
Minimum Subscription to the Offer Shares	Each application to purchase the Offer Shares shall be for a minimum of 50 Offer Shares, and thereafter, in multiples of 10 Offer Shares. No application for multiples of any other number of Offer Shares will be considered or accepted.
Eligible Investors	The Offer Shares may be owned or subscribed to by any person, partnership, association or corporation regardless of nationality, provided that the Company may reject an Application or reduce the number of Offer Shares applied for subscription or purchase for purposes of complying with any applicable constitutional or statutory minimum Filipino ownership requirement. In determining compliance with such nationality requirement, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors, as set out in applicable regulations. Law may restrict subscription to the Offer Shares in certain jurisdictions. Foreign investors interested in subscribing to or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares.
Procedure for Application	Applications to purchase may be obtained from the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner or Selling Agents. All Applications shall be evidenced by the Application to Purchase, duly executed in each case by the Applicant or an authorized signatory of the Applicant and accompanied by two completed specimen signature cards, the corresponding payment for the Offer Shares covered by the Application to Purchase and all other required documents including documents required for registry with the Registrar and Depository Agent. The duly executed Application to Purchase and required documents should be submitted to the Joint Lead Underwriters or Selling Agents on or prior to the set deadlines for submission of Applications to the Joint Lead Underwriters and Selling Agents, respectively. If the Applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following document: i. a certified true copy of the Applicant's latest articles of incorporation and by-laws, general information sheet or equivalent constitutive documents, each as amended to date, duly certified by the corporate secretary (or equivalent officer); ii. a certified true copy of the Applicant's SEC certificate of registration, duly certified by the corporate secretary (or equivalent officer); and iii. a duly notarized corporate secretary's certificate setting forth the resolution of the Applicant's board of directors or equivalent body

	authorizing (i) the purchase of the Offer Shares indicated in the Application, and (ii) the designated signatories authorized for the purpose, including their respective specimen signatures.
Payment for the Offer Shares	The Offer Shares must be paid for in full upon submission of the Application.
Acceptance/ Rejection of Applications	The actual number of Offer Shares that an Applicant will be allowed to subscribe for is subject to the confirmation of the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner. The Company, upon consultation with the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner, reserves the right to accept or reject, in whole or in part, or to reduce any Application due to any grounds specified in the Underwriting Documents to be entered into by the Company and the Joint Lead Underwriters. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any acceptance or receipt of payment pursuant to the Application does not constitute approval or acceptance by the Company of the Application. An Application, when accepted, shall constitute an agreement between the Applicant and the Company for the subscription to the Offer Shares at the time, in the manner and subject to terms and conditions set forth in the Application to Purchase and those described in the Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription by the Applicant for the Offer Shares will become effective only upon listing of the Offer Shares on the PSE and upon the obligations of the Joint Lead Underwriters under the Underwriting Documents becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement. If such conditions have not been fulfilled on or before the periods provided above, all Application payments will be returned to the Applicants without interest.
Refunds for Rejected Applications	In the event that the number of Offer Shares to be allotted to an Applicant, as confirmed by the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund, without interest, within five (5) Business Days from the end of the Offer Period, all or the portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent.
Selling Agents	Trading Participants of the PSE
Depository Agent	Philippine Depository & Trust Corp.
Registrar, Paying Agent, and Stock Transfer Agent	BDO Unibank, Inc. - Trust & Investments Group
Receiving Agent	BDO Unibank, Inc. - Trust & Investments Group
Auditor	Punongbayan & Araullo
Underwriters' Legal Counsel	Picazo Buyco Tan Fider & Santos

Issuer's Legal Counsel	Puyat Jacinto & Santos
Accounting/Dividend Treatment	Equity accounting, deferrable, and cumulative

DESCRIPTION OF THE OFFER SHARES

Set forth below is information relating to the Offer Shares. This description is only a summary and is qualified by reference to Philippine law and the Company's Articles of Incorporation and By-laws, copies of which are available at the SEC.

The Company's Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and the by-laws of the corporation.

As of 30 June 2019, the Company had an authorized capital stock of ₱2,550,000,000.00, consisting of:

(a) 2,500,000,000 common shares with a par value of ₱1.00 per share; and

(b) 50,000,000 preferred shares with a par value of ₱1.00 per share.

Out of the Company's authorized capital stock, 1,403,304,232 common shares are issued and outstanding and 21,500,000 preferred shares issued and outstanding.

The Offer Shares will be issued out of the authorized and unissued portion of the authorized capital stock of the Company.

The Offer Shares

General Features

The Offer Shares shall have the following features, rights and privileges:

- The Offer shall be comprised of a base offer of 5,000,000 Preferred Shares and an oversubscription option of up to 2,000,000 Preferred Shares.
- The Offer Price of the Offer Share shall be ₱1,000.00 per share;
- The Initial Dividend Rate of the Offer Rates shall be at a fixed rate of 7.5673% per annum, calculated in respect of each share by reference to the Offer Price thereof in respect of each Dividend Period;
- Cumulative in payment of current dividends as well as any unpaid back dividends;
- Non-convertible into common shares;
- Preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation of the Company and in the payment of the dividend at the applicable dividend rate;
- Non-participating in any other or further dividends beyond the dividends specifically payable on the Offer Shares;
- Non-voting except in those cases specifically provided by law;
- No pre-emptive rights to any subsequent issuance or disposition by the Company of its shares of stock; and
- Redeemable at the option of the Company under such terms and conditions as specified in this Prospectus.

The holders of the Offer Shares (the "PNX4 **Shareholders**") do not have identical rights and privileges with holders of the existing common shares and existing preferred shares of the Company.

Features Specific or Particular to the Offer Shares

The following are certain features specific or particular to the Offer Shares.

In General, No Voting Rights

The Offer Shares have no voting rights, except as specifically provided by the Revised Corporation Code of the Philippines. Thus, PNX4 Shareholders shall not be eligible, for example, to vote for or elect the Company's directors. PNX4 Shareholders, however, may vote on significant corporate acts as provided under the Revised Corporation Code that may be implemented only with the approval of shareholders of the Company, including those holding shares denominated as non-voting in its Articles of Incorporation. These acts include:

- Amendment of the Company's Articles of Incorporation;
- Adoption and amendment of the Company's By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the Company's property and assets;
- Incurring, creating or increasing the Company's bonded indebtedness;
- Increase or decrease of the Company's capital stock;
- Merger or consolidation of the Company with another corporation or other corporations
- Investment of corporate funds in another corporation, business or for any purpose other than the primary purpose for which the Company was organized;
- Dissolution of the Company; and
- Extending and shortening the Company's corporate term.

Dividend Rates Applicable to the Offer Shares

Applicable Dividend Rates

Subject to provisions on the Special Step-Up Rate (as defined below), the Dividend Rate applicable to the Offer Shares shall mean:

(a) from the Issue Date up to (but excluding) the Step-Up Date, the Initial Dividend Rate (as defined below); and

(b) from the Step-Up Date, unless the Offer Shares are redeemed, the higher of the Initial Dividend Rate and the Step-Up Rate (as defined below).

The dividends on the Offer Shares will be calculated on a 30/360-day basis.

Initial Dividend Rate

As and if cash dividends are declared by the Board of Directors of the Company, cash dividends on the Offer Shares shall be at the fixed rate of 7.5673% per annum (the "**Initial Dividend Rate**"), calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period.

A "**Dividend Period**" shall refer to the period commencing on the Issue Date and having a duration of three months, and thereafter, each of the successive periods of three months commencing on the last day of the immediately preceding Dividend Period up to, but excluding, the first day of the immediately succeeding Dividend Period.

Step-Up Rate

Unless the Offer Shares are redeemed by the Company on the 3rd anniversary of the Issue Date, or on the immediately succeeding Business Day in case such date falls on a day that is not a Business Day, the applicable Dividend Rate shall be adjusted to the higher of:

(a) the Initial Dividend Rate; and

(b) the simple average of the yield designated as "Final BVAL YTM" (or its successor designation) for the 7-year Republic of the Philippines Peso-denominated domestic government bonds, as published in the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard

Time) for three (3) Business Days immediately preceding (and including) the 3rd anniversary of the Issue Date *plus* 850 basis points (the "**Step-Up Rate**"), provided that in the event that the Optional Redemption Date falls on a day that is not a Business Day, then the rate setting will be determined on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three consecutive Business Days preceding and inclusive of the said rate setting date.

Accordingly, if:

(i) the Step-Up Rate is higher than the Initial Dividend Rate, then commencing on the 3rd anniversary of the Issue Date (the "**Step-Up Date**"), the applicable Dividend Rate shall be the Step-Up Rate; and

(ii) the Initial Dividend Rate is higher than the Step-Up Rate, then there shall be no adjustment on the Dividend Rate, and the Initial Dividend Rate shall continue to be the applicable Dividend Rate.

In the event that BVAL is replaced by a new benchmark rate as determined by the Bankers Association of the Philippines ("**BAP**") or the *Bangko Sentral ng Pilipinas* ("**BSP**"), such new benchmark rate shall be adopted for purposes of determining the applicable Dividend Rate (the "**New Benchmark Rate**"). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use or apply BVAL, the Company and the Joint Lead Underwriters shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.

Special Dividend Step-Up Rate

If the Offer Shares are not redeemed within thirty Business Days after the occurrence of a Change of Control Event (as defined in the section "*Summary of the Offering*"), the applicable Dividend Rate will be increased by 2.50% per annum with effect from the next Dividend Payment Date. In addition, upon the occurrence of an Indebtedness Default Event (as defined in the section "*Summary of the Offering*"), the applicable Dividend Rate will be increased by 2.50% per annum with effect from the next Dividend Payment Date.

"**Indebtedness Default Event**" means the occurrence of one or more of the following events: (a) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default, or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (iii) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guaranty or suretyship for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guaranties, suretyships, and indemnities in respect of which one or more of the events mentioned above in this definition have occurred equals or exceeds PHP1,250,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the Philippine Peso as quoted by any leading bank on the day on which a calculation is made).

"**Subsidiaries**" means, with respect to the Company, any corporation, association or business entity, more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly, through one or more intermediaries of the Company.

"**Voting stock**" means, with respect to any person, share capital of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.

Dividend Period; Dividend Payment Date

If declared by the Board of Directors of the Company in accordance with the terms and conditions of the Offer Shares, the cash dividends on the Offer Shares will be payable quarterly in arrears on the last day of each Dividend Period, that is, February 7, May 7, August 7, and November 7 (each a "**Dividend Payment Date**") provided, that if the relevant Dividend Payment Date falls on a day that is not a Business Day, then the cash dividends shall be paid on the immediately succeeding Business Day without adjustment as to the amount of cash dividends to be paid.

Conditions on Declaration and Payment of Cash Dividends

The declaration and payment of cash dividends for each Dividend Period (as defined below) will be subject to the sole and absolute discretion of the Board of Directors of the Company, to the extent permitted by applicable laws and regulations, and the covenants (financial or otherwise) in the agreements to which the Issuer is a party. The Board of Directors of the Company will not declare, and the Company will not pay, dividends for any Dividend Period where payment of such dividends would cause the Company to breach any of its covenants (financial or otherwise).

If the profits available to distribute as dividends or distributions are, in the reasonable opinion of the Board of Directors of the Company, not sufficient to enable the Company to pay in full, on the same date, both dividends on the Offer Shares and the dividends or distributions on other securities that are scheduled to be paid on or before the same date as the dividends on the Offer Shares, and have an equal right to dividends or distributions as the Offer Shares, the Company is required: **first**, to pay in full, or to set aside an amount equal to, all dividends or distributions scheduled to be paid on or before that dividend or distribution payment date,and any arrears on past cumulative dividends or distributions, on any securities with a right to dividends or distributions ranking in priority to that of the Offer Shares; and **second**, to pay dividends or distributions on the Offer Shares and any other securities ranking equally with the Offer Shares as to participation in profits, *pro rata* to the amount of the cash dividends or distributions scheduled to be paid to them. The amount scheduled to be paid will include the amount of any dividends or distributions payable on that date and any arrears on past cumulative dividends or distributions on any securities ranking equal in the right to dividends or distributions with the Offer Shares.

PNX4 Shareholders shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Offer Shares.

Dividends are cumulative

Dividends on the Offer Shares will be cumulative. If, for any reason, the Board of Directors of the Company does not declare dividends on the Offer Shares for a Dividend Period, the Company will not pay dividends on any class of PNX shares for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Offer Shares must receive the dividends due them on such Dividend Payment Date as well as all Arrears of Dividends (as defined below).

In the event that (a) any dividends due with respect to any Offer Shares then outstanding for any period are not declared and paid in full when due, (b) any dividends due to any Offer Shares in which the declaration and/or payment have been deferred, in respect of prior Dividend Periods (the "**Arrears of Dividends**"), or (c) there remains any other amounts payable under the Offer Share terms and conditions are not paid in full when due for any reason, then:

(i) the Company will not:

(1) declare or pay any dividends or other distributions in respect of, or repurchase or redeem, Junior Securities or (except on a *pro rata* basis) with Parity Securities; and

(2) repurchase or redeem any Parity Securities or Junior Securities (or contribute any moneys to a sinking fund for the redemption of any Parity Securities or Junior Securities); and

(ii) subject to legal requirements, the Company will procure that no subsidiary over which the Company has a Controlling Participation (as defined below) will pay any discretionary dividends or other discretionary distributions on, or at the Company's discretion repurchase or redeem, any security ranking senior to the respective subsidiary's common shares other than those senior securities held by the Company or a wholly-owned subsidiary thereof (or contribute any moneys to a sinking fund for the purposes of any such redemption).

until any and all amounts described in (a), (b) and (c) above have been paid to the PNX4 Shareholders.

"**Controlling Participation**" shall refer to the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of the corporation, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including, without limitation, the ownership, directly or indirectly, of securities having the power to elect at least a majority of the board of directors or similar body governing the affairs of the corporation.

Optional Redemption of the Offer Shares

The Company may redeem the Offer Shares in whole (and not in part) on the 3rd anniversary of the Issue Date or on any Dividend Payment Date thereafter (each an "**Optional Redemption Date**"), after giving each of the registrar and paying agent prior written notice of not less than 30 days nor more than 60 days from the intended date of redemption, which notice shall be irrevocable and binding upon the Company to effect such optional redemption. The Company shall redeem the Offer Shares at a redemption price equal to the Offer Price plus all dividends due them on such Optional Redemption Date as well as all Arrears of Dividends (the "**Redemption Price**"). In the event that the Optional Redemption Date falls on a day that is not a Business Day, then the redemption shall be made on the immediately succeeding day that is a Business Day without adjustment as to the Redemption Price to be paid.

Purchase of the Offer Shares in the Open Market

Upon listing on the PSE, the Company may purchase the Offer Shares at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Offer Shares. The Offer Shares so purchased may either be redeemed and cancelled (pursuant to the terms and conditions of the Offer Shares) or kept as treasury shares, as applicable.

Redemption due to a Change of Control Event

If a Change of Control Event occurs, the Company may redeem the Offer Shares (in whole but not in part) provided that the Company shall have given each of the registrar and paying agent prior written notice of not less than 30 days nor more than 60 days from the intended date of redemption which must be a Business Day. A notice of redemption given hereunder shall be irrevocable and binding upon the Company to effect such redemption. Once the redemption option has been exercised, the Company shall redeem the Offer Shares and pay the Redemption Price no later than thirty (30) Business Days from the date of the intended date of redemption indicated in the notice.

"**Change of Control Event**" means an event whereby any person or group of related persons, other than the PNX Principal Shareholders, becomes the beneficial owner(s), directly or indirectly, of a higher percentage of the total voting power of the outstanding voting stock of the Company than the aggregate percentage of the total voting power of the outstanding voting stock of the Company beneficially owned, directly or indirectly, by the PNX Principal Shareholders.

"**PNX Principal Shareholders**" means (i) Mr. Dennis A. Uy and (ii) any Affiliate of Mr. Dennis A. Uy.

"**Affiliate**" means, with respect to any person, any other person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such person; or (ii) who is a spouse, child or step child, parent or step parent, brother, sister, step brother or step sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a person described in (i). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract, or otherwise.

Redemption due to an Accounting Event

If an Accounting Event occurs, the Company may redeem the Offer Shares (in whole but not in part) provided that the Company shall have given each of the registrar and paying agent prior written notice of not less than 30 days nor more than 60 days from the intended date of redemption which must be a Business Day. A notice of redemption given hereunder shall be irrevocable and binding upon the Company to effect such redemption. Once the redemption option has been exercised, the Company shall redeem the Offer Shares and pay the Redemption Price no later than thirty (30) Business Days from the date of the intended date of redemption indicated in the notice.

An "**Accounting Event**" shall occur if, an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Company stating that the Offer Shares may no longer be recorded as equity in the audited consolidated financial statements of the Company prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**"), or such other accounting standards which succeed PFRS as adopted by the Company for the preparation of its audited consolidated financial statements for the relevant financial year and such event cannot be avoided by the Company taking reasonable measures available to it.

Redemption due to a Tax Event

If a Tax Event occurs, the Company may redeem the Offer Shares (in whole but not in part) provided that the Company shall have given each of the registrar and paying agent prior written notice of not less than 30 days nor more than 60 days from the intended date of redemption which must be a Business Day. A notice of redemption given hereunder shall be irrevocable and binding upon the Company to effect such redemption. Once the redemption option has been exercised, the Company shall redeem the Offer Shares and pay the Redemption Price no later than thirty (30) Business Days from the date of the intended date of redemption indicated in the notice.

A "**Tax Event**" shall occur if payments on the Offer Shares become subject to additional or higher withholding tax or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Company.

Payments on the Offer Shares

All payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Government of the Republic of the Philippines (the "**Government**") including, but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that the holders of Offer Shares will receive the full amount of the relevant payment which otherwise would have been due and payable, provided, however, that the Company shall not be liable for (a) any withholding tax applicable on dividends payable or earned by, or on any amounts other payable, to the holders of the Offer Shares; (b) any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on redemption (or receipt of the redemption price) of the Offer Shares or on the liquidating distributions as may be received by a holder of the Offer Shares; (c) any expanded value added tax which may be payable by any holder of the Offer Shares on any amount to be received from the Company under the terms and conditions of the Offer Shares; and (d) any applicable taxes on any subsequent sale or transfer of the Offer Shares by any holder of the Offer Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

All sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities. Please refer to the subsection entitled "*Plan of Distribution—Application to Purchase"* starting on page 69 of this Prospectus for the list of documents required to be submitted as proof of tax-exempt status.

Documentary stamp tax due on the issuance the Offer Shares and the documentation relating to the offer and issue of the Offer Shares, if any, shall be for the account of the Company.

Liquidation Rights in Respect of the Offer Shares

In the event of a return of capital in respect of the Company's winding up or otherwise (whether voluntarily or involuntarily) but not on a redemption or purchase by the Company of any of its share capital, the holders of the Offer Shares at the time outstanding will be entitled to receive, in Philippine Pesos, out of the assets of the Company available for distribution to shareholders, together with the holders of any other securities of the Company ranking, as regards repayment of capital, *pari passu* with the Offer Shares and before any distribution of assets is made to holders of any class of the Company's shares ranking after the Offer Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Offer Shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period up to (and including) the date of commencement of the Company's winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in respect of the winding up of the Company, the amount payable with respect to the Offer Shares and any other securities of the Company ranking as to any such distribution *pari passu* with the Offer Shares are not paid in full, the holders of the Offer Shares and of such other securities will share ratably in any such distribution of the assets of the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Offer Shares will have no right or claim to any of the remaining assets of the Company and will not be entitled to any other or further participation or return of capital in a winding up.

No Pre-emptive Rights

PNX4 Shareholders shall have no pre-emptive rights to subscribe to any issues or dispositions of any shares of stock of the Company.

No Sinking Fund

The Company is not legally required, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Offer Shares.

Transfer of Shares and Share Register

The Offer Shares will be issued in scripless form through the electronic book-entry system of BDO Unibank, Inc. - Trust & Investments Group as Registrar for the Offer, and lodged with the Philippine Depository & Trust Corp. as Depository Agent on Listing Date through the PSE Trading Participants nominated by the accepted Applicants. After the Listing Date, the PNX4 Shareholders may request their nominated PSE Trading Participants to (a) open a scripless registry account and have their holdings of the Offer Shares registered under their name ("**name-on-registry account**"), or (b) issue stock certificates evidencing their investment in the Offer Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting PNX4 Shareholder.

Legal title to the Offer Shares will be shown in an electronic register of shareholders (the "**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting PNX4 Shareholder). The Registrar shall send (at the cost of the Company) at least once every year a statement of account to all PNX4 Shareholders named in the Registry of Shareholders, except certificated PNX4 Shareholders and Depository Participants, confirming the number of Offer Shares held by each PNX4 Shareholder on record in the

Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant PNX4 Shareholder as of the given date thereof. Any request by a PNX4 Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting PNX4 Shareholder.

Initial placement and subsequent transfers of interests in the Offer Shares shall be subject to the normal selling restrictions for listed securities as may prevail in the Philippines from time to time. In addition, no purchase or transfer of the Offer Shares shall be permitted if such purchase or transfer will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws.

Philippine law does not require transfers of the Offer Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax or, to the extent applicable, donor's tax and documentary stamp tax, which taxes may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. For further discussion on taxes related to transfers of the Offer Shares, please refer to the section entitled *"Taxation"* starting on page 181 of this Prospectus. All transfers of shares on the PSE must be effected through a licensed stock broker in the Philippines.

Not convertible into Common Shares

The Offer Shares shall not be convertible to any other preferred shares or common shares of the Company.

Other Rights and Incidents Relating to the Offer Shares

The following are other rights and incidents relating to the Offer Shares, which may also apply to other classes of shares of stock of the Company:

Voting Rights

At the annual meeting or at any special meeting of the shareholders of the Company, the shareholders may be asked to approve actions requiring shareholder approval under Philippine law.

Except in instances where the approval of shareholders representing two-thirds of the outstanding capital stock is required to approve a corporate act (usually involving the significant corporate acts where even non-voting shares may vote) or where the by-laws provide otherwise, a quorum for a meeting of shareholders will exist if shareholders representing a majority of the capital stock are present or represented.

At each meeting of the shareholders of the Company, a shareholder may vote in person or by proxy. In general, holders of preferred shares may vote on matters which the Revised Corporation Code considers significant corporate acts that may be implemented only with the approval or assent of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. As discussed above, PNX4 Shareholders shall not be eligible, for example, to vote for or elect the Company's directors. PNX4 Shareholders, however, may vote on significant corporate acts as provided under the Revised Corporation Code that may be implemented only with the approval of shareholders of the Company, including those holding shares denominated as non-voting in its Articles of Incorporation. These acts include:

- Amendment of the Company's Articles of Incorporation;
- Adoption and amendment of the Company's By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the Company's property and assets;
- Incurring, creating or increasing the Company's bonded indebtedness;
- Increase or decrease of the Company's capital stock;
- Merger or consolidation of the Company with another corporation or other corporations
- Investment of corporate funds in another corporation, business or for any purpose other than the primary purpose for which the Company was organized;
- Dissolution of the Company; and
- Extending and shortening the Company's corporate term.

Appraisal Rights

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

In addition, the Revised Corporation Code grants a shareholder a right of appraisal in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or extension or shortening the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all of the assets of the corporation;
- the investment of corporate funds in another corporation or business for any purpose other than the primary purpose for which the corporation was organized; and
- a merger or consolidation.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default of an agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. The SEC will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. The dissenting shareholder will be paid if the corporate action in question is implemented and the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Derivative Rights

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

Accounting and Auditing Requirements/Rights of Inspection

Philippine stock corporations are required to file copies of their annual financial statements with the SEC and the BIR. Corporations whose shares are listed on the PSE are also required to file quarterly and annual reports with the SEC and the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine at reasonable hours on a business day the books and records that the corporation is required by law to maintain.

The Board of Directors of the Company is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year. This report is required to include audited financial statements.

RISK FACTORS

The Company believes that the following factors may affect its ability to fulfil its obligations under the Offer Shares. Most of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Offer Shares are described below. While the Company believes that these factors represent the principal risks inherent in investing in the Offer Shares, there may be other risks that are currently unknown and/or immaterial to the Company which could materially and adversely affect its business operations, financial condition, results of operations and prospects. The inability of the Company to pay distributions, principal or other amounts on or in connection with the Offer Shares may occur for other reasons which may not be considered significant risks by the Company based on information currently available to it or which it may not currently be able to anticipate.

This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company's actual results may differ significantly from the results discussed in the forward- looking statements. See "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Phoenix, in particular, and those that pertain to the overall political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

The means by which the Company intends to address the risk factors discussed herein are principally presented under "The Company — Strengths" beginning on page 77*, "The Company — Strategy Pillars" beginning on page* 80*, "Management's Discussion and Analysis of Financial Position and Results of Operations" beginning on page* 157*, "Corporate Governance and Management" on page* 130 *and "Board of Directors and Management of the Company" beginning on page* 131 *of this Prospectus.*

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Offer Shares. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risk factors.

General Risk Warning

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments, each of which may carry a different level of risk.

Prudence Required

This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of securities before commencing any trading activity. Investors may request publicly available information on the Offer Shares and the Issuer thereof from the SEC and PSE.

Professional Advice

Investors should seek professional advice if they are uncertain of, or have not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high risk securities.

Risks Relating to the Company's Business and Operations

Volatility of the price of petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition

The Company's financial results are primarily affected by the relationship, or margin, between the prices for its refined petroleum products and the prices for crude oil that is the main raw material for these refined petroleum products. The difference between the price and cost of its petroleum products accounts for almost 99.0 per cent of the Company's total cost of goods sold. A number of domestic and international factors influence the price of petroleum products, including, but not limited to, the changes in global supply and demand for crude oil, economic conditions, conflicts or acts of terrorism, weather conditions, and domestic and foreign governmental regulation as well as other factors over which the Company has no control.

International crude oil prices have been volatile and are likely to continue being volatile going forward. While international crude oil prices recorded steady increases in the first half of 2018 in which Brent spot crude oil ended at U.S.$76.79/barrel in June 2018, the second half of 2018 recorded the opposite trend in which Brent spot crude oil ended at U.S.$53.80/barrel in December 2018, representing a U.S.$15.93/barrel or 24.0 per cent. decrease over the U.S.$66.14/barrel logged in December 2017. There is no clear sign and/or assurance that prices will remain stable over the near and medium term.

The Company holds between 30 to 40 days of inventory and uses the average method to account for its inventory. In the event that global fuel prices suddenly drop significantly, the Company may be constrained to sell its petroleum products at a price below acquisition cost of its existing inventory. Furthermore, in a period of fluctuating crude oil prices, social and competitive concerns, and government intervention, the Company may be further constrained to keep the then current selling prices, resulting in its inability to pass on to the consumers the price increases in a timely manner, or at all. In addition, the Philippine government has historically intervened to restrict price increases for petroleum products from time to time, such as when a state of national calamity was declared by former President Gloria Macapagal -Arroyo after typhoons "Ondoy" and "Pepeng" left a trail of disaster. In 2013, during the declaration of a state of calamity brought about by the monsoon rains in Luzon and the earthquake in Bohol, Cebu and neighboring places, the Department of Trade and Industry issued a price freeze order on basic commodities, including fuel. Another declaration of a state of national calamity or any act of the Philippine government may result in the Company being unable to pass on price increases effectively, which could affect profitability for the period of effectivity of such order. Any inability to pass on fluctuations in the price of crude oil may have an adverse effect on the Company's business, results of operations and financial condition. In addition, even if the Company was able to pass on increases in the price of petroleum products to its customers, demand for the Company's products may also be affected as a result of price increases.

In addition, a sharp rise in oil prices will require higher working capital and may force the Company to acquire higher financing costs. A material adverse effect on the Company's financial condition and results of operations may follow should the Company face challenges in securing short-term financing for working capital or unfavorable pricing terms.

The Company actively monitors international and domestic market fuel prices which together with the 30- to 40-day inventory levels allows for flexibility to immediately adjust and maintain product pricing close to the prevailing market rates. Following industry practice, prices for the upcoming week are determined based on the fuel world market price of the immediately preceding week. This enables the Company to anticipate any price movements and plan contingencies to manage the disposition of existing inventory as necessary to various distributors and wholesalers. Moreover, the Company generally has the ability to pass on its costs to retail customers, in effect assuring the Company of sufficient margins even with fluctuating crude oil prices.

The Company's business, results of operations and financial condition may be affected by intense competition in the downstream oil industry

The Company faces intense multinational, national, regional and local competition in the sale of refined petroleum products and other related products in the Philippines. Competition is driven and dictated primarily by the price as oil is one of the basic commodities. Differences in product specifications and other overhead costs such as transportation, distribution and marketing costs account for the price differentials amongst the industry players. Some competitors, notably Petron, Shell and Chevron, have significantly greater financial and operating resources, and access to capital than the Company and could arguably dictate domestic marketing and selling conditions to the detriment of the Company. In addition, there have also been an increasing number of new sponsor-driven independent oil player entrants which could intensify the downstream oil industry in the long term.

As competition is mainly driven by price, the Company's business, operational and financial condition may be materially affected if it is unable to compete effectively against other players, which will be primarily driven by its ability to manage overhead costs, streamline transportation and distribution costs, and maximize utilization of its assets and operations and effectively hedge against fluctuations in oil prices.

Competition risk is primarily mitigated by the Company continually strengthening and expanding its distribution network to improve its presence in both growing and high potential markets. The Company continues to invest in building brand equity to ensure that it is consistently recognized and recalled by its target market and improving customer service to a level at par with or superior to its competitors.

The Company continuously seeks to improve and broaden its product and service offerings to cater to a wider market, including retail customers with higher purchasing power. Furthermore, the Company is in the process of upgrading its retail stations to further enhance customer experience. This is all consistent with the Company's continuous efforts to improve the brand, provide better offers to its customers and maintain operational excellence.

Failure to respond quickly and effectively in identifying and importing the relevant alternative fuels in line with market demands or governmental regulations may adversely affect the Company's business and prospects

Any potential increase in oil prices and environmental concerns could make it more attractive for the Company's customers to switch to alternative fuels such as natural gas, ethanol and palm oil methyl ester fuel blends. If alternative fuels become more affordable and available than petroleum products, customers may shift from petroleum to these alternative fuels not offered by the Company, resulting in lower sales volumes. In addition, in recent years, the Philippine government has enacted regulations mandating the inclusion of a specified percentage of alternative fuels in gasoline and diesel fuels sold or distributed by every oil company in the Philippines, and these types of requirements may be increased in the future. As the Company imports all of its product requirements, in the event that the Company does not respond quickly and effectively to identifying and importing the relevant alternative fuels in line with market demands or governmental regulations, its business and prospects may be adversely affected.

The Company continues to explore possible investments in alternative fuels to complement its current product portfolio and to enable the Company to adapt to possible changes in consumer preferences. The Company remains abreast of the shift in landscape of both local and international fuel markets, and thus aims to be at the forefront of providing alternative fuel sources to traditional gasoline via its Vietnam and Philippine investments in LPG. This will allow the Company to remain highly competitive not only in the fuel oil category but in other significant product categories as well in anticipation of shifts in market demand.

The Company's exposure to costs and liabilities arising from compliance with safety, health, environmental and zoning laws and regulations may adversely affect its business, results of operations and financial condition

The operation of the Company's business is subject to a number of national and local laws and regulations, including safety, health, environmental and zoning laws and regulations. These laws and regulations impose controls on air and water discharges, storage, handling, discharge and disposal of waste, location of storage facilities, and other aspects of the operations of the Company's business. Financial penalties, administrative and/or legal proceedings against the Company or revocation or suspension of the Company's licenses or operation of its facilities may arise should the Company fail to comply with relevant laws and regulations.

The Company has incurred and expects to continue to incur operating costs to comply with safety, health, environmental and zoning laws and regulations.

Safety, health, environmental and zoning laws and regulations in the Philippines have become increasingly stringent over the years. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, or increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in the Company being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities.

In addition, if the measures implemented by the Company to comply with applicable laws, regulations and standards are not deemed sufficient by governmental authorities, compliance costs may significantly exceed current estimates and expose the Company to potential liabilities, including administrative penalties. If the Company fails to meet safety, health and environmental requirements, it may be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Company and damage to its reputation, as well as orders that could limit or affect its operations. There is no assurance that the Company will not become involved in future litigation or other proceedings relating to safety, health and environmental matters. Litigation or other proceedings are inherently unpredictable and may be time-consuming and disruptive to the Company's business and operations, regardless of the merits of the claims. There is no assurance that the Company will not be held responsible in any such future litigation or other proceedings, the costs of which could be material. Environmental compliance and remediation costs at sites on which the Company's facilities are located or other locations and related litigation and other proceedings could materially and adversely affect the Company's financial condition and results of operations. There can be no assurance that the Company will continue to remain in compliance with all such safety, health, environment and existing laws and regulations.

The Company keeps itself updated on government policies and regulations pertaining to the oil industry. Through its corporate affairs department, the Company maintains lines of communication with regulatory agencies to allow the Company to identify potential regulatory risks and proactively respond to these risks.

Any significant disruption in operations or casualty loss at the Company's storage and distribution facilities could affect its business and results of operations and result in potential liabilities

The Company's operation of its storage and terminal facilities and retail service stations could be affected by several factors, including, but not limited to, equipment failure and breakdown, accidents, power interruption, human error, natural disasters, and other unforeseen incidents and issues. For example, the Philippines is vulnerable to typhoons, earthquakes and other major natural disasters, which could suspend the Company's operations temporarily or damage or destroy key equipment. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and/or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations and financial condition of the Company. While the Company has business continuity protocols in place designed to ensure that supply requirements are served in any event of disruptions to its terminals or depot facilities, there can be no assurance that the Company would always or necessarily be successful in the implementation of such business continuity protocols.

The Company has also purchased insurance policies covering a majority of foreseeable risks such as property damage, marine cargo, third party liability, personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption to mitigate the potential impact of these risks. However, these policies do not cover all potential losses as insurance may not be available for all such risks or on commercially reasonable terms. Operational disruptions may occur going forward, and as such, insurance may not be able to adequately cover the entire scope or extent of the losses or other financial impact on the Company.

The Company aims to mitigate the impact of such disruption in operations or casualty loss by following best practices to prevent the occurrence of or minimize the impact of accidents or other untoward incidents. These include measures to isolate the physical effects of any incidents (for example, the dispersed locations of its storage depots and alternative storage arrangements), minimize their financial impact on the Company (by ensuring that insurance coverage is adequate) and prevent their occurrence (for example, by ensuring that maintenance and safety procedures follow International Organization for Standardization ("**ISO**") standards and maintaining an adequate security force).

The Company requires significant capital expenditures and financing for its business, which are subject to a number of risks and uncertainties. If the Company is unable to obtain additional capital on acceptable terms when needed, its growth prospects and future profitability may be adversely affected

The Company's business is capital intensive, particularly for importing, storing and distributing petroleum products which require substantial capital. The Company requires significant capital resources to fund its trading operations, to maintain, renew and replace its operating assets and infrastructure and to maintain and improve its operation efficiency. A significant amount of capital resources is also required for further growth in the scale of the Company's operations, and expansion into new markets and new business areas may call for increased capital expenditure, further increasing its funding requirements.

While the Company aims to gradually model its trading operations using a strategic partnership model instead of the existing CODO and DODO models to reduce its capital investment, the Company historically financed its working capital requirements and capital expenditure through a combination of internal cash flow and external financing through various channels, including bank and other borrowings, equity financing and debt issuances. The Company's ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including the conditions of the financial markets, potential changes in monetary policies with respect to bank interest rates and lending policy; and the performance of the Company's operations.

If the Company is unable to obtain financing on a timely basis and at a reasonable cost, it may not be able to undertake further growth or implement policies as planned or seize on new opportunities as they may arise. This would restrict the Company's ability to grow and, over time, may reduce the quality and reliability of the service that the Company provides and adversely affect the Company's business, results of operations and financial condition.

If the Company is unable to obtain financing on a timely basis and at a reasonable cost, it may not be able to undertake further growth or implement policies as planned or seize on new opportunities as they may arise. This would restrict the Company's ability to grow and, over time, may reduce the quality and reliability of the service that the Company provides and adversely affect the Company's business, results of operations and financial condition.

The Company utilizes a system which employs good corporate governance to manage the risks relating to debt and equity financing. The Company exerts constant prudence in exercising and re-assessing its financing activities in order to preserve a healthy balance sheet. This includes its ongoing adjustment of its debt profile to achieve its optimal funding mix in terms of tenor, rates, and structure, which will allow the Company the most headroom for future growth.

The Company likewise maintains favorable relationships with local creditors and investors thereby granting it reasonable access to financing it may require for its continued operations or future growth.

Regulatory decisions and changes in the legal and regulatory environment (including the Comprehensive Tax Reform Program) could increase the Company's operating costs and affects its business, results of operations and financial condition

Notwithstanding that the local downstream oil industry is a deregulated industry, the Philippine government has historically intervened to limit and restrict increases in the prices of petroleum products. On 2 October 2009, a state of national calamity in view of the devastation caused by typhoons "Ondoy" and "Pepeng" was called by former President Gloria Macapagal-Arroyo. Executive Order No. 839 was issued, which called for the prices of petroleum products in Luzon to be kept at 15 October 2009 levels effective 23 October 2009. As a result of the Executive Order, prices of oil products were kept at said levels by the Company, affecting its profitability in Luzon for such period that the executive order was in effect. On 16 November 2009, the price freeze was lifted. There have been similar price freezes in some areas in Visayas during periods of calamities. In September 2018, the Department of Energy ("**DOE**") called on oil companies to suspend the implementation of oil price adjustments in areas declared under a state of calamity following typhoon "Ompong", which pummelled certain areas of Luzon. The above-described price freezes were undertaken pursuant to Republic Act 7581, as amended by Republic Act 10623, which contains the state's policy to ensure the availability of basic necessities and prime commodities at reasonable prices at all times without denying legitimate business a fair return on investment. Under the same, "basic necessities" are those goods vital to the needs of consumers for their sustenance and existence. Under the same, and unless otherwise declared by the President of the Philippines, prices of basic necessities in an area shall automatically be frozen at their prevailing prices or placed under automatic price control whenever (a) such area is proclaimed or declared a disaster area or under a state of calamity, (b) such area is declared under an emergency, (c) the privilege of the writ of habeas corpus is suspended in that area, (d) such area is placed under martial law, (e) such area is declared to be in a state of rebellion or (f) a state of war is declared in such area. Unless sooner lifted by the President, price control of basic necessities under this section shall remain effective for the duration of the condition that brought it about, but not for more than 60 days. Under the same law, the President may likewise impose a price ceiling on any basic necessity or prime commodity under certain conditions. There is no assurance that the Philippine government will not invoke similar measures or reinstate price regulation in the future, which in turn may affect the Company's business, results of operations and financial condition.

The Company's operations are subject to various taxes, duties and tariffs arising from the oil industry. The oil industry in the Philippines has experienced some key changes in its tax and duty structure. Import duties for crude oil and petroleum products were increased in 1 January 2005 from 3.0 per cent. to 5.0 per cent., which was then rolled back to 3.0 per cent. In 2006, an additional 12.0 per cent. value-added tax was imposed by the Philippine government on the sale or importation of petroleum products. As of 4 July 2010, import duties on crude oil and petroleum products were lifted. On 19 December 2017, the Tax Reform for Acceleration and Inclusion Law or Republic Act No. 10963 (the "**TRAIN Law**") was signed into law and took effect on 1 January 2018. The increase in excise tax rates on petroleum under the TRAIN Law will significantly increase the excise taxes and value-added tax payable by the Company on its importation of petroleum products. For the period covering 2018 to 2020, there shall be a scheduled increase in the excise tax on fuel. While the TRAIN's first package of the Comprehensive Tax Reform Program ("**CTRP**") of the Duterte administration brought about extensive changes to individual income taxation, it did not include changes in corporate income taxation. This is, instead, expected to be addressed in the second package of the CTRP, which has been approved by the lower house on third and final reading last 10 September 2018. It is currently undergoing deliberation and awaiting the results of a study by the economic managers and the Department of Labor and Employment on the impact of the second package on employment. The second package reportedly aims to lower corporate income taxes while reducing fiscal incentives for corporations, such as income tax holidays, special rates and custom duty exemptions. If passed into law, the fiscal incentives enjoyed by the Company may be affected. There can be no assurance that any future tax changes in the Philippines would not have a material and adverse effect on the Company's business, financial condition and results of operations. Given the vulnerability of the Company to price sensitivities of petroleum products, any increase in taxes will have a corresponding impact on the prices of petroleum products, which in turn could negatively affect the business of the Company. There can be no assurance that the taxes, duties and tariffs may not change going forward and in the event of any such increases, this could result in a material adverse effect on the Company's business, financial condition and results of operations.

The Company's corporate affairs department is dedicated to monitoring compliance with regulations, as well as anticipating any new regulations that may be implemented by the authorities. This ensures that any additional costs resulting from changes in the legal and regulatory environment can be anticipated and prepared for by the Company. In addition, the Company continues to monitor developments on the CTRP and its potential impact on its business and operations.

The Company currently benefits from income tax holidays on the operation of certain depots. If the Company did not have the benefit of income tax holidays, its profitability would be affected, as it would have to pay income tax at the prevailing rates

Under its registration with the Board of Investments of the Philippines ("**BOI**"), the Company enjoys certain benefits, including an income tax holiday on the operations of Bacolod City, Cagayan De Oro City, Villanueva – Misamis Oriental, Tayud – Cebu City, Calapan – Mindoro, Calaca – Batangas Expansion depots. The Company received approval in 2012 for BOI registration with corresponding income tax holidays for its Villanueva and Bacolod depots, which expired in 2017. New income tax holidays for Villanueva expansion, Tayud and Calapan depots were granted in 2017, which run for a period of five years from the commencement of operations of each depot. Upon expiration of a tax holiday, the Company's income from a depot will be subject to prevailing income tax rates. In addition, if the Company fails to meet certain conditions imposed by the BOI, it may lose its right to the income tax holiday. In such an event, the Company may not be able to continue to avail itself of the benefits under the income tax holiday. The loss of the income tax holiday would affect the Company's profitability as it may have to pay income tax at prevailing rates. In addition, there is no guarantee that the Company will be able to secure similar income tax holidays for any new depots that it may establish in the future or for the statutes granting said income tax holidays to be superseded or amended. For example, the Company's registration as a new industry participant with new investment in storage, marketing and distribution of petroleum products (with Certificate of Registration No. 2010-184) provides that it is entitled to an income tax holiday until 15 November 2010. After the lapse of the income tax holiday, the Company became liable for the regular corporate income tax. Any such inability by the Company to enjoy income tax holiday benefits may have a material effect on its business prospects, financial condition and results of operations.

The Company continuously monitors its compliance with the requirements and conditions imposed by the BOI to mitigate this risk. While the Company continuously monitors the requirements and conditions imposed by the BOI, there can be no assurance of its continued compliance therewith.

The Company's controlling shareholder may have interests that may not be the same as those of other shareholders.

UC, directly or indirectly with PPHI and UMRC, holds 51.0% of the Company's outstanding common equity as of 31 May 2019. Accordingly, the controlling shareholder is able to elect members of the Board and pass shareholder resolutions, both of which under the By-laws generally require a majority vote by its shareholders (except for certain extraordinary shareholder resolutions which under Philippine law have higher voting requirements). In addition, the controlling shareholder, through Dennis A. Uy and/or his affiliates sit on the Board of Directors of the Company with Domingo T. Uy serving as Chairman, Dennis A. Uy serving as Director, President and Chief Executive Officer and Cherylyn Chiong-Uy serving as Director. Hence, the controlling shareholder exercises control over or have significant ability to influence majority policy decisions of the Company, including its overall strategic and investment decisions, dividend policy and issuances of securities. If the interests of the controlling shareholder conflict with the interests of the other shareholders of the Company, there can be no assurance that the controlling shareholder would not cause the Company to take action in a matter which might differ from the interests of the other shareholders. In addition, neither UC, PPHI nor UMRC is obligated to provide the Company with financial support or to exercise its rights as a shareholder in the Company's best interests or in the best interests of the Company's other shareholders.

The Company follows good corporate governance standards in dealing with its shareholders and other related parties. These standards include, but are not necessarily limited to, “arms-length” practices in all commercial dealings with related interests and transparency and full disclosure in all such dealings.

The Company’s business, financial condition and results of operations may be adversely affected by the fluctuations in the value of the Philippine Peso against the U.S. dollar

The Company’s revenues are denominated in Philippine Pesos while the bulk of its expenses, notably the cost of its imported petroleum products, is U.S. dollar-denominated. The Company’s reporting currency in its financial statements is in Pesos. Changes in the U.S. dollar-Peso exchange rate may affect the financial condition of the Company. Should the Peso depreciate, this would translate to higher foreign currency denominated costs and effectively affecting the Company’s financial condition. There can be no assurance that the Company could increase its Peso-denominated product prices to offset increases in its cost of goods sold or other costs resulting from any depreciation of the Peso. From 1 January 2016 to 31 December 2018, the value of the Peso against the U.S. dollar fluctuated from a low of ₱45.9 to a high of ₱54.4. There can be no assurance that the value of the Peso will not decline or continue to fluctuate significantly against the U.S. dollar and any significant future depreciation of the Peso could have a material adverse effect on the Company’s margins, results of operations and financial condition.

While the Company seeks to limit its exposure to foreign currency denominated liabilities by engaging in plain vanilla hedging instruments, such as options and currency forwards, its exchange rate exposure is not fully protected.

The Company limits its exposure to foreign currency denominated liabilities. The risk posed by foreign exchange fluctuations in the cost of its imported petroleum products is generally mitigated by the Company’s ability to pass on any such additional costs by way of adjustments to its selling prices.

The growth of the Company is dependent on the successful execution of its expansion plans

Proper execution and successful implementation of the Company’s expansion plans is critical to maintain the growth of the Company going forward. These plans are based on certain assumptions about oil demand, oil prices, competition, financing costs and acquiring the necessary timely regulatory approvals, among others. The Company cannot and does not represent with absolute certainty that these assumptions would materialize as predicted. In the event that these prove to be incorrect, the Company’s future financial performance may be negatively affected.

The Company continually reviews its network expansion program by identifying and anticipating target locations, dealers and operating and logistical requirements up to a year in advance. This enables the Company to mobilize financial and operating resources in a timely manner and allocate resources effectively to support the Company’s expansion plans.

The Company depends on experienced, skilled and qualified key personnel and senior management, and its business and growth prospects may be disrupted if it is unable to retain their services

Experienced, skilled and qualified key executives and employees are important for the efficient management and operation of the Company’s business. Should these key personnel be unable or unwilling to continue their present roles, the Company may face difficulties in looking for replacements and in turn the business and operations of the Company may be disrupted. In this case, costs, including costs related to contract labor, productivity and safety may rise. Failure to hire and train replacement employees, including the transfer of significant internal historical knowledge and expertise to the replacements or the limited availability and rising cost of contract labor may adversely affect the Company’s ability to manage and operate its business. The loss of a significant number of qualified personnel could adversely affect the Company’s ability to compete in its industry, which could in turn have a material adverse effect on its financial condition, business and operating results.

In addition, in the event of any criminal conviction against a member of the Board of Directors, this could result in such director being disqualified from acting as a director of the Company under the laws of the Philippines. As of the date of this Prospectus, the Petition for Review on Certiorari dated 27 March 2017 (the "**Petition for Review**") filed by the Office of the Solicitor General of the Philippines (the "**Petitioner**") against Dennis A. Uy remains pending with the Supreme Court of the Philippines (the "**Supreme Court**"). See "*Risk Factors – Risks relating to the Company's Business and Operations – Existing or future claims against the Company and its Subsidiaries, or joint ventures, or directors or key management may have an unfavorable impact to the Company and its business"* and "*Business – Legal Proceedings – Legal proceedings involving the Company's directors and officers*" for more details. There can be no assurance that there will be a favorable outcome in the proceedings or that there will be no future appeals in the proceedings from other parties and in the event of an unfavorable outcome from the relevant proceedings, this would result in a disqualification of such director, which would result in reputational damage for the Company and could in turn have a material adverse effect on its financial condition, business and operating results of the Company.

The Company ensures that its compensation and benefit packages for its management, officers, staff and rank-and-file are competitive and within industry standards. Promotions and pay raises are merit-based and performance appraisals are conducted regularly. Key personnel are also regularly sent to training programs locally and abroad to ensure that their knowledge and skills are continually updated. The Company has also established a Company-wide succession plan that seeks to improve and increase the longevity and sustainability of its business. To date, the Company keeps a handful of professionals and industry veterans in key positions to keep the business and its operations running at a high level and to cascade the knowledge and experience of these individuals to their respective business units and teams.

The Company may fail to extract sufficient value from its business acquisitions, which could adversely affect its results of operations and financial condition

From time to time, the Company considers selective opportunities to expand both domestically and internationally through strategic acquisitions of businesses geared towards the creation of operation synergies. However, there can be no assurance that the Company will be able to consolidate its acquisitions fully in line with its strategy. Any failure to do so could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company pursues synergistic acquisitions that are aligned to support and grow its core business. For example, the Company's integration of the Philippine FamilyMart convenience stores into its service stations is part of its refurbishment initiative with the goal of creating a convenient one-stop service experience for its customers, at the same time, Philippine FamilyMart can still operate on a standalone basis due to its being an established brand.

The venture into the digital payments platform through Action.Able allows the Company to harness new channels of retail for its existing products while adding offerings to the existing network of Phoenix Petroleum retail stations and Family Mart branches as customers can also process payments through these alongside their traditional fuel and retail store purchases.

Phoenix Asphalt Philippines sells bitumen which is a product of the oil refining process and is poised to support the infrastructure growth of the country by providing high quality construction material.

PLPI and Origin Vietnam diversifies the Company's portfolio into an affordable, green, and highly efficient alternative fuel source for home and mobility use. PLPI's local distribution network allows for a broad reach in the Visayas and Mindanao area, with some penetration in Luzon, while the Origin Vietnam unlocks a wider geographic market for the Company's brand and products.

If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the cost of damages and claims proves to be more severe than its insurance coverage, the Company's financial condition and results of operations may be materially affected.

The Company's terminalling, hauling and marketing and distribution of refined petroleum products in the Philippines are subject to inherent risks, such as equipment defects, malfunctions, failures or misuse, which could cause environmental pollution, leaks or spills, personal injury or loss of life, as well as damage to and destruction of the environment, which could result in liabilities that exceed the Company's insurance coverage and have a material adverse effect on its financial condition and results of operations. The Company could also be adversely affected by business interruptions caused by war, terrorist activities, mechanical failure, human error, political action, labor strikes, fire and other circumstances or events.

The Company has insurance and reinsurance policies that cover property damage, marine cargo, third party liability and comprehensive general liability to mitigate the potential impact of these risks. However, these policies do not cover all potential losses and insurance may not be available for all risks or on commercially reasonable terms. The Company estimates the liabilities associated with the risks retained by it in part by considering historical claims, experience and other actuarial assumptions which, by their nature, are subject to a degree of uncertainty and variability. A number of external factors affect their uncertainty and variability, including, but not limited to, future inflation rates, discount rates, litigation trends, legal interpretation and actual claim settlement patterns. If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than its original assessment and beyond the coverage of existing insurance policies, the Company's financial condition, results of operations and cash flows may be materially affected.

The Company continually reviews and updates its insurance policies so that it is reasonably protected from foreseeable events and risks. Insurance coverage is acquired through competitive bidding to ensure that the Company's premium costs are reasonable and at par with industry standards.

Existing or future claims against the Company and its Subsidiaries, or joint ventures, or directors or key management may have an unfavorable impact on the Company and its business

From time to time, the Company, its Subsidiaries, or joint ventures or directors or key management officers may be subject to litigation, investigations, claims and other proceedings. Legal proceedings could cause the Company to incur unforeseen expenses, occupy a significant amount of management's time and attention, and negatively affect the Company's business operations and financial position. Further, legal proceedings could continue for a prolonged period of time and be time-consuming and it is difficult for the Company to predict the possible losses, damages or expenses arising from such legal proceedings. An unfavorable outcome in these or other legal proceedings could have a material adverse effect on the reputation, business, financial position and results of operations and cash flows of the Company.

For a description of certain legal proceedings involving the Company and/or its directors and officers, please refer to the section entitled "*Legal Proceedings*" starting on page 114of this Prospectus.

In particular, the Petition for Review filed by the Petitioner against Dennis A. Uy remains pending with the Supreme Court. As of the date of this Prospectus, the Supreme Court has yet to issue a resolution directing Dennis A. Uy to comment on the Petition for Review. In the event that the Supreme Court issues such a resolution directing Dennis A. Uy to comment on the Petition for Review and thereafter issues a ruling granting the Petition for Review, Dennis A. Uy could be subject to trial in respect of the alleged violations of the Tariff and Customs Code of the Philippines. While the Company will continue to assert the same defenses for Dennis A. Uy, there can be no assurances that there will be a favorable outcome in the proceedings or that there will be no future appeals in the proceedings from the other parties. In the event that Dennis A. Uy is convicted of the alleged violations of the Tariff and Customs Code of the Philippines, he could be subject to a monetary fine ranging from P600 to P5,000 and imprisonment for a period ranging from six months to two years and consequentially, may also lose his eligibility as President and CEO of the Company. Other court cases typical and customary in the course of business operations of every company such as those, among others, involving collection, B.P. 22, qualified theft and reckless imprudence have been filed by the Company and/or its subsidiaries against its employees and/or third parties. The Company, notes, however, that these proceedings have no material and adverse effect on the financial condition or the business of the Company and/or its subsidiaries.

The Company's business combinations is subject to regulatory limitations

Since the Company's loan covenants contain restrictions on certain business combinations, the Company will have to resort to other types of combinations. Business combinations involve regulatory risks that could result ina significant impact to the Company's operations, management and financial condition, which in turn could adversely affect the Company's ability to fulfill its obligations under the Offer Shares and reduce the value of the Offer Shares.

The Company's ability to complete acquisitions, joint ventures, investments or other transactions may be constrained or delayed by regulatory requirements, including the Philippine Competition Commission (the "**PCC**") review for transactions that meet the PCC's thresholds for notification. The Company may not be in a position to either control or predict the extent of any PCC review process or the timeline for addressing the requirements of such processes and any such delay or constraint could have a material adverse impact on the Company's business, operations and financial condition.

The Company carefully considers each potential business combination and undertakes a thorough assessment, including the financial, technical and legal aspects thereof, taking into consideration the impact or potential impact of such business combination on the Company's operations, management and financial condition.

Changes in applicable accounting standards may impact the Company's businesses, financial condition and results of operations

The PFRS Council issues, from time to time, new standards and amendments to existing standards and interpretations. There can be no assurance that the Company's financial condition, results of operations or cash flows will not appear to be materially worse under the new standards. For example, with effect from 1 January 2019, lessees may no longer classify their leases as either operating or finance leases in accordance with Philippine Accounting Standard 17. Rather, lessees will be required to apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. There can be no assurance that the Company's financial condition and results of operations will not be materially affected under PFRS 16. Furthermore, any failure to successfully adopt the new standards may adversely affect the Company's results of operations or financial condition.

The Company keeps abreast with changes in the applicable accounting standards and ensures that it is able to promptly comply with new standards.

The products that the Company handles are hazardous and could result in spills and/or environmental damage

As part of the Company's terminalling and hauling services involving the leasing out of storage space in its terminal depots and hauling and into-plane services, the terminalling and hauling of certain types of materials that the Company handles such as petroleum is subject to the risk of leaks and spills, causing environmental damage. While the Company believes it does not handle or store these hazardous chemicals in quantities above specified limits, there can be no assurance that it has not in the past or will not in the future violate applicable environmental regulation or result in an oil leak and spill which causes environmental damage, each of which may subject the Company to fines and penalties or result in the closure or temporary suspension of its operations and may have a material adverse effect on the Company's business and results of operations.

The Company closely monitors the compliance of its terminalling and hauling services with the applicable laws, rules and regulations. The Company has established standard operating procedures and safety policies how to handle hazardous materials and continuously conducts trainings for its employees to cascade these procedures and safety policies to the whole organization.

The Company is subject to joint venture and partnership risks

The Company may enter into joint ventures, alliances or partnerships in respect of its business and operations. For example, the Company entered into a joint venture agreement with TIPCO Asphalt and PhilAsphalt Development Corporation in January 2018. More recently, the Group had also (a) entered into a memorandum of understanding with CNOOC Gas and Power Group Co. Ltd., a subsidiary of China National Offshore Oil Corporation, the largest offshore oil and gas company in China and also one of the largest independent oil and gas exploration and production companies in the world ("**CNOOC Gas and Power**"), for the construction of an integrated liquefied natural gas (LNG) import and regasification terminal in the Philippines with a formal joint venture agreement expected to be entered into between the parties during the second half of 2019 and (b) entered into a joint venture with CNI for the marketing and distribution of LPG in Vietnam. Going forward, as part of its plans to reduce capital investment, the Company aims to also gradually model its trading operations using a strategic partnership model instead of the existing CODO and DODO models.

Joint ventures, alliances and partnerships may involve special risks associated with the possibility that the joint venture partner may (i) have economic or business interests or goals that are inconsistent with that of the Company, (ii) take actions contrary to the Company's interests, (iii) be unable or unwilling to fulfil its obligations under the joint venture agreement or (iv) experience financial difficulties. There can be no assurance that the Company's best commercial interests and business philosophy will be consistent with its major joint venture partners. There is also a possibility that such partners or joint venture partners may enter into the same or similar businesses that the Company currently operates. As a result, the Company may face increasing competition which may adversely affect its business and results of operations. A serious dispute with the Company's partners or joint venture partners or the early termination of the Company's partnership or joint venture agreements could adversely affect the Company's business, financial condition and results of operations and would divert resources and management's attention. In addition, any actual or perceived deterioration in the reputation of the Company's partners or joint venture partners could have an adverse impact on the Company's business operations, profitability and prospects.

The Company carefully considers each potential joint venture and/or partnership and undertakes a thorough assessment of thereof, including its financial, technical and legal aspects before committing to any agreement with another party. The Company also continuously monitors its existing joint venture and/or partnership contracts to ensure compliance with the terms of a particular joint venture and/or partnership as well as harmonious relations between the partners.

The Company's franchisees may not be willing or able to renew their franchise agreements with the Company

The Company offers franchising options, through dealership agreements, that provide accredited partners the right to operate Phoenix retail gasoline stations. These agreements have a typical duration between five to 10 years (renewable under certain conditions). The Company's franchisees who have entered into such agreements to operate one or several retail gasoline stations may be unwilling or unable to renew their franchise agreements with the Company for a number of reasons, including low sales volume, high rental costs, lack of profitability or a desire to retire. If the Company's franchisees cannot, or decide not to, renew their agreements with the Company, the Company will have to find a replacement franchisee to operate their retail gasoline stations or otherwise operate them themselves. If a substantial number of franchises are not renewed, the Company's business, results of operations and financial condition could be adversely affected.

The Company has an experienced sales and marketing team that actively markets to its existing and new financially capable prospective franchisees/partners. In addition, the Company aims to also gradually model its trading operations using strategic partnerships instead of merely relying on the existing CODO and DODO models.

The Company may not be able to obtain suitable locations for its oil depots and the quality of the locations of the Company's current oil depots may decline

The success of the Company's terminalling and hauling services depends in large part on the locations of its oil depots and import terminals. As demographic and economic patterns change, current locations may not continue to be attractive or profitable. Possible decline in locations and the infrastructures therein where the Company's oil depots or import terminals are currently situated could result in reduced attractiveness and revenue in such locations. In addition, desirable locations for new openings or for the relocation of existing oil depots or import terminals may not be available at an acceptable cost when the Company identifies a particular opportunity or due to geographical constraints, and the Company may face competition for the same or nearby locations. Furthermore, the Company may relocate or establish oil depots or import terminals in new areas in anticipation of future developments which ultimately do not materialize. The occurrence of one or more of these events could adversely affect the Company's business, results of operations and financial condition.

As of date, the Company's oil depot location and quality are sufficient for the needs of its business and their capacity is able to service the current and future requirements of the Company. Moreover, the Company consistently exerts efforts to diversify its oil depot locations to lessen the impact of unsatisfactory locations.

The Company's expansion plans will place additional pressure and demands on the Company's management and key-in house operating divisions

Rapid growth in the Company's trading and terminalling and hauling operations will place additional pressure and demands on its management team, marketing team, in-house project management division and its financial reporting and information systems. The Company's continued expansion will also require the Company to maintain the consistency of its products and the quality of its services to ensure that its business does not suffer as a result of any deviations, whether actual or perceived.

There is no assurance that the Company will be able to effectively and efficiently manage the growth of its operations, recruit and retain qualified personnel and integrate new properties into its operations. Any failure to effectively and efficiently manage its expansion may materially and adversely affect the Company's ability to capitalize on new business opportunities, which in turn may have a material adverse effect on its business, financial condition, results of operations and prospects.

In order to manage and support its growth, the Company continues to improve its existing operation, administrative and technological systems and its financial and management controls, and recruits, trains and retains qualified management personnel as well as other administrative sales and marketing personnel.

The Company depends on third-party operators for a significant number of its projects and operations

A portion of the Company's growth strategy depends upon third-party owners/operators, and future arrangements with these third parties may be less favorable. The terms of the relevant dealership agreements and franchise agreements that the Company enters into are influenced by contract terms offered by its competitors, among other things. The Company is unable to provide assurance that any of its current arrangements will continue or that it will be able to enter into future collaborations, renew agreements or enter into new agreements in the future on terms that are as favorable to the Company as those that exist today.

Development activities that involve the Company's co-investment with third parties may result in disputes that could increase project costs, impair project operations or increase project completion risks. Partnerships, joint ventures and other business structures involving the Company's co-investment with third parties which it has entered into or acquired generally include some form of shared control over the operations of the business and create added risks, including the possibility that other investors in such ventures could become bankrupt or otherwise lack the financial resources to meet their obligations, or could have or develop business interests, policies or objectives that are inconsistent with those of the Company. Actions by another investor may present additional risks of project delay, increased project costs or operational difficulties following project completion. Such disputes may also be more likely to occur in difficult business environments.

The Company has numerous third-party owners/operators. Hence, in case of the termination of any of its current agreements with them, its potential negative impact to the Company is minimal.

The Company relies primarily on a small number of suppliers for a significant portion of its petroleum products

The Company sources its various petroleum requirements from a small number of suppliers. The ability of such suppliers to supply the Company is subject to a variety of factors beyond the Company's control, such as political developments, government regulations with respect to the oil and energy industry in those regions, weather conditions and overall economic conditions. Any disruption in the operations of one or more of its suppliers could negatively impact the Company's supply. If the Company's supply is disrupted, the Company would be required to meet any consequent supply shortfall through other suppliers or spot market purchases. Depending on market conditions at the time of the disruption, such purchases from other suppliers or the spot market could be at higher prices than the Company's purchases from its existing suppliers, which would adversely affect the Company's financial condition and results of operations.

The Company has adopted an inventory management system based on historical sales and forecast demands which allows the Company to timely meet the supply needs of its clients. In addition, the Company established PNX SG which acts as a regional hub handling the purchase of the Company's various petroleum requirements and provides access to refineries.

Failure to respond quickly and effectively to product substitution or government-mandated product formulations may adversely affect the Company's business and prospects.

Any potential increase in oil prices and environmental concerns could make it more attractive for the Company's customers to switch to alternative fuels such as natural gas, ethanol and palm oil methyl ester fuel blends. If alternative fuels become more affordable and available than petroleum products, customers may shift from petroleum to these alternative fuels not offered by the Company, resulting in lower sales volumes. In recent years, the Philippine government has enacted regulations mandating the inclusion of a specified percentage of alternative fuels in gasoline and diesel fuels sold or distributed by every oil company in the Philippines, and these types of requirements may be increased in the future. If the Company does not respond quickly and effectively to product substitutions or government-mandated product formulations in the future, its business and prospects may be adversely affected.

To mitigate this risk, the Company continues to explore possible investments in alternative fuels to complement its current product portfolio and to enable the Company to adapt to possible changes in consumer preferences.

Risks Relating to the Philippines

The Company's business and sales may be negatively affected by slow growth rates and economic instability globally and in the Philippines

The Company, since its commencement of operations, has derived all of its revenues and operating profits from sales of its petroleum products in the Philippines. The Company's business has mostly been influenced by the Philippine economy and the level of business activity in the country.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso and debt restructuring, and has been significantly affected by economic volatilities in the Asia-Pacific region. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers' purchasing power, which could materially affect the Company's financial condition and results of operations.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause economic conditions in the Philippines to deteriorate.

In the past, the Philippine economy and the securities of Philippine companies have been influenced, to varying degrees, by economic and market conditions in other countries, particularly other countries in Southeast Asia, as well as investors' responses to those conditions. The uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines to deteriorate. Any downturn in the Philippine economy may negatively affect consumer sentiment and general business conditions in the Philippines, which may lead to a reduction in demand for the Company's products and materially reduce the Company's revenues, profitability and cash flows. Moreover, there can be no assurance that current or future Philippine government policies will continue to be conducive to sustaining economic growth.

As the Company mainly supplies commodity products, the demand of which being inelastic, its business remains somewhat insulated to economic downturns and shocks in demand. The Company will continue to increase the competitiveness of its products and services to secure its share of the market while maintaining profitability. It will likewise continue to explore the viability of alternative and substitute products to retain the relevance of the goods it provides and carve out a sustainable market for itself.

Political instability, acts of terrorism or military conflict or changes in laws or government policies in the Philippines could have a destabilizing effect and may have a negative effect on the Company

The Philippines has from time to time experienced political and military instability, including acts of political violence. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Philippine government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there were instances of political instability, including impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by the previous administration. In addition, a number of current and past officials of the Philippine government have been indicted for graft, corruption, plunder, extortion, bribery or usurpation of authority.

There can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the impeachment of government officials, imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition and results of operations.

On 27 March 2014, the Philippine government and the Moro Islamic Liberation Front ("**MILF**") signed a peace agreement, the Comprehensive Agreement on Bangsamoro. On 10 September 2014, the draft of the Bangsamoro Basic Law ("**BBL**") was submitted by then-President Benigno C. Aquino III to the Philippine Congress. The BBL is a draft law intended to establish the Bangsamoro political entity in the Philippines and provide for its basic structure of government, which will replace the existing Autonomous Region in Muslim Mindanao. Following the Mamasapano incident, where high-profile terrorists clashed with armed members of the Bangsamoro Islamic Freedom Fighters ("**BIFF**") and MILF leading to the deaths of members of the Special Action Force ("**SAF**") of the Philippine National Police, MILF, the BIFF and several civilians, Congress stalled deliberations on the BBL.

On 27 March 2015, former President Aquino convened a Peace Council, originally composed of five members, to study the draft BBL. An additional 17 co-convenors were later named as part of the Peace Council. The Council examined the draft law and its constitutionality and social impact. The Council Members testified before both Houses of Congress, and submitted their report, which endorsed the draft BBL but with some proposed amendments. On 13-14 May 2015, the Senate conducted public hearings on the BBL in Zamboanga, Jolo and Sulu, with the Zamboanga City government and sultanate of Sulu opposing their inclusion in the proposed Bangsamoro entity. The House committee approved the draft and renamed it as Basic Law for the Bangsamoro Autonomous Region, while the Senate renamed its version as Bangsamoro Autonomous Region Law. Congress, however, failed to pass the law before it adjourned.

Presidential elections for the Philippines were held on 9 May 2016 and on 30 June 2016 President Rodrigo Duterte assumed the presidency with a solid mandate to advance his 'Ten-Point Socio-

Economic Agenda' focusing on policy continuity, tax reform, infrastructure spending and countryside development, among others. The Duterte administration has initiated efforts to build peace with communist rebels and other separatists through continuing talks with these groups.

A new version of the BBL was crafted under the Duterte administration, which was finally signed into law by President Rodrigo Duterte on 26 July 2018. The Bangsamoro Organic Law ("**BOL**") abolished the Autonomous Region in Muslim Mindanao and created the Bangsamoro Autonomous Region in Muslim Mindanao ("**BARMM**"). The BARMM will be parliamentary-democratic in form, and will be headed by a chief minister, who will preside over an 80-member parliament. The BOL, however, still has to be cleared by a plebiscite and overcome possible legal challenges.

On 11 May 2018, the Supreme Court granted a *quo warranto* petition filed against then Chief Justice Lourdes A. Sereno resulting in her removal as Chief Justice. On 19 June 2018, the Supreme Court affirmed its decision. On June 2018, former President Benigno Aquino III was indicted for usurpation of legislative powers concerning the Disbursement Acceleration Program during his term. Moreover, several individuals who were high-ranking officers under the administration of President Aquino have also been indicted for graft and corruption charges and drug trafficking among other offences. In addition, since the commencement of the current administration, more than 1,000 alleged drug dealers and drug users have been killed in police operations and more than 1,300 drug dealers and drug users have been killed by supposed vigilantes.

Currently, the Duterte administration is pushing for a shift to a federal-parliamentary form of government. For this purpose, President Duterte signed Executive Order No. 10 in December 2016, creating a 25-member consultative committee to study and review the provisions of the 1987 Constitution. On January 25, 2018, President Duterte appointed 19 of the 25 members of the consultative committee. On January 16, 2018, the House of Representatives adopted a resolution to convene as a constituent assembly to amend the 1987 Constitution. The proposals, among others, include a shift to a federal-parliamentary form of government and the division of executive powers between a President (as the head of state) and a Prime Minister (as the head of government). As of the date of this Prospectus, the Senate has yet to pass a similar resolution to form a constituent assembly.

There can be no assurance that the Duterte administration will continue to implement the economic policies favored by the previous administration. Major deviations from the policies of the previous administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. The President's unorthodox methods may also increase the risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's business, prospects, financial condition and results of operations.

The Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could impact the Company's business, such as the imposition of additional levies on the sale of new vehicles or vehicular volume reduction programs. There can be no assurance that any changes in such regulations or policies imposed by the Philippine government from time to time will not have an adverse effect on the Company's business, financial condition, results of operations and prospects.

Furthermore, the Philippines has also been subject to a number of terrorist attacks since 2000 and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. Additionally, there have been clashes with various separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in September 2013, a faction of the Moro National Liberation Front ("**MNLF**") allegedly led by Nur Misuari, a former governor of the Autonomous Region of Muslim Mindanao, staged an armed uprising in Zamboanga City. The incident resulted in, among others, hostage situations and renewed tension between the Philippine Armed Forces and the MNLF in the southern part of the country. In an operation to capture wanted international terrorist Zulkifli Bin Hir alias Marwan on 25 January 2015, 44 police commandos were killed in a 12-hour firefight with two Muslim rebel groups, MILF and BIFF, in the Southern Philippines.

On 23 May 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS-affiliated Maute group, following the Philippine government's offensive to capture the alleged ISIS leader in Southeast Asia, IsnilonHapilon, who was believed to be in the city. President Duterte immediately declared martial law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on 22 July 2017, both Houses of Congress voted to grant the request of President Duterte to extend martial law in Mindanao until the end of 2017 as the rebellion could not be completely quashed over the initial 60-day period of martial law. Prior to the end of 2017, in a special joint session convened on 13 December 2017, both Houses of Congress voted to grant the request of President Duterte to further extend martial law in Mindanao until the end of 2018 as there are continued threats from local and ISIS-inspired terrorist groups. Some sectors, however, are wary of the prolonged extension of martial law, citing its negative impact on business, tourism, the country's image (as this relates to the current administration's ability to quickly restore peace and order in Marawi) and investor confidence. The ongoing clashes have resulted in the loss of lives of civilians, soldiers and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents. An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to parts of the Company's businesses and materially and adversely affect its financial condition, results of operations and prospects.

The occurrence of natural or man-made catastrophes or electricity blackouts may materially disrupt the Company's operations

The Philippines has encountered and is expected to experience a number of major natural and man-made catastrophes, including typhoons, volcanic eruptions, earthquakes, mudslides, droughts or floods. Such catastrophes may restrict the Company's ability to distribute its products and impair the economic conditions in the affected areas, as well as the overall Philippine economy. Power outages are also experienced caused by insufficient power generation following strong typhoons and other natural catastrophes. These types of events may materially disrupt and affect the Company's business and operations.

While the Company has insurance policies that cover business interruption and material damage to its facilities caused by natural catastrophes, the Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes or major power outages, including possible business interruptions.

The oil smuggling situation in the Philippines

Smuggling and illegal trading activities of petroleum products have affected the domestic petroleum market. These activities have translated to lower sales prices and volumes for legitimate market players in the domestic market.

According to Federation of Philippine Industries, since the enactment of the TRAIN Law, which imposes higher excise taxes on oil, the country's revenue losses due to oil smuggling have increased by about 30%. The Company's financial condition and results of operations may be affected if the Philippine government is unable to properly enforce and regulate the domestic oil market.

Investors may face difficulties enforcing judgments against the Company

The Company is organized under the laws of the Philippines and substantially all of its assets are located in the Philippines. It may be difficult for investors to effect service of process outside the Philippines upon the Company with respect to claims pertaining to the Offer Shares. Moreover, it may be difficult for investors to enforce in the Philippines judgments against the Company obtained outside the Philippines, in any actions pertaining to the Offer Shares, particularly with respect to actions for claims to which the Company has not consented to service of process outside the Philippines. In addition, substantially all of the directors and senior management of the Company are residents of the Philippines, and all or a substantial portion of the assets of these persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process outside the Philippines upon such persons or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines.

The Philippines is not a party to any international treaty relating to the recognition or enforcement of foreign judgments. Philippine law provides that a final and conclusive judgment of a foreign court is enforceable in the Philippines through an independent action filed to enforce such judgment, and without re-trial or re-examination of the issues, only if (i) the court rendering such judgment had jurisdiction in accordance with its jurisdictional rules, (ii) the other party had notice of the proceedings, (iii) such judgment was not obtained by collusion or fraud or based on a clear mistake of fact or law and (iv) such judgment was not contrary to public policy or good morals in the Philippines.

If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase petroleum, petroleum products, raw materials, equipment and other imported products could be affected

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. There are restrictions on the sale and purchase of foreign exchange within the Philippine banking system. In particular, a foreign investment must be registered with the BSP if foreign exchange is needed to service the repatriation of capital and remittance of dividends, profits and earnings which accrue thereon is sourced from the Philippine banking system. The Monetary Board of the BangkoSentral ng Pilipinas (the "**BSP**"), with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Philippine government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

The Company purchases all of its critical raw materials, particularly petroleum and petroleum products, and some capital equipment from abroad and needs foreign currency to make these purchases. In addition, the Company has incurred and may continue to incur foreign currency denominated obligations and Peso—denominated debt obligations that are payable in foreign currency. There can be no assurance that the Philippine government will not impose economic or regulatory controls that may restrict free access to foreign currency in the future. Any such restrictions imposed in the future could severely curtail the Company's ability to purchase crude oil, materials and equipment from outside the Philippines in U.S. dollars and its ability to make principal and interest payments in U.S. dollars on its foreign currency-denominated obligations or Peso-denominated debt obligations that are payable in foreign currency, which could materially and adversely affect its financial condition and results of operations.

The Company limits its exposure to foreign currency denominated liabilities. The risk posed by foreign exchange fluctuations in the cost of its imported petroleum products is generally mitigated by the Company's ability to pass on any such additional costs by way of adjustments to its selling prices.

Corporate governance and disclosure standards in the Philippines may be different from those in other countries

There may be less publicly available information about Philippine public companies than is regularly made available by public companies in the United States or certain other countries. Requirements of the Philippine SEC and the PSE with respect to corporate governance standards may also be different from those applicable in certain other jurisdictions. Further, rules against self-dealing and those protecting minority shareholders may be different from or less developed in the Philippines than in other countries. These standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of the Company's shareholders, particularly those of minority shareholders.

Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("**UNCLOS**"). Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

On 12 July 2016, the Permanent Court of Arbitration ruled in favor of the Philippines against China over territorial disputes in the West Philippine Sea. The arbitral tribunal unanimously ruled, among others, that: (a) China has 'no historical rights' to the resources within the sea areas falling within the 'nine-dash line'; (b) Chinese reclamation activity in the West Philippine Sea has caused irreparable damage to the environment, obliging the Chinese government to stop further activities in the West Philippine Sea; and (c) China had violated the Philippines' sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishermen from fishing in the zone. However, China has said it will not recognize the ruling. With no formal enforcement mechanism in place, the territorial dispute in the West Philippine Sea remains contentious.

There had been other occurrences of territorial disputes with Malaysia and Taiwan. In March 2013, several hundred armed Filipino-Muslims illegally entered Malaysia in a bid to enforce an alleged historical claim on the territory. Clashes between the Filipino-Muslim individuals and the Malaysian armed forces resulted in casualties on both sides. Taiwan imposed economic sanctions on the Philippines as a result of an incident in May 2013, whereby a Taiwanese fisherman was unintentionally killed by a Philippine Coast Guard ship that opened fire on his vessel in a disputed exclusive economic zone between Taiwan and the Philippines. The sanctions were eventually lifted after a formal apology was issued by the Philippine government.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and this may materially and adversely affect the Company's financial condition and results of operations.

There are risks generally associated with emerging and developing markets

The disruptions experienced in the international and domestic capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in countries with emerging markets, such as those in Southeast Asia, including the Philippines where the Company operates, may be particularly susceptible to these disruptions and reductions in the availability of credit for increases in financing costs, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging and developing markets is significantly influenced by levels of investor confidence in such markets as a whole and as such any factors that impact market confidence, including a decrease in credit ratings, state or central bank intervention in a market or terrorist activity and conflict, could affect the price or availability of funding for entities within any of these markets.

Since the onset of the global economic crisis in 2007, certain emerging market economies have been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside countries with emerging or developing economies, or an increase in the perceived risks associated with investing in such economies, could dampen foreign investment in and adversely affect the economies of these countries. Investments in emerging markets are therefore subject to greater risks than more developed markets, including in some cases significant legal, fiscal, economic and political risks. Accordingly, investors should exercise particular care in evaluating risks involved in an investment in the Company and must decide for themselves whether, in light of those risks, their investment is appropriate.

Risks Relating to the Offer Shares

The Offer Shares may not be a suitable investment for all investors

Each potential investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Offer Shares, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for principal or dividend payments is different from the potential investor's currency;
- understand thoroughly the terms of the Offer Shares and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Offer Shares are perpetual securities and investors have no right to require redemption

The Offer Shares are perpetual and have no fixed final maturity date. Holders have no right to require the Company to redeem the Offer Shares at any time and they can only be disposed of by sale in the secondary market. Holders who wish to sell their Offer Shares may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Offer Shares. Therefore, holders of the Offer Shares should be aware that they may be required to bear the financial risks of an investment in the Offer Shares for an indefinite period of time.

The Offer Shares are subordinated obligations

The obligations of the Company under the Offer Shares will constitute unsecured obligations of the Company and subordinate to the Company's indebtedness. In the event of the winding-up of the Company, the rights and claims of holders of the Offer Shares will (subject to and to the extent permitted by applicable law) rank senior to the holders of the common shares of the Company and *pari passu* with each other, but junior to the claims of all other creditors.

In the event of a winding-up of the Company, there is a substantial risk that an investor in the Offer Shares will lose all of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Offer Shares.

There are no terms in the Offer Shares that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Offer Shares.

There may be insufficient distributions upon liquidation.

Under Philippine law, upon any voluntary or involuntary dissolution, liquidation or winding up of the Company, holders of the Offer Shares will be entitled only to the available assets of the Company remaining after the indebtedness of the Company is satisfied. If any such assets are insufficient to pay the amounts due on the Offer Shares, then the holders of the Offer Shares shall share ratably in any such distribution of assets in proportion to the amounts to which they would otherwise be respectively entitled. In the event of liquidation or winding-up, the unsubordinated obligations of the Company shall be preferred over the claims of holders of the Offer Shares in respect of the Offer Shares, which Offer Shares shall rank *pari passu* with each other.

Holders may not receive dividend payments if the Company elects to defer dividend payments.

Cash dividends on the Offer Shares may not be paid in full, or at all. Under the terms and conditions governing the Offer Shares, the Company may pay no dividends or less than full dividends on a Dividend Payment Date. Holders of the Offer Shares will not receive dividends on a Dividend Payment Date or for any period during which the Company does not have retained earnings out of which to pay dividends.

If dividends on the Offer Shares are not paid in full, or at all, the Offer Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Offer Shares during such a period by a holder of Offer Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Offer Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Offer Shares may be more volatile than that of other securities that do not have these limitations.

The ability of the Company to make payments under the Offer Shares is limited by the terms of the Company's other indebtedness.

The Company has and will continue to have a certain amount of outstanding indebtedness. The current terms of the Company's financing agreements contain provisions that could limit the ability of the Company to make payments on the Offer Shares. Also, the Company may, in the future, directly or indirectly through its subsidiaries, enter into other financing agreements which may restrict or prohibit the ability of the Company to make payments on the Offer Shares. There can be no assurance that existing or future financing arrangements will not adversely affect the Company's ability to make payments on the Offer Shares.

The market price of the Offer Shares may be volatile, which may result in the decline in the value of investments of the investors.

The market price of the Offer Shares could be affected by several factors, including: (i) general market, political and economic conditions; (ii) changes in earnings estimates and recommendations by financial analysts; (iii) changes in market valuations of listed stocks in general and other retail stocks in particular; (iv) the market value of our assets; (v) changes to Government policy, legislation or regulations; and (vi) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Offer Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Offer Shares.

There may be a lack of public market for the Offer Shares.

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions, and are not as highly regulated or supervised as some of these other markets. The Company cannot guarantee that the market for the Offer Shares will always be active or liquid upon their listing on the PSE.

An active or liquid trading market for the Offer Shares may not develop.

The Company and the Joint Lead Underwriters are not obligated to create a trading market for the Offer Shares and any such market-making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Offer Shares will develop or if such a market develops, if it can be sustained. Consequently, a shareholder may be required to hold his Offer Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

Holders of the Offer Shares may not be able to reinvest at a similar return on investment.

On the Optional Redemption Date, or at any time a Tax Event or an Accounting Event occurs, the Company may redeem the Offer Shares for cash at the redemption price. See ''*Description of the Offer Shares''* of this Prospectus. At the time of redemption, dividend rates may be lower than at the time of the issuance of the Offer Shares and, consequently, the holders of the Offer Shares may not be able to reinvest the proceeds at a comparable yield or purchase securities otherwise comparable to the Offer Shares.

The Preferred Shares have no voting rights.

Holders of Offer Shares will not be entitled to elect the Directors of the Company. Except as provided by Philippine law, holders of Offer Shares will have no voting rights. See *"Description of the Offer Shares"* of this Prospectus.

USE OF PROCEEDS

The gross proceeds from the Offer shall be ₱5,000,000,000 or, should the Joint Lead Underwriters, in consultation with the Company, exercise the Oversubscription Option in full, ₱7,000,000,000.The Company estimates that the net proceeds from the Offer shall amount to approximately ₱4,918,169,375 after fees, commissions and expenses. Assuming the oversubscription option is fully exercised, the net proceeds of the Offer shall amount to approximately ₱6,889,099,112 after fees, commissions, and expenses.

Estimated fees, commissions and expenses relating to the Offer, assuming the Oversubscription Option is not exercised are as follows:

Underwriting Fees for the Preferred Shares being sold by the Company	65,800,000
Taxes to be paid by the Company	50,000
Philippine SEC filing and legal research fee	1,830,625
PSE filing and processing fee (inclusive of VAT)	5,600,000
Estimated legal and other professional fees	7,000,000
Estimated other expenses	1,550,000
TOTAL	81,830,625

Assuming the Oversubscription Option is fully exercised:

Underwriting Fees for the Preferred Shares being sold by the Company	92,105,263
Taxes to be paid by the Company	70,000
Philippine SEC filing and legal research fee	2,335,625
PSE filing fee (inclusive of VAT)	7,840,000
Estimated legal and other professional fees	7,000,000
Estimated other expenses	1,550,000
TOTAL	110,900,888

The net proceeds of the Offer shall be used primarily to fund capital expenditures of the Company and/or general corporate purposes, in no particular order of priority, as follows:

Purpose	₱ 4,918,169,375.00 **Net proceeds of the Offer**	**%**	₱ 6,889,099,112 **Net proceeds of the Offer**	%	**Estimated Timing of Disbursement**
Reimbursement of advances to subsidiaries used for Capital Expenditures relating to Investment in PFL Petroleum Management Inc.	1,429,625,000	49.40	1,429,625,000	35.27	On Issuance
Capital expenditures relating to Investment in PFL Petroleum Management Inc.	1,000,000,000		1,000,000,000		4Q 2019
Reimbursement of advances to subsidiaries used for Capital Expenditures relating to PNX Energy International.	817,185,000	16.62	817,185,000	11.86	On Issuance
Reimbursement of advances to subsidiaries used for Capital Expenditures relating to Investment in PNX Petroleum Singapore Pte Ltd	655,830,000	13.33	655,830,000	9.52	On Issuance
Depot and network expansion and improvements	1,015,529,375	20.65	2,986,459,112	43.35	On Issuance
TOTAL	**4,918,169,375.00**	**100.00**	**6,889,099,112.00**	**100.00**	

*Reimbursement for advances to subsidiaries used for Capital Expenditures relating to Investment in PFL Petroleum Management Inc. ("**PPMI**")*

In August 2018, the Board approved capital infusion by the Company of ₱429,625,000,000 in PPMI to fund PPMI's retail network expansion and upgrade. As of the date of this Prospectus, the full amount earmarked in August 2018 has been disbursed and invested into PPMI by way of equity. PPMI is primarily engaged in the organization, management, administration, operation, supervision and marketing of various kinds of service-oriented companies such as petroleum service stations.

PFL Petroleum Management Inc. (PPMI) is a wholly-owned subsidiary of PPPI incorporated on 31 January 2007. PPMI is primary engaged in and carries on the business of organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations, hauling companies and such other companies desirous of strengthening and establishing their operating processes, except management of funds, securities and portfolio and similar assets of managed utilities.

The Board of Directors and Officers of PPMI include Mr. Dennis A. Uy (President), Mr. Domingo T. Uy, Mr. J.V. Emmanuel A. de Dios, Mr. Chryss Alfonsus V. Damuy, Ms. Socorro E. Cabreros (Corporate Secretary) and Ms. Ma. Concepcion F. de Claro (Treasurer).

Per its audited financial statements dated 31 December 2018, PPMI has a paid-in capital amounting to Php390,600,000.00.

Capital Expenditures relating to Investment in PPMI

As disclosed on June 24, 2019, the Board authorized the infusion of additional capital by the Company into PPMI amounting to ₱2,000,000,000, to support the expansion and improvements of the Company's retail network. As of 31 June 2019, the Company has disbursed and invested into PPMI (by way of equity) ₱1,000,000,000. The Company expects to disburse and invest into PPMI (by way of equity) the balance of ₱1,000,000,000 in the 4th quarter of 2019.

*Reimbursement for advances to subsidiaries used for Capital Expenditures relating to Investment in PNX Energy Internal ("**PEIH**")*

In February 2019, the Company remitted a total of USD15,700,000 (or₱817,185,000, at an exchange rate of USD1: ₱52.05) to PEIH to fund approved investments of the Company in Vietnam. PEIH thereafter invested the funds into PNX (Vietnam) Pte. Ltd. PNX (Vietnam) Pte. Ltd. then used the funds to acquire 75% of Origin LPG (Vietnam) Pte. Ltd. Origin LPG (Vietnam) Pte. Ltd. is engaged in LPG trading, storage, warehouse, port and LPG tank servicing, and other services, including repair and maintenance of LPG supply systems, LPG transportation, and LPG warehouse and storage leasing.

Phoenix Energy International Holdings Pte. Ltd. (PEIH) is a wholly-owned subsidiary of PPPI incorporated on 29 October 2018. PEIH has a capitalization of SGD1,000 and is primarily engaged in managing international investments including expansion of related business activities and operations in the Asia Pacific region.

The Board of Directors and Officers of PEIH include Mr. Raouf Andre Kilzilbash, Ms. Ma. Concepcion F. de Claro, and Mr. See Yong Beng.

*Reimbursement for advances to subsidiaries used for Capital Expenditures relating to Investment in PNX Petroleum Singapore ("**PNX SG**")*

In January and February 2019, Management authorized additional investments by the Company into PNX SG amounting to USD12,600,000 (or ₱665,830,000, at an exchange rate of USD1: ₱52.05). The additional investments was invested into, and booked by, PNX SG as equity. PNX SG is primarily engaged in the purchase of all types of petroleum products directly from refineries in the region, and the sale and distribution of petroleum products to both local and regional buyers.

PNX Petroleum Singapore PTE, Ltd. (PNX SG) is a wholly-owned subsidiary of PPPI incorporated on 30 October 2012. PNX SG is primarily engaged in the business of trading petroleum products and currently holds offices at Shaw House, Orchard Road. It had an initial capitalization of USD10.00 million, and total equity of USD17.741 million as of 31 December 2018.

The Board of Directors of PNX SG include Mr. Dennis A. Uy, Mr. Stefano Angelocola, and Mr. Henry Albert A. Fadullon. PNX SG's key officers are Mr. Stefano Angelocola (General Manager) and Mr. Denis Caes (Chief Finance Officer).

Depot and network expansion and improvements

The Company continues to allot capital for the continuing expansion, maintenance and upgrade of its depot and network facilities. As of date, it has completed the construction of its General Santos terminal and the Tayud depot, as well as the expansions and rehabilitation at the Villanueva terminal and Zamboanga depot. It has an ongoing upgrade at its Calaca terminal to increase capacity in preparation for the scheduled maintenance of existing storage tanks and improvement of gantries for dispensing fuel.

As of the date of this Prospectus, all investments by the Company in PPMI, PEIH, PNX SG, and capital expenditures for the expansion and improvement of its terminals and depots have been funded by internally generated cash and the short-term credit facilities of the Company.

PPMI, PEIH, and PNX SG currently do not have a minimum dividend policy. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of PPMI, PEIH, PNX SG and other factors. The dividends shall be payable out of its unrestricted retained earnings subject to the availability of such unrestricted retained earnings and other statutory limitations.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder, for services rendered, assets previously transferred, money loaned or advanced, or otherwise.
The Company continues to allot capital for the continuing expansion, maintenance and upgrade of its depot and network facilities. As of date, it has completed the construction of its General Santos terminal and the Tayud depot as well as the expansions and rehabilitation at the Villanueva terminal and Zamboanga depot. It is currently undergoing an upgrade at its Calaca terminal to increase depot capacity in preparation for the scheduled maintenance of existing storage tanks and improvement of gantries for dispensing fuel.

The table below provides more detail on the network expansion and improvements:

Facilities	Location	Capacity (as of June 2019)	Project Description and Timing
General Santos Terminal	Tambler, General Santos City	27.1 million liters	Construction of new Terminal. Commissioned in 1Q2019.
Tayud Depot	Tayud, Consolacion, Cebu	19.9 million liters	Construction of new terminal. Commissioned in 3Q 2017 with on going improvements.
Calaca Terminal	Calaca Seaport and Industrial Corp. (CISC), Salong, Calaca, Batangas	147.1 million liters	On going terminal upgrades and rehabilitation and additional tank constructions.
Villanueva Terminal	Zone 4, Barangay Katipunan, Villanueva, Misamis Oriental	85.1 million liters	On going terminal upgrades, including tank realignments.
Zamboanga Depot	Dumagsa, Talisayan, Zamboanga City	13.9 million liters	Regular maintenance and improvements

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed above. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, PSE and the holders of the Preferred Shares in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Board, and disclosed to the PSE. In addition, the Company shall submit via the PSE's online disclosure system, the Electronic Disclosure Generation Technology ("**EDGE**"), the following disclosures to ensure transparency in the use of proceeds:

(a) any disbursements made in connection with the planned use of proceeds from the Offer;

(b) quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;

(c) annual summary of the application of the proceeds on or before January 31 of the following year; and

(d) approval by the Board of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The Company shall submit a certification by the Company's Treasurer and external auditor on the accuracy of the information reported by the Company to the PSE, as well as a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any, in the Company's quarterly and annual reports as required in items (b) and (c) above. Such detailed explanation will state the approval of the Board as required in item (d) above.

DETERMINATION OF THE OFFER PRICE

The Offer Price of ₱1,000.00 is at a premium to the Offer Share's par value per share of ₱1.00. The Offer Price was arrived at by dividing the desired gross proceeds of up to ₱7,000,000,000 by the amount of Offer Shares allocated for this Offer.

20,000,000 preferred shares of the Company are listed and traded on the PSE under the stock symbol "PNX3A" and "PNX3B" (the "**Listed Preferred Shares**"). The closing prices of the Listed Preferred Shares as of June 28, 2019, the last trading date for the month of June, are ₱101.80 and ₱103.10, respectively.

PLAN OF DISTRIBUTION

The Company plans to issue the Offer Shares to institutional and retail investors through a public offering to be conducted through the Joint Lead Underwriters.

Joint Lead Underwriters

The Joint Lead Underwriters have agreed to distribute and sell the Offer Shares at the Offer Price, pursuant to an Underwriting Agreement to be entered into with the Company (the "**Underwriting Agreement**"). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, The Joint Lead Underwriters have committed to underwrite the following amounts worth of Offer Shares on a firm basis:

China Bank Capital	₱3,000,000,000.00
PNB Capital	₱2,000,000,000.00
TOTAL	**₱5,000,000,000.00**

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to the Company of the net proceeds of the Offer Shares.

The underwriting and selling fees to be paid by the Company in relation to the Offer shall be equivalent to 1.25%of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to participating underwriters, if any, and commissions to be paid to the PSE Trading Participants, which shall be equivalent to 0.125% of the total proceeds of the sale of Offer Shares by such PSE Trading Participant.

The Joint Lead Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Offer Shares. The Joint Lead Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for the Company or any of its subsidiaries.

The Joint Lead Underwriters have no direct relations with the Company in terms of ownership by each of their respective major stockholder/s, and have no right to designate or nominate any member of the Board of Directors of the Company.

The Joint Lead Underwriters have no contract or other arrangement with the Company by which they may return to the Company any unsold Offer Shares.

The Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner, China Bank Capital, a subsidiary of China Banking Corporation, provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndications, bonds and notes issuances, securitizations, initial and follow-on public offerings, and private equity placements. The Underwriter also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestitures, and joint ventures. It was established and licensed as an investment house in 2015 as the spin-off of China Bank's investment banking group, which was organized in 2012.

The Joint Lead Underwriter, PNB Capital, an investment house, was incorporated on July 30, 1997 and commenced operations on October 8, 1997. It is a wholly-owned subsidiary of the Philippine National Bank. Its principal business is providing investment banking services, namely: debt underwriting (bonds, commercial papers), equity underwriting, private placements, loan syndications, and financial advisory services. PNB Capital is authorized to buy and sell for its own account, securities issued by private corporations and the government of the Philippines.

Sale and Distribution

The distribution and sale of the Offer Shares shall be undertaken by the Joint Lead Underwriters and other underwriters who shall sell and distribute the Offer Shares to third party buyers/investors. The

Joint Lead Underwriters are authorized to organize a syndicate of other underwriters, soliciting dealers and/or selling agents for the purpose of the Offer.

Of the 5,000,000 Offer Shares, 80% or 4,000,000 Offer Shares are being offered through the Joint Lead Underwriters and other underwriters for subscription and sale to qualified institutional buyers and the general public. The Company plans to make available up to 20% or 1,000,000 Offer Shares for distribution to the respective clients of the 129 PSE Trading Participants of the PSE, acting as Selling Agents. Each PSE Trading Participant shall be allocated 7,750 Offer Shares (the "**TP Allocation**") (computed by dividing the aggregate Offer Shares allotted to the PSE Trading Participants by 129). Each PSE Trading Participant may undertake to purchase more than their allocation of 7,750 Offer Shares. Any requests for shares in excess of 7,750 Offer Shares may be satisfied via the reallocation of any Offer Shares not taken up by the other PSE Trading Participants. The remainder of 250 Offer Shares, plus any Offer Shares allocated to the PSE Trading Participants but not taken up by them, will be allocated first to the PSE Trading Participants who subscribed for their full allotment and indicated additional demand, at the sole discretion of the Sole Issue Manager, Joint Lead Underwriter and Sole Bookrunner.

Prior to the close of the Offer Period, any Offer Shares not taken up by the PSE Trading Participants shall be distributed and taken up by the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner directly to its clients and the general public. All Offer Shares not taken up by the the general public and the clients of the Joint Lead Underwriters and other underwriters, shall be purchased by the Joint Lead Underwriters pursuant to the terms and conditions of the Underwriting Agreement.

Local Small Investors

There will be no allocation to Local Small Investors under the proposed Offer.

Allocation Process

The following procedures shall govern the allocation of Offer Shares among the PSE Trading Participants:

(a) The PSE Trading Participants shall be allotted a total of 1,000,000 Offer Shares (the "**TP Allotted Shares**") Each PSE Trading Participant shall be allocated 7,750 Offer Shares (each a "**TP Allocation**").

(b) Upon preparation of the Firm Undertaking Report, the Sole Issue Manager, Joint Lead Underwriter and Sole Bookrunner shall, under the supervision of a representative from the PSE Listings Department, input the number of Offer Shares requested by each PSE Trading Participant (a "**Participating TP**") in a spreadsheet designed for the reservation and allocation of the Offer Shares.

(c) The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process:

    (i) If the total number of Offer Shares requested by a Participating TP, based on its firm undertaking, does not exceed the TP Allocation, the Sole Issue Manager, Joint Lead Underwriter and Sole Bookrunner shall fully satisfy the request of such Participating TP. Each PSE Trading Participant is assured of not less than the TP Allocation. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the TP Allocation in their firm undertaking until all the TP Allotted Shares are fully allocated.

    (ii) If the total number of Offer Shares requested by a Participating TP exceeds the TP Allocation, additional Offer Shares may be sourced from the Offer Shares not taken up by the other TPs. The Sole Issue Manager, Joint Lead Underwriter and Sole Bookrunner, under the observation of a representative of the PSE Listings Department, shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders of those TPs who have firm orders that are less than or equal to the TP Allocation; and

(ii) distributing equitably the remaining TP Allocation to other Participating TPs with orders for additional Offer Shares, but only up to their respective firm order.

(iii) The allocation will be done based on the total number of the Offer Shares.

(iv) In no case shall any Participating TP be awarded more than the shares indicated in its firm undertaking.

(v) If the aggregate number of Offer Shares requested by all Participating TPs is less than the TP Allocated Shares, the balance shall be returned to the Sole Issue Manager, Joint Lead Underwriter and Sole Bookrunner.

(d) Unless otherwise determined by the Issuer, the final TP Allocation shall be rounded to the prescribed board lot requirement.

Term of Appointment

The engagement of the Joint Lead Underwriters shall subsist so long as the SEC Permit to Sell remains valid, unless otherwise terminated pursuant to the Underwriting Agreement.

Manner of Distribution

The Joint Lead Underwriters shall, at its discretion, determine the manner by which proposals for subscriptions to, and issuances of, the Offer Shares shall be solicited, with the sale of the Offer Shares to be effected only through the Joint Lead Underwriters.

No shares are designated to be sold to specific persons.

Offer Period

The Offer Period shall commence at 9:00 a.m. on 21 October 2019 and end at 12:00 noon on 29 October 2019, or such other date as may be mutually agreed between the Company and the Joint Lead Underwriters.

Application to Purchase

All applications to purchase the Offer Shares (an "**Application**") shall be evidenced by a duly completed and signed Application to Purchase, together with two completed specimen signature cards authenticated by the corporate secretary (or equivalent officer) with respect to corporate and institutional investors, the corresponding payment for the Offer Shares covered by the Application to Purchase and all other required documents including documents required for registry with the Registrar and Depository Agent. The duly executed Application to Purchase and required documents should be submitted to the Joint Lead Underwriters or Selling Agents on or prior to the set deadlines for submission of Applications to the Joint Lead Underwriters and Selling Agents, respectively. If the Applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:

(a) a certified true copy of the Applicant's latest articles of incorporation and by-laws, general information sheet or equivalent constitutive documents, each as amended to date, duly certified by the corporate secretary (or equivalent officer);

(b) a certified true copy of the Applicant's SEC certificate of registration, duly certified by the corporate secretary (or equivalent officer);

(c) a duly notarized corporate secretary's certificate setting forth the resolution of the Applicant's board of directors or equivalent body authorizing (i) the purchase of the Offer Shares indicated in the Application, and (ii) the designated signatories authorized for the purpose, including their respective specimen signatures; and

(d) two (2) duly accomplished signature cards containing the specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer/s who is/are authorized signatory/ies together with copies of two (2) valid government-issued identification documents of the Applicant's authorized signatory/ies.

For foreign corporate and institutional Applicants, in addition to the documents required in paragraph (i) above, four (4) copies of a representation and warranty statement that the purchase of the Offer Shares will not violate the laws of their jurisdiction of incorporation or organization, and that they are allowed under such laws to acquire, purchase, and hold the Offer Shares.

For individual Applicants, the Application must be accompanied by the following documents:

(a) copies of two (2) valid government-issued identification documents of the Applicant;

(b) two (2) duly accomplished signature cards containing the specimen signature of the Applicant, validated/signed by the Underwriter or any Trading Participant's authorized signatory/ies, whose authority/ies and specimen signatures have been submitted to the Receiving Agent; and

(c) Such other documents as may be reasonably required by the Underwriter or a Trading Participant in implementation of its internal policies regarding "knowing your customer" and anti-money laundering.

For purposes herein, valid government-issued identification documents ("ID") shall consist of unexpired identification documents bearing the Applicant's (or Applicant's authorized signatory/ies, as the case may be) signature and recent photo: Passport, Driver's License, Tax Identification (TIN) ID, Professional Regulation Commission (PRC) ID, National Bureau of Investigation (NBI) Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System (GSIS) e-Card, Social Security System (SSS) Card, Senior Citizen Card, Overseas Workers Welfare Administration (OWWA) ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and GOCC ID, e.g. Armed forces of the Philippines (AFP ID), Home Development Mutual Fund (HDMF ID), National Council for the Welfare of Disabled Persons (NCWDP) Certification, Department of Social Welfare and Development (DSWD) Certification.

An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax rates under the Philippine National Internal Revenue Code ("**NIRC**") or tax treaty shall, in addition, be required to submit the following requirements to the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner and Selling Agents (together with their Applications) who shall then forward the same to the Registrar and Depository Agent, subject to acceptance by the Company as being sufficient in form and substance: (i) in the case of tax exemption, a certified true copy of the original tax exemption certificate, ruling or opinion on tax exemption issued by the BIR addressed to the Applicant as certified by its duly authorized officer; (ii) with respect to reduced tax rates if tax sparing applies, (a) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (b) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (c) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends; or (d) proof of filing of an application for ruling with the BIR; and (d) with respect to tax treaty relief, (a) prior to initial dividend payment, 3 original copies of a duly accomplished Certificate of Residence for Tax Treaty Relief ("**CORTT**") Form or the prescribed certificate of residence of their country together with the CORTT Form as required under BIR Revenue Memorandum Order No. 8-2017 and 3 originals of the duly notarized and consularized, if executed outside of the Philippines, Special Power of Attorney executed by the Applicant in favor of its authorized representative (if the CORTT Form and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Applicant is not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) for subsequent dividends due, 3 originals of Part II (D) of the CORTT Form shall be submitted by the Applicant to the Company no later than the 1st day of the month when such subsequent dividends fall due and, if applicable, including any clarification, supplement or amendment thereto; (iii) an original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Company and the Registrar and Depository Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Company, the Registrar and Depository Agent and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities.

An Application shall be considered irrevocable upon submission to the Joint Lead Underwriters or a Selling Agent of a duly executed Application to Purchase. The Application shall be subject to the terms and conditions of the Offer as stated in this Prospectus and the Application to Purchase.

The Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner shall be responsible for accepting or rejecting any Application or scaling down the amount of Offer Shares applied for. The Application, once accepted, shall constitute the duly executed purchase agreement covering the amount of Offer Shares so accepted and shall be valid and binding on the Company and the Applicant. On the Business Day immediately following the Issue Date, the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner shall advise the other underwriters and all the Selling Agents of any Applications that were rejected and/or scaled-down, with copy to the Company.

Payment for the Offer Price

The Offer Shares must be paid for in full in Philippine Pesos upon submission of the Application to Purchase.

Payment for the Offer Shares shall be made by manager's check/cashier's check, corporate check or personal check drawn against any BSP authorized bank or any branch thereof. All checks should be made payable to "**Phoenix Preferred Shares Offe**r", crossed "Payee's Account Only," and dated on or before the date as the Application to Purchase. The Applications to Purchase and the related payments will be received at any of the offices of the Joint Lead Underwriters. The Applicants may also remit payment for their Offer Shares through the Real Time Gross Settlement ("**RTGS**") facility of the BSP to the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner or via direct debit to their deposit account maintained with the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner. Cash payments shall not be accepted.

Should the Applicant elect to pay through RTGS, the Application to Purchase should be accompanied by an instruction issued by the Applicant to effect payment through RTGS in an amount equal to the total Offer Price of the Offer Shares applied for, to be effected and fully funded not later than 12:00 noon. on 29 October 2019.

Should the Applicant elect to pay by a debit memo or instruction, the Application to Purchase should be accompanied by a debit memo or instruction issued by the Applicant in an amount equal to the total Offer Price of the Offer Shares applied for in favor of the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner, to be effected no later than 12:00 noon. on 29 October 2019.

Minimum Purchase

A minimum purchase of 50 Offer Shares shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of 10 Offer Shares.

Refunds

In the event that the number of Offer Shares to be allotted to an Applicant, as confirmed by the Sole Issue Manager, Joint Lead Underwriter, and Sole Bookrunner or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund, without interest, within five Business Days from the end of the Offer Period, all or the portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds, without interest, shall be made through the Receiving Agent

Should the refund be made via a check, an Applicant may retrieve such check refund at the office of the Receiving Agent. Refund checks that remain unclaimed after 30 days from the date such checks are made available for pick-up shall be delivered through registered mail, at the Applicant's risk, to the address specified by the Applicant in the Application.

Secondary Market

The Company may purchase the Offer Shares at any time without any obligation to make *pro rata* purchases of Offer Shares from the PNX4 Shareholders.

Registry of Shareholders

The Offer Shares will be issued in scripless form through the electronic book-entry system of BDO Unibank, Inc. - Trust & Investments Group as Registrar for the Offer, and lodged with the Philippine Depository & Trust Corp. as Depository Agent on Listing Date through the PSE Trading Participants nominated by the accepted Applicants. For this purpose, Applicants shall indicate in the proper space provided for in the Application to Purchase forms to be issued and circulated in connection with the Offer the name of the PSE Trading Participants under whose name their Offer Shares will be registered.

After the Listing Date, PNX4 Shareholders may request their nominated PSE Trading Participants to (a) open a scripless registry account and have their holdings of the Offer Shares registered under their name ("**name-on-registry account**"), or (b) issue stock certificates evidencing their investment in the Offer Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting PNX4 Shareholder.

Legal title to the Offer Shares will be shown in an electronic register of shareholders (the "**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting PNX4 Shareholder). The Registrar shall send (at the cost of the Company) at least once every year a statement of account to all PNX4 Shareholders named in the Registry of Shareholders, except certificated PNX4 Shareholders and Depository Participants, confirming the number of Offer Shares held by each PNX4 Shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant PNX4 Shareholder as of the given date thereof. Any request by a PNX4 Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting PNX4 Shareholder.

Expenses

All out-of-pocket expenses, including, but not limited to, registration with the SEC, printing, publication, communication and signing expenses incurred by the Sole Issue Manager, x, and Sole Bookrunner in the negotiation and execution of the transaction will be for the Company's account irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account. Please refer to the section entitled *"Use of Proceeds"* of starting on page 63 of this Prospectus for details of expenses.

DILUTION

The Offer Shares will not have any dilutive effect as these are non-voting, non-convertible and non-participating.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalization and indebtedness of the Company as at June 30, 2019 and March 31, 2019 and as adjusted to give effect to the Offer (assuming the Oversubscription Option is fully exercised). This table should be read in conjunction with the Company's consolidated financial statements as at June 30, 2019 and March 31, 2019 included elsewhere in this Prospectus.

As at June 30, 2019

	ACTUAL	**AS ADJUSTED**
INDEBTEDNESS	**(In Php thousands)**	**(In Php thousands)**
CURRENT		
Interest-bearing loans and borrowings	27,685,347	27,685,347
NON-CURRENT		
Interest-bearing loans and borrowings	12,372,247	12,372,247
TOTAL INDEBTEDNESS	**40,057,594**	**40,057,594**
EQUITY		
Capital stock	1,107,004	1,114,004
Additional paid-in capital	6,738,692	13,731,692
Revaluation reserves	827,510	827,510
Other reserves	(730,362)	(730,362)
Accumulated translation adjustment	6,942	6,942
Retained earnings	8,078,680	8,078,680
Minority Interest	(32,413)	(32,413)
TOTAL EQUITY	**15,996,053**	**22,996,053**
TOTAL LIABILITIES AND EQUITY	**56,053,647**	**63,053,647**

As at March 31, 2019

	ACTUAL	**AS ADJUSTED**
INDEBTEDNESS	**(In Php thousands)**	**(In Php thousands)**
CURRENT		
Interest-bearing loans and borrowings	26,410,495	26,410,495
NON-CURRENT		
Interest-bearing loans and borrowings	13,327,193	13,327,193
TOTAL INDEBTEDNESS	**39,737,688**	**39,737,688**

EQUITY		
Capital stock	1,112,004	1,119,004
Additional paid-in capital	7,233,692	14,226,692
Revaluation reserves	827,510	827,510
Other reserves	(730,362)	(730,362)
Accumulated translation adjustment	(3,896)	(3,896)
Retained earnings	8,039,690	8,039,690
Minority Interest	(28,331)	(28,331)
TOTAL EQUITY	**16,450,309**	**23,450,309**
TOTAL LIABILITIES AND EQUITY	**56,187,997**	**63,187,997**

THE COMPANY

Overview

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products, operation of oil depots and storage facilities and allied services. Its operations started in Southern Mindanao and soon expanded in the islands of Luzon and Visayas. Its products and services are distributed and marketed under *the PHOENIX Fuels Life*™ trademark. With a market share of 7.09%[3] of the Philippine oil market as of 30 June 2019, the Company is the largest independent oil company in the Philippines that is engaged in all aspects of the local downstream oil industry.

The Company's operations are divided between trading, and terminalling and hauling services. Under trading, the Company offers its refined petroleum products and lubricants to retailers and industrial customers. The Company sells its products through its network of retail service stations and has a total of 630retail service stations as of 30 June 2019. The retail service stations are classified as company-owned-dealer-operated service stations ("**CODO**"), which account for 49.0% of the stations, dealer-owned-dealer-operated service stations ("**DODO**"), which account for the remaining 50.3% of the stations, and company-owned-company-operated ("**COCO**") stations, which account for 0.6% of the stations. For CODOs, the Company buys or leases the land and owns the retail service station structures and equipment, but will be operated by a third-party dealer. For DODOs, a third-party dealer buys or leases the land, builds the retail service station structure according to Company specifications, leases the retail service station equipment from the Company, and operates the DODOs. For COCOs, the Company buys or leases the land, owns the retail service station structures and equipment, and operates the stations. Its main areas of retail operations are in Luzon and Mindanao which account for 48.3% and 38.1%, respectively, of the retail service stations established as of 30 June 2019, while its Visayas operations account for the remaining 13.7% of the network.

The Company's terminalling and hauling services involve leasing of storage space in its terminal depot, hauling and into-plane services (hauling of Jet A1 fuel to airports and refuelling of aircraft) in 18 airports, including Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City, Zamboanga City, Dumaguit, Bacolod, Kalibo, Iloilo, Caticlan, Tacloban, Cebu Mactan, Roxas City, San Jose, Mindoro and Ninoy Aquino International Airport. Since 2005, the Company has been providing all of Cebu Pacific's terminal, hauling and into-plane requirements for its Mindanao operations. The Company currently provides services to Cebu Pacific in a total of 18 domestic airports consisting of two in Luzon, eight in Visayas, and eight in Mindanao.

The Company presently has a nationwide network of depots and retail service stations. Its industrial customers include air, land and sea transport companies and other industrial users.

Since its commercial operations in 2005, the Company has expanded rapidly and developed into the fourth largest oil company in the Philippines as of 31 December 2018.[4] The Company has achieved these on the back of strong compounded annual sales volume growth of approximately 40% since its public listing in 2007. As of 30 June 2019, the Company had a market capitalization of ₱16,980 million, based on the Company's common share closing price of ₱12.10 on 28 June 2019, the last trading day of the said month.

As at 31 December 2016, 2017 and 2018, the Company's total assets were ₱26,538 million, ₱44,166 million and ₱64,660 million (U.S.$1,226 million), respectively. For the years ended 31 December 2016, 2017 and 2018, the Company's total revenues were ₱30,451 million, ₱44,543 million and ₱88,611 million (U.S.$ 1,681 million), respectively, and net profit was ₱1,092 million, ₱1,521 million and ₱2,767 million (U.S.$52 million), respectively.

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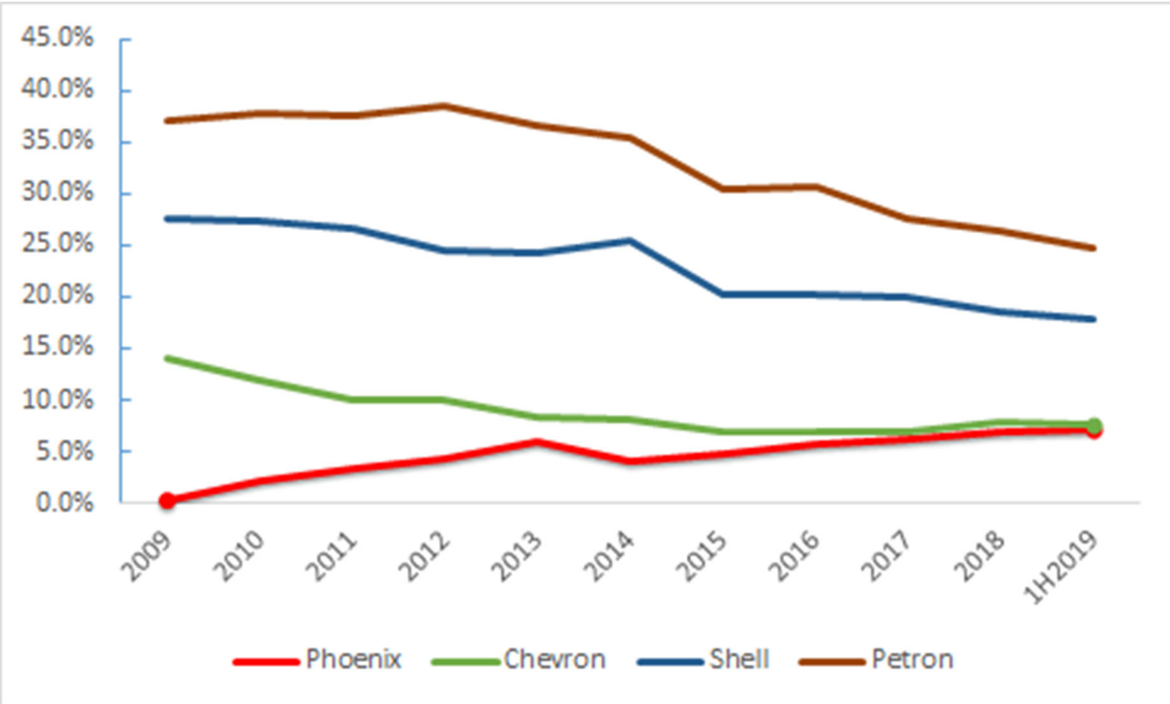
[3] Based on the total market demand of petroleum products based on industry data from the DOE. See the section entitled "*Industry Overview*" of this Prospectus for a more detailed discussion.
[4] Based on the industry data from the DOE. See the section entitled "*Industry Overview*" of this Prospectus for a more detailed discussion.

Strengths

The Company believes that its principal competitive strengths which contribute to its success include the following:

Largest independent oil player

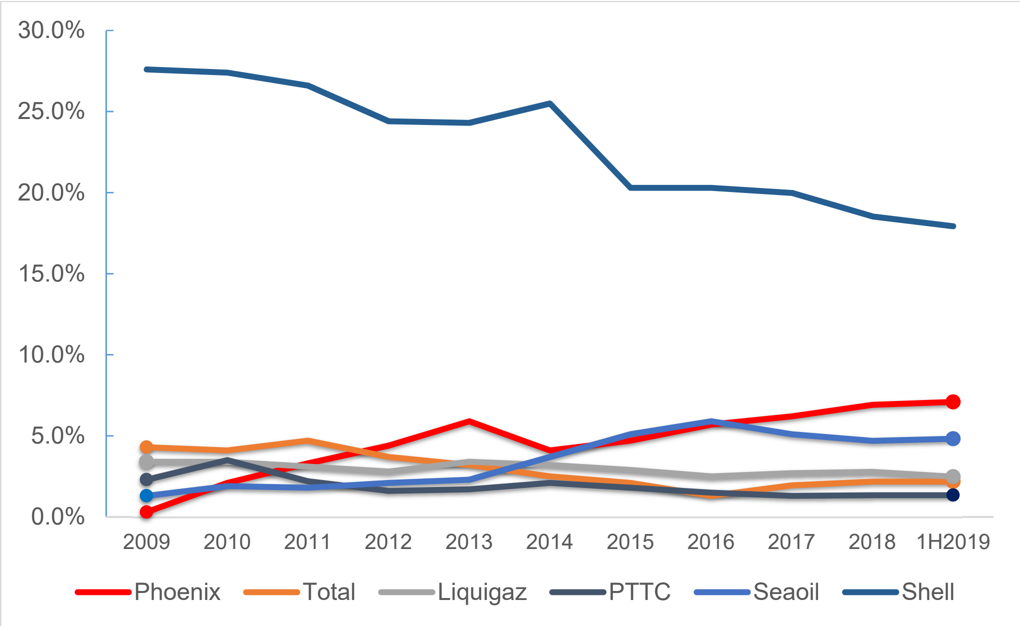
The Company is the largest independent player in the Philippine downstream oil industry with a total market share of 7.09%[5] as of 30 June 2019. While the three largest local petroleum companies (consisting of multi-national players such as Petron, Shell and Chevron) constitute a cumulative market share of 50.18% as of the same period, their aggregate market share has been progressively deteriorating year on year (from 57.8% as of 31 December 2015, to 50.18%[6] as of 31December 2018) as compared to the Company's market share which has been increasing steadily year on year (from 4.7% as of 31 December 2015, to 7.09% as of 30 June 2019). This has been largely due to the development and emergence of the Company as a credible alternative to major multi-national competitors.



Source: Republic of the Philippines Department of Energy ("DOE ")

Note:
1. Based on the total market demand of petroleum products based on industry data from the DOE

[5] Based on the industry data from the DOE. See the section entitled "*Industry Overview*" of this Prospectus for a more detailed discussion.
[6] Based on the industry data from the DOE. See the section entitled "*Industry Overview*" of this Prospectus for a more detailed discussion.



Source: Republic of the Philippines Department of Energy ("DOE ")

Notes:
1. By Total Demand of Total Petroleum Products; as of 31 December 2018
2. Excluding Petron Corporation, Pilipinas Shell Petroleum Corp. and Chevron Philippines

Rapid and sustainable network expansion

The Company continues to pursue its rapid expansion of its retail service station network to capture a bigger retail market share by improving the dealer and end-user experience. From 20 retail service stations in 2006, the Company has since expanded its retail service station network rapidly at a rate of approximately 48 stations per year. As of 30 June 2019, the Company had 630retail service stations which are distributed nationwide with approximately 48.3% in Luzon, 13.7% in Visayas and 38.1% in Mindanao. The Company focuses on initiatives that result in increased demand for franchises from existing and new owners alike, thus accelerating and ensuring the sustainability of its network growth. In particular, the Company's dealership program is centered on providing fast and attractive returns on investment via the construction of no-frills right-sized retail service stations. This simple yet effective model ensures shorter market launch timetables for dealers, enabling both the Company and dealer to generate sales ahead of competitors. This approach also lowers barriers for entry to new franchisees, fast-tracks payback period, and builds loyalty with the dealer-business partners, thereby enhancing the sustainability and speed of its network expansion accordingly.

The Company's growth trajectory with regard to station expansion is supported by its ongoing initiative to modernize the façade and technology of new and existing stations without compromising its "no-frills" philosophy. Station upgrades started in the second quarter of 2017. As of 30 June 2019, 246 of its existing service stations have already been renovated and continues to roll out sleek and modern designs on its new openings.

Strategic import terminal, depot and retail service station locations

The Company owns, leases and operates five import terminals and six storage depots as of 30 June 2019 that service the requirements of its nationwide network of dealers and commercial clients. These terminals and depots are deliberately located near ports to allow for convenience of importation shipments given the challenges relating to the Philippine archipelago. The Company also provides support when vetting potential locations for its new retail service stations through extensive market research which details foot traffic and profitability studies to gauge the potential of a new retail service station. The Company also ensures that retail service stations are strategically distanced from each other to maximize revenue potential and retail service station presence between stations. The Company is committed to expanding its depot and retail service station network further to expand its strategic reach and widen coverage of its customers and locations.

Integrated supply chain and logistics infrastructure

Over the years, the Company has developed and established an integrated supply chain and logistics infrastructure that enables it to enhance efficiencies and cost savings. The Company employs an integrated supply chain approach allowing the Company to ensure the availability of its fuel products to its depots and retail service stations nationwide, and to maximize cost savings through the value chain. The Company benefits from synergies with its affiliate company, Chelsea Shipping Corporation ("**CSC**"), to enjoy seamless importation and transport nationwide. The Company's operations are complemented by an integrated network of 11 terminals and depots, and 630 retail service stations nationwide to enhance the reliability of its stations as of 30 June 2019. The Company purchases its fuel products from Singapore and then taps CSC's tankers to ferry the products to the Company's various port depots. From the depots, fuel products are hauled by the Company's 146 owned trucks to the respective retail service stations.

To further eliminate friction costs and outsource trading expertise to Singapore, the PNX Petroleum Singapore Pte. Ltd. ("**PNX SG**") was established as the regional trading entity of the Company in order to ensure continuous fuel supply for the Company and its subsidiaries. PNX SG provides the Company a platform to market its products in the ASEAN region and thereby enables the Company to increase its supply, meet larger demands and trade oil in the ASEAN region, where it caters to the requirements of several large industry players as well. As of 30 June 2019, by volume of its services provided 39.5% and 60.5% were generated from third party customers and from the Company and its subsidiaries, respectively. PNX SG, through its third party trading operations, has established itself as a strong contributor to the Company's overall revenue and profits, making up 26.3% and 19.4% of the Company's key metrics respectively as of 30 June 2019. The Company sees PNX SG's incremental contribution significantly increasing as it further builds on key accounts and establishes a stronger foothold within the region.

Diverse and value-driven products and service experience in both retail and commercial segments

The products and services offered by the company aim to provide the best value and meet requirements of consumers and clients.

The leading fuel offerings carry the same formulation of additives (PULSE Technology) across the range to provide consumers with a consistent quality product suited for their price point, engine specifications, and requirements.

Completing the offer is a suite of loyalty programs, including the Phoenix RCBC Bankard Mastercard, a lifestyle credit card which offers exclusive benefits for motorists and points for rewards. Since its launching on 26 April 2018, approximately 2,701 Phoenix RCBC Bankard Mastercard had been issued in the Philippines as of 30 June 2019. The Company also has Phoenix Tsuper Club ("PTC"), a loyalty program for professional drivers, including jeepney, cab, tricycle, bus and transport network vehicle service drivers where members can earn and accumulate points which are redeemable for free home appliances, gadgets, gift certificates, internet and mobile prepaid load, and insurance plans. In addition, each active member qualifies for basic personal accident insurance. As of 30 June 2019, there were approximately 73,212 PTC members nationwide.

Other programs are also in place to ensure that service stations offer the same consistent service quality and that product monitoring, storage and distribution standards are maintained at optimal levels. The company continues to upgrade its retail stations with the inclusion of offerings to benefit the consumers such as convenience stores, restaurant locators such speciality shops and restaurants like Jollibee, Chowking, McDonald's and Shakey's, and vehicle maintenance service centers.

Commercial clients are serviced by a dedicated team and are supported further by the logistics and supply backbone of the company to provide the service levels specific to their needs and to meet contingencies immediately.

Experienced management team and employees

The Company is led by an experienced team of professionals from the oil and gas industry, formerly from companies such as Shell, Petron, Total, Chevron and Unioil, and each with over 20 years of experience in the petroleum industry. The Company currently operates with a lean and dynamic organization, which enables faster decision-making and faster response time and allows the Company to act quickly on acquisition opportunities as well as dynamic pricing adjustments. In addition, the Company has a team of employees skilled in managing various aspects of its business, including a focused sales and marketing team and a group that has years of experience in retail service station engineering and construction amongst others. Over the years, the Company has thoroughly professionalized management in its organization to enhance efficiency and cost savings and remains committed to the development of its employees by adopting on-going training and development programs to ensure that operations will be run by well-equipped and capable employees.

The Company believes that its strong management and execution capability of its management team will enable it to continue to improve the efficiency of its operations, customer satisfaction across the respective industries, as well as the quality of its product and services offerings.

Strong brand recall

The Company has developed a strong brand recall which in part is attributable to its advertising strategies aimed at accelerating its branding. Based on the 2018 Brand Health Survey, the “Phoenix” brand (a) ranked third in recency and frequency of use ahead of Shell and behind Petron and (b) tied in third place with Caltex in terms of brand awareness. The Company has invested heavily in its branding throughout the Philippines to remain top-of-mind with target retail consumers via campaigns with heavy exposure to its target market such as operating a Philippine Basketball Association franchise, ongoing support for racing teams and events, complementary TV and radio placements, and enticing gas promotions capitalizing on tie-ups with other household brands such as the Philippine Basketball Association, Ultimate Fighting Championship, and GoHotels. In February 2018, the Company launched a nationwide marketing campaign for its upgraded fuels powered by Phoenix PULSE Technology, an innovative formulation with advanced cleaning and protection properties for enhanced power and acceleration. These activities, coupled with numerous corporate social responsibility programs focusing on health, environment and education, have resulted in, and continue to result in strong support from its customers and franchisees alike, providing the Company a strong foundation for its product sales and rapid branch expansions. The Company’s openness to partnerships has resulted in innovative programs and greater outreach.

Strategy Pillars

- Strengthen the brand;
- Grow position in markets with strong structural, macro drivers;
- Improve operational efficiency and drive synergies across the Group;
- Invest in future growth and innovation through partnerships and acquisition of new businesses that have growth potential and synergies with its portfolio;
- Enhance the quality of its cash flow generation.

Strengthen the brand

The Company remains focused and will continue to strengthen its brand recall among consumers as the brand of choice of motorists and commercial users. The Company will continue to pursue and build its brand through major marketing activities such as mass media placements, endorsements, participation in trade expositions and sponsorship of and participation in major sporting events that appeal to the target market. The Company will continue to invest heavily in advertising expenditure and marketing budget to build its brand equity that complements its investments in retail and logistics infrastructure.

To be able to further monitor the public’s perception of the brand, online posts on social media are also being closely monitored by the Company for all of their brands. A shared services team is created to both monitor positive feedback as well as answer negative complaints against the Company and all its subsidiaries. Such data is easily accessible by the Senior Management including real time data on pending complaints to be resolved by the shared services team.

Grow position in markets with strong structural, macro drivers

The Company intends to focus on increasing its position in markets including retail, gas, and aviation, which are driven by strong economic and structural trends.

Capitalize on retail segment profitability. The Company believes that the downstream oil market in the Philippines is still underserved and has a strong potential for growth given the increasing purchasing power of consumers. To capture this growth and further enhance its market position, the Company will embark on:

(i) increasing its retail service stations across the Philippines to improve market penetration and secure the potential growth from the other industry players;
(ii) developing and strengthening its retail network management system to support its retail network expansion program in collaboration with dealers and franchisees;
(iii) continuing to expand its non-fuel retail businesses by leasing additional service station spaces to food chains, coffee shops and other consumer services to provide "value-conscious" customers with a one-stop full service experience;
(iv) intensifying its dealer and sales personnel training to further improve customer service experience; and
(v) enhancing customer value proposition through its own proprietary fuels offer and cards program.

These initiatives will support the Company's growing retail business and continuing retail service station network expansion. In particular, the increase in retail presence in viable trade areas will allow the Company to increase its assured base volume of fuel sales as well as enhance the market for the Company's lubricants and specialties segment. A growing base volume for retail fuels also provides the Company with greater flexibility in transacting fuel importations with regional traders at more favorable terms. The Company believes it has developed competencies in network planning and operations necessary for efficiently managing the growth of its retail business.

Additionally, the Company seeks to maintain and further strengthen its established position in the Philippines by reinforcing business relationships with existing customers, by providing differentiated service offerings in its retail service stations and by promoting enhanced loyalty programs.

Diversify its petroleum portfolio and tap underserved, underpenetrated markets such as LPG. Philippines ranks among the lowest in LPG per capita consumption across Asia, with firewood still being used as a heating source in provinces. Cognizant of this opportunity as well as the increasing demand for greener alternatives in the mobility space, the Company is building its portfolio outside of traditional fuels through LPG.

Autogas, or LPG used to power vehicles, is now commonly used for private cars and public transportation vehicles in a growing number of countries, including the Philippines. LPG, while already being utilized for vehicles, is also used as an alternative for different applications, including power and manufacturing plants.

As of 30 June 2019, the Company has 126 LPG dealers nationwide and a corresponding market share of 5.36%. The Company's current distribution network for its LPG is mostly in Visayas and Mindanao. However, it will make significant efforts to carve out a larger market share in Luzon, which is the country's biggest LPG market.

Strengthen aviation trading and service segment. With the robust growth in domestic and international tourism in the Philippines, the Company is expanding its presence in aviation by marketing itself as the logistics partner of choice for leading domestic airlines. The Company further expanded its business with Cebu Pacific, its exclusive logistics partner in Mindanao for over 15 years, to include Luzon and Visayas, where it likewise services Cebgo. The Company has built a track record of delivering fast and reliable service and quality products that are compliant to stringent industry standards. The Company believes that its strong and trusted reputation that it has successfully built would bode well as it strives to secure future key contracts with other domestic and international airlines. Currently, the Company services Cebu Pacific in 18 airports nationwide.

Improve operational efficiency and drive synergies across the Group

The Company continues to undertake a number of strategic initiatives aimed at improving operational efficiency and driving synergies including:

Expansion of the Company's integrated supply network. The Company continues to make strategic investments in storage and transportation to support its retail network expansion program, and the broadening of its commercial customer base. This includes debottlenecking in the fuel supply chain to improve efficiency, improving vessel and tank turnaround times, lowering cost to serve, and streamlining the lubes supply chain. The Company will continue to maintain an aggressive position on both the expansion of its strategic depot facilities and on growing its transport and logistics network, which the Company believes are crucial to achieving operational efficiencies while increasing petroleum sales volumes.

Focus on the direct importation and regional supply of petroleum products. In October 2017, the regional trading arm of the Company, PNX SG, started its operations. PNX SG was established to ensure the continuous importation supply of its petroleum products. As the Company imports almost 100% of its refined petroleum products, PNX SG has been established as the regional trading hub for the Company's various petroleum requirements, which it sources from a number of foreign suppliers. By diversifying its requirements to multiple suppliers, the Company believes that this provides them much greater pricing flexibility and stability of supply. Aside from diversifying supply sources, importations yield higher gross profit margins due to the multiplicity of price-competitive offshore supply sources. PNX SG has likewise unlocked additional revenue sources for the Company through the supply of fuel and other related products to other players in the ASEAN market. The Company sees this as an opportunity to tap additional addressable demand and benefit in turn from economies of scale resulting from the increased aggregate volume.

Drive synergies and collaboration across Phoenix and the Udenna group of companies. With an extensive platform that includes Phoenix service stations, FamilyMart, Posible, and Phoenix Super LPG for retail/B2C and fuels, lubricants, asphalt, LPG, and potentially LNG for commercial/ B2B, the Company can maximize upselling and cross-selling opportunities. In addition to shipping for its fuels business, the Company can leverage on the other companies under the Udenna group such as the supply chain capabilities of Chelsea Logistics and the culinary expertise of both Enderun Colleges and Conti's to support FamilyMart's pivot to food strategy.

Further simplification and standardization of business processes. The Company will continue to pursue initiatives to simplify and standardize business processes in order to drive efficiencies across the Group and prepare the Company to serve the next phase of growth and expansion. This will build on the successful migration to the standard Enterprise Resource Planning (ERP) of the newly acquired businesses, PLPI and FamilyMart, and creation of a new Shared Services Team that brings together in one team Customer and HR Operations, Procurement Services, Finance Operations, and IT services.

Invest in future growth and innovation through partnerships and acquisition of new businesses that have growth potential and synergies with its portfolio

The Company will continue to invest in technology through data analytics and digital consumer programs, through its 75% acquisition of Action.able., which operates Posible.net, a digital payments platform. Through Posible's ~3,400 retailers, Phoenix's retail touchpoints reach close to 10,000 nationwide. Cognizant of the increasing demand for cleaner and more secure energy alternatives, the Company continues to pursue LNG. The Company believes that LNG will serve as a critical energy source for the future as the Philippines transitions from conventional fuels to renewables in an attempt to de-risk its energy dependence on imported energy resources. LNG will further broaden the

Company's suite of offers to its B2B customers.

Enhance the quality of its cash flow generation

The Company aims to pursue the following initiatives aimed at enhancing the quality of its cash flow generation:

Equity Growth through Capital Light Strategy. By leveraging on its existing assets and utilizing such assets in business and strategic investments, the Company will be able to lock in ratable retail volumes as well as capture both supply and marketing margins.

Efficient and Effective Inventory Management. With the value of the inventory comprising about 20% of total assets, on average, the Company recognizes that maintaining unnecessarily high levels of inventory beyond what is required to meet customer demands in a timely fashion is a waste of cash flows. Hence, the Company will continuously work towards more efficient and effective inventory management.

Recent Developments

On 21 February 2019, PVPL acquired 75% equity interest in Origin LPG (Vietnam) Limited Liability Company ("**Origin Vietnam**"), a company engaging in LPG marketing and distribution in Vietnam. The remaining 25.0% equity interest is retained by Cong Ty Tnhh Cong Nghiep ("**CNI**"), a local Vietnamese company specializing in the fabrication of pressurized vessels, as the joint venture partner of PVPL. PVPL is wholly-owned by PEIH, which is a wholly owned subsidiary of the Company.

On 28 February 2019, the Company entered into a Memorandum of Understanding (the "**MOU**") with Philippine National Oil Co. ("**PNOC**") and CNOOC Gas and Power. The MOU provides that the three companies shall explore and discuss business opportunities and cooperation in relation to their equity investments in Tanglawan and other companies relating to the project, PNOC facilities, market development, PNOC banked gas, and future energy projects.

On 5 June 2019, the Company redeemed 500,000 preferred shares. The said preferred shares form part of the 2,000,000 preferred shares issued by the Company on 5 December 2018 through private placement. The Company's Board of Directors has approved and ratified on 14 August 2019 the partial redemption of 500,000 preferred shares.

On 5 August 2019, the Company issued the second series of its commercial papers with an aggregate principal amount of ₱3,500,000,000.00.

On 23 August 2019, the board of directors of the Company approved the investment of ₱4,900,000,000.00 worth of corporate funds in Duta, Inc. over a period of three (3) years.

Corporate History and Milestones

The Company was incorporated in the Philippines on 8 May 2002 under its original name "Oilink Mindanao Distribution, Inc.". On 11 January 2004, the Company amended its Articles of Incorporation changing its name from Oilink Mindanao Distribution, Inc. to "Davao Oil Terminal Services Corp.". On 7 August 2006, the Philippines' Securities and Exchange Commission ("**SEC**") approved the Amended Articles of Incorporation of the Company changing its name from Davao Oil Terminal Services Corp. to "P-h-o-e-n-i-x Petroleum Philippines, Inc."

On 11 July 2007, the Company was listed on the Philippines' Stock Exchange ("**PSE**") with 25.0 % of its outstanding shares offered to the public, becoming the first petroleum company to be publicly-listed after the enactment of the Oil Deregulation Law in 1998. The Oil Deregulation Law encourages petroleum companies to be listed in the PSE.

On 22 May 2017, ES Consultancy Group, Inc. acquired 25.0% of the outstanding capital of the Company from majority stockholders Udenna Corporation and Udenna Management & Resources.

Registration with the BOI

The Company is registered with the Board of Investments of the Philippines ("**BOI**") effective 16 November 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under the Oil Deregulation Law.

Pursuant to its registration, the Company was also entitled to certain tax and non-tax incentives to include an income tax holiday for five years from 16 November 2005 to 15 November 2010 and was required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investment Code of 1987.

The Company obtained additional registration approval from the BOI under the Oil Deregulation Law for its Calaca, Batangas Terminal. This entitled the Company to an income tax holiday on the revenue activities from this additional storage capacity for five years starting 26 February 2010 and expired on 25 February 2015. Another BOI registration was granted to the Davao Terminal expansion facility effective 14 May 2010 and expired on 13 May 2015, which entitled the Company to another set of incentives, including the five year income tax holiday on its Davao Terminal marketing and storage activities.

The Company was also registered with the BOI on 25 November 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under the Oil Deregulation Law for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company was required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. This expired on 24 November 2015.

The Company obtained new registration approvals from the BOI for two of its then-new facilities. Both the Cagayan de Oro City and the Bacolod City facilities were registered and issued certification by the BOI on 10 May 2012, entitling the Company to an income tax holiday for five years from registration until 9 May 2017 plus other fiscal and non-fiscal incentives accorded to BOI-registered entities.

The Company also obtained new approvals with the BOI for its four new facilities. Expansions of Villanueva, Oriental Mindoro and Calaca, Batangas facilities were registered and issued certification by the BOI on 24 November 2017 and 22 December 2017, respectively and are due to expire on 23 November 2022 and 22 December 2022, respectively. New facilities in Tayud, Cebu and Calapan, Mindoro were likewise registered and issued certification by the BOI on 9 September 2017 and 12 October 2017, respectively, and are due to expire on 9 September 2022 and 12 October 2022 respectively, each entitling the Company to an income tax holiday for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI-registered entities. These additional income tax holiday incentives will allow the Company to enjoy an effective income tax ratebelow 30% as it continuously expands its storage and obtains further incentives from the BOI.

On March 2019, the Company received the BOI's approval for a five-year Income Tax Holiday Incentive covering the 26.072 million liters capacity of its new General Santos City Depot facility.

On April 2019, the Company received the BOI's approval for a five-year Income Tax Holiday for an additional 16.1 million liters covering additional capacity for ADO products at its Calaca Import Terminal facility.

Under its registration, with respect to its transactions relating to its BOI registered investments, the Company is also entitled to certain tax and non-tax incentives. Details of these registrations are as follows:

Location of Project	Date of Registration	Income Tax Holiday	
		Period	Expiry
Davao................................	November 2005	5 years	November 2015
Calaca, Batangas..............	26 February 2010	5 years	25 February 2015
Davao Expansion..............	14 May 2010	5 years	13 May 2015
Zamboanga	25 November 2010	5 years	24 November 2015
Bacolod City ……………..	10 May 2012	5 years	9 May 2017
Cagayan De Oro City........	10 May 2012	5 years	9 May 2017
Villanueva, Misamis Oriental	24 November 2017	5 years	24 November 2022
Tayud, Cebu City	9 September 2017	5 years	9 September 2022
Calapan, Mindoro	12 October 2017	5 years	12 October 2022
Calaca, Batangas Expansion	22 December 2017	5 years	22 December 2022
General Santos.................	March 2019	5 years	March 2024
Calaca...............................	April 2019	5 years	April 2024

Milestones

Certain key dates and milestones for the Company's business are set forth below.

2002	The Company was established by Dennis A. Uy on 8 May in Davao City.
2004	The Company was renamed Davao Oil Terminal Services Corporation.
2005	Cebu Pacific Air became the Company's first customer. In addition, the Company opened its first five gas stations in Davao and Mindanao and introduction of the "Phoenix Fuels Life" brand.
2006	The Company was renamed "P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC." In addition, lubricants are added to the Company's product line and the Company acquired its first shipping vessel, which later became its own business, Chelsea Shipping Corporation.
2007	The Company listed on the Philippine Stock Exchange on 11 July and became the first oil company to list on the PSE after the passage of the Oil Deregulation Law in 1998.
2008	The Company opened its very first Luzon station in Marikina.
2009	The Company's 100th gas station is opened in General Santos City. In addition, the Company opened a station in Cebu, the Company's first station in Visayas. In the same year, the Company acquired a 60-hectare industrial park in Batangas, which would later be known as Phoenix Petroterminals and Industrial Park.
2011	The Company inaugurated its most modern terminal facility in Cagayan de Oro.

2012 The Company reached 300 retail stations since establishment 10 years ago, becoming the largest independent oil retailer in the Philippines.

2013 The Company inaugurated Phoenix CME (Coco Methyl Esther) Manufacturing Plant in Cagayan de Oro.

In the same year, the Company launched Phoenix Premium 98, the company's flagship, high-performance fuel.

2014 Several of the Company's larger stations started featuring its well-known services such as fast food, restaurants, convenience stores, car maintenance and others.

2015 The Company launched a revitalised line of lubricants for automotive, commercial and industrial uses.

2016 The Company inaugurated its new corporate headquarters in Davao City.

In addition, the Company sold its subsidiaries, Chelsea Shipping Corporation and Phoenix Petroterminals and Industrial Park Corp., to its parent company, Udenna Corporation, to focus on the core business of petroleum.

2017 The Company entered into the LPG business by acquiring Petronas Energy Philippines, Inc. and renaming it Phoenix LPG Philippines, Inc. Further, the Company established PNX Petroleum Singapore Pte Ltd., the Company's regional trading and supply presence.

The Company's affiliate, Chelsea Logistics Holdings Corporation, parent of Chelsea Shipping, successfully listed on the Philippine Stock Exchange. Phoenix Petroterminals and Industrial Park was renamed to Calaca Industrial Seaport Park.

2018 The Company acquired Philippines FamilyMart, the country's third largest convenience store chain. In addition, the Company concluded its acquisitions of up to 74.9 % in Action Able. Inc. and Think Able Ltd., thereby acquiring a payment gateway 'Posible' to enhance its digital-payment platform services.

In the same year, the Company entered into the bitumen business by forming a joint venture with TIPCO Asphalt and PhilAsphalt Development Corporation.

The Company launched Phoenix PULSE Technology, its first proprietary fuel additive, as part of its fuel offerings.

The Company likewise received a "notice to proceed" from the DOE in relation to the construction of an integrated LNG import and regasification terminal in Batangas pursuant to an initial memorandum of understanding with CNOOC Gas and Power with the definitive agreements, such as project development agreement and shareholders' agreements, expected to be entered into between the Company and CNOOC Gas and Power in 2019.

2019 The Company entered into the LPG marketing and distribution in Vietnam by forming a joint venture with CNI.

Recognition and Awards

In recognition of the Company's outstanding businesses and high quality services provided, the Company has received numerous awards and recognitions for its operations.

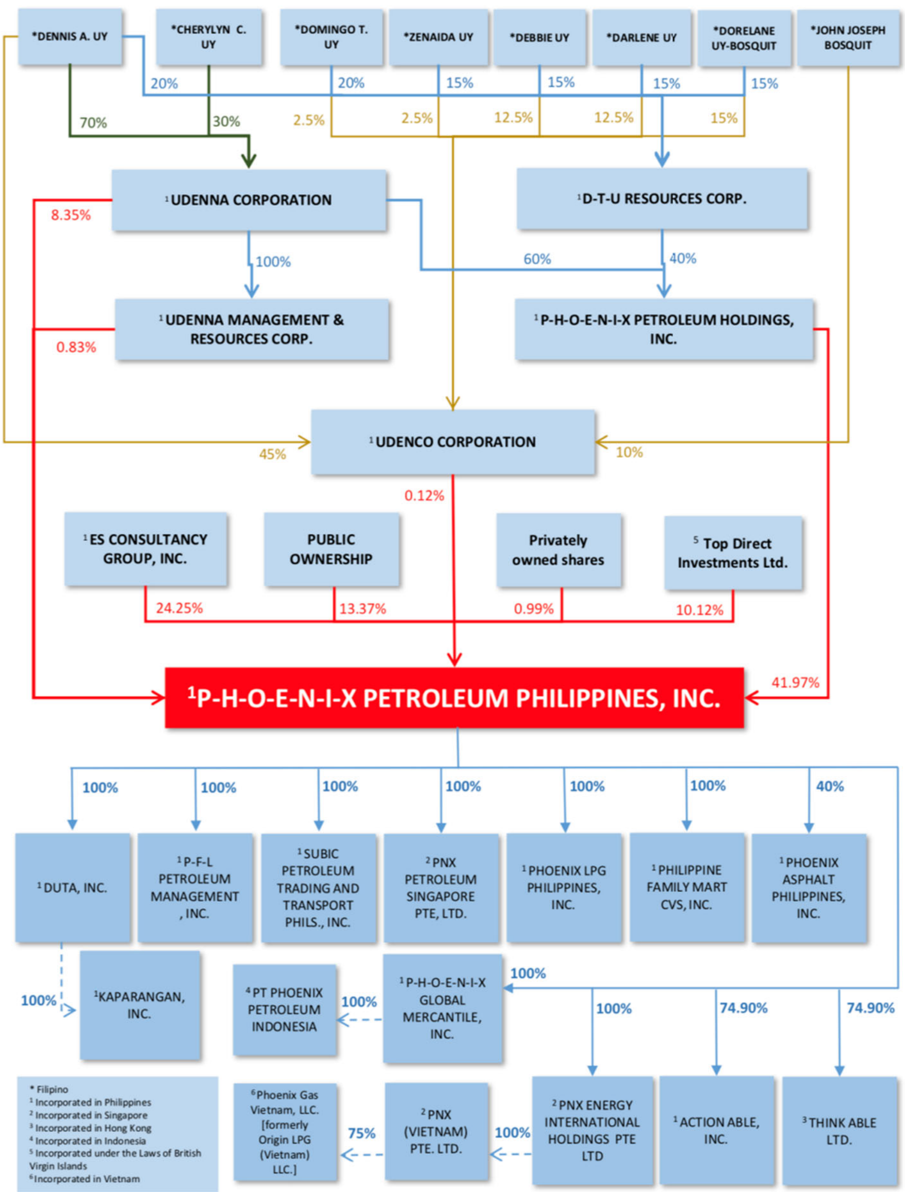
Year	Award/Recognition
2018	The Company was awarded the "Silver Award" as the "Fastest-Growing Company of the Year (Asia, Australia, and New Zealand region)" at the 2018 Stevie Awards by the International Business Awards.
	Phoenix LPG Philippines, Inc. was awarded the "Outstanding Respondent among Small Firms" at the 2018 BSP Stakeholders Awards by Bangko Sentral ng Pilipinas.
	The Company's PinoyTsuper Hero initiative received the Award of Excellence – Community Relations Category from the Philippine Quill Awards
2017	The Company was awarded "Second Place – Outstanding Large Corporation II for Non-agri-based category" at the GawadKaagapay Awards 2017 by the Land Bank of the Philippines.
2015	The Company was awarded the "Outstanding Filipino Franchise in Retail-Large Scale" at the 2015 Franchise Excellence Awards by the Philippine Franchise Association and the Department of Trade and Industry.
2013	The Company was named as a "Top 5 Outstanding Franchise Company", "Top 15 Best in Franchise Support" and "Top 15 Fastest-Growing Franchises" by Entrepreneur Magazine in its Franchise Awards 2013.
	The Company was named the "Best Independent Oil Company in Asia" by London-based World Finance magazine for its Oil and Gas awards 2013.
2012	The Company was named the "Best Independent Oil Company in Asia" by London-based World Finance magazine for its Oil and Gas awards 2012.
	The Company was awarded the "Third Best Small Cap Company in the Philippines" by Finance Asia.
	Recommended Franchise Brand – BPI Family Savings Bank cites the Company as one of the recommended franchise brands in the Ka-Negosyo Best List.

Ownership and Corporate Structure

The Company is a publicly listed company. The principal shareholders of the Company include P-h-o-e-n-i-x Petroleum Holdings, Inc. ("**PPHI**"), ES Consultancy Group, Inc. ("**ESGI**"), Top Direct Investments Limited ("**TDIL**") and Udenna Corporation ("**UC**"). As of 30 June 2019, the Permitted Holders directly or indirectly controlled 51.8% of the outstanding share capital of the Company.

The chart below sets forth the simplified shareholding and corporate structure of the Company as of 30 June 2019.

OWNERSHIP STRUCTURE AS OF JUNE 30, 2019



Beneficial Owners

	Direct	Indirect					
		PPHI				UMRC	
		(40%) DTU RESOURCES	(60%) UDENNA CORP	UDENCO CORP	UDENNA CORP	UDENNA CORP	TOTAL
DENNIS A. UY	0.350%	3.358%	17.627%	0.054%	5.845%	0.581%	27.815%
CHERYLYN C. UY	0.080%	-	7.555%	-	2.505%	0.249%	10.389%

PPHI was incorporated in the Philippines on 31 May 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.

ESGI was incorporated in the Philippines on 29 December 2016. ESGI is a consulting firm primarily focused on financial strategy, capital mergers and acquisitions as well as joint ventures. ESGI's registered office is located at the Centerpoint Building, Garnet Road, Ortigas Center, Pasig City.

UC (formerly known as Philsummit Corporation) was incorporated in the Philippines on 19 March 2002. UC's primary purpose is 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. UC's registered office is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

Top Direct Investments Ltd. is a company organized in the British Virgin Islands. It is owned by businessman Miguel Jose C. Valencia. It is an investment holding company, duly authorized under its Memorandum and Articles of Association to carry on or undertake any business or activity, do any act or enter into any transaction.

Subsidiaries and Joint Ventures

Subsidiaries

The table below sets forth the Company's equity interest in its primary operating subsidiaries, as of the date of this Prospectus, as well as their principal businesses and places of incorporation. The Company also has other marketing and trading subsidiaries and interest in realty companies to support its core business.

Name of Company	Place (Date) of Incorporation	Company's Equity Interest (as of 30 June 2019)	Principal Business
Phoenix Global Mercantile Inc. ("**PGMI**")	Philippines (2006)	100%	Primarily engaged in the sale of acid oil and coconut fatty acid distillates, both by-products from manufacturing of coconut methyl ester.
P-F-L Petroleum Management Inc. ("**PPMI**")	Philippines (2007)	100%	Primarily engaged in the organization, management, administration, operation, supervision and marketing of various kinds of service-oriented companies such as petroleum service stations.
Subic Petroleum Trading and Transport Phils, Inc ("**SPTT**")	Philippines (2007)	100%	Primarily engaged in the buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use and import of petroleum products from Singapore, Thailand and Taiwan and sells petroleum products to companies operating inside Subic Freeport Zone in Zambales.
PNX Petroleum Singapore Pte Ltd ("**PNX SG**")	Singapore (2012)	100%	Primarily engaged in the purchase of all types of petroleum products directly from refineries in the region, and the sale and distribution of

			petroleum products to both local and regional buyers.
Phoenix LPG Philippines, Inc (“**PLPI**”)	Philippines (1995)	100%	Primarily engaged in the buying, selling, storage, distribution and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas (“**LPG**”), LPG-related products and other petroleum products.
Duta, Inc. (“**Duta**”)	Philippines (1994)	100%	The property holding company of PLPI.
Philippine Family Mart CVS, Inc. (“**PFM**” or “**Philippines FamilyMart**”)	Philippines (2012)	100%	Primarily engaged in the business of operating CVS under the trademark “FamilyMart” either by direct operations 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.
Action Able Inc (“**AAI**”)	Philippines (2015)	74.9%	Primarily engaged in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or e-commerce/
Think Able Ltd (“**TA**”)	Hong Kong (2014)	74.9%	Primarily engaged to handle the trademark of AAI.
PNX Energy International Holdings Pte Ltd (“**PEIH**”)	Singapore (2018)	100%	Primarily engaged in managing international investments including expansion of related business activities and operations in the Asia Pacific region.
PT Phoenix Petroleum Indonesia (“**PTPPI**”)	Indonesia (2018)	100% (*indirect*)	Primarily engaged in distribution and import of traded goods and merchandise of oil and lubricants in Indonesia.
PNX Vietnam Pte Ltd (“**PVPL**”)	Singapore (2018)	100% (*indirect*)	Primarily engaged in the wholesale of solid, liquid, gas fuels and other related products and bottling and storing of LPG

			in Vietnam.
Kaparangan, Inc.	Philippines (1994)	100% (*indirect)*	Primarily engaged in the business of buying, investing, exchanging, selling of securities and the leasing of land
Origin LPG (Vietnam) LLC (now, Phoenix Gas Vietnam, LLC)	Vietnam	75% (*indirect*)	Primarily engaged in LPG trading, storage, warehouse, port and LPG tank servicing, and other services, including repair and maintenance of LPG supply systems, LPG transportation, and LPG warehouse and storage leasing.

Revenues from subsidiaries contributed 45%, 17%, and 12% to the consolidated revenues of PPPI in the full year 2018, 2017, and 2016, respectively. As of 30 June 2019, revenues from subsidiaries accounted for 54% of consolidated revenues of PPPI.

Joint Ventures

In January 2018, the Company entered into a joint venture agreement with TIPCO Asphalt and PhilAsphalt Development Corporation to establish Phoenix Asphalt Philippines, Inc. ("**PAPI**") in a 40-40-20 % respective share structure. As of 31 December 2018, the Company continued to hold a 40.0 % interest in PAPI. PAPI is primarily engaged in importing, manufacturing, marketing and distribution of bitumen and bitumen-related products in the Philippines.

On 25 April 2018, the Company entered into a memorandum of understanding ("**MOU**") with CNOOC Gas and Power, a subsidiary of China National Offshore Oil Corporation, the largest offshore oil and gas company in China and also one of the largest independent oil and gas exploration and production companies in the world for the construction of a new integrated liquefied natural gas (LNG) import and regasification terminal in Batangas (the "**LNG Facility Project**"). It is envisaged under the MOU that the Company will purchase and own (a) 40% of shares in Tanglawan Philippine LNG, Inc. ("**Tanglawan**") with the remaining 60% of shares in Tanglawan to be held by CNOOC Gas and Power and (b) 60% of shares in Liwanag Philippine Property Management Inc. ("**Liwanag**") with the remaining 40% of shares in Liwanag to be held by CNOOC Gas and Power. Both Tanglawan and Liwanag are special purpose vehicles. Tanglawan will be responsible for the construction, operation and maintenance of the LNG Facility Project while Liwanag will be responsible for the land and other permit requirements related to the LNG Facility Project. On 21 December 2018, Tanglawan secured a "notice to proceed" from the DOE which stipulated that the LNG Facility Project will be located on a plot of land leased by the Company in Bauan, Batangas. Formal agreements relating to the LNG Facility Project, such as a project development agreement and both shareholder agreements for Tanglawan and Liwanag, are still on-going.

In February 2019, PVPL acquired 75% equity interest in Origin LPG (Vietnam) Limited Liability Company ("**Origin Vietnam**"), a company engaging in LPG marketing and distribution in Vietnam. Origin Vietnam has since been renamed to Phoenix Gas Vietnam LLC. The remaining 25.0% equity interest is retained by Cong Ty Tnhh Cong Nghiep ("**CNI**"), a local Vietnamese company specializing in the fabrication of pressurized vessels, as the joint venture partner of PVPL. PVPL is wholly-owned by PEIH, which is a wholly owned subsidiary of the Company.

See also "*Note 1(Group Information)*" to the 2018 Audited Financial Statements.

Products

List of Petroleum Products and Lubricants

The Company offers a wide range of petroleum products to cater to the needs of all customers. In February 2018, the Company launched additional products, such as Phoenix PULSE Technology to include in its range of offerings. PULSE is a new petroleum additive for the Company's gasoline and diesel fuel products and aims to provide advanced cleaning and protection properties, and enhanced power and acceleration for users.

Listed below are some of the products offered by the Company:

Fuels	**Description**
Diesel	A low-sulphur product whose carbon content is no more than 2% sulphur.
Premium 98	An environment-friendly premium gasoline with an octane rating of 98. Restores lost engine performance.
Premium	An environment-friendly premium gasoline with an octane rating of 95.
Regular Gasoline	An environment-friendly gasoline with an octane rating of 91.
Kerosine	An environment-friendly gasoline with an octane rating of 91.
Jet A1	Aviation fuel specifically described as Jet A: AFQRJOS Issue (ASTM D 1655-06 or EF STD 91-91 Issue 5, amended March 2006) commonly used by commercial airlines and general aviation.

LPG	**Description**
Phoenix Super LPG	LPG in cylinders to both household and commercial customers, and in bulk to industrial customers.

Lubricants	**Description**
Phoenix ZOELO Extreme | API CI-4/SL SAE 15W-40	A high-quality shear-stable diesel engine oil with HDD Formula for engine cleanliness and protection against wear.
Phoenix ZOELO Extra | API CF SAE 40	A premium quality, mono-grade diesel engine oil, for use on older designs of normally aspirated diesel engines where moderate-service conditions prevail.
Phoenix ZOELO Max | API CD/SE SAE 15W-40	A high-performance, heavy-duty diesel engine oil with HDD Formula technology to resist oil thickening by controlling sludge and acid formation and effectively keeps particles in suspension to extend oil filter life.
Phoenix Cyclomax Racing 4T ~ MA2/SL SAE 10W40	A synthetic-blend oil with Active CYCLOBOOSTER additives for excellent engine protection.

Phoenix Cyclomax Titan 4T ~ MA2/SJ SAE 20W50	A multi-grade oil with Active CYCLOBOOSTER additives for superior engine protection.
Phoenix Cyclomax Force 4T ~ MA2/SG SAE 20W40	A premium quality multi-grade engine oil designed to ensure dependable transmission function and clutch operation, complete with Active CYCLOBOOSTER additives for superior engine protection.
Phoenix Accelerate Fully Synthetic I 5W-40	A premium quality, fully-synthetic, 5W-40 engine oil formulated with SPEED BOOSTER, blended using fully-synthetic base oils and advanced additive systems to provide high performance and engine protection under extreme operating conditions.
Phoenix Accelerate Monograde ~ API SF SAE 40	A high-quality, SAE 40 multi-grade engine oil formulated with SPEED BOOSTER additive to provide lubrication to both gasoline and diesel engines in light-duty service requiring API SF performance standards.
Phoenix Accelerate Multi-grade ~ API SJ SAE 20W50	A high-quality, 20W-50 multi-grade engine oil formulated with SPEED BOOSTER to provide excellent lubrication to both gasoline and diesel engines in light-duty service requiring API SJ performance standards
Phoenix Automatic Transmission & Power Steering Fluid ~ Dexron III	A premium blend of Group II base oils and VISCOSITY INDEX (VI) STABILIZER using the latest additive technology, giving exceptional resistance against oxidation and wear, for smoother gear shifting and a lighter drive.
Phoenix Gear Oils | APIGL-4 SAE 90 API GL-4 SAE 140	A blend of Group II base oils and EPF (Extreme Pressure Formula) specifically Sulfur-Phosphorus additive that works on gear systems by forming a thin film to prevent metal-to-metal contact and premature oxidation, resulting in smoother gear operation.
PhoenixGearOils|APIGL-5	Extreme pressure multi-purpose gear lubricants for a wide range of gear units with spur, bevel, helical and hypoid gears and limited-slip differentials.
Phoenix Radiator Coolant	A ready-to-use, environment-friendly, and water-based coolant with Organic Acid Technology (OAT) designed to enhance protection and reliability of the automotive cooling system, meeting the performance standard of ASTM D3306 requirements.
Phoenix Brake & Clutch Fluid DOT 3	A high-quality automotive brake fluid designed for use in conventional hydraulic brake and clutch systems under normal service conditions to provide good brake system response.
Phoenix EP2 Grease | NLGI 2	An all-purpose extreme pressure (EP) grease designed for superior protection.
Phoenix Multipurpose Grease | NLGI3	A multi-purpose (MP) grease designed to enhance protection of ball joints and bearings of automotive and industrial equipment operating under normal and light load conditions and requiring NLGI 3specification.

Phoenix Tractor Transmission Fluid	A high performance Universal Tractor Transmission Oil (UTTO), designed for use in transmissions, hydraulic systems, final drives and wet brakes of tractors and other off-road equipment.
Phoenix Industrial Gear Oils	Premium quality, heavy duty industrial gear oils especially formulated for circulation and bath lubrication systems of spur, helical and worm type of industrial gears.
Phoenix Compressor Synthetic Oil 68	A premium rotary compressor oil formulated with synthetic base stock polyalphaolefins, esters and special additives to ensure exceptional resistance to oxidation, thermal degradation and wear protection compared to mineral base oils. This oil is intended for severe duty rotary screw and vane air compressors.
Phoenix Hydraulic Oils	Made from high-viscosity index paraffinic base oil blended with superior anti-wear additive for use in modern high-pressure hydraulic systems.
Phoenix Heat Transfer Oil	A high quality mineral oil with low vapor pressure, high thermal stability and adequate thermal conductivity for purposes of heat transfer. This oil is recommended for non-pressurized, closed liquid phase heating systems operating at bulk oil temperatures up to 320ºC and with a maximum film temperature of 340ºC.
Phoenix Manta Marine Engine Oils	Heavy duty oils especially designed for the lubrication of high and medium speed trunk piston engines using diesel fuel.
Phoenix Nautilus Cylinder Oil	A highly alkaline cylinder oil especially formulated for cross head marine, trunk piston and stationary diesel engines running on high sulphur residual fuels and provided with separate cylinder lubricators.
Phoenix Cycle Fork Oil	A high-quality mineral oil component with high-temperature stability.
Phoenix Cyclomax Scooter Gear Oil	A high-quality SAE 80W90 multi-grade gear oil that provides wear protection and helps reduce friction in automatic gear systems operating in moderate to heavy conditions requiring API GL-4 specifications.

Scope of Business

The Company's two main business segments are trading petroleum and other chemical products on a wholesale basis, and the terminalling and hauling services. The Company offers a comprehensive range of refined petroleum products, lubricants and other chemical products under the *PHOENIX Fuels Life*™ brand name. The major markets in the petroleum industry are retail, industrial, LPG and lube trades. The Company sells its products to both industrial end-users and through a network of retail service stations, LPG dealerships and other retail outlets. The Company also supplies jet fuel at key airports to international and domestic carriers. The Company is not dependent on a single or limited number of customers for its products.

Terminalling is a complementary service that involves the storage of these petroleum products, which consist mainly of gasoline, diesel and other petrochemical products. Hauling, likewise a support service, entails the transport and provision of fuel to Phoenix's industrial customers.

In addition to its two main business segments, the Company is also engaged in the business of convenience retailing following its acquisition of PFM in January 2018 and in the business of e-commerce payments following its acquisitions of AAI and TA in May 2018. Each of these businesses of convenience retailing and e-commerce payments serve to complete the Company's existing two main business segments and have significant growth potential which the Company seeks to capitalize on.

Trading

For the years ended 31 December 2016, 2017 and 2018, the Company's sales revenue from its trading and distribution of petroleum products was ₱29,346 million, ₱44,149 million and ₱87,673 million respectively. For the second quarter of 2019, the Company's sales revenue from its trading and distribution of petroleum products was ₱26,839 million. Retail volume (station sales) increased by 50.8% from 31 December 2016 to 31 December 2017 and increased by 0.9 % from 31 December 2017 to 31 December 2018, in each case due to a growth in both station network and same store sales.

Retail Trading

The Company's products are sold through its network of retail service stations. As of 30 June 2019, the Company had 630 retail service stations in the Philippines, representing approximately 7.3 % of the country's total service station count of approximately 8,200, according to the Company's estimates. The Company had sold 2,747 million liters and 1,623million liters of fuel as of the year ending 31 December 2018 and in the second quarter of 2019 ending June 30, respectively. Most of the Company's retail service stations are located in Luzon, where demand is heaviest. The table below shows the breakdown and growth in the Company's retail service stations from the year ended 31 December 2016 to 31 December 2018:

	As of 31 December 2016		**As of 31 December 2017**		**As of 31 December 2018**		**As of 30 June 2019**	
Region	No.	%	No.	%	No.	%	No.	%
Luzon	216	43.0 %	250	47.0 %	289	48.2 %	304	48.30%
Visayas	73	14.0 %	65	12.0 %	83	13.8 %	86	13.70%
Mindanao	216	43.0 %	215	41.0 %	228	38.0 %	240	38.10%
TOTAL	505	100.0 %	530	100.0 %	600	100.0 %	630	100.0 %

The Company employs three types of retail service station operating structures in the Philippines, namely CODO, DODO, and COCO. In a CODO retail service station, the Company provides and establishes the station itself including the site and the equipment (storage tanks, dispensing pumps, pylon, signage and other equipment necessary to run the retail service station) and supply of petroleum products but third party dealers operate the CODOs. CODO retail service stations are normally established in locations where the Company sees the need to construct larger retail stations based on local market evaluation, wherein existing dealers cannot afford the initial outlay for construction. The current standard CODO dealership agreements generally have a term of five years, renewable for another five years. In a DODO retail service station, the third party dealer provides the site and builds the required civil structures based on the Company's site selection criteria and station design standards and operates the DODOs. All necessary equipment and supply of petroleum products are provided by the Company. The terms of the DODO dealership agreements vary, but are usually between 5 to 10 years. In both classifications, the Company is paid a franchise fee. In a COCO retail service station, the Company buys or leases the land, owns the retail service station structures and equipment, and operates the stations. The table below sets out the breakdown in the Company's retail service stations between the CODO and DODO classifications:

	As of 31 December 2016		**As of 31 December 2017**		**As of 31 December 2018**		**As of 30 June 2019**	
Classification	No.	%	No.	%	No.	%	No.	%
CODO	261	52.0	279	53.00%	292	48.70%	309	49.05%
DODO	244	48.00%	251	47.00%	308	51.30%	317	50.32%
COCO	0	0.00%	0	0.00%	0	0.00%	4	0.63%
TOTAL	505	100.0 %	530	100.0 %	600	100.0 %	630	100.0 %

To improve traffic in the Company's retail service stations and increase potential revenues of the Company's non-fuel business, the Company has introduced the concept of a "one-stop shop type station" and established convenience stores and leases space to quick-serve restaurants (such as Jollibee, Chowking, McDonald's and Shakey's) and other consumer service shops in strategic service stations nationwide to enhance the end-user experience for motorists. The convenience stores are under the franchise "FamilyMart" name and system and serve to complement the retail operations of the Company and support the Company's existing dealer network by enhancing the retail station outfits and overall end-user experience. For more information on the Company's convenience stores retailing, please see "*Scope of Business – Convenience Stores Retailing*".

The Company continues to install the point of sale ("**POS**") system across its retail network throughout the Philippines. POS systems are used for gaining efficiencies through automating retail transactions and the proper monitoring of actual sales in service stations. As of 30 June 2019, the Company had installed POS terminals in the majority of its retail service stations in the Philippines.

Retail Franchising and Dealership Agreements

The Company offers franchising options, through dealership agreements, that provide accredited partners the right to operate the Company's retail service stations and the benefit to use the Company's retail operations and management system. When setting up new retail service stations, the Company requires a total operating area of at least 800 to 1,000 square meters, depending on economic sense, inclusive of a 30-meter frontage. These stations should likewise be located along highways or main thoroughfares to maximize healthy foot traffic and revenue potential. Generating the most volume-driven profit is the main focus of the area selection process to ensure that potential dealers are given enough incentive to invest. Potential dealers have to undergo a similarly stringent assessment process by the Company and viable partners are selected based on their financial capability, business acumen, and character. The Company selects its dealers by forming a dealership selection panel that is composed of representatives from various departments of the Company such as the sales department, the legal department and the finance department. The stringent assessment process serves to safeguard the sustainability of the Company's growth plans of 50 to 80 stations on an annual basis over the next five years.

In support of its franchisees, the Company provides comprehensive assistance to its business partners. Prior to commencement of operation, the Company provides its business partners site evaluation assistance and station lay-out assistance and general pre-opening and start-up assistance. As part of its operational support, the Company provides and installs the retail service station equipment (including storage tanks, dispensing pumps, pylon signage and other equipment), technical training for the relevant staff, continuous research and product development and continuous visits, guidance and business evaluation support. In terms of sales and marketing, support by the Company is provided through the use of the "Phoenix" brand, system and design, sales territory protection and local marketing and promotion assistance.

The pertinent terms of the dealership agreements entered into between the Company and its dealers are as follows:

Term	The current standard dealership agreements are effective for a period of five years, renewable for another five years at the option of the Company.
Scope	In consideration of the compliance by the dealer with the requirements of the dealership agreement, the Company grants to the dealer the right to operate a retail service station and use the equipment and the Phoenix System developed by the Company. The Company provides and installs storage tanks, dispensing pumps, pylon signage and other equipment to operate the system which will be its equity, among others, while the dealership agreement is in force.
Training and Assistance	The Company makes familiarization training courses available to the dealer and his/its employees. In addition, for the first 10 days of the first month of operation of the dealer's facility, the Company assigns one of its representatives to the facility, at the Company's expense, to assist the dealer in facilitating the opening of the retail service station. During this

	period, such representative will also assist the dealer in establishing and standardizing procedures and techniques essential to the operation of the station and shall assist in training personnel. The dealer may be required to attend refresher or training sessions and dealership meetings with the Company at such duration and frequency as the Company may determine.
Operations Manual	During the term of the dealership agreement, the Company loans to the dealer a copy of the operations manual containing reasonable, mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by the Company for the operation of the retail service stations and information relative to other obligations of the dealer under the dealership agreement and the operation of its facility.
Advertising and Promotions	The dealer is required to fully participate in all marketing, sales promotion, advertising and other incentive programs suggested, allowed and may be initiated by the Company for its retail stations. The dealer shall pay the Company an annual advertising and promotions fee. All advertising and promotion programs of the dealer for the station over and above programs and activities of the Company shall be subject to the Company's approval, and the dealer shall have no right to use any Company identification or advertising without the Company's consent.
Standards of Quality and Performance	The dealer agrees to purchase petroleum products only from the Company and sell only petroleum products from the gasoline retail station. The dealer further agrees that should he purchase petroleum products from any other source, he is liable to pay a fine of P1.0 million per delivery from unauthorized suppliers. The retail service station shall at all times be under the direct, on-premises supervision of the dealer and the dealer shall spend at least four hours daily in the station and, during his absence, be represented by a trained and competent employee acting as supervisor.
Defaults and Termination	The dealership agreement shall, at the option of the Company, terminate automatically upon delivery of notice to the dealer, if the dealer fails to meet Company standards on sales, safety, customer service, payments and standard operating, financial and legal requirements as outlined in the dealership agreements and operating manual.

Commercial and Industrial Trading

The Company is the second largest fuel supplier to the Philippine industrial sector based on internal estimates of the Company. As of 30 June 2019, commercial and industrial clients account for approximately 51.7 % of the Company's fuel volume mix of clients with retail clients accounting for the remaining 48.3 % It presently services the fuel requirements of a large base of major customers across various industries in the Philippines. These include the air, land and sea transport sectors (Cebu Pacific, Cebgo, 2Go, Magsaysay Lines, JAC Liner, CLC, Trans-Asia Shipping), banana and pineapple plantations (Unifrutti Group of Companies, Sumifru Philippines Corp.andLapanday Group of Companies), mining companies (Adnama Mining, Carrascal Mining, Apex Mining, Nickel Asia), the power sector (Davao Light, PSALM, Napocor, Meralco, Aboitiz Power, Cebu Private Power Corporation, East Asia Utilities Corporation, Western Mindanao Power Corporation), the manufacturing sector (Steel Asia, Century Pacific) and the construction and property sectors (DMCI, Ayala Land, Inc.).The products are usually delivered to the respective areas of operations of the client. However, for high-volume accounts, the Company sets up its own pump station within the clients' area of operations. As of 30 June 2019, the Company had more than 577 direct industrial account customers.

LPG, Lubricants, Specialities and Petrochemicals

The Company entered the fast-growing market for liquefied petroleum gas in the Philippines following its acquisition of Petronas Energy Philippines, Inc in August 2017 and has provided a platform to diversify the Company's business and also underlined the Company's environmental responsibility for providing an affordable, green and highly efficient energy source. The Company is one of the leading LPG providers in the Philippines LPG market in terms of market share at 5.36%[7] as of 30 June 2019. The Company had 126 LPG dealers nationwide as of 30 June 2019.

The Company currently markets its Phoenix Super LPG in 11-kg (in both compact-valve and pol-valve), 22-kg, and 50-kg cylinders as well as in bulk tanks for household, commercial, industrial and agricultural use through outlets, dealers and direct accounts. From the Company's LPG owned and leased refilling plants, cylinders are refilled and distributed to dealers, commercial, and industrial accounts. Bulk tanks are delivered straight to industrial customers from the refilling plants.

While the Company's current network for the sale of its LPG products is mostly in Mindanao and Visayas, the Company remains committed to significantly growing its sale of its LPG product in Luzon, which is the biggest market for LPG within the Philippines.

The Company has a comprehensive, high-standard product line of lubricants for automatic and industrial use that enhance engine protection, spend and power. Lubricants are sold to businesses and available in all the Company's retail service stations nationwide and further marketed through a network of appointed distribution business partners in the Philippines to various industry segments namely automobile and motorcycle workshops and in hardware and retail stores.

Asphalt

As part of the Company's growth, diversification and addition of complementary industries to its existing core businesses of fuel trading, the Company will be entering into the asphalt industry following its joint venture agreement in January 2018 with TIPCO Asphalt, the leading manufacturer and distributor of asphalt products in Asia Pacific, and PhilAsphalt Development Corporation to which PAPI was established. Through PAPI, the Company is engaged in the manufacture, operation, marketing and distribution of asphalt and asphalt-related products in the Philippines. The Company believes that its entry into this new business segment comes at a time when macroeconomic conditions in the Philippines are seen as exceptionally favorable for construction and infrastructure projects where it is expected that demand for asphalt products and road building and paving materials will grow from new private developments as well as from new public initiatives. The inclusion of asphalt as part of the Company's portfolio will complement and complete the Company's range of petroleum-related product offerings. As of the date of this Prospectus, the asphalt plant has not commenced operations.

The company is also looking into building a partnership with Colas Group, a major French civil engineering firm specializing in road construction and rail track construction. Instead of selling asphalt as a commodity, which is the route taken by some of the Company's competitors, the Company intends to look into the purchase of technology and equipment to improve and develop the actual asphalt product for future use.

Loyalty Programmes

The Company actively pursues initiatives to improve customer service and promote customer loyalty. On 26 April 2018, the Company launched the Phoenix RCBC Bankard Mastercard, a lifestyle credit card which offers exclusive benefits for motorists and points for rewards. Customers receive fuel rebates and discounts on Phoenix gasoline and diesel engine oils at participating Phoenix Fuel Stations nationwide, and towing and roadside assistance among others. As of 30 June 2019, the Company had issued approximately 2,701 Phoenix RCBC Bankard Mastercard.

PTC is the loyalty program of the Company for professional drivers, including jeepney, cab, tricycle, bus and transport network vehicle service drivers where members can earn and accumulate points which are redeemable for free home appliances, gadgets, gift certificates, internet and mobile prepaid load, and insurance plans. In addition, each active member qualifies for a basic personal accident

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[7] Based on the total market demand for LPG products based on industry data from the DOE. See the section entitled "*Industry Overview*" of this prospectus for a more detailed discussion.

insurance. As of 30 June 2019, there were approximately 73,212 PTC members nationwide.

Importation

The Company imports almost 100.0 % of its petroleum requirements from a number of foreign regional sources, including its wholly-owned subsidiary PNX SG. The Company imports its refined petroleum products from neighboring Asian countries such as Taiwan, Singapore, China, Korea and Thailand. The Company believes that the larger number of offshore suppliers allows for much greater pricing flexibility and stability of supply. The Company is not dependent on a single or limited number of suppliers for its supply of products.

Importations are conducted mainly through the issuance of letters of credit, while domestic purchases are conducted through invoices. Products are purchased based on the prevailing domestic wholesale price or on the basis of the average Means of Platts Singapore ("**MOPS**") plus an agreed premium. To maintain flexibility in supply, the Company does not maintain any long-term supply contracts with its major suppliers. The Company currently does not have any hedging transactions for its importation requirements.

Contribution of foreign sales to revenues

Through PNX SG and PEIH, the Company's revenues from sales in the ASEAN region in the quarter ending 30 June 2019 amounted to P15,004 million or 29.3% of total revenues for the quarter ended 30 June 2019and P21,001million or 23.7 % of total revenues for the year ended 31 December 2018. This translated to a restated net income after tax from foreign sales of P135 million or 0.33 % of the Company's total net income after tax for the period ending 30 June 2019 and to a net income after tax from foreign sales of P425 million or 14.0 % of the Company's total net income after tax for the year ended 31 December 2018. Revenues and net income contributed by foreign sales amounted to nil for the year ended 31 December 2016.

The Group derives revenue from the transfer of goods and services in the following primary geographical markets and major goods or service lines:

FY2018 (In P'000)	Trading	Logistics	Total
Philippines	66,671,556	824,182	67,495,738
Singapore	21,001,167	-	21,001,167
Total	87,672,723	824,182	88,496,905
Note 21 of SEC17A ending Dec 2018			

1Q19 (In P'000)	Trading	Logistics	Total
Philippines	17,561,821	63,526	17,625,347
Singapore	6,452,110	-	6,452,110
Total	24,013,931	63,526	24,077,457
Note 4 of SEC 17Q ending March 2019			

2Q19 (In P'000)	Trading	Logistics	Total
Philippines	18,216,882	298,366	18,515,248
Singapore	8,111,687	-	8,111,687
Vietnam	440,361	-	440,361
Total	26,768,930	298,366	27,067,296
Note 4 of SEC 17Q ending June 2019			

Sales and Marketing

The Company continues to improve and upgrade its sales and marketing team which is presently manned by experienced industry professionals. Retail territory managers are primarily responsible for prospecting suitable locations and dealers. They also handle business dealings and maintain business relationship with the dealers as well as audit compliance with the Company's standards. In addition, commercial accounts managers are responsible for developing and maintaining business relationships with all other accounts except for retail station dealers. Lubes accounts managers handle high street and lubes distributor accounts for lubricants, chemicals and other car care products. Retail engineers attend to the logistical needs of retail service stations while the equipment maintenance group services the maintenance needs of the retail service stations and commercial accounts.

Terminalling and Hauling Services

For the quarter ended 30 June 2019 and the years ended 31 December 2016, 2017 and 2018, the Company generated revenues from its terminalling and hauling services of P125.2 million, P205.6 million, P281.7 million and P576.5 million, which constituted 0.2%, 0.6 %, 0.7%, 0.6%, and 0.7 % of total revenues in each respective year. As of 30 June 2019, 370of the Company's employees are staffed for its terminalling and hauling services.

Terminalling and Hauling

The Company's terminalling and hauling services involve leasing out of storage space in its terminal depots, hauling and into-plane services (hauling of Jet A1 fuel to airports and into-plane services such as aircraft refueling).

As of 30 June 2019, the Company had oil depots and import terminals strategically located throughout the Philippines to address its nationwide operations and client base. Each of these import terminals has supplementary port facilities to accept sea-going fuel tankers which allows the Company to directly receive importations into its depots, minimizing the need to transport fuel by land from remote ports to the depots. These port facilities provide the Company with the flexibility to efficiently transfer fuel in between its depots where required. As of 30 June 2019, the Company had a total depot storage capacity of 398.3 million litres. Having its own depot and terminal enables the Company to more reliably and efficiently serve the fuel and lubricant needs of its growing retail services station network. The Company's largest terminal is in Calaca, Batangas at the Calaca Industrial Seaport Park (formerly Phoenix Petroterminals and Industrial Park).

The Company's into-plane services are available in 18 airports, including Davao City, Cagayan de Oro, General Santos City, Cotabato, CDO/IliganLaguindingan, Butuan City, Ozamis City, Pagadian City, Zamboanga, Ozamiz, Pagadian City, Dumaguit, Bacolod, Kalibo, Iloilo, Caticlan, Tacloban, Cebu Mactan, Roxas City, San Jose, Mindoro, and Ninoy Aquino International Airport. The Company has been providing terminalling, hauling and into-plane services for the Mindanao operations of Cebu Pacific, the Philippines' largest airline. The Company currently provides services to Cebu Pacific in a total of 18 domestic airports, two in Luzon, eight in Visayas, and eight in Mindanao.

Terminalling and Depot Locations

The table below sets out the Company's existing terminal and depot capabilities as of 30 June 2019.

Import Terminals	**Capacity (in million litres)**
Calaca Terminal	147.7
Davao Terminal	40.1
Villanueva Terminal	85.1
Subic Terminal	41.4
General Santos Terminal	27.1
Sub-total (Terminals)	**340.8**
Depots	
Zamboanga Depot	13.9
Cebu Depot(Owned)	19.9
Bacolod Depot	10.6

Dumaguit Depot	7.9
Calapan Depot	5.2
Sub-total (Depots)	**57.5**
Total Capacity	**398.3**

Distribution

Imported products are offloaded directly at the Company's depots, which have port facilities of their own to accommodate fuel tankers. The Company's depots and terminals have receiving facilities and multiple product storage tanks for liquid fuels. From its oil depots, products are distributed to the various retail service stations and direct consumer and industrial accounts using company-owned and third-party tanker trucks, and a variety of smaller delivery vans and pick-ups for lubricants.

The Company also currently uses shipping vessels owned by CSC, an affiliate of the Company, for the transportation of petroleum products from the supplier's terminal to the Company's importation terminals in Davao, Cagayan De Oro, Subic and Batangas. The Company also uses shipping vessels of CSC as well as other third-party vessels for trans-shipments to other depots within the Philippines. With this easy access to critical logistical support, potential risks of supply disruptions due to scarcity of sea vessels are minimized.

Other Business Segments

Convenience Stores Retailing

Following its acquisition of Philippines FamilyMart in January 2018, the Company entered the fast-growing convenience retailing industry through a new exclusive franchise agreement of the FamilyMart branch of convenience stores in the Philippines. FamilyMart is one of the world's largest convenience store retailers, currently operating in East Asia, including Japan, Taiwan, China, Thailand, Malaysia, Indonesia, Vietnam and the Philippines. The FamilyMart chain is a subsidiary of Tokyo-based FamilyMartUny Holdings which also owns Japanese supermarket chain Uny. Philippines FamilyMart serves to complement the retail operations of the Company and support the Company's existing dealer network by enhancing the retail station outfits and overall end-user experience. As of 30 June 2019, the Company has 76 such convenience stores located mostly in the central business districts with high foot traffic flow. Philippines FamilyMart is the leader in the convenience retailing with average daily sales of ₱61,376 as of 30 June 2019.

E-commerce Payment Gateway

The Company entered the e-commerce payment gateway business in 2018 following its acquisition of 74.9% of Action Able, Inc. and Think Able Ltd. As of 30 June 2019, approximately 3,400 'Posible' payment devices have been deployed across the Philippines. The Company aims for 'Posible' to penetrate traditional stores in the future.

Capital Expenditure Projects

Integrated Supply Network Expansion

The Company has established and continues to strengthen an integrated supply network that encompasses importations, terminals, storage depots, lorries, delivery vans, time-chartered vessels and retail service stations to service the requirements of its customers in a seamless and cost-effective manner.

The Company's moves to strengthen and expand its supply network include the following:

Expanding both the geographical distribution and capacity of its storage terminals. The Company has established storage terminals throughout the country in line with the nationwide expansion of its retail network. From a storage capacity of 167.5 million litres as of 31 December 2011, the Company has since then increased its total storage capacity to 398.3 million litres as of 30 June 2019, with the aim to increase this further in 2019 to support the Company's continued expansion of its retail stations.

Expanding its retail service station network. The Company is targeting to expand its retail service station network by 50 to 80 stations on an annual basis. Certain suitable locations have already been identified and are now in various stages of negotiations, development or construction.

Strengthening its hauling operations. The Company has a fleet of lorry trucks, and refueler trucks and bridging tanks to transport fuel to its retail stations, industrial customers and, in the case of refueler trucks and bridging tanks, for its into-jet operations. The Company will continue to increase its fleet as its customer base grows to ensure timely delivery of its products.

Improving integrated management systems and software. The Company recently upgraded its enterprise resource planning to an SAP A1 system and has since invested in an integrated customer relationship management system. It also continues to roll out and upgrade its 'point-of-sale' system that will enable it to record sales on a real-time basis, thereby allowing more efficient management of inventory and deliveries.

Securing long-term affreightment contract with affiliates. The Company is currently working in tandem with affiliate CSC on a long-term basis for its major shipments from foreign suppliers as well as its local trans-shipments to depots strategically located in various parts of the country. This assures the Company of uninterrupted inventory delivery not only to its clients but to the Company's various depots that support its retail and commercial network.

Competition

The Company operates in a deregulated business environment, selling its products to individuals, commercial and industrial customers. The enactment of the Downstream Oil Industry Deregulation Law in 1998 effectively removed the rate-setting function of the Philippine government through what was then known as the Energy Regulatory Board, leaving price-setting to market forces. It also opened the oil industry to free competition. See *"Regulatory and Environmental Matters*" for a more detailed discussion of the oil deregulation law.

The Philippine downstream oil industry is dominated by three major oil companies: Petron, Shell and Chevron, which control a combined 50.18% of the total Philippine market as of 30 June 2019. The Company is the largest independent player in the Philippine downstream oil industry with a total market share of 7.09%[8] as of 30 June 2019 and is well positioned as a credible alternative to major multi-national competitors. Deregulation has seen the entry of more than 200 other industry market participants, rendering the petroleum business more competitive. Apart from Petron and Shell which operate the only petroleum refineries in the Philippines, the rest of the industry market participants are importers of finished petroleum products or purchase finished petroleum products from other market participants in the local market. The Company's main competitors are the major players namely, Petron, Shell and Chevron and the local independent players such as Seaoil and Unioil. The Company competes with other players in the industry in terms of pricing, quality of service and products and strategic locations of its retail service station network, with price being the most important competitive factor.

The Company participates in the reseller (service station), industrial, LPG and lube sectors through its network of service stations, terminals, dealers and distributors throughout the Philippines. In the reseller sector, competition is most dynamic among major firms, as evident in the construction of service stations by Shell, Chevron, Petron, Total Philippines, Seaoil and other new participants in major thoroughfares. The Company has a total of 630retail service stations as of 30 June 2019. Participants

[8] Based on the total market demand of petroleum products based on industry data from the DOE. See the section entitled "*Industry Overview*" of this Prospectus for a more detailed discussion.

in the reseller and LPG sectors continue to resort to aggressive pricing and discounting in order to expand their market share. The Company is one of the leading LPG providers in the Philippines LPG market in terms of market share which the Company estimates to be approximately 5.36%[9] as of 30 June 2019. In the industrial sector, while the Company is the second largest fuel supplier to the Philippine industrial sector based on internal estimates, the major market participants continue to invest heavily in order to increase their market share and tap new markets. In the lubricants sector, intense competition among both domestic and global brands continues as brands compete for limited shelf space.

The Company is the largest independent player in the Philippine downstream oil industry with a total market share of 7.09% as of 30 June 2019, behind the three major oil companies which control a combined 50.18% of the total Philippine market. The Company's retail sales volumes for the years ended 31 December 2016, 2017 and 2018 and for period ending 30 June 2019 were approximately 3.17 million barrels, 4.17 million barrels and 4.82 million barrels, and 3.02 million barrels, respectively. The Company's non-retail sales volumes (including industrial, LPG and others) for the years ended 31 December 2016, 2017 and 2018 and for the period ending 30 June 2019 were approximately 6.33 million barrels, 6.29 million barrels, 12.28 million barrels, and 7.18 million barrels respectively. The Company believes that its cost-effective approach of doing business, focus on brand building and its integrated supply network, among other things, enables it to be competitive in its target market.

For a more detailed discussion on the trends in the Philippine downstream oil industry, please see the section entitled "*Industry Overview*" starting on page 149 of this Prospectus.

Employees

The Company and its subsidiaries have a total of 1,109 employees as of 30 June 2019 from 990 employees in 31 December 2018:

	As of 30 June 2019	**2018**	**2017**
Chairman	1	1	1
President/CEO	1	1	1
Vice President/COO/CFO	5	6	4
Assistant Vice President/General Manager	21	21	16
Senior Manager	4	4	3
Manager	139	129	88
Supervisor	341	343	289
Rank and File	597	485	408
Total	1109	990	810

The increased number of employees is due to the continuing expansion of the business. However, the Company does not expect any significant changes to the number of its employees within the next twelve (12) months.

There are no labor unions in the Company and its subsidiaries nor are they a party to any collective bargaining agreement. In addition, neither the Company nor any of its subsidiaries are a party to a collective bargaining agreement. As of the date of this Prospectus, there any labor cases filed against the Company and its subsidiaries that may materially affect the Company's financial or operational results or position. All labor cases involving the Company have been disclosed under *Legal*

[9] Based on the total market demand for LPG products based on industry data from the DOE. See the section entitled "*Industry Overview*" of this Prospectus for a more detailed discussion.

Proceedings.

Aside from the statutory benefits, the Company grants group term life insurance and hospitalization benefits fully paid by the Company. It also provides free uniforms, free meals, and vacation, sickness and emergency leaves and, recently, entitlement to join the employee stock option plan ("**ESOP**") to all its regular employees based on annual performance evaluation.

Research and Development

To improve productivity and profitability, the Company performs research and development which identify areas of improvements in its operations and methods to bring about the needed improvements.

The Company conducts extensive market research to vet potential locations for its new retail service stations. Such research covers foot traffic assessments and profitability studies to gauge the potentials of new retail service stations. Additionally, through its research, the Company ensures that retail service stations are well-distanced from each other so as to maximize revenue potential of each new retail service station. For the last three (3) fiscal years, the Company has not incurred additional research and development costs in conducting its market research for the new retail services stations.

Intellectual Property

The Company uses its registered trademark *PHOENIX Fuels Life* ™ to identify its brand. This trademark was registered on 27 April 2009. Branding is a cornerstone of the Company's marketing program. It sells its refined petroleum products under the Phoenix trademark and logo. Below are the approved trademarks by the Intellectual Property Office of the Philippines ("**IPOPHIL**") through the Bureau of Trademarks.

Product	Registration no.	Date of Registration	Term
PHOENIX Fuels Life	4-2009-000918	27 April 2009	10 years, until 27 April 2019**
PHOENIX Jet A-1	4-2008-005934	27 October 2008	10 years, until 27 October 2018*
PHOENIX Cyclomax Motorcycle Oils	4-2012-005165	3 January 2013	10 years, until 3 January 2023
CYCLE Fork Oil	4-2012-00005168	14 June 2013	10 years, until 14 June 2023
2T 2-Stroke Motorcycle Oil	4-2012-00005167	27 September 2013	10 years, until 27 September 2023
2T MAX	4-2012-00005166	12 September 2013	10 years, until 12 September 2023
PHOENIX Premium 98	4-2014-002029	12 June 2014	10 years, until 12 June 2024
PREMIUM 98	4-2014-002028	12 June 2014	10 years, until 12 June 2024
PHOENIX Trip natin 'to	4-2016-00000999	25 August 2016	10 years, until 25 August 2026
Ikaw, Ano'ng Trip mo?	4-2016-00001000	25 August 2016	10 years, until 25 August 2026
Trip natin 'to	4-2016-00001001	26 August 2016	10 years, until 25 August 2026
PHOENIX Accelerate	4-2016-00002282	19 August 2016	10 years, until

			19 May 2026
PHOENIX Accelerators	4-2016-00002722	10 June 2016	10 years, until 10 June 2026
PHOENIX ZOELO	4-2016-00002286	21 July 2016	10 years, until 21 July 2026
PHOENIX FuelMasters	4-2016-00002723	7 July 2016	10 years, until 7 July 2026
PHOENIX Zoelo Extreme Heavy Duty Diesel Engine Oil	4-2016-00002287	18 August 2016	10 years, until 18 August 2026
PHOENIX Tsuper Club	4-2016-00014745	24 March 2017	10 years, until 24 March 2027
PHOENIX Premium 98 High Performance Gasoline Fuel with Engine Rejuvenator Additives	4-2016-00014739	20 April 2017	10 years, until 20 April 2027
With Era Engine Rejuvenator Additive	4-2016-00014740	13 April 2017	10 years, until 13 April 2027
With Active Cyclo Booster	4-2016-00014742	13 April 2017	10 years, until 13 April 2027
With Speed Booster	4-2016-00014743	13 April 2017	10 years, until 13 April 2027
PHOENIX FuelMasters	4-2016-00014744	13 April 2017	10 years, until 13 April 2027
With HDD Formula	4-2016-00014741	4 May 2017	10 years, until 4 May 2027
PHOENIX Super LPG (Red)	4-2017-00009625	5 October 2017	10 years, until 5 October 2027
Phoenix Super LPG (Emerald green)	4-2017-00009626	5 October 2017	10 years, until 5 October 2027
Phoenix Super Gas (Red)	4-2017-00009627	5 October 2017	10 years, until 5 October 2027
Phoenix Super Gas (Emerald green)	4-2017-00009628	5 October 2017	10 years, until 5 October 2027
With HDD Formula	4-2016-00014741	4 May 2017	10 years, until 4 May 2027
Phoenix Pulse Technology	4-2017-00013303	1 March 2018	10 years, until 1 March 2028
Pulse Technology for Enhanced Power & Acceleration	4-2018-00004208	23 August 2018	10 years, until 23 August 2028
KA-POSIBLE DAHIL KAYA NATI N	4-2016-00006870	24 November 2016	10 years, until 24 November 2026
POSIBLE.NET	4-2015-00008864	05 May 2016	10 years, until

**Application for the New JetA1 logo has been filed and received by the Intellectual Property Office on October 30, 2018.*
***Intellectual Property Office has approved the renewal as per Notice of Issuance document no. 2019/130891 signed on May 29, 2019.*

As of the date of this Prospectus, the Company does not have any significant disputes with respect to any of its trademarks.

The Company depends on and utilizes the foregoing trademarks in the ordinary course of business.

Permits and Licenses

The Company and its Philippine operating subsidiaries hold various government-mandated permits and licenses required by its business. Except for the licenses and permits that are in the process of renewal, the Company has secured all material licenses and permits necessary to operate the respective businesses as currently conducted. These permits and licenses include, but are not limited to, the following:

Government Agency	Entity	Required Permits/Certificates/Licenses	Issuance Date	Expiry Date
Securities and Exchange Commission	PPPI	Certificate of Incorporation and Certificate of Filing of Amended Articles of Incorporation	12 Nov 2012	N/A
	Phoenix Global Mercantile Inc. ("PGMI")	Certificate of Incorporation with Articles of Incorporation	31 Jul 2006	N/A
	P-F-L Petroleum Management Inc. ("PPMI")	Certificate of Incorporation with Articles of Incorporation	31 Jan 2007	N/A
	Subic Petroleum Trading and Transport Phils, Inc ("SPTTI")	Articles of Incorporation	14 Feb 2007	N/A
	PNX Petroleum Singapore Pte Ltd ("PNX SG")	Memorandum and Articles of Association	30 Oct 2012	N/A
	Phoenix LPG Philippines, Inc ("PLPI")	Certificate of Filing of Amended Articles of Incorporation	18 Oct 2017	N/A
	Duta, Inc. ("Duta")	Certificate of Filing of Amended Articles of Incorporation	11 Jan 1996	N/A
	Philippine Family Mart CVS, Inc. ("PFM" or "Philippines FamilyMart")	Certificate of Incorporation with Articles of Incorporation	29 Nov 2012	N/A
	Action Able Inc ("AAI")	Certificate of Incorporation and Certificate of Filing of Amended Articles of Incorporation	20 April 2018	N/A
	Think Able Ltd ("TA")	Certificate of Incorporation	05 May 2014	N/A
	PNX Energy International Holdings Pte Ltd ("PEIH")	Constitution of PNX Energy International Holdings Pte Ltd	29 Oct. 2018	N/A
	PT Phoenix Petroleum	Deed of Incorporation	10 Sept. 2018	N/A

	Indonesia ("PTPPI")			
	PNX Vietnam Pte Ltd ("PVPL")	Constitution of PNX Vietnam Pte. Ltd. Certificate of Capital Contribution	30 Oct. 2018 31 Oct. 2018	N/A
	Kaparangan, Inc.	Certificate of Filing of Amended AOI with Amended AOI	12 March 2018	N/A
Relevant government unit	PPPI (Aklan)	Business Permit	07 Feb 2019	31 Dec 2019
	PPPI (Calapan)	Mayor's Permit	14 Jan 2015	31 Dec 2019
	PPPI (Cebu)	Business Permit	23 Jan 2015	31 Dec 2019
	PPPI (Taguig)	Business Permit	22 Jan 2019	31 Dec 2019
	PPPI (Davao)	Mayor's Permit	03 Jan 2019	31 Dec 2019
	PPPI (Davao)	Business Permit	16 Jan 2019	31 Dec 2019
	PPMI	Business Permit	10 May 2019	31 Dec 2019
	PLPI	Mayor's Permit	16 Mar 2019	31 Dec 2019
Bureau of Customs	PPPI	Certificate of Registration as Importer	17 July 2018	18 July 2020
	SPTTPI		29 May 2019	28 May 2020
	PLPI		02 July 2018	21 July 2020
Department of Energy	PPPI	Certificate of Accreditation as Participant to the Fuel Bioethanol Program of the Philippines	23 Jan 2019	31 Dec 2019
	PLPI	Standard Compliance Certificate (SCC) as Importer	30 Aug 2018	07 Sep 2021
	PLPI (iligan)	Standard Compliance Certificate (SCC) as Importer	17 Oct 2018	09 Oct 2021
	PLPI (Naga)	Standard Compliance Certificate (SCC) as Importer	23 Jan 2017	24 Jan 2020
	PLPI (Danao)	Standard Compliance Certificate (SCC) as Importer	03 Feb 2016	16 Aug 2019*
	PLPI (Iloilo)	Standard Compliance Certificate (SCC) as Importer	17 Feb 2017	17 Mar 2020
	PLPI (Davao)	Standard Compliance Certificate (SCC) as Bulk Plant	28 Aug 2018	09 Oct 2021
	PLPI	Standard Compliance Certificate (SCC) as LPG Marketer	25 Oct 2018	14 Nov 2021
Bureau of Internal Revenue	PPPI	Permit to Engage in Business as Producer of E10	19 Dec 2018	31 Dec 2019
	PPPI	Permit to Engage in Business as Producer of B2	19 Dec 2018	31 Dec 2019
	PPPI (Bacolod, Calaca, Calapan, Davao, Dumaguit, Subic, Villanueva, Zamboanga)	Permit to Operate Storage Facility	14 Nov 2018	31 Dec 2019
	PPPI (Consolacion, General Santos)	Permit to Operate Storage Facility	29 Jan 2019	31 Dec 2019
	PPPI	Permit to Operate Additional Tanks		31 Dec 2019
	PPPI (Bacolod, Calaca, Calapan, Davao, Dumaguit, Subic,	Permit to Blend E10	15 Jan 2019	31 Dec 2019

	Villanueva, Zamboanga)			
	PPPI (Bacolod, Calaca, Calapan, Davao, Dumaguit, Subic, Villanueva)	Permit to Blend B2	15 Jan 2019	31 Dec 2019
DENR	PPPI (Calaca)	Chemical Control Order Registration Certificate	13 Aug 2018	
	PPPI (General Santos)	Environmental Compliance Certificate	04 Dec 2018	N/A
	PPPI (Aklan)	Environmental Compliance Certificate	05 Mar 2012	N/A
	PPPI (Calapan)	Environmental Compliance Certificate (amended)	08 Sep 2017	N/A
	PPPI (Bacolod)	Environmental Compliance Certificate	19 May 2011	N/A
	PPPI (Calaca)	Environmental Compliance Certificate (amended)	03 Feb 2017	N/A
	PPPI (Cebu)	Environmental Compliance Certificate (amended)	25 Oct 2016	N/A
	PPPI (Davao)	Environmental Compliance Certificate	19 Nov 2012	N/A
	PPPI (Dumaguit)	Environmental Compliance Certificate	05 March 2012	N/A
	PPPI (Villanueva)	Environmental Compliance Certificate	16 June 2016	N/A
	PPPI (Zamboanga)	Environmental Compliance Certificate	22 Dec 2015	N/A
	PPPI (Subic)	Environmental Compliance Certificate	30 Sep 2010	N/A
	PPPI (Bacolod)	Certificate of Accreditation to Rico T. Ureta as Pollution Control Officer	27 Nov 2015	27 Nov 2018 (remains valid as per DENR MC 001 s. 2018)
	PPPI (Calaca)	Certificate of Accreditation to Hallmark He-Cireel A. Carrillo as Pollution Control Officer	03 Dec 2018	03 Dec 2021
	PPPI (Calapan)	Certificate of Accreditation to James Edward de Ocampo as Pollution Control Officer	08 Mar 2019	08 Mar 2022
	PPPI (Cebu)	Certificate of Accreditation to Arnie L. Yparraguirre as Pollution Control Officer	05 Jul 2017	05 Jul 2020
	PPPI (Cebu)	Certificate of Accreditation to Jessie D. Lara as Managing Head	05 July 2017	05 Jul 2020
	PPPI (Villanueva)	Certificate of Accreditation to Ivy Donna Ville J. Mantantuan as Pollution Control Officer	08 June 2017	07 Jun 2018*
	PPPI (General Santos)	Certificate of Accreditation to Abdul Jalal M. Sambarani as Pollution Control Officer	31 Aug 2018	31 Aug 2021
	PPPI (Zamboanga)	Certificate of Accreditation to Jhonrey A. Campahios as Pollution Control Officer	For accreditation	
	PPPI (Aklan)	Permit to Operate (in relation to Philippine Clean Air Act)	09 Jun 2014	15 Oct 2019
	PPPI (Bacolod)	Permit to Operate (Air Pollution Source and Control Installations)	5 Feb 2018	15 Jan 2023
	PPPI (Calaca)	Permit to Operate (Air Pollution Source and Control Installations) for Horizontal tanks	05 Feb 2018	31 Aug 2022

	PPPI (Calaca)	Permit to Operate (Air Pollution Source and Control Installations) for fuel storage tanks	10 Apr 2017	28 Feb 2022
	PPPI (Calapan)	Permit to Operate (Air Pollution Source and Control Installations) for diesel pump	18 Sep 2015	17 Sep 2020
	PPPI (Cebu)	Permit to Operate (Air Pollution Source and Control Installations)	23 May 2018	08 Apr 2021
	PPPI (Davao)	Permit to Operate (Air Pollution Source and Control Installations)	11 Oct 2018	11 Oct 2019
	PPPI (Villanueva)	Permit to Operate (Air Pollution Source and Control Installations)	3 Jan 2018	15 Dec 2018*
	PPPI (Zamboanga)	Permit to Operate (Air Pollution Source and Control Installations)	4 Jan 2016	28 Mar 2020
Board of Investments	PPPI (Cagayan De Oro City)	Certificate of Registration	10 May 2012	10 years from start of commercial operations
	PPPI (Bacolod)	Certificate of Registration	10 May 2012	10 years from start of commercial operations
	PPPI (Calaca)	Certificate of Registration	26 Feb 2010	10 years from start of commercial operations
	PPPI (Villanueva)	Certificate of Registration	24 Nov 2017	10 years from start of commercial operations
	PPPI (Consolacion)	Certificate of Registration	19 Sep 2017	10 years from start of commercial operations

** These permits are subject of an application for renewal.*

DESCRIPTION OF PROPERTY

The Company's properties consist mainly of its terminal, depot facilities, head office building, pier and pipeline structure and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot. The properties disclosed under this section are the principal properties of the Company and its subsidiaries. There are no principal properties aside from the properties mentioned in this section.

Aside from acquisitions done in the ordinary course of its businesses, the Company does not foresee any significant acquisition within the next 12 months.

Under the terms of agreements covering the liabilities under trust receipts, certain inventories of petroleum products released to the Company are held in trust for the bank. The Company is accountable to the bank for the trusteed inventories or their sales proceeds.

Operating Sites

The Company operates a network of terminals and depots as bulk storage and distribution points throughout the Philippines and corporate offices across the Philippines to facilitate its operations. Its airport installations serve the fuel requirements of the airline industry and other aviation accounts.

Corporate Offices

Davao Head Office (Leased)	Phoenix Bulk Depot, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City 8000
Manila Office (Leased)	25th Floor, Fort Legend Towers, 3rd Avenue corner 31 st Street, Fort Bonifacio Global City, Taguig City 1634
Manila Office (Owned)	15th-17th Floor, UDENNA Tower Rizal Drive cor. 4th Avenue Bonifacio Global City, Taguig 1634
Cebu City Office (Leased)	Phoenix Maguikay Gasoline Station, M. C. Briones St., National Highway, Maguikay, Mandaue City, Cebu 6014
Bacolod City Office (Leased)	Door 5-7, Ground Floor, JFC Bldg., Palanca Avenue, BREDCO Reclamation Area, Bacolod City
General Santos City Office (Leased)	2nd Floor, JMP Building 1, South Osmena St., General Santos City 9500
Cagayan de Oro City Office (Leased)	Suite 1& 2, 8th Floor, Limketkai Gateway Center, Lapasan, Cagayan de Oro City 9000

Depots and Terminals

Calaca Terminal (Owned)	Km 117, Barangay Salong, Phoenix Petroterminal and Industrial Park, Calaca, Batangas
Davao Terminal (Leased)	Stella Reyes Hizon Road, B.O Pampanga, Lanang, Davao City
Villanueva Terminal (Owned)	Zone 4, Barangay Katipunan, Villanueva, Misamis Oriental Dumagsa, Talisayan, Zamboanga City
Subic Terminal (Leased)	Unit 113/115, Alpha Bldg., Subic International Hotel, Rizal Highway, Subic Bay Freeport Zone, 2222

General Santos Terminal (Owned)	Tambler, General Santos City
Zamboanga Depot (Leased)	Dumagsa, Talisayan, Zamboanga City
Cebu Depot (Owned)	Tayud, Consolacion, Cebu
Bacolod Depot (Owned)	BREDCO, Port Reclamation Area, Cambodia Street, Bacolod City
Dumaguit Depot (Owned)	Dumaguit, New Washington, Aklan
Calapan Depot (Leased)	SitioSilangan, Brgy. Lazareto, Calapan City, Mindoro

Airport Installations

Francisco Bangoy International Airport	DaangMaharlika Highway, Buhangin, Davao City, Davao del Sur
Iloilo International Airport	Iloilo Airport Access Road, Cabatuan, Iloilo
Zamboanga International Airport	Moret Field, Barangay Canelar, Zamboanga City

Under-development Projects

Asphalt Plant (expected to complete in the fourth quarter of 2019)	Km 117, Barangay Salong, Phoenix Petroterminal and Industrial Park, Calaca, Batangas
LNG regasification terminal in Batangas	Barangays San Andres, Maghinao and Sto. Domingo, Bauan, Batangas

In the retail market, the Company has 630retail service stations throughout the Philippines as of 30 June 2019, representing approximately 7.3%. of the country's total service station count of approximately 8,200 based on the Company's internal estimates. Most of these stations are located in Luzon where demand is the heaviest.

All of the foregoing properties are in fair condition and, with respect to the properties owned by the Company, are free from any mortgage, lien or encumbrance.

Description of Certain Leased Properties

Headquarters

The Company's headquarters, where substantially all of its operations are conducted from, is currently located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City. The premises are covered by existing lease contracts with UC and the Heirs of Stella Hizon Reyes, as lessors.

The lease contract with UC shall be for a term of 25 years commencing in March 2002, subject to renewal upon terms and conditions to be agreed to by the parties. The Company shall pay UC a monthly rental at the rate of P12 per square meter, or a total of ₱132,000 per month, plus 10% value-added tax and 5% withholding tax. The rate shall be subject to a 10% increase every succeeding year commencing in August 2005. The lease contract with the Heirs of Stella Hizon Reyes is effective for 17 years, since 20 March 2010, subject to renewal upon terms and conditions to be agreed to by the parties. The Company shall pay a monthly rental at the rate of ₱18 per square meter for the first two years of the contract which shall be increased at a rate of 10% after every two years until the termination of the contract.

The leased premises shall be used exclusively by the Company for its storage of petroleum and fuel products and for its pier facilities or any other related business. The Company is prohibited from using the leased premises for any other purpose without the prior written consent of the lessors. The Company may not introduce improvements or make alterations or changes without the written consent of UC, except the construction of the necessary offices, storage tanks and other improvements required by the business of the Company. UC shall have the right to pre-terminate the lease on any of the following grounds: (a) non-payment of rentals for at least two consecutive months; (b) if the Company, at any time, fails or neglects to perform or comply with any of the covenants, conditions, agreements or restrictions stipulated in the lease contract; or (c) if the Company shall become insolvent. UC shall give the Company one month's notice prior to the intended date of termination. The Company may pre-terminate the lease, upon thirty-days' prior written notice to UC.

Terminal/Depot Sites

The Company likewise executed valid lease agreements over various parcels of lands in various areas of the country where its terminals/depots are located and established as part of its expansion program, namely:

Zamboanga City (Zamboanga Depot)

The Company entered into a lease agreement with Jordan Fishing Corporation for an area of 10,000 square meters for a period of 10 years, with an option to renew for another five years. The said lease agreement commenced 16 November 2008. The depot in Zamboanga City has a 5.5 million liter capacity that supports the retail network and the commercial and industrial accounts.

Bacolod City (Bacolod Depot)

A land area consisting of approximately 5,000 square meters was leased by the Company from Jordan Fishing Corporation for 10 years starting 1 January 2008 with an option to renew for another five years. The Depot in Bacolod City has a 9 million liter capacity that supports the retail network and the commercial and industrial accounts in the area.

Calapan City (Calapan Depot)

A land area consisting of approximately 3,723 square meters was leased by the Company from Benjamin Espiritu for 20 years which commenced from September 2013 with an option to renew for another 10 years. This is the site of the Company Depot to support its retail network and the commercial and industrial accounts in the area.

Davao City (Davao Terminal)

This is the site of the Company Depot, warehouse, and Davao City (head) office. A land area consisting of approximately 11,000 square meters was leased by the Company from the heirs of Stella Hizon for a term of 25 years which commenced on 20 March 2002. The lease area was subsequently increased to 16,000 square meters on 27 September 2006 and on 19 April 2010 was further increased to 23,963 square meters. The additional leases are co-terminus with the original contract.

Subic Bay Freeport Zone (Subic Terminal)

A facility located in the Subic Bay Freeport Zone in Zambales operated by the Philippine Coastal Storage and Pipeline Corporation (PCSPC) who is the lessee and operator of the facility from the Subic Bay Metropolitan Authority (SBMA). This is covered under the Storage Agreement originally executed on 21 September 2012 with its Amendment no. 8 for the period of 8 April 2018 until 7 October 2019, between the Company and PCSPC. As of the date of this Prospectus, the Company is in the process of renewing the Storage Agreement.

Lease of Properties where CODOs are located

In addition to the lease covering the premises where the Company's headquarters is located, the Company has existing lease contracts with various property owners covering the properties where its CODOs are situated. These lease contracts are typically for a term of 10 to 15 years, subject to renewal upon such terms and conditions as may be agreed upon in writing and signed by the parties. The Company shall pay monthly rentals, subject to annual escalation ranging from 3.0 % to 10.0 %, plus applicable real estate and government taxes. The leased premises may be occupied and used by the Company exclusively as a retail service station. In some areas, the leased premises for the CODOs include the operations of convenience stores, coffee shops, service bays and other facilities as might be deemed appropriate for a gasoline/retail service station. The Company is permitted to assign or sublet the leased premises subject to notice to the lessors. As of 30 June 2019, there were leases covering 309 CODO retail service stations: 136 in Luzon, 69 in Visayas and 104 in Mindanao. Expenses under these leases amounted to ₱210 million for the period ended 30 June 2019.

The Company continually evaluates available properties for sale and lease based on the needs of the Company's businesses and expansion plans.

Insurance

The Company's comprehensive insurance policies cover its terminal, depot facilities, head office building, pier and pipeline structure and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot against any incidents of fire/lighting, typhoon and floods with extended coverage to include loss or damage directly caused by explosion, falling aircraft, vehicle impact and smoke.

All the trucks and tankers owned by the Company are covered with third party liability and comprehensive insurance. The products carried by heavy equipment are covered with in-land cargo insurance. The Company believes that its insurable assets are adequately covered.

The Company considers its insurance coverage to be in accordance with industry standards.

LEGAL PROCEEDINGS

As set forth below, the Company is involved in ongoing legal cases the outcome of which may or may not have a material adverse effect on its operations and profitability. While the final outcomes of these legal proceedings are not certain, the Company believes it has strong legal grounds in each of these legal proceedings. In certain cases, the Company has made provisions in its financial statements for possible liabilities arising from adverse results of these legal proceedings.

Legal proceedings involving the Company

As of the date of this Prospectus, neither the Company nor any of its subsidiaries is a party to, nor are their properties the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Company's business, financial condition and results of operations.

Legal proceedings involving the Company's directors and officers

Violation of the Tariff and Customs Code of the Philippines

In May 2011, the Philippines' Bureau of Customs (the "**BOC**") filed before the Philippines' Department of Justice (the "**DOJ**") a complaint against Dennis A. Uy, the Company's President and Chief Executive Officer and other respondents for an alleged violation of Sections 3602, 2501(l)(1) &(5), 1801, 1802 and 3604 of Presidential Decree No. 1464 (as amended), otherwise known as the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case due to lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of criminal complaints against the respondents. The DOJ filed 25 criminal complaints against Dennis A. Uy, President and CEO of the Company, for alleged violations of the Tariff and Customs Code of the Philippines, 22 of which were filed with the Regional Trial Court of Davao City while the other three complaints were filed with the Regional Trial Court of Batangas City.

With respect to the complaints filed with the Regional Trial Court of Batangas City, Dennis A. Uy filed an Omnibus Motion for the Determination of Lack of Probable Cause on 2 September 2013. The Regional Trial Court of Batangas City granted the motion on 17 September 2013, dismissing all three complaints. In response to this, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez, but was subsequently denied on 6 December 2013. As no appeal was filed therefrom, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that the Orders dated 6 December 2013 and 17 September 2013 were already final and executory on 7 July 2014.

With respect to the complaints filed with the Regional Trial Court of Davao City, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Dennis A. Uy on 14 October 2013. The subsequent Motion for Reconsideration of the Plaintiff was also denied in an Order dated 18 August 2014. In response to the order, the Petitioner filed with the Court of Appeals in Cagayan de Oro City a Petition for Certiorari (the "**Petition for Certiorari**") under Rule 65 of the Rules of Court on 27 October 2014.

On 12 October 2016, the Court of Appeals dismissed the Petition for Certiorari, and Dennis A. Uy received a copy of the Decision on 24 October 2016. The Petitioner then filed a Motion for Reconsideration (the "**Motion for Reconsideration**") with the Court of Appeals and Dennis A. Uy received a copy of the Motion for Reconsideration on 10 November 2016. On 25 January 2017, the Court of Appeals dismissed the Motion for Reconsideration, upholding its previous decision. On 27 March 2017, the Petitioner filed the Petition for Review and Dennis A. Uy received a copy of the Petition for Review on 4 April 2017. As of the date of this Prospectus, the Supreme Court has yet to issue a resolution directing the respondents, including Dennis A. Uy, to comment on the Petition for Review.

In the event that the Supreme Court issues such a resolution directing Dennis A. Uy to comment on the Petition for Review and thereafter issues a ruling granting the Petition for Review, Dennis A. Uy could be subject to trial in respect of the alleged violations of the Tariff and Customs Code of the Philippines. While the Company will continue to assert the same defenses for Dennis A. Uy, there can be no assurances that there will be a favorable outcome in the proceedings or that there will be no future appeals in the proceedings from the other parties. In the event that Dennis A. Uy is convicted of the alleged violations of the Tariff and Customs Code of the Philippines, he could be subject to a monetary fine ranging from P600 to P5,000 and imprisonment ranging from six months to two years and consequentially, may also lose his eligibility as President and CEO of the Company. In addition, while the Company believes that the eventual monetary liability under the proceedings, if any, will not have a material or adverse effect on the Company's financial position and results of operations, the Company could still be subject to reputational damage and there can be no assurance that there will not be any unforeseen impact on its business and operations thereafter.

Others

Several complaints of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the Board of Directors except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Company's closure and takeover of six Phoenix Fuel Stations in Davao City. These complaints were dismissed by the Davao City Prosecutor's office.

Other court cases typical and customary in the course of the business operations of the Company such as those, among others, involving collection, qualified theft, breach of contract and reckless imprudence, tax and regulatory matters have been filed by and against the Company, by and against its employees/directors/officers and/or third parties, the results of which will not significantly affect the financial standing of the Company.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five years up to the date of this Prospectus of any of the following events:

(a) Any insolvency or bankruptcy petition filed by or against the Company or any of its directors or officers or any business of which such person was a director, general partner or executive officer either at the time of the insolvency, bankruptcy and any other similar proceedings or within two years prior to that time;
(b) Any conviction by final judgment in a criminal proceeding, domestic or foreign or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offences;
(c) Any final and executory order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities, commodities or banking activities; and
(d) Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC, or comparable foreign body or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

Further, neither the Company nor any of its officers and directors have become the subject of legal proceedings for suspension of payments or other debt relief within the past five years, or otherwise been unable to pay their debts as they mature or have made or threatened to make an assignment for the benefit of, or a composition or arrangement with, creditors or any class thereof, or shall declare a moratorium on indebtedness.

REGULATORY AND ENVIRONMENTAL MATTERS

The statements herein are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.

Downstream Oil Industry Deregulation Law

Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 (the "**Oil Deregulation Law**"), provides the regulatory framework for the downstream oil industry in the Philippines.

Under the Oil Deregulation Law, any person may import or purchase any quantity of crude oil and petroleum products from foreign and domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirements. The same law declared as policy of the state the liberalization and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high quality petroleum products.

To ensure the attainment of these objectives, the DOE, in consultation with relevant government agencies, promulgated the Implementing Rules and Regulations of the Oil Deregulation Law in March 1998 through Department Circular No. 98-03-004 and the Supplementing Rules and Regulations of the Oil Deregulation Law in June 1998 through Department Circular No. 98-06-009. The rules require any person or entity engaged in any activity in the downstream oil industry to comply with the notice, reportorial, quality, health, safety and environmental requirements set forth therein.

The DOE is the lead government agency overseeing the oil sector. With the enactment of the Oil Deregulation Law, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board, leaving price-setting to market forces. DOE's current function is solely to monitor prices and violations under the law, which includes prohibited acts such as cartelization and predatory pricing.

Other functions of the DOE under the Oil Deregulation Law include the following:

(a) monitoring and publishing the daily international crude oil prices, following the movements of domestic oil prices, monitoring the quality of petroleum products and stopping the operation of businesses involved in the sale of petroleum products which do not comply with national standards of quality;

(b) monitoring the refining and manufacturing processes of local petroleum products to ensure that clean and safe technologies are applied;

(c) maintaining a periodic schedule of present and future total industry inventory of petroleum products to determine the level of supply;

(d) immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and

(e) in times of national emergency, when the public interest so requires, during the emergency and under reasonable terms, temporarily taking over or directing the operations of any person or entity engaged in the industry.

Promotion of Retail Competition

Pursuant to the Oil Deregulation Law's objective to promote a competitive petroleum product market at the retail level, the DOE is mandated to promote and encourage the active and direct participation of the private sector and cooperatives in the retailing of petroleum products through joint venture or supply agreements with new industry participants for the establishment and operation of gasoline stations. Under prevailing rules and regulations, new industry participants are given preference in the (i) formulation and implementation on management and skills training for the establishment, operation, management and maintenance of gasoline stations and (ii) grant of gasoline station training and loans to be used as capital for the establishment and operation of gasoline stations.

Rules Relating to Retailing of Liquid Petroleum Products

In November 2017, the DOE promulgated Department Circular No. 2017-11-0011 or the Revised Rules and Regulations Governing the Business of Retailing Liquid Fuels (the "**Revised Retail Rules**"). The Revised Retail Rules apply to all persons engaged or intending to engage in the business of Retailing Liquid Fuels. Liquid Fuels refer to gasoline, diesel, and kerosene.

A person intending to engage in the business of retailing liquid petroleum products must notify the Oil Industry Management Bureau ("**OIMB**") of its intention to engage in such activity and, upon compliance with the requirements under the Liquid Petroleum Products Retail Rules, secure a certificate of compliance ("**Certificate of Compliance**") from the OIMB. The certificate shall be valid for a period of five (5) years. The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a Certificate of Compliance. Storage and dispensing of liquid fuels that are for own-use operation shall not be covered by the Revised Retail Rules only upon issuance of a Certificate of Non-Coverage ("**CNC**") by the DOE. Prior to the commencement and operation of the business of retailing liquid petroleum products, a Fire Safety Inspection Certificate issued by the Bureau of Fire Protection of the Philippines ("**BFP**") pursuant to Republic Act No. 9514, otherwise known as the Fire Code of the Philippines of 2008 ("**Fire Code**"), and an Environmental Compliance Certificate ("**ECC**") have to be obtained as well.

The Revised Retail Rules likewise imposes: (i) mandatory standards and requirements for new retail outlets and minimum facility requirements for existing retail outlets; (ii) rules and procedures relating to fuel storage, handling, transfer and/or dispensing of liquid fuels; (iii) requirements of other types of retail outlets; (iv) the conduct of inspection and monitoring by the OIMB; (v) rules and procedures relating to liquid fuels quantity and quality standards; and (vi) fines and/or sanctions against prohibited acts.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. The Prohibited Acts include illegal trading, adulteration, underdelivering, refusal/ obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of Prohibited Acts under the Revised Retail Rules.

In addition to the foregoing, the Company is required to obtain a permit or clearance from the Philippines Department of Environment and Natural Resources (the "DENR") prior to any importation of slop/used/waste oils, sludge and similar petroleum products pursuant to Republic Act No. 6969 or the Toxic Substances, Hazardous and Nuclear Wastes Control Act of 1990. The Company believes that its facilities and operations comply in all material respects with the requirements of the Oil Deregulation Law.

In respect of the operation of retail gasoline stations, the Company's dealership agreement with its dealers provides that the dealers shall be responsible for securing all the necessary permits from the BFP, DENR and OIMB as required under the Oil Deregulation Law, and such other permits and licenses required by the local government unit and/or the national Government.

Environmental Laws

The Company's operations are subject to evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations address, among other things, air emissions, wastewater discharges, generation, handling, storage, transportation, treatment and disposal of oil products, workplace conditions and employee exposure to hazardous substances.

Among the permits applicable to the Company are the ECC, wastewater discharge permit, and the permit to operate a standby generator from the DENR.

In order to address air pollution from mobile and stationary sources, equipment that emits or may emit air pollutants may only be operated upon obtaining a Permit to Operate from the DENR. An application for a Permit to Operate must be filed for each source emitting regulated air pollutants, but facilities having more than one source may group the sources under a single permit application.

Phoenix retail service stations, as well as its petrochemical depots and storage facilities, are required to secure an ECC prior to their start of operations.

The Company believes that its facilities comply in all material respects with all applicable safety, health and environmental laws and regulations.

The DENR, through its regional offices or through the Environmental Management Bureau (the "**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement ("**EIS**") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("**IEE**") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is mandatory. Presidential Proclamation No. 2146 classified petroleum and petro-chemical industries as environmentally critical projects.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

The cost of complying with environmental regulations is mainly made up of the equipment and facilities required to be put up in each of the service stations. The estimated average cost of complying with environmental regulations is P50,000 per retail service station.

In respect of the operation of retail service stations, the Company's dealership agreement with its dealers provides that the dealers shall be responsible for securing all the necessary permits from the BFP, DENR and OIMB as required under the Oil Deregulation Law, and such other permits and licenses required by the local government unit and/or the national Government. The dealers are required to provide copies of said permits and licenses to the Company, pursuant to the dealership agreements.

The Company and its dealers have secured all government-mandated licenses and permits required for the operation of its business.

The Biofuels Act of 2006

Republic Act No. 9367, also known as the 'Biofuels Act of 2006', as amended, aims to reduce the dependence of the transport sector on imported fuel and, pursuant to such law, regulations mandate that all premium gasoline fuel sold by every oil company in the Philippines should contain a minimum 10% blend of bioethanol starting 6 August 2011. For diesel engines, the mandated biodiesel blend in the country was increased from 1% to 2% starting February 2009.

In June 2015, the DOE issued Department Circular No. DC 2015-06-005, or the Amended Guidelines on E-10 Implementation, which temporarily waives compliance by oil companies with the required bioethanol blend for premium plus grade gasoline products when supply of locally produced bioethanol products is insufficient to meet demand.

In 2008, a Joint Administrative Order known as the 'Guidelines Governing the Biofuel Feedstock Production and Biofuel Blends Production, Distribution and Sale' (the "**Guidelines**") was issued by various Philippine government agencies. The Guidelines mandate oil companies to blend biodiesel with diesel and bioethanol with gasoline. The Guidelines further require oil companies to source biofuels only from biofuel producers accredited by the DOE or from biofuel distributors registered with the DOE. Moreover, unless authorized by the DOE to import in case of shortage of supply of locally produced bioethanol as provided for under the Act, an oil company's failure to source its biofuels from accredited biofuels producers and/or registered biofuel distributors would constitute a prohibited act.

In June 2015, the DOE issued Department Circular No. DC2015-06-007, or the Revised Guidelines on the Utilization of Locally-Produced Bioethanol ("**Revised Guidelines**"), which repealed Department Circular No. 2011-12-0013, or the 'Guidelines on the Utilization of Locally-Produced Bioethanol in the Production of E-Gasoline Consistent with the Biofuels Act of 2006'. The Revised Guidelines require oil companies operating within the Philippines to secure and maintain a DOE accreditation as an 'Oil Industry Participant in the Fuel Bioethanol Program and submit to the OIMB certain reports in order for the OIMB to monitor the oil companies' compliance with the Revised Guidelines, including an annual performance compliance report relating to the oil companies' compliance with the minimum biofuel blends and monthly reports on compliance with local monthly allocations for the use of locally-sourced bioethanol. The Revised Guidelines further require oil companies to strictly comply with the Local Monthly Allocation ("**LMA**"). The LMA refers to the local bioethanol volume imposed on oil companies based on the committed volume by the local bioethanol producers of bioethanol available for lifting by the oil companies and computed and circulated by the OIMB.

In February 2016, the Congress of the Philippines promulgated Republic Act No. 10745, amending the Biofuels Act. The law allows natural gas power generation plants to use neat diesel (instead of the mandated biofuel blend) as alternative fuel during shortages of natural gas supply. The DOE issued Department Order No. 2016-07-0012 or the implementing rules and regulations for Republic Act No. 10745. It provides that the natural gas power generating plants with duly issued Certificate of Compliance from the Energy Regulatory Commission can avail of the use of neat diesel in the following instances:

(a) during maintenance and/or shutdown of facilities used for the supply of natural gas such as pipelines, terminal, etc.,

(b) during force majeure which adversely affect the supply of natural gas to natural gas power plants, or

(c) other analogous instances.

All suppliers of natural gas shall submit to the DOE their preventive maintenance schedule indicating the dates when the suppliers of natural gas would be critical. During force majeure events, the DOE shall determine the affected facilities for proper issuance of certification of the shortage of natural gas supplies.

Philippine Clean Air Act of 1999

Republic Act No. 8749, otherwise known as the "Philippine Clean Air Act", provides more stringent fuel specifications over a period of time to reduce emission that pollutes the air. The Philippine Clean Air Act specifies the allowable sulfur and benzene content for gasoline and automotive diesel. Under the law, oil firms are mandated to lower the sulfur content of automotive diesel oils to 0.05% by weight by January 1, 2004 nationwide. The law also prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or fuel additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for all types of fuel and fuel related products, to improve fuel consumption for increased efficiency and reduced emissions. The committee is guided by strict time-bound and quality-specific targets under the mandate of the Philippine Clean Air Act and the DOE initiative on alternative fuels.

Philippine Clean Water Act of 2004

In 2004, Republic Act No. 9275, or the "Philippine Clean Water Act", was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Philippine Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

Water Code

The Water Code defines the extent of the rights and obligations of water users and owners including the protection and regulation of such rights.

Under the Water Code, before any person or corporation may appropriate water for industrial purposes, such as the utilization of water in factories, industrial plants, mines, and the use of water as an ingredient of a finished product, a water right as evidenced by a water permit must first be acquired from the National Water Resources Board ("**NWRB**").

Only citizens of the Philippines or juridical persons at least 60% of whose capital is owned by Filipino citizens may apply for water permits. Thus, a corporation not meeting the foregoing nationality restrictions may not apply for or be qualified to hold or be a transferee of water permits.

Water permits may be revoked, modified or cancelled under the conditions provided in this law and may be leased or transferred in whole or in part to another person with prior approval of the NWRB.

Laws and Regulations Involving Liquified Petroleum Gas ("LPG")

Batas PambansaBlg. 33

Batas PambansaBlg. 33, as amended by Presidential Decree No. 1865, provides for certain prohibited acts inimical to public interest and national security involving petroleum and/or petroleum products. These prohibited acts include, among others, (i) illegal trading in petroleum and/or petroleum products, and (ii) under delivery or underfilling beyond authorized limits in the sale of petroleum products or possession of underfilled liquefied petroleum gas cylinder for the purpose of sale, distribution, transportation, exchange or barter. For this purpose, the existence of the facts hereunder gives rise to the following presumptions:

(a) That cylinders containing less than the required quantity of liquefied petroleum gas which are not property identified, tagged and set apart and removed or taken out from the display area and made accessible to the public by marketers, dealers, sub-dealers or retail outlets are presumed to be for sale;

(b) In the case of a dispensing pump in a petroleum products retail outlet selling such products to the public, the absence of an out-of-order sign, or padlocks, attached or affixed to the pump to prevent delivery of petroleum products therefrom shall constitute a presumption of the actual use of the pump in the sale or delivery of such petroleum products; and

(c) When the seal, whether official or of the oil company, affixed to the dispensing pump, tank truck or liquefied petroleum gas cylinder, is broken or is absent or removed, it shall give rise to the presumption that the dispensing pump is underdelivering, or that the liquefied petroleum gas cylinder is underfilled, or that the tank truck contains adulterated finished petroleum products or is underfilled.

The use of such pumps, cylinders or containers referred to in sub-paragraph (a), (b), and (c) above, to deliver products for sale or distribution shall constitute prima facie evidence of intent of the hauler, marketer, refiller, dealer or retailer outlet operator to defraud.

Under the said law, “illegal trading in petroleum and/or petroleum products” is understood to mean, among others, (1) the sale or distribution of petroleum products without license or authority from the OIMB, (2) non-issuance of receipts by licensed oil companies, marketers, distributors, dealers, subdealers and other retail outlets, to final consumers; provided: that such receipts, in the case of gas cylinders, shall indicate therein the brand name, tare weight, gross weight, and price thereof, (3) refilling of liquefied petroleum gas cylinders without authority from the OIMB, or refilling of another company’s or firm’s cylinders without such company’s or firm’s written authorization, and (4) marking or using in such cylinders a tare weight other than the actual or true tare weight thereof.

“Underfilling” or “under delivery” refers to a sale, transfer, delivery or filling of petroleum products of a quantity that is actually beyond authorized limits than the quantity indicated or registered on the metering device of container. This refers, among others, to the quantity of petroleum retail outlets or to liquefied petroleum gas in cylinder or to lube oils in packages.

Fire Code Implementing Rules and Regulations

The Implementing Rules and Regulations of Republic Act No. 9514 or the Fire Code of 2008 also outlines requirements for storage and handling of LPG by outside bulk LPG stores and filling stations and the transportation of LPG which require among others, that during the unloading or transfer of LPG, the tank truck shall be located or parked clear of a public thoroughfare, unless the failure to transfer would create a hazard or it is impossible due to topography.

Rules and Regulations Governing the LPG Industry

In January 2014, the Department of Energy issued Department Circular No. 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry (the “**LPG Industry Rules**”). The LPG Industry Rules apply to all persons engaged or intending to engage in the business of importing, refining, refilling, marketing, distributing, handling, storing, retailing, selling and/or trading of LPG.

A Standards Compliance Certificate (“**SCC**”) from the OIMB is required before engaging in any LPG Industry Activity. The SCC is valid for a maximum of three calendar years from date of issue and may be renewed. LPG Industry participants must also submit certain reports to the OIMB.

The LPG Industry Rules also imposes (i) minimum standards and requirements for refilling and transportation of LPG; (ii) qualifications and responsibilities for LPG Industry participants such as bulk suppliers, refillers, marketers, dealers, and retail outlets.

Brand owners whose permanent mark appears on the LPG cylinder are presumed under the rules as the owner thereof, irrespective of their custody, and shall ensure that its cylinders comply with all required quality and safety standards. The owner of the cylinders is also required to secure product liability insurance for any liability that may result from an unsafe condition of LPG cylinders.

Rules Pertinent to Auto-LPG Motor Vehicles

On February 13, 2007, the DOE issued DOE Circular No. DC 2007-02-0002 entitled "Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas (LPG) for Automotive Use" (the "**Auto-LPG Rules**"). The Auto-LPG Rules govern the business of supplying, hauling, storage, handling, marketing and distribution of LPG for automotive use.

Under the rules, an Auto-LPG Industry Participant is required to secure from the DOE through the OIMB an SCC before it can operate. The Auto-LPG also mandates all participants to observe a code of practice consisting of operational guidelines and procedures to ensure the safe operation in the auto LPG business. Illegal trading, adulteration and hoarding are likewise prohibited. Under the Auto-LPG Rules, the following shall constitute prima facie evidence of hoarding: (i) the refusal of Auto-LPG Dispensing Stations to sell LPG products for automotive use shortly before a price increase or in times of tight supply, and in both instances if the buyer or consumer has the ability to pay in cash for the product; (ii) the undue accumulation of Auto-LPG Dispensing Stations of LPG products for automotive use in times of tight supply or shortly before a price increase. For purposes of this Auto LPG Rules, "undue accumulation" shall mean the keeping or stocking of quantities of LPG products for automotive use beyond the inventory levels as required to be maintained by the Auto-LPG Dispensing Stations, for a period of thirty (30) days immediately preceding the period of tight supply or price increase.

The Land Transportation Office ("**LTO**") also issued Memorandum Circular No. RIB-2007-891 or the "Implementing Rules and Regulations in the Inspection and Registration of Auto-LPG Motor Vehicles." The Circular requires the device for the use of LPG as fuel by any motor vehicle to be installed only by the conversion/installing shop duly certified by the Bureau of Product and Standards ("**BPS**") of the Philippine Department of Trade and Industry ("**DTI**") under its Philippine Standards Certification Mark scheme. The converted vehicle shall be subjected to an annual maintenance and inspection by the BPS certified conversion/installing shop. The BPS certified conversion/installing shop shall issue a corresponding Certificate of Inspection and Maintenance Compliance.

Oil Pollution Compensation Act of 2007

Republic Act No. 9483, otherwise known as the "Oil Pollution Compensation Act of 2007", imposes strict liability on the owner of the ship for any pollution damage caused within the Philippine territory. Pollution damage is the damage caused outside the ship by contamination due to the discharge of oil from the ship, as well as the cost of preventive measures to protect it from further damage.

The law also provides that any person who has received more than 150,000 tons of "contributing oil" (as explained below) in a calendar year in all ports or terminal installations in the Philippines through carriage by sea shall pay contributions to the International Oil Pollution Compensation Fund in accordance with the provisions of the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage. For this purpose, "oil" includes any persistent hydrocarbon mineral oil such as crude oil, fuel oil, heavy diesel oil and lubricating oil, whether carried on board a ship as cargo or in bunkers of such a ship.

A person shall be deemed to have received "contributing oil," for purposes of determining required contributions, if he received such oil from another country or from another port or terminal installation within the Philippines, notwithstanding that this oil had already been previously received by him. Where the quantity of contributing oil received by any person in the Philippines in a calendar year, when aggregated with the quantity of contributing oil received in the Philippines in that year by such person's subsidiaries or affiliates, exceeds 150,000 tons, such person, including its subsidiaries and affiliates, shall pay contributions in respect of the actual quantity received by each, notwithstanding that the actual quantity received by each did not exceed 150,000 tons. Persons who received contributing oil are required to report to the DOE. Contributing oil means crude oil and fuel oil as defined under Republic Act No. 9483.

Republic Act No. 9483 provides for the establishment of a fund to be constituted from, among others, an impost amounting to ten centavos per liter levied on owners and operators and tankers and barges hauling oil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund, will be in addition to the requirement under the 1992 Civil Liability Convention and 1992 Fund Convention and will be administered by the Maritime Industry Authority ("**MARINA**").

In April 2016, the Department of Transportation (then the Department of Transportation and Communications) promulgated the implementing rules and regulations of Republic Act No. 9483. Under the rules, oil companies are required to submit (a) reports on the amount of contributing oil received and (b) sales and delivery reports of persistent oil.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation.

The MARINA is responsible for integrating the development, promotion and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA issued: (i) Circular No. 2007-01 which mandated the use of double-hull vessels including those below 500 tons deadweight tonnage by the end of 2008 for transporting Black Products; and (ii) Circular No. 2010-01 for transporting White Products under certain circumstances by 2011.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills. Oil companies, oil explorers, natural gas explorers, power plants/barges and tanker owners are also required to develop shipboard oil pollution emergency plans to be approved by the Philippine Coast Guard.

Moreover, both the Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution has the primary responsibility of conducting clean-up operations at its own expense.

Foreign Investment Laws and Restrictions

Foreign Investments Act of 1991

Republic Act No. 7042 or the Foreign Investments Act of 1991 ("FIA") liberalized the entry of foreign investment into the Philippines. Under the FIA, foreigners can own as much as 100.0 % equity in domestic market enterprises, except in areas specified in the Foreign Investment Negative List. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. The oil refining and distribution business is not found in the latest 11th Negative List of the FIA.

In connection with the ownership of private land, however, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0 % of whose capital is owned by such citizens.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the FIA as any of the following:

(a) a citizen of the Philippines;

(b) a domestic partnership or association wholly owned by citizens of the Philippines;

(c) a trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60.0 % of the fund will accrue to the benefit of Philippine Nationals;

(d) a corporation organized under the laws of the Philippines of which at least 60.0 % of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and

(e) a corporation organized abroad and registered as doing business in the Philippines under the Philippine Corporation Code of which 100.0 % of the capital stock outstanding and entitled to vote is wholly owned by Filipinos.

However, the FIA states that where a corporation (and its non-Filipino shareholders) own stock in a Philippine SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

On 20 May 2013, the Philippine SEC issued Memorandum Circular No. 8, Series of 2013 which provided guidelines (the "**Guidelines**") on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalized activities (the "**Nationalized Corporations**"). The Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

Considering the foregoing, for as long as the Company and its subsidiaries own land, foreign ownership in the Company is limited to a maximum of 40% of the Company's outstanding capital stock entitled to vote. In such case, the Company shall disallow the issuance or the transfer of shares to persons other than Philippine Nationals and shall not record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

Compliance with the required ownership by Philippine Nationals of a corporation is to be determined on the basis of outstanding capital stock whether fully paid or not.

Retail Trade Liberalization Act

Republic Act No. 8762, otherwise known as the "Retail Trade Liberalization Act of 2000" ("**R.A. 8762**"), was enacted into law on 7 March 2000. R.A. 8762 liberalized the retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services and wider choices. Prior to the passage of the Retail Trade Liberalization Act, retail trade was limited to Filipino citizens or corporations that are 100% Filipino-owned.

'Retail Trade' is defined by R.A. 8762 to cover any act, occupation or calling of habitually selling directly to the general public any merchandise, commodities or goods for consumption. Under R.A. 8762, retail trade enterprises with paid-up capital of less than US$2,500,000 are exclusively reserved for Filipino citizens. Full foreign participation is allowed only if any of the following qualifications are met: (a) with paid-up capital of US$2,500,000 or more provided that investments for establishing a store is not less than US$830,000; or (b) specializing in high end or luxury products, provided that the paid-up capital per store is not less than US$250,000.

Any foreign investor may be allowed to invest in existing retail stores. However, the investment must comply with the paid-up capitalization requirements enumerated above.

Furthermore, foreign investors who are also retailers and invest in existing retail stores are required to be pre-qualified with the Board of Investments before they can buy shares. No foreign retailer is allowed to engage in retail trade in the Philippines unless all the following qualifications are met:

(a) a minimum of US$200 million net worth in its parent corporation for enterprises with paid-up capital of US$2,500,000 or more (provided that investments for establishing a store is not less than US$830,000), and US$50 million net worth in its parent corporation for enterprises specializing in high end or luxury products (provided that the paid-up capital per store is not less than US$250,000);

(b) five retail branches or franchises in operation anywhere around the world unless such retailer has at least one store capitalized at a minimum of US$25 million;

(c) five-year track record in retailing; and

(d) only nationals from, or judicial entities formed or incorporated in, countries which allow the entry of Filipino retailers shall be allowed to engage in retail trade in the Philippines.

The implementing rules of RA 8762 define a foreign retailer as an individual who is not a Filipino citizen, or a corporation, partnership, association or entity that is not wholly-owned by Filipinos, engaged in retail trade. The DTI is authorized to pre-qualify all foreign retailers before they are allowed to conduct business in the Philippines.

Consumer Act of the Philippines

Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines ("**Consumer Act**"), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (c) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labeling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

Local Government Code

The Local Government Code ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit ("**LGU**") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Other Regulatory Requirements

On September 7, 2010, the DENR issued Department Order No. 2010-23 on the Revised Emission Standards for Motor Vehicles Equipped with Compression Ignition and Spark Ignition Engines, mandating compliance of all new passenger and light duty motor vehicles with Euro IV (PH) emission limits subject to fuel availability, starting on January 1, 2016. Euro IV vehicle emission technology requires a more stringent fuel quality of 0.005% sulfur content for both diesel and gasoline.

Philippine government regulations also require the Company to secure, among others, certificates of conformance of facilities to national or accepted international standards on health, safety and environment, and product liability insurance certificates or product certificate of quality. These certificates, together with the Fire Safety Inspection Certificate and ECC have to be submitted to the DOE for monitoring purposes. Reports to the DOE are required for the following activities/projects relating to petroleum products: (a) refining, processing, including recycling and blending; (b) storing/transhipment; (c) distribution/operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plant; (f) bunkering from freeports and special economic zones; and (g) importations of petroleum products and additives. In addition, importations of restricted goods require clearances from the proper governmental authorities.

Bureau of Customs

Given that the Company imports almost 100.0 % of its refined petroleum products, there is also a need to take a look at the current requirements of the Bureau of Customs. The latter requires importers to undergo an accreditation and registration process under Customs Memorandum Order (CMO) No. 11-2014 and CMO No. 05-2018. In this case, the term "importer" refers to any person who brings goods into the Philippines, whether or not made in the course of trade and business.

Under Bureau of Customs Department Order 011-2018 dated 9 February 2018, the authority to accredit importers is reverted solely to the Bureau of Customs. Renewals of applications need only the following requirements:

(a) Updated General Information Sheet;

(b) Company profile with pictures of the office with proper and permanent signage;

(c) Address of warehouse owned or leased by the importer where the imported goods are intended to be stored;

(d) Proof of Lawful Occupancy of Office Address and Warehouse;

(e) Updated list of Importables;

(f) Printed Client Profile Registration System (CPRS) Record and "STORED" CPRS notification;

(g) Income Tax Return (ITR) for the past three years; and

(h) Valid Mayor's Permit

Note that under the Republic Act No. 10863 or the Customs Modernization and Tariff Act ("**CMTA**"), the liability for duties, taxes, fees and other charges attached to importation constitutes a personal debt due and demandable against the importer in favor of the government and shall be discharged only upon payment of duties, taxes, fees and other charges.

Other Relevant Tax-related Regulations

Taxes and duties applicable to the oil industry have had periodic and unpredictable changes over the last several years. The import duty on crude oil was increased on January 1, 2005 from 3% to 5%, but was later reduced to 3% effective as of November 1, 2005.

Under Executive Order No. 527 dated May 12, 2006, upon certification by the DOE that the trigger price levels provided therein have been reached, the 3% import duty on crude oil shall be adjusted to 2%, 1% or 0%. Subsequently, Executive Order No. 850, which took effect on January 1, 2010, modified the rates of duty on certain imported articles in order to implement the Philippines' commitment to eliminate the tariff rates on certain products under the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area ASEAN Trade in Goods Agreement ("**ATIGA**"). Under the ATIGA, crude oil and refined petroleum products imported from Association of Southeast Asian Nations ("**ASEAN**") Member States are levied zero rates. To address the tariff distortion between ASEAN and non-ASEAN Member States brought about by the implementation of the zero duty under Executive Order No. 850 and to provide a level playing field for local refiners to compete with importers, the President of the Philippines issued Executive Order No. 890, which also imposed zero duty effective as of July 4, 2010 for imported crude oil and refined petroleum products, except certain types of aviation gas, from Non-ASEAN Member States.

Republic Act No. 9337, also known as the "**Expanded VAT Law**", imposed a VAT of 10% on certain goods and services, including petroleum products and its raw materials, particularly the sale and importation thereof. The rate was further increased to 12% effective February 1, 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on November 21, 2006, removed the 70% ceiling on the credit of input VAT to output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to P4.35 per liter of volume capacity.

The recent imposition of Republic Act No. 10963 (the "**TRAIN Law**") increased the excise taxes imposed on petroleum products based on a scheduled incremental increase in excise taxes from 2018 to 2020 in the following manner:

PRODUCTS	**EFFECTIVITY**			
	Prior to the TRAIN Law	**January 1, 2018**	**January 1, 2019**	**January 1, 2020**
(a) Lubricating oils and greases, including but not limited to base stock for lube oils and greases, high vacuum distillates, aromatic extracts and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram respectively, of volume capacity or weight	₱4.50	₱8.00	₱9.00	₱10.00

(a.1) Locally produced or imported oils previously taxed but subsequently reprocessed, re-refined, recycled, per liter and kilogram of volume capacity or weight	₱4.50			
(b) Processed gas, per liter of volume capacity	0.05			
(c) Waxes and petroleum per kilogram	₱3.50			
(d) Denatured alcohol to be used for motive power, per liter of volume capacity	₱0.05			
(e) Asphalts, per kilogram	₱0.56			
(f) Naphtha, regular gasoline, pyrolysis gasoline and other similar products of distillation: per liter of volume capacity	₱4.35	7.00	9.00	₱10.00
(g) Unleaded premium gasoline, per liter of volume capacity	₱4.35			
(h) Kerosene, per liter of volume capacity	₱0.00	₱3.00	₱4.00	₱5.00
(i) Aviation turbo jet fuel, aviation gas, per liter of volume capacity	₱3.67	₱4.00	₱4.00	₱4.00
(j) Kerosene, when used as aviation fuel, per liter of volume capacity	₱3.677			

PRODUCTS	EFFECTIVITY			
	Prior to the TRAIN Law	**January 1, 2018**	**January 1, 2019**	**January 1, 2020**
(k) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity	₱0.00	₱2.50	₱4.50	₱6.00
(l) Liquefied petroleum gas used for motive power, per kilogram	₱0.00			
(m) Bunker fuel oil, and on similar oils having more or less the same generating power, per liter of volume capacity	₱0.00			
(n) Petroleum coke, per metric ton	₱0.00			

(o)	Liquefied petroleum gas, per kilogram	₱0.00	₱1.00	₱2.00	₱3.00
(p)	Naphtha and pyrolysis gasoline, when used as araw material in the production of petrochemical products or in the refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant, in lieu of locally-extracted natural gas during the non-availability thereof, per liter of volume capacity	₱0.00	₱0.00	₱0.00	₱0.00
(q)	Liquefied petroleum gas, when used as raw material in the production ofpetrochemical products, per kilogram	₱0.00			
(r)	Petroleum coke, when used as feedstock to any power generating facility, per metric ton	₱0.00			

Republic Act No. 9136, or the “Electric Power Industry Reform Act of 2001”, provides for parity taxt reatment among imported oil and indigenous fuels. Prior to the enactment of this law, indigenous fuels were imposed with higher taxes due to royalties to the Philippine government.

Effect of Existing or Probable Government Regulations on the Company’s Business

Oil industry players are required to comply with the laws discussed above, and to follow strictly the guidelines of the DENR and the DOE. There can be no assurance that current laws and regulations applicable to the Company will not increase the costs of operating its facilities above currently projected levels or require future capital expenditures. Although the Company endeavors to maintain compliance with applicable laws and regulations, the introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company’s business could have a material adverse effect on its business, financial condition and results of operations.

CORPORATE GOVERNANCE AND MANAGEMENT

On 7 March 2008, during the regular meeting of the Board of Directors, the Manual of Corporate Governance (the "**Governance Manual**") which incorporated the best practices was approved and adopted to establish the principles of good corporate governance for the entire Company. The adoption of the new Governance Manual replaces the old manual of corporate governance prescribed by the SEC which was then observed and followed by the Company. Moreover, the adoption of the new manual now complies with the SEC requirement that, before assuming office, a director must attend a seminar on corporate governance conducted by a duly recognized government or private institution.

On 1 April 2011, the Company disclosed and submitted to the Commission and the Exchange a revised Governance Manual pursuant to the SEC Memorandum Circular No. 6 Series of 2009, which shall now apply to registered corporations that have assets in excess of Fifty Million Pesos and whose equity securities are listed on an Exchange.

On 31 July 2014, pursuant to SEC Memorandum Circular No. 9, series of 2014, the Company submitted its revised Governance Manual expounding on definitions of terms, including defining the role of the Board of Directors in corporate governance and emphasis on policies pertaining to independent checking on management. Further, in compliance with SEC Memorandum Circular No. 19, Series of 2016 and SEC Memorandum Circular No. 8, Series of 2017, the Company submitted its Code of Corporate Governance to the SEC on 31 May 2017 (the "**Code of Corporate Governance**").

The Company's Code of Corporate Governance contains the framework of rules, systems and processes in the Company that governs the performance by the Board of Directors and the management of their respective duties and responsibilities to the stockholders. It mandates the creation of specific board committees in aid of good corporate governance, i.e. a corporate governance committee, board risk oversight committee and related party transaction committee, and requires the Board of Directors to commit itself to the protection of the rights of stockholders. The board committees established under the Code of Corporate Governance are in addition to the board committees constituted under the by-laws of the Company, i.e. an executive committee, a nomination committee, an audit committee and a compensation committee.

BOARD OF DIRECTORS AND MANAGEMENT OF THE COMPANY

Directors

The Board of Directors of Phoenix is composed of 11 members, three (3) of whom are independent directors. Currently, only two (2) of the members are executive directors, occupying the positions of the President and Chief Executive Officer, and Chairman of the Company.

Set out below are the name, position and year of appointment of members of the Board of Directors of the Company as of the date of this Prospectus.

Name	Position	Date of First Election
Domingo T. Uy	Chairman	May 2002
Dennis A. Uy	Director, President and Chief Executive Officer	May 2002
Romeo B. De Guzman	Director	May 2009
Stephen Anthony T. CuUnjieng	Director	January 2018
Cherylyn C. Uy	Director	March 2004
Jose Victor Emmanuel A. de Dios	Director	January 2007
Frederic C. DyBuncio	Director	May 2017
Monico V. Jacob	Director	June 2008
Consuelo Ynares-Santiago	Independent Director	March 2013
Minoru Takeda	Independent Director	March 2019
Nicasio I. Alcantara	Independent Director	March 2019

Certain information on the business and working experiences of each Director, within the last five years from date of this Prospectus, is set out below. Other relevant information regarding earlier business and working experiences of each Director is also provided.

Domingo T. Uy – *Chairman*

Mr. Domingo T. Uy, Filipino, 72 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development. Mr. Uy is actively involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also a Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

Dennis A. Uy – *Director, President and Chief Executive Officer*

Dennis A. Uy, Filipino, 45 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is the Chairman and President of Udenna Corporation, the parent company, which has businesses in the shipping, logistics, distribution, real estate, and service industries. Among the subsidiaries of Udenna Corporation are Phoenix Petroleum Holdings, Inc. (PPHI), Udenna Management & Resources Corp. (UMRC), Chelsea Logistics Corp., Udenna Investments BV, and Udenna Trade Corporation. The subsidiaries of Phoenix Petroleum Philippines are Phoenix Global Mercantile, Inc., Subic Petroleum Trading & Transport Philippines, Inc., and PFL Petroleum Management. The subsidiaries of Udenna Management & Resources Corp. (UMRC) are Udenna Development Corporation (UDEVCO), Global Synergy Trade and Distribution Corp., Value Leases, Inc., Udenna Capital, PNX-Udenna Insurance Brokers, Udenna Environmental Services, Udenna Energy Corporation, and F2 Logistics. Under UDEVCO are Phoenix Petroterminals & Industrial Park Corp. (PPIPC), Udenna Tower Corporation, and GoHotels Davao. The Chelsea Logistics Corp. has the shipping businesses Chelsea Shipping Corp. and Trans-Asia Shipping Lines. Mr. Uy is also Chairman of Phoenix Philippines Foundation and Udenna Foundation. He is director of shipping and logistics provider 2Go Group, Inc. through his Udenna Investments BV subsidiary KGLI-NM Holdings Inc. He also serves as independent director of Apex Mining Corp. Mr. Uy is a member of the Young Presidents Organization's Philippine chapter and the Philippine Business for Social Progress. Since November

2011, Mr. Uy has been the Honorary Consul of Kazakhstan to the Philippines. In 2016, he was appointed as the Presidential Adviser on Sports. He is a graduate of De La Salle University with a degree in Business Management.

Romeo B. de Guzman – *Director*

Mr. Romeo B. De Guzman, Filipino, 69 years old, was elected Director of the Company in 2009. He is the Vice Chairman and Senior Strategic Adviser, and previously was Chief Operating Officer of the Company, bringing over 40 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to December 2006. He was with the said company holding various management and executive positions. Prior to that, he worked at Getty Oil Philippines Inc. for 10 years. Mr. De Guzman is also the Chairman of the Board of Directors of Mirait Philippines, Inc. He holds a Marketing Management and MBA degrees from San Sebastian College – Manila.

Stephen T. CuUnjieng – *Director*

Stephen T. CuUnjieng, Filipino, 60years old, was elected as a Director of the Company on January 15, 2018, after being a long-time adviser to the Board. He is Chairman of Evercore Asia Limited, and has substantial and wide experience in investment banking. He has acted as Financial Adviser to several financial transactions of companies involving initial public offerings, major and strategic acquisitions, and mergers of various companies from various industries. He is a member of the Executive Advisory Board for Asia of the Wharton School of Business, and an Independent Director of Century Properties Group and Aboitiz Equity Ventures. He has received several awards and distinctions, such as the Best Independent Advisory Firm in Asia in 2016 for Evercore, and Deals of the Year for various acquisitions. He graduated from Ateneo de Manila University and Ateneo School of Law, and completed an MBA in Finance from the Wharton School of Business.

Cherylyn C. Uy – *Director*

Cherylyn Chiong-Uy, Filipino, 40 years old, is a graduate of Business and Finance from Ateneo de Davao University. Ms. Uy is one of the pioneers/incorporators of Udenna Corporation, the ultimate parent company of Phoenix Petroleum, and which has subsidiaries engaged in the petroleum, shipping, logistics, services, and real estate businesses, among others. She is the Corporate Treasurer of Udenna Corporation. Ms. Uy is also one of the Executive Directors of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company. She is the Corporate Treasurer of Udenna Management and Resources Corporation and Chelsea Shipping Corp. Ms. Uy assumed the director position in March 2004.

Atty. J.V. Emmanuel A. De Dios – *Director*

Atty. J.V. Emmanuel A. De Dios, Filipino, 54 years old, was elected Director of the Company in January 2007. He is the CEO of GE Philippines, and prior to that was President and CEO of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He was Managing Director of Merritt Advisory Partners, Inc. and was a member of the Board of Directors of Davies Energy Systems, Inc. He also served as Chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

Frederic C. DyBuncio – *Director*

Frederic C. DyBuncio, Filipino, 58 years old, was elected as a Director of the Company on May 27, 2017. He is the President of SM Investments Corporation. He is a Director of Atlas Consolidated Mining and Development Corporation, Premium Leisure Corp., 2GO Group, Inc., and Pacific Online Systems Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and completed a Master's degree in Business Management from the Asian Institute of Management.

Monico V. Jacob – *Director*

Monico V. Jacob, Filipino, 74years old, has been a Director of the Company since June, 2008. He is President and Chief Executive Officer of the STI Education Systems Holdings, Inc., a publicly listed company; of STI Education Services Group, Inc.; and of West Negros University. He is also the Chairman of Philplans First, Inc., a pre-need company; of Philippine Life Financial, Inc., a life insurance company, and of Republic Surety and Insurance Co., a non-life insurance Company. He likewise sits as an independent director of Jollibee Foods, Inc., Century Properties, Lopez Holdings, Inc. and 2GO Shipping. He sits as Director of Asian Terminals, Inc., Philhealthcare Systems, Inc., an HMO, Philippine Women's University and IAcademy.

Consuelo Ynares-Santiago – *Independent Director*

Justice (ret) Consuelo Ynares-Santiago, Filipino, 79 years old, is a retired justice of the Philippine Supreme Court. Justice Ynares-Santiago is currently an independent director of Anchor Insurance Brokerage Corp., a leading insurance brokerage company based in New York, USA, SMC Global Power Holdings, Inc., one of the country's leading power companies which is the power generation unit of San Miguel Corporation, South Luzon Tollway Corp., and Top Frontier Investment Holdings, Inc. She is the Chair Advisory Council of the Office of Alternative Dispute Resolution under the Department of Justice. She earned her Law Degree at the University of the Philippines. After being admitted to the bar, she started her career as a legal officer of the SEC. After 5 years of legal practice, she decided to enter the Judiciary and spent 36 years of her career as Municipal Judge, Metropolitan Trial Court judge, Regional Trial Court judge, and Associate Justice of Court of Appeals, before becoming an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she became the chairperson of the Supreme Court's 3rd Division and also joined various committees, among them the Justice on Wheels Program as Chairperson, the Foreign Travel Committee as Chairperson, the House of Representative Electoral Tribunal (HRET) as Chairperson, and member of the Presidential Electoral Tribunal. She was also a consultant of the Judicial and Bar Council (JBC) and a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law in the 1998 Bar Examination. Ms. Ynares Santiago assumed the independent director position in March 2013.

Minoru Takeda – *Independent Director*

Minoru Takeda, Japanese, 66years old is the Chairman of a New Energy (an advisory company for Renewables/LNG), Senior Advisor of GLX LNG (LNG Trading Platform Company), Director of Oxalis Chemicals KK, and Sr. Advisor of Uyeno Kosan KK. Mr. Takeda was with ExxonMobil for 22 years and with Royal Dutch Shell group for 14 years. He was the Chairman of the Board of Showa Shell KK, Country Chairman of Shell Group of Companies in Japan, and GM of Shell Upstream International in charge of the ASEAN/India LNG Market Development. For Mobil Oil Corporation, in addition to holding key positions in Japan, he was Director of Mobil Oil New Zealand, and has experience in Global HQ Downstream Corporate Planning. He also spent over four years in Deloitte, as Partner of Deloitte Tohmatsu Consulting and served as CEO of Deloitte Tohmatsu Corporate Finance. He holds BS and MS from Keio University and MS from MIT Sloan School of Management. He was a Visiting Researcher at Harvard University, Energy and Environmental Policy Center.

Nicasio I. Alcantara – *Independent Director*

Nicasio I. Alcantara, Filipino, 76 years old, is the Chairman and President of ACR Mining Corporation and Chairman of Conal Corporation. He currently serves as the Chairman of the Corporate Governance Committee of BDO Private Bank, Inc. and is a member of the Bank's Audit Committee and Related Party Transactions Committee. His currently a Director of Alsons Corporation, Alsons Development and Investment Corporation and several other prestigious corporations. Prior to this, Mr. Alcantara also held the position of Chairman and President in various corporations, namely, Petron Corporation, Alsons

Consolidated Resource Inc., Iligan Cement Corporation, Alsons Cement Corporation, Northern Mindanao Power Corporation, Refractories Corporation of the Philippines, and Alsons Insurance Brokers Corporation. He was also the Chairman of Alsons Prime Investments Corporation. Mr. Alcantara holds a Masters degree in Business Administration (MBA) from Sta. Clara University, California, and a Bachelor of Science degree in Business Administration from Ateneo de Manila University.

The following are the directorships held by the directors in other reporting companies in the last five years:

Name of Director	Name of Reporting Company	Position Held
Consuelo Ynares-Santiago	Top Frontier Investment Holdings, Inc.	Independent Director
Nicasio I. Alcantara	ACR Mining Corporation	Chairman & President
Minoru Takeda	Showa Shell Sekiyu K.K.	Chairman

Senior Management and Executive Officers

Set out below are the names, position and year of appointment of the key executive officers and senior management of the Company as of the date of this Prospectus:

Name	Position	Year Appointed as Officer
Ma. Concepcion F. de Claro	Chief Finance Officer and Treasurer	2018
Henry Albert R. Fadullon	Chief Operating Officer	2017
Socorro T. Ermac-Cabreros	Corporate Secretary	2006

Certain information on the business and working experiences of each of the key executive officers of the Company who are not directors is set out below:

Ma. Concepcion F. De Claro – *Chief Financial Officer and Treasurer*

Ma. Concepcion F. De Claro, Filipino, 61 years of age, holds a Bachelor of Science degree in Commerce, Major in Accounting from the Colegio de San Juan de Letran. She has been the Company's Chief Financial Officer since May2018. She was Director of Alsons Prime Investment Corporation and Alsons Power Holdings Corporation and the Vice-President and Chief Operating officer of Alsons Corporation. She also served as the Director of Limay Energen Corporation and Manila North Harbour Port, Inc. Ms. de Claro also worked with Petron Corporation for several years. She was a Consultant for M&A Projects and a member of the Board of Trustees of Petron Corporation Employees Retirement Fund. She also served as Petron's Vice President for Corporate Planning & Services, Controller for the company and its subsidiaries, and held various positions in Corporate Planning. In addition, Ms. De Claro also served as a Director of New Ventures Realty Corporation, Las Lucas Development Corporation, Petron Marketing Corporation and Petron Freeport Corporation.

Henry Albert R. Fadullon - *Chief Operating Officer*

Henry Albert R. Fadullon, Filipino, 51 years of age, was appointed Chief Operating Officer of the Company on April 17, 2017. Prior to this, he served Shell Shared Services (Asia) B.V. as General Manager for its global businesses. He has over 25 years of experience in the petroleum industry, having held various roles at Pilipinas Shell Petroleum Corp., a decade of which were spent overseas with postings in Malaysia, Oman, and London. He has a wealth of experience in Retail and B2B performing a variety of frontline and functional roles leading into General Management positions. He completed his BS Industrial Management Engineering, minor in Mechanical Engineering, from De La Salle University.

Socorro T. Ermac-Cabreros – *Corporate Secretary*

Atty. Socorro T. Ermac-Cabreros, Filipino, 54 years old, is concurrently the Assistant Vice President for Corporate Legal and Corporate Secretary of the Company. She is also the Corporate Secretary Phoenix Petroleum Holdings, Inc. Prior to joining the Company, Atty. Ermac-Cabreros was a legal counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She was President for the Davao City Chapter of the Integrated Bar of the Philippines, Davao City Chapter from 2009-2011 and President of the Davao Lady Lawyers Association from 2000-2002. Ms. Ermac-Cabreros was first elected as the Corporate Secretary in July 2006.

Share Ownership

The following table sets forth the share ownership of the Company's Directors and executive officers as of 30 June 2019:

Directors

Name	Direct	Indirect	Total direct & indirect shares	% of Total Outstanding Shares
Domingo T. Uy	645,919	-	645,919	0.05
Dennis A. Uy	4,858,811	-	4,858,811	0.35
Romeo B. De Guzman	1,325,746	-	1,325,746	0.09
Stephen T. CuUnjieng	1	-	1	-
Nicasio I. Alcantara	1	-	1	-
Jose Victor Emmanuel A. De Dios	1,050,819	-	1,050,819	0.09
Consuelo Ynares Santiago	1	-	1	-
Monico V. Jacob	1	-	1	-
Minoru Takeda	1	-	1	-
Frederic C. DyBuncio	1	-	1	-
Cherylyn C. Uy	1,098,099	-	1,098,099	0.08

Officers

Name	Direct	Indirect	Total direct & indirect shares	% of Total Outstanding Shares
Socorro Ermac Cabreros	130,516	-	130,516	0.01

Family Relationships

With the exception of Messrs. Domingo T. Uy and Dennis A. Uy who are related to each other by consanguinity within the first civil degree, Cherylyn C. Uy and Dennis A. Uy, who are spouses and related to each other by affinity, and Domingo T. Uy and Cherylyn C. Uy who are related to each other by affinity, there are no other family relationships either by consanguinity or affinity up to the fourth civil degree among the directors, executive officers, and persons nominated and chosen by the Company to become directors and executive officers of the Company.

Significant Employees

No single person is considered to be making a significant contribution to the Company's business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

Committees of The Board

Pursuant to the Company's new Manual on Corporate Governance adopted on 7 March 2008, the Board created each of the following committees and appointed Board members thereto.

Audit Committee

The Company's audit committee shall be composed of at least three appropriately qualified non-executive members of the Board of Directors, preferably a majority of whom are independent. All members must have relevant background, knowledge and experience in the areas of accounting, finance and audit. The Company's audit committee has oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

As of the date of this Prospectus, the chairman of the audit committee is Consuelo Ynares-Santiago and its members are Monico V. Jacob and Domingo T. Uy.

Executive Committee

The Company's executive committee shall be composed of at least three members, at least three of whom must be members of the Board of Directors. The executive committee, in accordance with the Company's by-laws and by majority vote of all of its members, acts on specific matters within the competence of, or as may be delegated by, the Board of Directors except as specifically limited by law to the Board of Directors.

As of the date of this Prospectus, the chairman of the Executive Committee is Dennis A. Uy and its members are Romeo B. De Guzman, Raymond T. Zorrilla, Henry Albert R. Fadullon and Ma. Concepcion F. de Claro.

Nomination Committee

The Company's nomination committee shall be composed of at least three members of the Board of Directors, one of whom shall be an independent director. The nomination committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors, as well as those nominated to other positions requiring appointment by the Board of Directors. The decision of the Nomination Committee as to the nominees to the Board of Directors, once confirmed by the Board of Directors, shall be final and binding upon the shareholders and may no longer be raised during the stockholders' meeting. The Nomination Committee shall likewise promulgate the guidelines or criteria to govern the conduct of nominations; provided that any such promulgated guidelines or criteria governing the conduct of the nomination of independent directors shall be properly disclosed in the Company's information or proxy statement or such other reports required by the SEC.

As of the date of this Prospectus, the chairman of the Nomination Committee is Nicasio I. Alcantara and its members are Minoru Takeda and J.V. Emmanuel A. de Dios.

Corporate Governance Committee

The Company's corporate governance committee shall have the responsibility of assisting the Board in the performance of and compliance with corporate governance responsibilities, including the functions that formerly belonged to the nominations and remuneration committee. The committee shall be composed of at least three members, all of whom shall preferably be independent directors, including the chairperson.

The Company believes that its internal control procedures are sufficient considering the size, risk profile, and operation of the Company. The Company believes that it is generally compliant with the provisions of its Manual of Corporate Governance. The Company's Manual of Corporate Governance is kept under constant review and revision to keep up with the recent emerging standards of corporate governance.

As of the date of this Prospectus, the chairman of the nomination committee is Nicasio I. Alcantara and its members are Minoru Takeda and J.V. Emmanuel A. de Dios.

Compensation Committee

The Company's compensation committee shall be composed of at least three members of the Board of Directors, one of whom shall be an independent director. The compensation committee shall ensure that levels of remuneration shall be sufficient to attract and retain the directors and officers needed to run the Company successfully. A proportion of executive directors' or officers' remuneration may be structured so as to link rewards to corporate and individual performance. It also establishes a formal procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers and provides oversight over remuneration of senior management and other key personnel.

As of the date of this Prospectus, the Company has established Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including functions that were normally assigned to the Compensation Committee.

Risk Oversight Committee

The Company's board risk oversight committee shall be responsible for the oversight of the Company's enterprise risk management system to ensure its functionality and effectiveness. The committee shall be composed of at least three members, a majority of whom shall be independent directors, including the chairman. The chairman shall not be a chairman of the board or of any other committee. At least one member of the committee must have relevant knowledge and/or experience on risk and risk management.

As of the date of this Prospectus, the chairman of the board risk oversight committee is Minoru Takeda and its members are Frederic DyBuncio and J.V. Emmanuel de Dios.

Related Party Transaction Committee

The Company's related party transaction committee shall be primarily tasked to review all material related party transactions of the Company. The committee shall be composed of at least three non-executive directors, two of whom shall be independent directors, including the chairman.

As of the date of this Prospectus, the chairman of the related party transaction committee is Stephen CuUnjieng and its members are Consuelo Ynares-Santiago and Nicasio I. Alcantara.

The Company believes in conducting its business activities in accordance with the utmost degree of governance and control to ensure that its vision and mission are achieved to the strictest standard of competence, excellence and integrity. The Company's Code of Corporate Governance is posted on the Company's official website, www.phoenixfuels.ph.

Compensation of Board of Directors, Management, Officers, Staff and Rank-and-File

The Company's executives are regular employees and are paid a compensation package of 12 months' pay. They also receive performance bonuses similarly to that of the managerial, supervisory and technical employees.

The members of the Board of Directors who are not employees of the company are elected for a period of one year. They receive compensation on a per meeting participation. There are no other arrangements for which the members of the Board of Directors are compensated.

The aggregate compensation paid or estimated to be paid to the executive officers and directors of the Company during the periods indicated below is as follows (in thousands of pesos):

Name & Principal Position		Year	Salary	Bonus
Dennis A. Uy Henry Albert R. Fadullon Ma. Concepcion F. de Claro Alan Raymond T. Zorilla William M. Azarcon	President and Chief Executive Officer Chief Operating Officer Chief Finance Officer VP – External Affairs, Business Development and Security VP – Business Development for Terminals and Depots	2019 (est.)	44,898	4,074
All other officers and directors as a group unnamed		2019 (est.)	80,363	87,060
Dennis A. Uy Henry Albert R. Fadullon Ma. Concepcion F. de Claro Alan Raymond T. Zorilla William M. Azarcon	President & Chief Executive Officer Chief Operating Officer Chief Finance Officer VP – External Affairs, Business Development and Security VP – Business Development for Terminals and Depots	2018	44,453	3,704
All other officers and directors as a group unnamed		2018	73,057	6,088
Dennis A. Uy Henry Albert R. Fadullon Joseph John L. Ong Alan Raymond T. Zorilla William M. Azarcon	President & Chief Executive Officer Chief Operating Officer Chief Finance Officer VP – External Affairs, Business Development and Security VP – Business Development for Terminals and Depots	2017	40,412	3,368
All other officers and directors as a group unnamed		2017	25,542	2,121

Article III, Section 8 of the amended by-laws of the Company provides that by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. For the year ended 31 December 2017 and31 December 2018, each director received a per diem of ₱30,000 per attendance at Board and Board committee meetings of the Company. There are no employment contracts and termination of employment and change in control arrangements in relation to the board and committee participation of the directors. There are no other arrangements for which the members of the Board of Directors are compensated.

The Company ensures that its compensation and benefit packages for its management, officers, staff and rank-and-file are competitive and within industry standards. Promotions and pay raises are merit-based and performance appraisals are conducted regularly. Key personnel are also regularly sent to training programs locally and abroad to ensure that their knowledge and skills are continually updated. The Company has also established a Company-wide succession plan that seeks to improve and increase the longevity and sustainability of its business. To date, the Company keeps a handful of professionals and industry veterans in key positions to keep the business and its operations running at a high level and to cascade the knowledge and experience of these individuals to their respective business units and teams.

Warrants or Options

Please see section on *“Market Price of and Dividends on the Issuer’s Common Equity and Related Stockholder Matters-- Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting and Exempt Transaction”.*

Principal Shareholders

As of 30 June 2019, the Company had 1,403,304,232 common shares and 21,500,000 preferred shares issued and outstanding. The table below sets forth certain information with respect to direct ownership of the Company's common shares as of 30 June 2019 for each shareholder known by the Company to own more than five percent (5%). of the Company's common shares.

Names	Total Common Shares	Percentage of the Issued Common Share Capital of the Company
Phoenix Petroleum Holdings, Inc.	588,945,630	41.97%
ES Consultancy Group, Inc.	340,270,980	24.25%
Top Direct Investments Limited	142,000,000	10.12%
Udenna Corporation	117,245,918	8.35%

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company engages from time to time in a variety of transactions with related parties (including its subsidiaries, affiliates and/or other members of the Udenna Group). Such related party transactions consist of the sale and purchase of goods and services, advances and reimbursement of expenses, lease agreements of real estate properties, contracts of affreightment, administrative service agreements and other contractual services. The Company's policy with respect to related party transactions is to ensure that these transactions are made on a reasonable arms-length basis and entered into under terms comparable to those available from unrelated third parties. For more information regarding the Company's transactions with related parties, see note 27 to the Company's audited consolidated financial statements as of and for the year ended 31 December 2018 included elsewhere in this Prospectus.

With the exception of Domingo T. Uy and Dennis A. Uy, who are related to each other by consanguinity within the first civil degree, , Cherylyn C. Uy and Dennis A. Uy, who are spouses and related to each other by affinity, and Domingo T. Uy and Cherylyn C. Uy, who are related to each other by affinity, there are no other family relationships either by consanguinity or affinity up to the fourth civil degree among the directors, executive officers and persons nominated and chosen by the Company to become directors and executive officers of the Company.

The Company regularly charters marine tankers from its affiliate Chelsea Shipping Corp. for the hauling of its fuel products from suppliers' terminals and from its own depots and to its customers. The Company also sells marine bunkers to affiliates Trans-Asia Shipping, Starlite Ferries and 2Go Group, which are part of Chelsea Logistics Corp.

MARKET PRICE OF AND DIVIDENDS ON THE ISSUER'S EQUITY ANDRELATED STOCKHOLDER MATTERS

As of 30 June 2019, the Company has 1,403,304,232 common shares and 21,500,000 preferred shares issued and outstanding. The table below sets forth the Company's top 20 holders of common shares as of 30 June 2019:

No.	Stockholder Name	No. of Shares	% to Total
1	PCD Nominee Corporation (Filipino)	1,130,016,259	78.785%
2	PCD Nominee Corporation (Non-Filipino)	208,301,661	14.523%
3	Phoenix Petroleum Holdings, Inc.	81,861,000	5.707%
4	Joselito R. Ramos	4,812,600	0.336%
5	Dennis A. Uy	3,991,811	0.278%
6	Udenco Corporation	1,614,787	0.113%
7	Dennis A. Uy &/or Cherylyn A. Uy	1,098,060	0.077%
8	Domingo T. Uy	645,919	0.045%
9	Eric U. Lim or Christine Yao Lim	319,000	0.022%
10	Marjorie Ann Lim Lee or Pauline Ann Lim Lee	300,000	0.021%
11	Edwin U. Lim or Genevieve Lim	300,000	0.021%
12	Zenaida Chan Uy	149,058	0.010%
13	Rebecca Pilar Claridad Caterio	148,453	0.010%
14	Socorro Ermac-Cabreros	103,316	0.007%
15	Ignaca Syjuco Braga IV	71,019	0.005%
16	Chryss Alfonsus V. Damuy	70,980	0.005%
17	Gigi Quejada Fuensalida	70,980	0.005%
18	Emerick Jefferson Sy Go &/or Girlie Ng Go	64,592	0.005%
19	Rodolfo B. Apilado	53,235	0.004%
20	Rameses Victorius G. Villagonzalo	40,000	0.003%

As at 30 June 2019, the Company had 62 shareholders of its common shares. The foreign ownership level of total outstanding voting shares in the Company was 14.84%.

The table below sets forth the holders of the preferred shares as of 30 June 2019:

PNX3A Preferred Shares

No.	Stockholder Name	No. of Shares	% to Total
1	PCD Nominee Corporation (Filipino)	12,458,070	99.665%
2	PCD Nominee Corporation (Non-Filipino)	29,430	0.235%
3	Antonio T. Chua	9,500	0.076%
4	Teddy A. Gaerlan	1,000	0.008%
5	Iris Veronica Go Lim	2,000	0.016%

PNX3B Preferred Shares

No.	Stockholder Name	No. of Shares	% to Total
1	PCD Nominee Corporation (Filipino)	7,466,6600	99.555%
2	PCD Nominee Corporation (Non-Filipino)	20,7300	0.276%
3	Antonio T. Chua	5,700	0.076%
4	Knights of Columbus Fraternal Association of the Phils. Inc.	6,910	0.092%

As at 30 June 2019, the Company had 21,500,000 of its outstanding preferred shares. The foreign ownership level of the total outstanding preferred shares of the Company was 0.25%.

Dividends and Dividend Policy

The Company currently does not have a minimum dividend policy. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors. The dividends shall be payable out of its unrestricted retained earnings subject to the availability of such unrestricted retained earnings and other statutory limitations.

Each holder of a common share is entitled to such dividends as may be declared in accordance with the Company's dividend policy. The Company's current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Board of Directors. Such recommendation will consider such factors as operating expenses, implementation of business plans, and working capital.

The Company's dividend policy on preferred shares is to declare and pay dividends in accordance with the terms and conditions of its issuance. Holders of preferred shares enjoy preference over the holders of common shares in the payment of dividends.

The dividend policy of the Company's subsidiaries is to declare and pay dividends from unrestricted retained earnings subject to the discretion of their respective Board of Directors.

Dividend Declarations and Payments

Dividends Declared by the Company

2018

Common Shares

On 25 January 2018, the Board of Directors approved a cash dividend of ₱0.15 per share, payable to holders of common shareholders as of 2 April 2018 record date with a pay-out date of 26 April 2018.

PNXP Preferred Shares

The Company declared and paid cash dividends on the PNXP Preferred Shares, as follows:

Date Declared	Cash Dividend	Record Date	Payment Date
5 February 2018	₱2.0625	22 February 2018	20 March 2018
7 May 2018	₱2.0625	24 May 2018	20 June 2018
6 August 2018	₱2.0625	24 August 2018	20 September 2018
7 November 2018	₱2.0625	23 November 2018	20 December 2018

On 20 December 2018, the PNXP Preferred Shares were redeemed at a redemption price of ₱100.00 per share.

PNX3A Preferred Shares

The Company declared and paid cash dividends on the PNX3A Preferred Shares, as follows:

Date Declared	Cash Dividend	Record Date	Payment Date
5 February 2018	₱1.857	21 February 2018	19 March 2018
5 July 2018	₱1.857	22 May 2018	18 June 2018
6 August 2018	₱1.857	22 August 2018	18 September 2018
7 November 2018	₱1.857	21 November 2018	18 December 2018

PNX3B Preferred Shares

The Company declared and paid cash dividends on the PNX3B Preferred Shares, as follows:

Date Declared	Cash Dividend	Record Date	Payment Date
5 February 2018	₱2.027	21 February 2018	19 March 2018
5 July 2018	₱2.027	22 May 2018	18 June 2018
6 August 2018	₱2.027	22 August 2018	18 September 2018
7 November 2018	₱2.027	21 November 2018	18 December 2018

2017

Common Shares

On 25 January 2017, the Board of Directors approved a cash dividend of ₱0.10 per share, payable to holders of common shareholders as of 30 March 2017 record date with a pay-out date of 27 April 2017.

PNXP Preferred Shares

The Company declared and paid cash dividends on the PNXP Preferred Shares, as follows:

Date Declared	Cash Dividend	Record Date	Payment Date
13 February 2017	₱2.0625	22 February 2017	20 March 2017
03 May 2017	₱2.0625	24 May 2017	20 June 2017
02 August 2017	₱2.0625	24 August 2017	20 September 2017
03November 2017	₱2.0625	23 November 2017	20 December 2017

PNX3A Preferred Shares

The Company declared and paid cash dividends on the PNX3A Preferred Shares, as follows:

Date Declared	Dividend Rate	Record Date	Payment Date
13 February 2017	₱1.857	22 February 2017	18 March 2017
3 May 2017	₱1.857	23 May 2017	19 June 2017
02 August 2017	₱1.857	23 August 2017	19September 2017
3 November 2017	₱1.857	21 November 2017	18 December 2017

PNX3B Preferred Shares

The Company declared and paid cash dividends on the PNX3B Preferred Shares, as follows:

Date Declared	Dividend Rate	Record Date	Payment Date
13 February 2017	₱2.027	22 February 2017	18 March 2017
3 May 2017	₱2.027	23 May 2017	19 June 2017
02 August 2017	₱2.027	23 August 2017	19 September 2017
3 November 2017	₱2.027	21 November 2017	18 December 2017

2016

Common Shares

On 18 March 2016, the Board of Directors approved a cash dividend of ₱0.08 per share, payable to holders of common shareholders as of 5 April 2016 record date with a pay-out date of 29 April 2016.

PNXP Preferred Shares

The Company declared and paid cash dividends on the PNXP Preferred Shares, as follows:

Date Declared	Cash Dividend	Record Date	Payment Date
10 March 2016	₱2.0625	23 February 2016	21 March 2016
11 May 2016	₱2.0625	26 May 2016	21 June 2016
10 August 2016	₱2.0625	24 August 2016	20 September 2016
7 November 2016	₱2.0625	24 November 2016	20 December 2016

PNX3A Preferred Shares

The Company declared and paid cash dividends on the PNX3A Preferred Shares, as follows:

Date Declared	Dividend Rate	Record Date	Payment Date
10 March 2016	₱1.857	22 February 2016	18 March 2016
11 March 2016	₱1.857	25 May 2016	20 June 2016
10 August 2016	₱1.857	24 August 2016	16 September 2016
07 November 2016	₱1.857	23 November 2016	19 December 2016

PNXP3B Preferred Shares

The Company declared and paid cash dividends on the PNX3B Preferred Shares, as follows:

Date Declared	Dividend Rate	Record Date	Payment Date
10 March 2016	₱2.027	22 February 2016	18 March 2016
11 March 2016	₱2.027	25 May 2016	20 June 2016
10 August 2016	₱2.027	24 August 2016	16 September 2016
07 November 2016	₱2.027	23 November	19 December 2016

Dividends Declared by Subsidiaries

None of the subsidiaries of the Company has declared and/or distributed dividends within the previous three (3) years from the date of this Prospectus.

Market Price of the Issuer's Equity

The Company's common and preferred shares are principally traded at the PSE. As of 29 August 2019, the closing price of the Company's common shares was ₱11.20.As of 29 August 2019, the closing price for PNX3A Preferred Shares and for PNX3B Preferred Shares were₱100.00 and ₱110.00, respectively.

The high and low prices of the common shares for each quarter of the last three fiscal years, including the last two completed quarters for 2019, are indicated in the table below:

	2019		**2018**		**2017**		**2016**	
(in ₱)	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**
1st Quarter	12.30	10.70	13.80	11.10	8.40	5.65	4.42	3.50
2nd Quarter	12.30	11.76	12.80	11.74	11.38	8.33	6.22	4.34
3rd Quarter	-	-	12.20	10.50	13.04	9.73	6.45	5.81
4th Quarter	-	-	11.30	10.50	13.08	11.10	6.00	5.55

The high and low prices of the PNX3A for each quarter of the last three fiscal years are indicated in the table below:

	2019		2018		2017		2016	
(in ₱)	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**
1st Quarter	102.00	98.75	105.70	102.00	108.00	104.10	106.00	103.50
2nd Quarter	104.00	99.00	104.80	100.10	108.00	104.10	108.00	103.50
3rd Quarter	-	-	104.00	99.50	107.00	103.00	111.00	104.00
4th Quarter	-	-	103.20	99.00	106.00	100.10	110.00	105.00

The high and low prices of the PNX3B for each quarter of the last three fiscal years are indicated in the table below:

	2019		2018		2017		2016	
(in Php)	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**
1st Quarter	108.00	102.00	114.00	108.50	120.00	106.90	110.90	106.00
2nd Quarter	107.00	102.00	111.00	106.00	121.00	108.00	115.00	106.10
3rd Quarter	-	-	112.00	103.00	113.50	105.00	115.00	108.30
4th Quarter	-	-	109.90	101.20	115.00	100.00	122.00	110.00

Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting and Exempt Transaction

Employee Stock Option Plan

On 22 June 2011, the Commission approved the application for exemption from the registration requirement of the Securities Regulation Code of the Company, pursuant to Section 10.2 of the SRC, for the proposed issuance of 24,493,620 common shares for the Company's ESOP. On 14 May 2014, the Exchange approved the listing of 24,493,620 common shares pertaining to the Company's ESOP.

On 26 July 2017, the Company implemented for the first time the Company's ESOP after its vesting period of one year. For the first series, the Company issued additional 2,160,000 common shares to qualified employees pursuant to the ESOP in scripless form and on November 15, 2017, the Company issued additional 601,000 common shares at the price of ₱5.68 per share.

As of 30 June 2019, a total of 4,720,800 ESOP shares have been exercised and subscribed by the company's grantees. There are also no current directors who are not executive officers who received or were granted ESOP shares. Further, there are no persons who have received or are to receive 5% of the ESOP. The ESOP was granted to the following persons:

(a) Dennis A. Uy, Chief Executive Officer;
(b) Top 4 executives;
(c) All current executive officers as a group; and
(d) All other qualified employees as a group.

ESOP Grantee	**No. of Shares**
Top 5 Executives	1,318,000
Other Executive Officers	1,104,000
All Qualified Employees	2,298,800

TOTAL	4,720,800

Issuance of Preferred Shares

The company issued 2,000,000 preferred shares through a private placement on 5 December 2018 at Php1,000.00 per share. The said shares were purchased by RCBC Capital Corporation. Such issuance is an exempt transaction under Section 10(k) of the Securities Regulation Code. On 5 June 2019, the Company redeemed 500,000 preferred shares.

Other than the foregoing, the Company has not sold or transferred any securities that is not registered under the SRC nor did it issue any additional securities in exchange for any properties, services and other securities.

Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

As at 30 June 2019, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common Shares	**Phoenix Petroleum Holdings, Inc.** Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City	Record Owner is the direct beneficial owner	Filipino	588,945,630	41.97%
Common Shares	**ES Consultancy Group, Inc.** Unit 1506, 15th/F The Centerpoint Bldg., Julia Vargas cor., Garnet Road, Ortigas Center Pasig City	Record Owner is the direct beneficial owner	Filipino	340,270,980	24.25%
Common Shares	**Top Direct Investments Limited** Vistra (Honq Kong) Limited. Lee Garden One, Hyson Avenue Causeway Bay, Hong Kong	Record Owner is the direct beneficial owner	Filipino	142,000,000	10.12%
Common Shares	**Udenna Corporation** Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City	Record Owner is the direct beneficial owner	Filipino	117,245,918	8.35%
Common Shares	**PCD Nominee Corporation** (Filipino) 37th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Major Stockholder	Record Owner is the indirect beneficial owner	Filipino	1,130,016,259	78.785%
Common Shares	**PCD Nominee Corporation** (Non-Filipino) 37th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Major Stockholder	Record Owner is the indirect beneficial owner	Non-Filipino	208,301,661	14.523%

Security Ownership of Management

As at 30 June 2019, the following are the number of shares owned of record by the Company's directors and key executive officers:

Directors

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Common	Domingo T. Uy	Filipino	645,919	D	0.05%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			10,000	D	0.05%
Common	Dennis A. Uy	Filipino	4,858,811	D	0.35%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Cherylyn C. Uy	Filipino	1,098,099	D	0.08%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Romeo B. De Guzman	Filipino	1,325,746	D	0.09%
Series 3A Preferred			25,000	-	0.13%
Series 3B Preferred			-	-	N.A.
Common	Stephen Anthony T. CuUnjieng	Filipino	1		0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Nicasio I. Alcantara	Filipino	1	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jose Victor Emmanuel A. De Dios	Filipino	1,050,819	D	0.07%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Frederic C. Dybuncio	Filipino	1		0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Minoru Takeda	Japanese	1	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Consuelo Ynares Santiago	Filipino	1	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			10,000	-	0.05%
Common	Monico V. Jacob	Filipino	1	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.

Officers

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Common	Ma. Concepcion F. De Claro	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Henry Albert R. Fadullon	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Socorro T. Ermac-Cabreros	Filipino	130,516	D	0.007%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Directors and Executive Officers as a Group		Common	9,359,916		
		Series 3A Preferred	25,000		
		Series 3B Preferred	20,000		

Voting Trust Holders of 5% or More

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

Change in Control

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

Warrants and Options

Other than those discussed in "*Market Price of and Dividends on the Issuer's Common Equity and Related Stockholder Matters –Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting and Exempt Transaction",* there are no warrants or options held by directors or executive officers.

INDUSTRY OVERVIEW

The information and data contained in this section has been taken from publicly available sources, including the Economist Intelligence Unit, International Energy Agency and the DOE. The Company does not have any knowledge that the information provided herein is inaccurate or incomplete in any material respect. Neither the Company, the Lead Manager nor any of their respective affiliates or advisers has independently verified or updated the information and data or any assumptions relied upon thereon included in this section. Additional factors, which should be considered in assessing the usefulness of the market and competitive data and, in particular, the projected growth rates, are described elsewhere in this Prospectus, including those set out in the section entitled "Risk Factors".

Global Oil Market Outlook

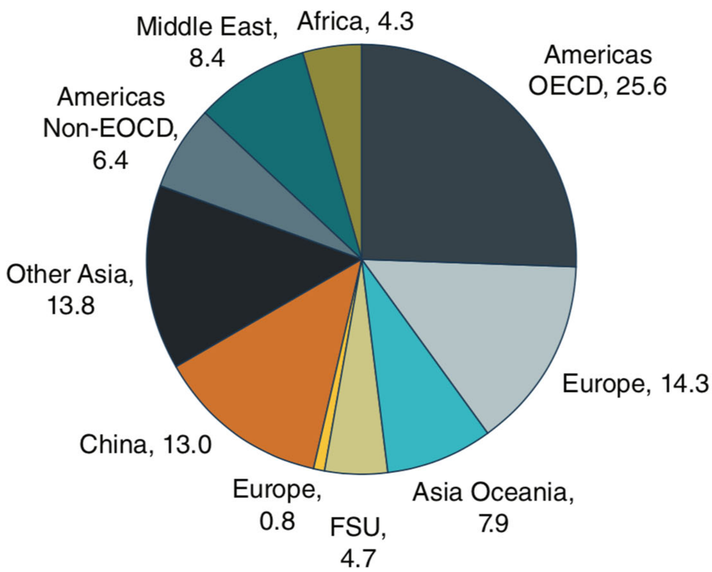
Global oil demand is forecast to grow by 1.4 million barrels per day ("**mb/d**") in 2019, according to the International Energy Agency ("**IEA**").

Benchmark crude oil futures prices fell to a 16-month low at the end of 2018. Since the beginning of this year, they have gained over 10.0 % and ICE Brent is currently close to USD60.0/bbl. In the long run, global oil demand will increase by 6.9 mb/d by 2023 to 104.7 mb/d, mainly due to economic growth in Asia and a resurgent petrochemicals industry in the United States. However, the current market proves to be well-supplied, particularly for gasoline and jet fuel and pressured crack spreads.

Global Oil Demand

The impact of higher oil prices in 2018 is fading, helping to offset lower economic growth this year. Growth projections are primarily driven by emerging markets and developing economies, including countries such as China and India, which are outside the Organization for Economic Co-operation and Development ("**OECD**") group. Non-OECD countries dominate oil demand growth in 2019, with 875 kb/d in 2018 increasing to 1.15 mb/d; China and India combined provide 62.0 % of the total. This compares with an expected decline of 30.0 % (390 kb/d to 280 kb/d) for OECD oil demand; U.S. alone provides 80.0 % of the OECD total.

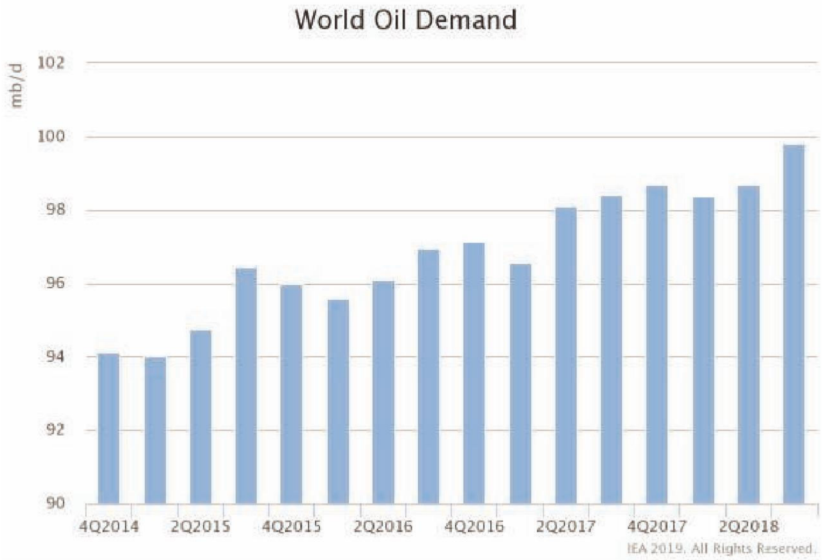
2018 Demand (mb/d)



Source: Oil Market Report, International Energy Agency (18 January 2019)

Petrochemicals are a key driver of oil demand growth, particularly in the two largest countries – the United States and China. Close to 25.0 % of our total demand growth is a result of the shale revolution in the United States. With the new regulation mandated by the International Maritime Organisation

("**IMO**"), demand for high sulphur fuel oil will switch to marine gas oil, although it should not affect total oil demand.



Source: Oil Market Report, International Energy Agency (Retrieved on 18 January 2019 from https://www.iea.org/ oilmarketreport/omrpublic/)

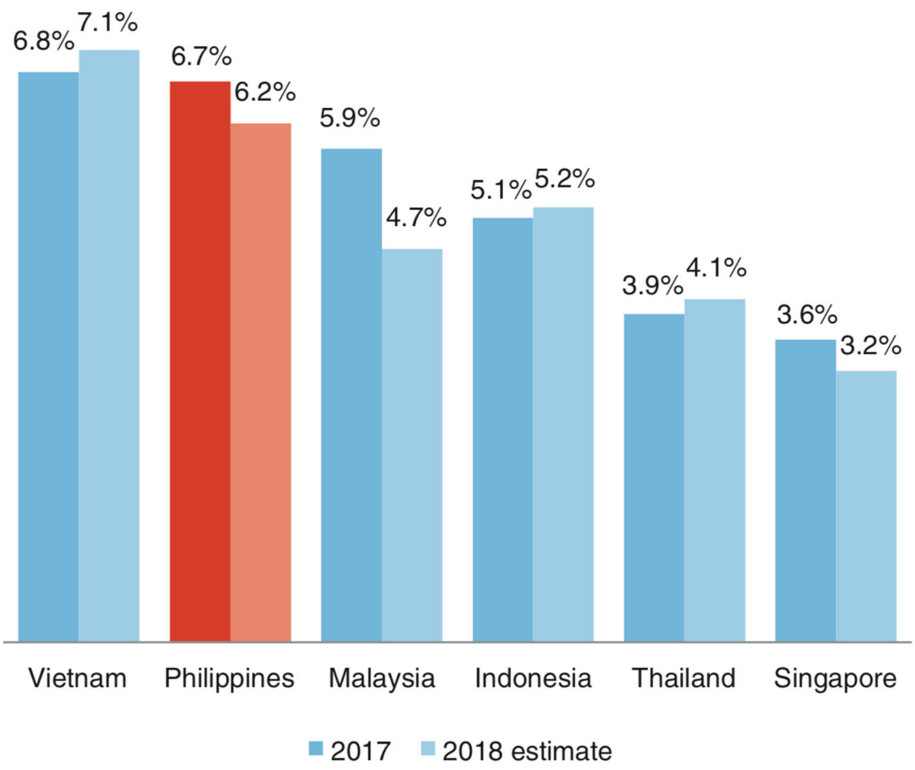
Global Oil Supply

While the market forecasts a continued oversupply, agreements to production cuts have sent global oil supply lower with the IEA reporting in December 2018 that the market could possibly move into deficit sooner rather than later. OPEC's output agreement with Russia and Canada's decision to reduce supply led to the global oil supply to fall by 950 kb/d in December 2018**.** At 100.6 mb/d, supply was up 2.8 mb/d year-on-year. Following annual gains of a record 2.6 mb/d in 2018, non-OPEC production growth is set to slow to 1.6 mb/d this year. OPEC crude oil output dropped by 590 kb/d in last December, to 32.39 mb/d. OPEC production is set to fall further when the new Vienna Agreement cuts take effect.

The Philippine Macroeconomic Environment

The Philippines is one of the fastest growing economies in Southeast Asia. The Philippines continues to be a growing and emerging market in the Southeast Asia region, driven by strong and robust underlying economic fundamentals and a competitive workforce. Real GDP grew at 6.7 % in 2017, making it one of the fastest growing countries in Southeast Asia. The EIU data suggests Philippine real GDP growth is to continue into 2018.

Real GDP Growth



Source: Economist Intelligence Unit

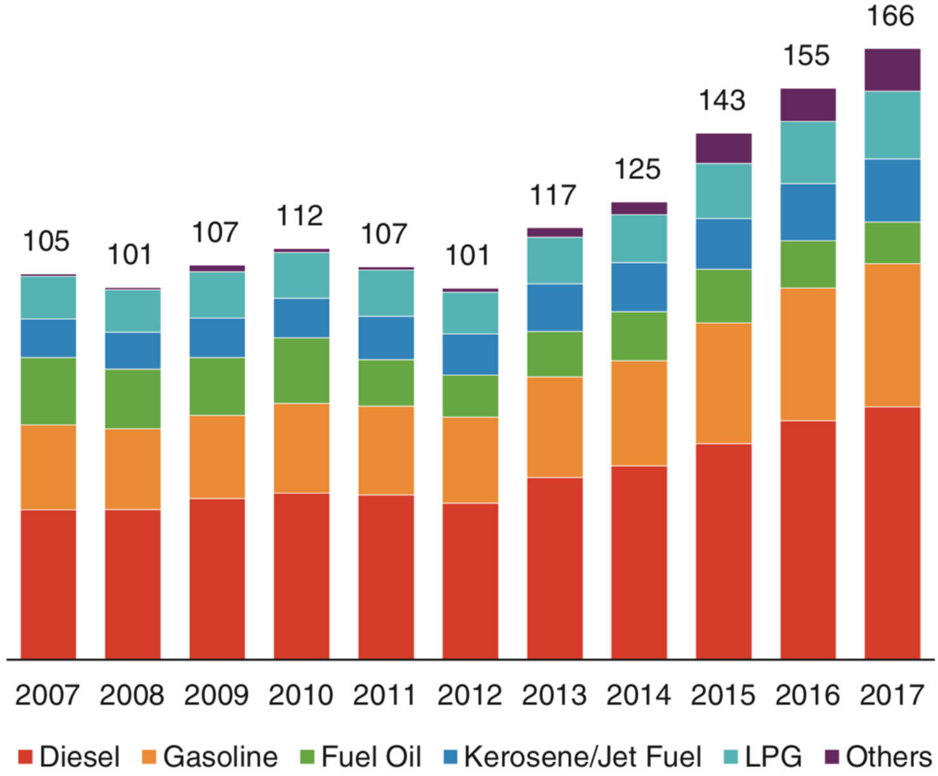
Based on ENI's World Oil Review 2018, the oil consumption per capita for the Philippines remains at relatively low levels compared to several other Southeast Asia countries. In 2017, oil consumption for the Philippines was at 1.57 barrels, compared to Vietnam and Indonesia, which were 1.73 barrels and 2.21 barrels respectively. This suggests that the Philippines has one of the highest growth potential in the region.

The Philippine Oil Market

The Philippines is a heavy importer of finished petroleum products and the petroleum products industries have been growing steadily since 2013.

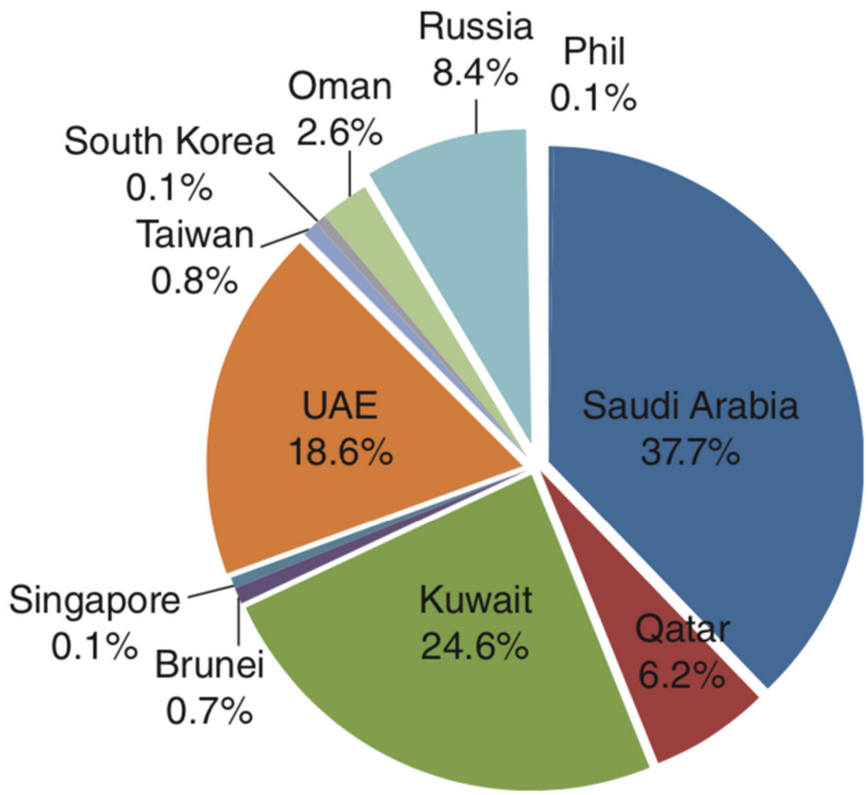
Based on data from the Philippine Department of Energy ("**DOE**"), the total demand of petroleum products has been increasing every year from 2012. From 2012 to 2017, the total demand of petroleum products in the Philippines grew at a compound annual growth rate of 10.5 %

Philippine Refined Petroleum Demand



Source: Republic of the Philippines Department of Energy

Furthermore, the DOE reported crude oil imports in the Philippine oil market for the first half of 2018 totaled 41.8 million barrels ("**mmbbls**"), an increase of 15.9 % from the first half of 2017 of 36.0 mmbbls. In the first half of 2018, approximately 90.0 % of crude oil imports were sourced from the Middle East, of which Saudi Arabia accounted for 37.7 %, Kuwait for 24.6 %, followed by 18.6 % from the UAE. After the Middle East, Russia was the next largest source of crude oil for the Philippines, accounting for 8.4 % of imports in the first half of 2018.



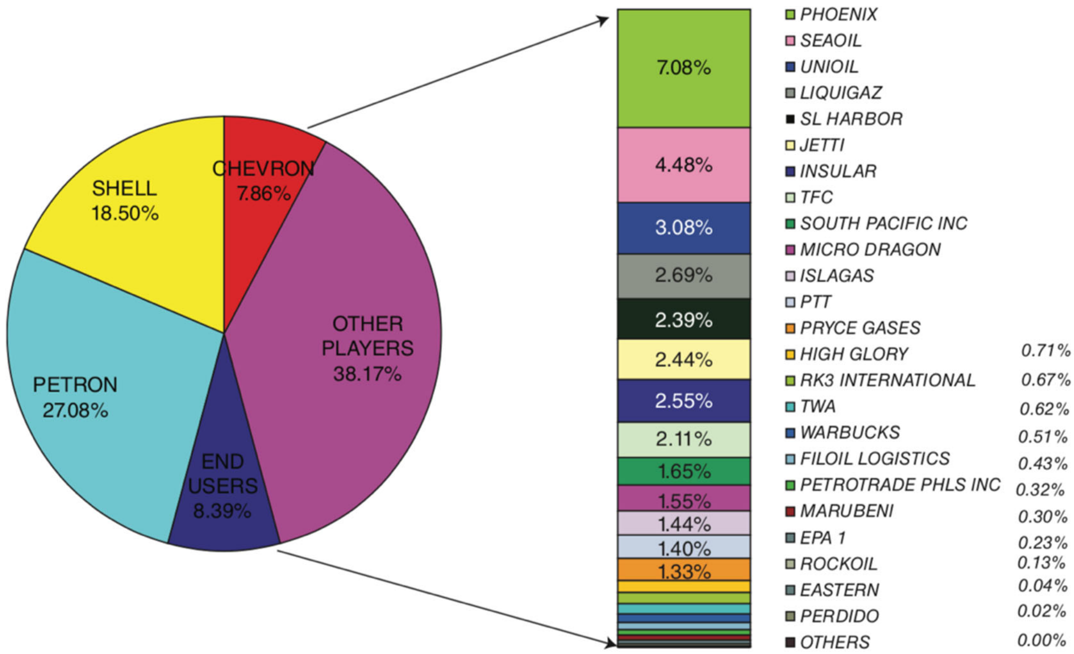
Source: Oil Supply/Demand Report 1H 2018 vs 1H 2017, DOE

Petroleum products demand dropped by 6.1 % to 45.4 mmbbls for the first six months of 2018 year-on-year.

The enactment of the Oil Deregulation Law in the Philippines effectively removed the rate-setting function of the Government through what was then known as the Energy Regulatory Board, leaving the price-setting to market forces. This opened the oil industry to free competition. Although the market is still dominated by the three major players – Petron, Shell and Chevron – the industry has seen the entry of more than 200 market participants.

The major players accounted for a combined 53.4 % of the total market share as of 30 June 2018 while Phoenix Petroleum accounted for a significant share of 7.1 %

Market Share as of 30 June 2018 (Total Petroleum Products)



Source: Department of Energy – Oil Supply/Demand Report (30 June 2018)

Global Petrochemical Outlook

The petrochemicals industry has historically been cyclical and has usually coincided with the business cycles of global and regional economies. Changes in supply and demand and resulting utilisation levels are key factors that affect profitability. Periods of low industry profitability typically alternate with high profitability and result in periods of over-and under-investment. The long lead times for the construction of new facilities can result in capacity additions coinciding with, and subsequently exacerbating, weakening market conditions.

The largest market and most dominant region in the global petrochemicals market in 2016 has been observed as Asia, with around 66.0 % market share. This is due to the presence of a robust manufacturing industry in China and South East Asia which have prolonged the usage of petrochemicals on a large scale. China itself is both the biggest producer and consumer of petrochemicals in the world, being responsible for 29.0 % of all production and 28.0 % of all consumption.

An ever-growing demand for plastics will support this trend for continuing growth in demand for petrochemical products in Asia. Despite capacity expansions in key markets such as China and India, countries in the region are generally expected to remain net importers of feedstock and petrochemical products.

Philippine Petroleum Product Outlook

Consumption in the Philippines averaged 453,000 b/d over the first 10 months of 2018. This is an increase of 6.0 % year-on-year due to strong growth for diesel, gasoline and LPG. The outlook remains positive due to an expanding economy and positive demographic factors, according to Fitch Solutions. Nonetheless, risks of the international oil prices and higher taxes on fuels continues to be a concern. In January 2018, the Tax Reform for Acceleration and Inclusion Act (TRAIN) was implemented by the DOE, imposing higher excise taxes on gasoline, diesel, automotive LPG and kerosene. As of 10 January 2019, a total of 10,444 gas stations had increased pump prices with some 8,600 more stations to follow suit, according to the DOE.

Philippine Petroleum Product Imports

Imports of petroleum products into the country was 45,403 mmbbls in the first half of 2018, a 6.1 % decrease compared to the same period in 2017. Diesel oil was the top imported product, which decreased by 8.3 % year-on-year. Meanwhile, fuel oil, gasoline and kerosene fell by 17.8 %, 3.7 % and 7.7 % respectively. However, LPG import increased by 2.2 %, showing a strong demand in the market. With regard to market share, the major players only accounted for 23.5 % of the total, a significant decrease of 18.6 % year-on-year, with other smaller industry players accounting for the majority.

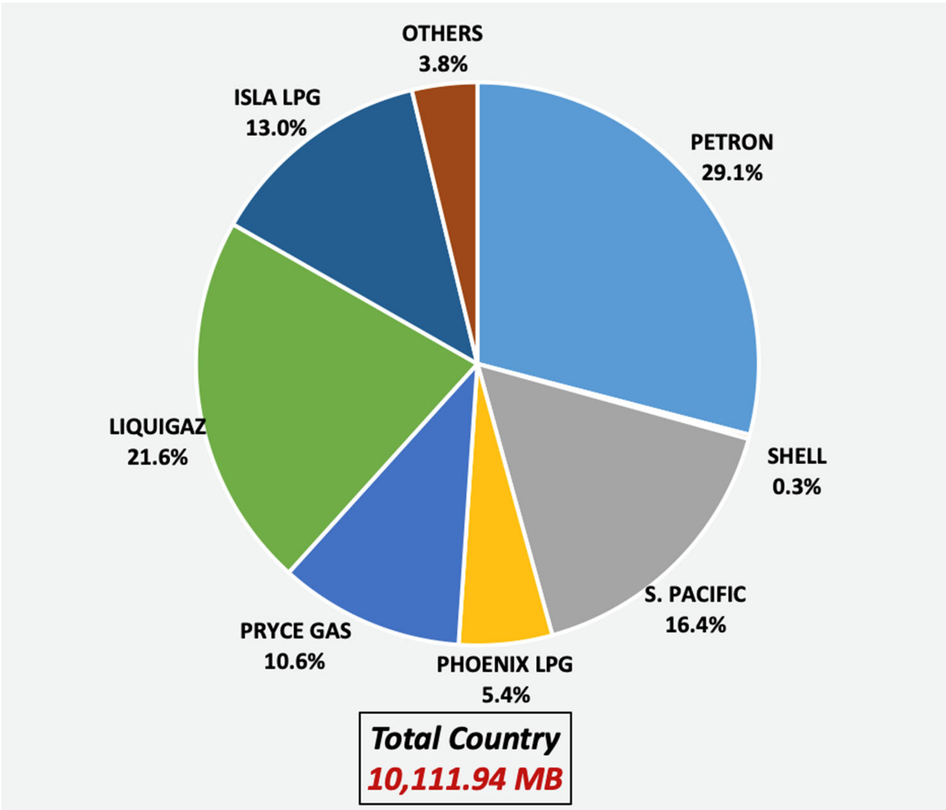
Philippine Petroleum Product Demand

Although imports have decreased year-on-year, demand had actually increased slightly in the first half of 2018 compared to 2017. The demand totaled 83,621 mmbbls, an increase of 1.6 % from 82,277 mmbbls in the first half of 2017. The increase in demand can be attributed to LPG, which increased by 10.6 % year-on-year, due to the industrial and commercial sectors in the Philippines.

LPG

Petron continues to dominate the total LPG demand with 29.0 % of the total market share. Other large players include Liquigaz and South Pacific while Phoenix contributed 5.36%

LPG Market Share as of 30 June 2019



Source: Department of Energy – Oil Supply/Demand Report (30 June 2019)

Trends in the Industry

Tighter Fuel Specifications

The Clean Air Act was enacted in 1999 which required gasoline and automotive diesel to have lower sulfur and benzene content. The Clean Air Act was intended to address growing and looming concerns over the hazardous effects of gas emissions to both the environment and human health. Although local requirements lag behind international standards, local fuel specifications are expected to catch up and meet the stricter standards of developed countries going forward. In January 2016, the DOE implemented Euro IV fuel standard with sulfur contents reduced to 50 parts per million ("**PPM**") from its previous 500 PPM specification.

Alternative Fuels

The Biofuels Act of 2006 calls for the mandatory blending of biofuels of oil companies into their oil products to offer ethanol-blended gasoline products. The Biofuels Act also calls for incentives to biofuels producers. A 5.0 % blend of ethanol is mandated for gas by 2009 and 10.0 % by 2011. For diesel products, a 1.0 % blend of biodiesel was required by 2007 and 2.0 % by 2009.

Taxi owners and operators continue to convert their units to allow the use of LPG instead of gasoline as a means to save on costs and improve their profitability. LPG pumps are slowly increasing in retail service stations of oil companies and new companies are entering the LPG retail service station industry to capture this growing market.

Another alternative fuel being considered is compressed natural gas (CNG). While Congress has passed the law providing incentives to producers and users of CNG, the necessary infrastructure has not yet been put in place. The planned "mother" and "daughter" natural gas stations of Shell, intended for use by public buses plying the route of Southern Luzon, are not yet operational.

Larger Retail Service Stations

Foreign-owned gasoline stations have put up retail stores following the liberalisation of the retail trade industry. Larger retail service stations have since then been seen more regularly with most of them being put up in strategic areas along major expressways. These retail stations would also have retail establishments where other businesses can look to lease or rent space for their own operations and expansion. Among the common tenants of these retail establishments are quick serve businesses including the likes of Jollibee, McDonald's, KFC and Starbucks, to name a few. These large retail service stations cater to retail clients who look for gasoline products, snacks and refreshments.

Furthermore, oil companies have put up their own convenience stores alongside their retail service stations, carrying their own brand. Petron has "Treats", Shell has "Select" and Chevron has "StarMart". However, in recent years, these oil companies started to outsource the convenience stores to locators like 7/11, Mini-stop and other local brands.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Comparable discussion on Material Changes in Results of Operations for the Period ended June 30, 2019 vs. June 30, 2018.

Revenues, Cost of Sales and Gross Margins

The Group's Revenues during the first half of 2019 grew to ₱51.200 billion, about 27.2% higher compared to the ₱40.248 billion generated in the same period of 2018. This was mainly due to the 28.0% growth in total volume sold for the comparative six-month period (2019: 1,623 million liters vs. 2018: 1,271 million liters). In addition, the second round of increase in the excise tax rates of petroleum products under the Tax Reform for Acceleration and Inclusion (TRAIN) law was implemented starting January 2019 resulting in the rise of domestic oil prices. This was augmented by the ₱0.417 billion sales contributed by Philippine Family Mart CVS, Inc. (PFM) and ₱57 million sales contributed by Action Able, Inc.

The 352 million liters incremental sales volume was mainly attributable to the additional 180 million liters sold by PNX Singapore to third parties as well as the 21 million liters sold by PNX Vietnam. Moreover, volume sold by both the parent company and Phoenix LPG Philippines, Inc. (PLPI) were higher by 112 million liters (12.9%) and 12 million liters (24.4%), respectively, during the comparative years.

Similarly, Cost of Sales and Services increased by 27.2%, from ₱35.813 billion in the first half of 2018 to ₱45.557 billion in the same period of 2019, as a result of the volume growth and the imposition of the new excise tax rates.

Consequently, Gross Margin rose by 27.2% or ₱1.208 billion, with Gross Margin Rate sustained at 11%.

Operating Expenses, Non-operating Expenses, Recurring Income

Selling and Administrative Expenses grew by 30.8% to ₱3.576 billion during the first half of 2019 vis-à-vis the ₱2.734 billion 2018 level in spite of the 21.0% growth in volume sold. The company continued to implement cost-effective programs aimed to streamline its processes and reduce cost.

On the other hand, Net Non-operating Charges of ₱1.080 billion was ₱0.470 billion more than the ₱0.609 billion incurred in 2018. The 77.2% increment was mainly on account of the combined effect of the increase in benchmark lending rates implemented starting in May 2018, as well as the additional debts incurred to finance the Company's network expansion program, including its support systems and facilities.

Operating, Net and Comprehensive Incomes

Notwithstanding the increase in operating expenses, the 2019 Operating Income of ₱2.066 billion grew by 21.5% (₱0.366 billion) compared to the 2018 Operating Income of ₱1.700 billion.

However, with the rise in Net Non-operating Charges, the 2019 Net Income Before Tax (NIBT) of ₱0.987 billion declined by 9.6% (₱0.104 billion) vis-à-vis the 2018 NIBT of ₱1.091 billion.

Meanwhile, for the first half of 2019, the company recorded a ₱0.032 billion translation adjustment related to PNX SG"s operations, slightly lower than the ₱0.039 billion recorded in 2018. As such, Comprehensive Income of ₱0.929 billion, was 7.9% lower than the ₱1.009 billion reported in the same period in 2018.

Financial Condition
(As of June 30, 2019 versus December 31, 2018)

Consolidated resources as of June 30, 2019 stood at ₱64.059 billion, slightly lower than ₱64.660 billion level as of December 31, 2018. This was mainly due to the decrease in Cash and Cash Equivalents used in the settlement of debts and partial redemption of the Company's Preferred Shares.

Cash and Cash Equivalents decreased by 32% (from ₱7.890 billion in December 31, 2018 to ₱5.334 billion as of June 30, 2019) as the company settled its maturing loans and partly redeemed Preferred Shares.

Similarly, **Trade and Other Receivables** increased by 1.2% (from ₱15.031 billion as of December 31, 2018 to ₱15.218 billion as of June 30, 2019) inspire the increase in revenue resulting from the intensified collections strategy.

Inventory was 28.4% lower at ₱7.971 billion as of June 30, 2019, from ₱11.135 billion as of December 31, 2018 as the company effected strategies to reduce its days inventory.

As of June 30, 2019, the Group's **Property and Equipment**, net of accumulated depreciation, increased to ₱22.632 billion versus the ₱18.716 billion as of December 31, 2018. The 20.9% growth represented the value of the assets of the newly acquired subsidiaries, the continuing expansion program of the group and the implementation of PFRS 16.

Interest-bearing Loans and Borrowings, both current and non-current of ₱40.058 billion as of June 30, 2019 slightly increased from ₱39.900 billion as of December 31, 2018 or by 0.4%. The availment of new loans to service the working capital requirements, the bulk of which was drawn by PNX SG, as well as the Company's various capital expenditures was partly offset by the settlement of debts.

Trade and Other Payables decreased by 26.8% from ₱7.435 billion as of December 31, 2018 to ₱5.442 billion as of June 30, 2019 in conjunction with the management of Company's inventory.

Total Stockholders' Equity increased to ₱15.996 billion as of June 30, 2019 from ₱15.973 billion as of December 31, 2018, (by 0.1%). The 7.1% growth in retained earnings came from the ₱0.929 billion net income realized during the first six months of 2019, but partly offset by the payment of dividends on both Common and Preferred shares, as well as the partial redemption of Preferred issued in prior years.

Meanwhile, for the first half of 2019, the company recorded a ₱0.032 billion translation adjustment related to PNX SG"s operations, slightly lower than the ₱0.039 billion recorded in 2018. As such, **Comprehensive Income** of ₱0.929 billion, was 7.9% lower than the ₱1.009 billion reported in the same period in 2018.

Material (5% or more) Changes to the Group's Balance Sheet as of June 30, 2019 vs. December 31, 2018

32% decrease in Cash and Cash Equivalents
Due to settlement of debts during the period.

28% decrease in Inventory
Due to reduced days inventory.

65% increase in Prepayments and other current assets.
Due to the renewal of insurances and local government taxes of all the assets, prepaid rentals advertising and other services and acquisitions which will cover the periods beyond June 30, 2019.

21% increase in PPE
Due to new acquisitions, and construction of new retail and depot facilities, and the recognition of Right to Use Asset in compliance with the implementation of PFRS 16.

15% increase in Goodwill
Due to the acquisition of Phoenix Gas Vietnam.

23% increase in Non-current Asset
Due to the increase in security and rent deposit for leases and rentals.

5% increase in Interest Bearing Loans- Current
Due to the Long Term Contracts maturing within 12 months from June 30, 2019.

27% decrease in Trade Payables
In relation to the decrease in days inventory

21% increase in Income Tax Payable
Due to the increased Taxable Income of Non-ITH Subsidiaries, net of applied Withholding Tax Certificates

9% decrease in Interest Bearing Loans - Non-current
Net of the settled and maturing in the next 12 months after June 30, 2019

195% increase in Non-current liabilities
Due the recognition of Finance Lease Liabilities in compliance with PFRS 16

7% decrease in Additional Paid-in Capital Due to the Preferred Shares Redemption

72% decrease in Accumulated Translation Adjustments
Due to lower forex exposure related to foreign currency-denominated subsidiaries.

7% increase in Retained Earnings
Increase coming from the Net Income after tax net of the dividends declared and distributed during the year.

Material (5% or more) changes to the Group's Income Statement as of June 30, 2019 vs. June 30, 2018

27% increase in Sale of Goods
Due to the revenues coming from the new subsidiaries namely; PLPI, PNX SG and PNX Energy, coupled with 34% growth in volume sold relative to last year (by 34%). The Parent Company recorded an 8% improvement on its volume sold this year while PNX SG volume increased by 20% compared to the same period of last year.

106% increase in fuel service, storage income, rental income and other revenue
This is due to the increased revenue contributions from in into-plane services, additional rental income from new retail stations, non-fuel related businesses and from Action Able, Inc.

27% increase in Cost of Sales and Services

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

69% increase in Finance Costs
A substantial portion represents interest from the P6 billion loan used to acquire Petronas during the last quarter of 2017 and from the P7 billion STCP from PNB capital.

72% increase in Finance Income and Others
Net realized and unrealized forex gains and additional income of PNX SG.

100% increase in Equity Share in Net Income of a Joint Venture This is the net share from PAPI, PSPC and Galaxi Joint Ventures.

24% decrease in Other income
Due to lower Other and Miscellaneous Income.

26% decrease in Tax Expense
Due to the additional income tax holiday granted to the Parent Company.

18% decrease in Translation Adjustments
Due to lower forex exposure related to foreign currency-denominated subsidiaries.

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.

The Company is not aware of

(a) any trends or any demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;

(b) any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;

(c) any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;

(d) any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

(e) anyt rends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described;

(f) any significant elements of income or loss that did not arise from the registrant's continuing operations; and

(g) any seasonal aspects that had a material effect on the financial condition or results of operations.

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

Revenues, Cost of Sales and Gross Margins

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

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

Similarly, Cost of Sales and Services increased by 38%, from ₱15.746 billion in the first quarter of 2018 to ₱21.600 billion in the same period of 2019, as a result of the volume growth as well as by the imposition of the new excise tax rates.

Consequently, Gross Margin rose by 7% or ₱0.0154 billion. On the other hand, Gross Margin Rate decreased to 10% from the 12% registered in 2018. This was primarily due to the change in company's sales volume mix. The volume sold to commercial accounts coupled with PNX Singapore sales to external customers grew faster (by 11% and 143%, respectively) than volume sold through the Company's retail outlets where margins are generally higher.

With regard to the Cost of Sales, "Net purchases is derived by deducting the purchase discounts from "Gross Purchases".

Operating Expenses, Non-operating Expenses, Recurring Income

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

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

Operating, Net and Comprehensive Incomes

With the decrease in operating expenses, the 2019 Operating Income of ₱1.021 billion was higher by 27% (₱0.205 billion) compared to the 2018 Operating Income of ₱0.806 billion.

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

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

Financial Condition
(As of March 31, 2019 versus December 31, 2018)

Total resources of the Group as of March 31, 2019 stood at ₱65.854 billion, a 2% growth compared to the ₱64.660 billion level as of December 31, 2018. This was mainly due to the increases in Property, Plant, and Equipment, as a result of the implementation of the PFRS 16 requiring recognition of Right to Use and Finance Lease Liabilities on leases.

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

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

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

As of March 31, 2019, the Group's Property and Equipment, net of accumulated depreciation, increased to ₱21.798 billion versus the ₱18.716 billion as of December 31, 2018 (by 16%), representing the assets of the newly acquired subsidiaries, the continuing expansion program of the group and the recognition of the Right of Use asset in compliance to PFRS 16.

Interest-bearing Loans and Borrowings, both current and non-current, are of the same level from ₱39.900 billion as of December 31, 2018 to ₱39.738 billion as of March 31, 2019. The availment of new loans to service the working capital requirements of the new businesses, the bulk of which was drawn by PNX SG, as well as the company's various capital expenditures was offset by the settlement of debts.

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

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

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

34% decrease in Cash and Cash Equivalents
Due to settlement of debts during the period.

12% decrease in Input Vat-Net
Due to lower input VAT from purchases compared to the output VAT on sales.

131% increase in Prepayments and other current assets.
Due to the renewal of insurance of all the assets, prepaid rentals advertising and other services and acquisitions which will cover the periods beyond March 31, 2019.

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

9% decrease in Intangible Assets
Due to the amortization of the software assets.

15% increase in Goodwill
Due to the acquisition of Phoenix Gas Vietnam.

100% decrease in Income Tax Payable
Due to the increased Certificates of Withholding Tax

139% increase in Non-current liabilities
Due the recognition of Finance Lease Liabilities in compliance with PFRS 16

116% decrease in Accumulated Translation Adjustments
Due to forex exposure related to foreign currency-denominated subsidiaries.

7% increase in Retained Earnings
Increase coming from the Net Income after tax net of the dividends declared and distributed during the year.

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

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

72% increase in fuel service, storage income, rental income and other revenue
This is due increase in into-plane services, additional rental income from new retail stations, non-fuel related businesses and from Action Able, Inc.

37% increase in Cost of Sales and Services
This mirrors the increase in the sale of goods, reflecting the price movements in the world market during the year which is little higher compared to the same period in 2018. The increase in excise tax rates on petroleum products also contributed to the increment.

78% increase in Finance Costs
A substantial portion represents interest from the P6,000 million loan used to acquire Petronas Energy Philippines during the last quarter of 2017 and from the P7,000 million STCP from PNB capital.

40% increase in Finance Income and Others
Net realized and unrealized forex gains and additional income of PNX SG.

2612% increase in Equity Share in Net Income of a Joint Venture
This is the net share from PAPI, PSPC and Galaxi Joint Ventures.

100% increase in Translation Adjustments
Due to forex exposure related to foreign currency-denominated subsidiaries.

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.

The Company is not aware of

(a) any trends or any demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;

(b) any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;

(c) any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;

(d) any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

(e) any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described;

(f) any significant elements of income or loss that did not arise from the registrant's continuing operations; and

(g) any seasonal aspects that had a material effect on the financial condition or results of operations.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2018 vs. December 31, 2017.

Revenues, Cost of Sales and Gross Margins

The Group's Revenues during the year 2018 grew to ₱88.611 billion, about 99% higher compared to the ₱44.426 billion generated in 2017. This was due to the combined effect of the 49% growth in total volume sold in the same period (2018: 2,747 million liters vs. 2017: 1,844 million liters) and the increase in the domestic selling prices of the products as a result of the 31% increase in the price of Dubai crude (benchmark crude of Asian refineries) average (2018: US$69.65/ bbl vs. US$53.14/ bbl) as well as the implementation of the new excise tax rates on the sale of domestic petroleum products. This was augmented by the ₱1.308 billion sales contributed by Philippine FamilyMart CVS, Inc. (PFM) and ₱54 million sales contributed by Action Able, Inc.

The 903 million liters incremental sales volume was mainly attributable to the 758 million liters sold by PNX Singapore. In addition, volume sold by both the Parent Company and Phoenix LPG Philippines, Inc. rose by 139 million liters (8%) and 31 million liters (22%), respectively, during the comparative years.

Similarly, Cost of Sales and Services increased by 106%, from ₱38.345 billion in 2017 to ₱78.839 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 the new excise tax rates on petroleum products starting in January 1, 2018.

Consequently, Gross Margin rose by 58% or ₱3.553 billion. On the other hand, Gross Margin Rate decreased to 12% from the 16% registered in 2017. This was primarily due to the change in company's sales volume mix. The volume sold to commercial accounts as well as PNX Singapore sales to external customers grew faster (by 12% and 3877%) than volume sold through the company's retail outlets where margins are generally higher.

Operating Expenses, Non-operating Expenses, Recurring Income

Meanwhile, Selling and Administrative Expenses of ₱5.741 billion, up by 36% versus the ₱4.207 billion incurred in 2017, primarily because of the cost outlay of the new businesses.

On the other hand, Other Net Non-operating Charges of ₱0.656 billion was 970% greater than the ₱0.061 billion incurred in 2017. This year includes ₱0.625 billion fair value gains on Investment Property while previous year's balance included ₱0.650 billion one-time gain on fair value of acquired asset. However, even excluding this one-time gain, 2018 Net Non-operating Charges still reflected a 80%, mainly due to the rise in borrowing rates as the Bangko Sentral ng Pilipinas (BSP) increased the benchmark rates three times or an equivalent of 1.75% in 2018. Furthermore, additional debt service was incurred due to the acquisition of the new businesses which were funded by short-term debt.

Despite the increases in both operating and non-operating expenses, the net income after tax of ₱2.767 billion, rose by 82% from 2017 re-stated level of ₱1.521 billion.

Non-recurring Transactions and Net Income

Meanwhile, the company recorded non-recurring transactions, principally as a result of the excess of the fair value over the acquisition cost of the Investment Properties amounting to ₱0.650 billion in 2017. In 2018, the fair value increment of ₱0.625 billion.

Considering these adjustments, as well as the ₱0.029 million translation adjustment related to PNX SG, and the fair value revaluation of land assets amounting to ₱1.220 total Comprehensive Income stood at ₱3.568 billion, 134% higher than the ₱1.527 billion re-stated report in 2017.

The fair value revaluation of land assets was in compliance with Philippine Accounting Standards No. 16, which requires that revaluations be carried out regularly for the entire class of assets to which that asset belongs. Specifically, since the land assets of the PLPI were recorded at fair market even prior to its purchase by the Company, the company opted to similarly reflect the fair value of all its land holdings.

Financial Condition
(As of December 31, 2018 versus December 31, 2017)

Total resources of the Group as of December 31, 2018 stood at ₱64.600 billion, a 46% growth compared to the ₱44.166 billion level as of December 31, 2017. This was mainly due to the increases in Property, Plant, and Equipment, including the revaluation of the Land Assets and Goodwill, the latter of which was incurred in relation to the acquisition of Philippine FamilyMart CVS, Inc. and Action Able, Inc.

As a result of the doubling of revenues, Cash and Cash Equivalents as well Trade and Other Receivables rose by 331% (from ₱1.832 billion in December 31, 2017 to ₱7.890 billion as of December 31, 2018), and 95% (from ₱7.705 billion as of December 31, 2017 to ₱15.031 billion as of December 31, 2018), respectively.

Inventories declined by 10% to ₱11.135 billion as of December 31, 2018, from ₱12.416 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 us 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 December 31, 2018, the Group's Property and Equipment, net of accumulated depreciation, increased to ₱18.716 billion versus the ₱13.400 billion as of December 31, 2017 (by 40%), representing the assets of the newly acquired subsidiaries, the fair value revaluation of the Land Assets as well as the continuing expansion program of the group.

The Investment Properties are revalued every two years as a policy and as disclosed in the financial statements. The Group made annual assessment whether there are changes in circumstance that will have significant impact on the fair value of the properties. The Investment Properties were appraised during the date of acquisition in 2017 and appraised values were then the deemed cost. In 2018, these properties were again appraised to reflect the change in accounting policy, from cost to fair value model. Accordingly, the fair value reported in the 2018 AFS is current and updated.

Interest-bearing Loans and Borrowings, both current and non-current, was up by 42% from ₱28.171 billion as of December 31, 2017 to ₱39.900 billion as of December 31, 2018. The increment of ₱11.728 billion was from the availment of new loans to service the working capital requirements of the new businesses, the bulk of which by PNX SG, as well as the company's various capital expenditures.

Trade and Other Payables increased by 107% from ₱3.584 billion as of December 31, 2017 to ₱7.435 billion as of December 31, 2018 due to the additional trade transactions of the new subsidiaries.

Total Stockholders' Equity increased to ₱15.974 billion as of December 31, 2018 from ₱11.683 billion as of December 31, 2017, (by 37%) resulting from the earnings generated and non-recurring gains during the year. 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:

	June 30, 2019	**March 31, 2019**	**December 30, 2018**	**December 31, 2017**
Current Ratio[1]	1.0x : 1x	1.0x : 1x	1.1x : 1x	1.2x : 1x
Debt to Equity Ratio[2]	3.0x: 1x	3.0x : 1x	3.0x : 1x	2.8x : 1x
Net Book Value per Share[3]	₱8.71	₱8.74	₱8.53	₱8.33
Debt to Equity Interest-Bearing[4]	2.5x : 1x	2.4x : 1x	2.5x : 1x	2.4x : 1x
Earnings per Share5	₱0.59	₱0.24	₱1.72	₱0.97

Notes:

1 - Total current assets divided by current liabilities 2 - Total liabilities divided by tangible net worth

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

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

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

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

Material (5% or more) Changes to the Group's Balance Sheet as of December 31, 2018 vs. December 31, 2017

331% increase in Cash and Cash Equivalents
Increased cash inflow due to the 99% increase in revenue compared to the previous period.

95% increase in Trade Receivables
A result of the 99% increase in revenue brought about by the increase in sales volume this period compared to the previous period.

10% decrease in Inventory
This is the normal minimum inventory requirement given the current growth in revenue.

81% increase in Due from related parties
In line with the plan of the company to further expand its operations in Luzon, the company advance funds to CISC to enable the latter to upgrade and improve wharf facilities, which will redound to the benefit and improve the company's supply operations.

14% decrease in Net Input VAT
In relation to the decrease in inventory movement.

14% increase in Prepayments and other current assets
Due to the renewal of insurances of all the assets, prepaid rentals advertising and other services and acquisitions which will cover the periods beyond December 31, 2018.

40% increase in PPE
Due to new acquisitions, and construction of new retail and depot facilities and the fair value revaluation of land assets of ₱1.219 billion.

11% increase in Intangible Assets
Due to new software acquisitions for the new subsidiaries.

100% increase in Investment in a Joint Venture
Additions from newly concluded Joint Ventures such as Phoenix Asphalt Philippines, Inc.(PAPI), Phoenix Southern Petroleum, Corp. (PSPC) and Galaxi Petroleum Fuel, Inc.

56% increase in Investment Properties
Resulting from the latest appraisal of the particular investment properties, specifically the land assets of PLPI.

11% increase in Goodwill
Due to the acquisition of PFM, Think Able and Action Able. 614% increase in Other Non-current Assets Due to the acquisition of PFM and additional rental deposits for the new leases intended for network expansions and option agreements related to property acquisitions.

38% decrease in Deferred Tax Assets Due to increase in accrued revenues

57% increase in Current Interest-bearing loans
Due to the reclassification of certain long-term loans that are due in the next 12 months as well as the additional loans incurred to finance the working capital requirements of PNX SG.

107% increase in Trade and Other payables
Due to the increased trade transaction of the new subsidiaries.

2607% increase in Income Tax payable
Due to the increase in Income Tax from Non-ITH segments.

19% increase in Non-current Interest-bearing loans
Due the availment of certain long-term loans within the year.

181% increase in Deferred Tax Liabilities
Increase due the deferred taxes computed on the Fair Value Increment from Investment Property and Land Assets.

25% increase in Non-current liabilities
Due the increase security deposits from customers of PPPI and PLPI.

27% increase in Additional Paid in Capital
Coming from the receipt in excess of the par value of the ₱2.0 million Preferred Shares last December, net of the APIC from the redeemed ₱5.0 million shares.

35984% Increase in Revaluation Reserve
Due to Fair Value Appraisal of the Land Assets.

757% Increase in Accumulated Translation Adjustments
Due to forex exposure related to foreign currency-denominated subsidiaries.

44% increase in Retained Earnings
Increase coming the Net Income after tax and fair value revaluation of the Land Assets and Investment properties net of the dividends declared and distributed during the year.

Material (5% or more) changes to the Group's Income Statement as of December 31, 2018 vs. December 31, 2017

99% 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 30%) and additional volume sold relative to last year (by 49%). The parent company recorded an 8% improvement on its volume sold this year.

138% increase in fuel service, storage income, rental income and other revenue
This is due to the revenues from the newly acquired subsidiary – PFM and Action Able, Inc.

106% increase in Cost of Sales and Services
This mirrors the increase in the sale of goods, reflecting the price movements in the world market during the year which is higher compared to the same period in 2017. The increase in excise tax rates on 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.

70% increase in Finance Costs
A substantial portion represents interest from the P6B loan used to acquire Petronas during the last quarter of 2017.

80% increase in Finance Income and Others
These pertain to the reversal of certain bad debts, which were collected in 2018, expenses accrued in the prior years which would no longer be paid, net of realized and unrealized forex gains.

100% increase in Equity Share in Net Income of a Joint Venture
This is the net share from PAPI, PSPC and Galaxi Join Ventures.

49% increase in Income Tax Expense
Substantial portion comes from the new businesses net of the income tax holiday benefit of the parent.

657% increase in Translation Adjustments
Due to forex exposure related to foreign currency-denominated subsidiaries.

100% increase in Revaluation of Land
This is the result of the appraisal of the Land Assets of PPPI.

345% decrease in Remeasurement of Retirement Benefit Obligation This is the result of the Actuarial Valuation Report per revised PAS 19.

8331% increase in Deferred Tax Expense
Due to the increase in Other Comprehensive Income subject to deferred tax liability.

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.

The Company is not aware of

(a) any trends or any demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;

(b) any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;

(c) anymaterial off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;

(d) any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

(e) anytrends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described;

(f) any significant elements of income or loss that did not arise from the registrant's continuing operations; and

(g) any seasonal aspects that had a material effect on the financial condition or results of operations.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2017 vs. December 31, 2016.

Revenues

The Group generated total revenues of ₱44.543 billion in 2017, 46% higher than 2016's ₱30.451 billion, on the back of a 17% increase in sales volume and fuel prices. This includes addition of LPG revenue of ₱3.4 billion and PNX SG revenue to third party customers of ₱ 250 million. The group reported ₱44.426 billion net of the pre-acquisition revenues, 45% higher than 2016.

Sales revenues from trading and distribution of petroleum products increased by 56% from ₱29.460 billion in 2016 to ₱44.148 billion in 2017. Excluding the LPG's pre-operating revenue, net increase is 49% amounting to ₱44.051 billion. Retail volume (station sales) increased by 9% due to growth in both station network and same store sales. The Commercial and industrial segment also increased by 15%, while aviation volume grew by 13%. Lubricants volume also grew by 49% from the prior year.

The Parent has built five hundred five (530) Phoenix retail service stations as of December 31, 2017 compared to four hundred forty-seven (505) retail stations as of the same period last year. The Parent has a number of retail stations undergoing various stages of construction which are projected to be opened within the 1st half of 2018.

The Group generated revenues of ₱ 394 million from fuel service, storage, and others in 2017, down from ₱1.104 billion in 2016. The 66% year-on-year decline was mainly because 2016 includes shipping, port and real estate revenues from the spun-off subsidiaries. Excluding the revenue from CSC and PPIPC in 2016, fuel services, storage and other revenue increased by 6%.

Cost and expenses

The Group recorded cost of sales and services of ₱38.345 billion as of December 2017, an increase of 56% from ₱25.124 billion in 2016. Net of the pre-acquisition cost of sales of the LPG business, the group reported ₱37.909 billion, a net increase of 51%. This was due to higher product costs compared to last year, reflecting increasing global oil prices. The 17% increase in volume is also a factor in the increase cost of sales.

Selling and administrative expenses increased by 32%, driven by higher operating expenses for completed expansions, expected growth impact and newly acquired subsidiaries.

Net Income

The Group's net income for 2017 grew to ₱1.521 billion from ₱1.092 billion in 2016. This includes one-time gain coming from the excess of fair value over acquisition cost of the newly - acquired subsidiary, Duta, Inc. amounting to ₱ 650 million and the pre-acquisition profit of PLPI and Duta, Inc. amounting to ₱ 279 million. Excluding non-recurring income, core business net income grew by 30% to ₱1.421 billion, driven primarily by 17% increase in sales volume and additions from the new business, particularly LPG.

The Parent was registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, enjoyed an income tax holiday for five (5) years from November 16, 2005 to November 16, 2010.

The Parent Company obtained additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitled the Parent Company to an Income Tax Holiday (ITH) on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted to the Davao Terminal Expansion facility effective February 2010, which entitled the Parent Company another set of incentives, including the five (5) year ITH on its Davao Terminal Marketing and Storage activities.

The Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. This expired on November 25, 2015.

The Parent Company also obtained new approvals with the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City facilities were registered and issued certification by the BOI on May 12, 2012, entitling the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI-registered entities.

The Parent Company also obtained new approvals with the BOI for its four (4) new facilities. Expansions of Cagayan de Oro City and Calaca, Batangas facilities were registered and issued certification by the BOI on November 24, 2017 and December 22, 2017, respectively. New facilities in Tayud, Cebu and Calapan, Mindoro were likewise registered and issued certification by the BOI on September 9, 2017 and October 12, 2017, respectively, entitling the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI-registered entities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

Financial Condition
(As of December 31, 2017 versus December 31, 2016)

Total resources of the Group as of December 31, 2017 stood at ₱44.166 billion, higher by 68% compared to the ₱26.538 billion as of December 31, 2016. This is mainly due to the acquisition of PLPI and Duta, Inc., higher fuel prices and increase in inventory.

Cash and cash equivalents this year decreased by 22% from ₱2.339 billion in December 31, 2016 to ₱1.831 billion as a result of increased operating, acquisition and expansion requirements.

Trade and other receivables decreased by 15% from ₱8.789 billion as of December 31, 2016 to ₱7.705 billion as of December 31, 2017, due to the intensified collection of credit sales and other receivables.

Inventories increased to ₱12.970 billion as of December 30, 2016 from ₱2.999 billion as of December 31, 2016. The increase is brought about by the confluence of the following factors: 1) to address requirements of new businesses, such as LPG with the purchase of PEPI, the operation of Singapore Trading and serving volume of new accounts; 2) higher price of imported petroleum products, mainly because of the increase in crude prices and 3) the continued decrease in demand for IFO by the power sectors also contributed to the higher inventory levels.

Due from related parties decreased to ₱518 million as of December 2017 from ₱1.507 billion as of December 2016. The receivable balance from UDEVCO amounting to ₱50 million for the sale of PPIPC was settled and reclassification of the non-trade receivable from Chelsea Shipping Group Corp. amounting to ₱500 million.

As of December 31, 2017, the Group's property and equipment, net of accumulated depreciation, increased to ₱13.401 billion compared to ₱9.002 billion as of December 31, 2016 due to the acquisition of PEPI and Duta, Inc. as well as the completion of the new retail stations and various facility expansion of the group.

Loans and Borrowings, both current and non-current, increased by 114% from ₱13.184 billion as of December 31, 2016 to ₱28.171 billion as of December 31, 2017. The increase of ₱14.987 billion was from the acquisition of PEPI and Duta, Investment in PNX Singapore, increased inventory value and other capital expenditures of the group.

Trade and other payables increased by 20% from ₱3.333 billion as of December 31, 2016 to ₱3.585 billion as of December 31, 2017 due to longer supplier credit term.

Total Stockholders' Equity increased to ₱11.684 billion as of December 31, 2017 from ₱9.762 billion as of December 31, 2016, resulting from the earnings generated in 2017 net of cash dividend declared and paid during the period for both common shares

Key Performance Indicators and Relevant Ratios

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

	December 31, 2017	December 31, 2016
Current Ratio[1]	1.22 : 1	1.17:1
Debt to Equity Ratio[2]	2.8 : 1	1.72:1
Return on Equity[3]	17%	11%
Net Book Value per Share[4]	6.60 : 1	5.08:1
Debt to Equity Interest-Bearing[5]	2.36 : 1	1.35:1
Earnings per Share[6]	0.97	0.64
Earnings per Share (net of one-time gain)[6]	0.89	0.64

Notes:

1 - Total current assets divided by current liabilities 2 - Total liabilities divided by tangible net worth

3. - Period or Year Net income divided by average total stockholders' equity

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

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

6. *- Period or Year Net Income after tax divided by weighted average number of outstanding common shares*
7. *- Period or Year Net Income after tax (net of one-time gain) divided by weighted average number of outstanding common shares*

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

The Group's debt to equity (DE) ratio for 2017 is higher at 2.8: 1 due to increased liability used for the acquisition of PEPI and Duta, Inc, investment in PNX Singapore, capital expenditures for various expansions and increased inventory requirement.

Material Changes to the Group's Balance Sheet as of December 31, 2017 compared to December 31, 2016 (Increase/decrease of 5% or more)

22% decrease in Cash and Cash Equivalents
A result of increased operating, acquisition and expansion requirements. The Cash and cash equivalent is within the maintained minimum level to support the operating requirement of the group.

12% decrease in trade and other receivables
Due to the intensified collection of credit sales and other receivables.

314% increase in inventory
The increase is brought about by the confluence of the following factors: 1) to address requirements of new businesses, such as LPG with the purchase of PEPI, the operation of Singapore Trading and serving volume of new accounts; 2) higher price of imported petroleum products, mainly because of the increase in crude prices and 3) the continued decrease in demand for intermediate fuel oil (IFO) by the power sectors also contributed to the higher inventory levels.

66% decrease in due from a related party
Collection of the receivable balance from UDEVCO for the sale of PPIPC amounting to ₱50 million and reclassification of the ₱500 million to Non-Trade receivable for the CLC for the sale of CSC.

141% increase in net input vat
Due to increase in inventory purchases.

49% increase in property, plant and equipment
Due to the acquisition of PEPI and Duta, Inc. as well as the completion of the retail stations and expansion of various facilities.

100% increase in Investment Property
Due to the acquisition and appraisal of the fair value of the investment properties of Duta Inc. and Kaparangan.

38,941% increase in Goodwill
Due to the acquisition of PEPI and Duta, Inc.

413% increase in Deferred Tax Assets
Due to the additions from the newly-acquired subsidiaries.

16% increase in Other Non-Current Assets
Due to additions from the newly-acquired subsidiaries.

49% increase in Current Interest-bearing loans Due to the increase in inventory requirement

11% increase in Trade Payable
Due to the extended supplier credit terms.

492% increase in Non-current Interest-bearing loans
Used for the acquisition of PEPI and Duta Inc., investment in PNX SG and various capital expenditure requirements.

93% Increase in Other Non-Current Liabilities
Increase in security deposit from new customers especially with the additions from LPG business.

30% increase in Capital Stock
Due to the sale of treasury shares and the employee stock option plan.

7% increase in Additional Paid-in Capital
Due to the sale of treasury shares and the employee stock option plan.

36% increase in Retained Earnings
Due to earnings generated in 2017 net of the dividends paid both to common and preferred shares.

Material changes to the Group's Income Statement as of December 31, 2017 compared to December 31, 2016 (Increase/decrease of 5% or more)

49% increase in sale of goods
Due to the increase in volume, increase in fuel prices, addition of the LPG Business and sale coming from PNX SG

66% decrease in fuel service, shipping, storage income, and other revenue
There are no more charter fees, sale of real estate and port revenues after the spin-off of CSC and PPIPC.

51% increase in Cost of Sales
As a result of the increase in revenue, volume and fuel prices

26% increase in selling and administrative expenses
Driven by the Group's expansion and acquisition program that resulted in higher depreciation, rent expense, salaries and wages, taxes and licenses and professional fees.

16% decrease in Finance Costs
Most of the financing transactions were made towards the latter part of the year to fund acquisitions and investments. Moreover, a material portion of the 2016 finance cost were from the spun-off subsidiaries.

73% decrease in Finance Income
The decrease is on account of the depreciation of foreign exchange at year-end which resulted in lower forex gain.

100% decrease in Equity share in Net Loss of a Joint Venture
The joint venture was part of the spun-off subsidiary in 2016.

235% increase in Excess of Fair Value over acquisition cost
Due to the acquisition of Duta, Inc. which has investment properties with higher appraisal value versus the acquisition cost inclusive of its novated advances from Petronas in favor of PPPI.

640% Increase in other income
Due to other income coming from PLPI and Duta, Inc. related to reversals of previously recognized impairments and allowances.

Recognition of Pre-acquisition Profit
This refers to the Income of PEPI and Duta, Inc. from January to July 2017, prior to the completion of the acquisition.

140% increase in income tax
Due to additions from the newly-acquired subsidiaries, expiration of certain income tax holiday certificates, net of the effect of the new approvals.

8% decrease in re-measurement of post-employment benefit obligation Due to the sale of CSC and PPIPC net of the increase from PLPI.

100% increase in Translation Adjustment
This is PNX SG-related forex transactions to Philippines Peso.

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.

The Company is not aware of

(a) any trends or any demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;

(b) any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;

(c) any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;

(d) any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

(e) any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described;

(f) any significant elements of income or loss that did not arise from the registrant's continuing operations; and

(g) any seasonal aspects that had a material effect on the financial condition or results of operations.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2016 vs. December 31, 2015

Revenues

The Group generated total revenues of ₱30.451 billion in 2016, 2% higher than 2015's ₱30.054 billion, on the back of a 25% increase in sales volume and improved product mix in favor of higher margin products. This however, was tempered by the 19% decline in average fuel prices.

Sales revenues from trading and distribution of petroleum products increased by 4% from ₱28.621 billion in 2015 to ₱29.346 billion in 2016. Retail volume (station sales) increased by 12% due to growth in both station network and same store sales. The Commercial and industrial segment also increased by 33%, while aviation volume grew by 14%. Lubricants volume also grew by 18% from the prior year.

The Parent has built five hundred five (505) Phoenix retail service stations as of December 31, 2016 compared to four hundred forty-seven (454) retail stations as of the same period last year. The Parent has a number of retail stations undergoing various stages of construction which are projected to be opened within the 1st half of 2017.

The Group generated revenues of ₱1.104 billion from fuel service, shipping, storage, port, real estate, and others in 2016, down from ₱1.433 billion in 2015. The 23% year-on-year decline was mainly due to the ₱ 456 million in sale of real estate in 2015 versus none in 2016. Moreover, results of Chelsea Shipping Corporation (CSC) and Phoenix Petroterminals and Industrial Park Corp. (PPIPC) were consolidated only from January to November.

Cost and expenses

The Group recorded cost of sales and services of ₱25.124 billion as of December 2016, a decrease of 0.1% from₱ 25.269 billion in 2015. This was due to lower product costs compared to last year, reflecting lower global oil prices. Prices continued its generally downward movement from the second quarter of 2015 until first quarter of 2016, which only then, started to recover.

Selling and administrative expenses increased by 23%, driven by higher depreciation for completed expansions, as well as increases in rent expense, salaries and wages, taxes and licenses, and professional fees in relation to the expansion program of the Group.

Net Income

The Group's net income for 2016 grew to ₱1.092 billion from ₱905.868 million in 2015. Growth was driven primarily by higher sales volume, higher efficiencies in trading and supply management, and higher service revenues.

The Parent was registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, enjoyed an income tax holiday for five (5) years from November 16, 2005 to November 16, 2010.

The Parent Company obtained additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitled the Parent Company to an Income Tax Holiday (ITH) on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted to the Davao

Terminal Expansion facility effective February 2010, which entitled the Parent Company another set of incentives, including the five (5) year ITH on its Davao Terminal Marketing and Storage activities. The Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. This expired on November 25, 2015.

The Parent Company also obtained new approvals with the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City facilities were registered and issued certification by the BOI on May 12, 2012, entitling the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI-registered entities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

Financial Condition
(As of December 31, 2016 versus December 31, 2015)
Total resources of the Group as of December 31, 2016 stood at ₱26.538 billion, lower by 14% compared to the ₱30.926 billion as of December 31, 2015. This is mainly due to the sale of the subsidiaries, resulting in the deconsolidation of the carrying values of CSC and PPIPC.

Cash and cash equivalents this year increased by 43% from ₱1.632 billion in December 31, 2015 to ₱2.339 billion due to the net proceeds from sale of the subsidiaries and increased collections towards year-end net of payment of outstanding interest-bearing debt.

Trade and other receivables decreased by 19% from ₱10.810 billion as of December 31, 2015 to ₱8.789 billion as of December 31, 2016, due to the intensified collection of credit sales and other receivables and the deconsolidation of related receivables from the sale of the subsidiaries.

Inventories increased by 14% to ₱2.999 billion as of December 30, 2016 from ₱2.638 billion as of December 31, 2015, driven by the timing of arrival of importations. The Group targets to maintain an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients. However, the actual level varies depending on the actual arrival dates of the fuel tankers.

Due from related parties increased to ₱1.507 billion as of December 2016 from ₱12.260 million as of December 2015, arising from the receivable balance from UDEVCO amounting to ₱50 million for the sale of PPIPC and from Chelsea Shipping Group Corp. amounting to ₱500 million for the sale of CSC. The change also included reclassification of accounts following the sale of the subsidiaries, CSC and PPIPC.

As of December 31, 2016, the Group's property and equipment, net of accumulated depreciation, decreased to ₱9.002 billion compared to ₱ to ₱12.843 billion as of December 31, 2015 due to the sale of the subsidiaries that resulted in the deconsolidation of the related assets of CSC and PPIPC.

Loans and Borrowings, both current and non-current, decreased by 22% from ₱16.983 billion as of December 31, 2015 to ₱13.184 billion as of December 31, 2016. The decrease of ₱3.799 billion was from the settlement of loans, which include the payments of interest-bearing debt from the proceeds of the sale of subsidiaries. Also contributing to the decline was the decrease in trade payables and the deconsolidation of the related loans and borrowings of CSC and PPIPC following the sale.

Trade and other payables decreased by 2% from ₱3.578 billion as of December 31, 2015 to ₱3.233 billion as of December 31, 2016 due to longer supplier credit term.

Total Stockholders' Equity decreased to ₱9.762 billion as of December 31, 2016 from ₱10.023 billion as of December 31, 2015, resulting from the earnings generated in 2016 net of cash dividend declared and paid during the period for both common shares and preferred shares. The deconsolidation of CSC and PPIPC also contributed to the decrease.

Key Performance Indicators and Relevant Ratios

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

		December 31,2016	December 31, 2015
Current Ratio	1	1.17:1	1.14:1
Debt to Equity Ratio	2	1.72:1	2.09:1
Return on Equity-Common	3	11%	11%
Net Book Value per Share	4	6.81:1	6.89:1
Debt to Equity Interest-Bearing	5	1.35:1	1.69:1
Earnings per Share	6	0.64	0.60

Notes:
1 - Total current assets divided by current liabilities
2 - Total liabilities divided by tangible net worth
3 - Period or Year Net income divided by average total stockholders' equity
4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and oustanding
5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)
6 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

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

The Group's debt to equity (DE) ratio for 2016 is lower at 1.72: 1 due to the sale of the subsidiaries resulting in the deconsolidation of the related accounts of CSC and PPIPC.

Material Changes to the Group's Balance Sheet as of December 31, 2016 compared to December 31, 2015 (Increase/decrease of 5% or more)

43% increase in Cash and Cash Equivalents
A result of the net proceeds from the sale of the subsidiaries, as well as the timing of collections and disbursements during the period offset by proceeds used to pay out interest-bearing debt. Minimum levels of cash are also maintained to support maturing obligations.

14% increase in inventory
Due to the timing of arrival of importations, additional product lines, and the prices of petroleum.

19% decrease in trade and other receivables
Due to improved collection efforts and higher customer management efficiency. Also contributing to the decline was the sale of the subsidiaries, which resulted in the deconsolidation of the trade and other receivables of CSC and PPIPC.

12,191% increase in due from a related party
Attributable to the receivable balance from the sale of CSC to Chelsea Group Corp amounting to ₱500 million and from UDEVCO for the sale of PPIPC amounting to
₱50 million. The change also included reclassification of accounts following the sale of the subsidiaries, CSC and PPIPC.

28% increase in restricted deposit
Due to the sale of subsidiaries resulting in the deconsolidation of CSC and PPIPC.

6% decrease in net input vat
Due to the sale of subsidiaries resulting in the deconsolidation of CSC and PPIPC.

30% decrease in property, plant and equipment
Due to the sale of subsidiaries resulting in the deconsolidation of CSC and PPIPC.

280% increase in Intangible Assets
Due to the acquisition of a basketball franchise as part of the Group's brand enhancement initiatives.

100% decrease in Land Held for Future Development
Due to sale of subsidiaries resulting in the deconsolidation of PPIPC.

100% decrease in Investment in a joint venture
Due to sale of subsidiaries resulting in the deconsolidation of PPIPC.

88% decrease in Goodwill
Due to sale of subsidiaries resulting in the deconsolidation of PPIPC and CSC.

100% increase in Deferred Tax Assets
Due to sale of subsidiaries resulting in the deconsolidation of related accounts of PPIPC and CSC.

43% decrease in Other Non-Current Assets
Due to sale of subsidiaries resulting in the deconsolidation of related accounts of PPIPC and CSC.

63% decrease in Non-current Interest-bearing loans
Due to the early settlement of Long-Term Debt using the proceeds from the sale of CSC and PPIPC.

100% decrease in Non-current Trade and Other Payables
Due to sale of subsidiaries resulting in the deconsolidation of the related accounts of PPIPC and CSC.

100% decrease in Deferred Tax Liability
Due to sale of subsidiaries resulting in the deconsolidation of the related accounts of PPIPC and CSC.

5% Increase in Other Non-Current Liabilities Increase in security deposit from new customers

23% decrease in Capital Stock
Due to treasury shares acquisition amounting to ₱330.6 million

17% increase in Other Reserves
Due to the sale of the sale and subsequent deconsolidation of PPIPC and CSC.

23% increase in Retained Earnings
Due to earnings generated in 2016 net of the dividends paid both to common and preferred shares, as well as the sale and deconsolidation of PPIPC and CSC.

Material changes to the Group's Income Statement as of December 31, 2016 compared to December 31, 2015 (Increase/decrease of 5% or more)

23% decrease in fuel service, shipping, storage income, and other revenue
Due to the ₱456 million revenues from sale of real estate in 2015 versus none in 2016.

23% increase in selling and administrative expenses
Driven by the Group's expansion program that resulted in higher depreciation, rent expense, salaries and wages, taxes and licenses, and professional fees.

5% increase in Finance Costs
Increase in the number of financing transactions.

2,649% increase in Finance Income
Due to forex gains arising from US$-denominated revenues

21% Increase in other income
Due to growth in non-fuel related business.

207% Increase on equity share in Net Loss of a joint venture.
Attributable to the equity share of PPIPC in SPI for the eleven months ending November 30, 2016.

9% decrease in income tax
Due to increase in deferred tax assets arising from unrealized and non-taxable income.

15% decrease in re-measurement of post-employment benefit obligation Due to the sale of CSC and PPIPC.

100% decrease on the revaluation of tankers under OCI
Due to the sale of CSC and PPIPC and their deconsolidation in December 2016.

65% decrease on the tax expense on other comprehensive income
Due to the absence of revaluation of tankers under OCI following the sale of CSC.

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.

The Company is not aware of

(a) any trends or any demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;

(b) any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;

(c) any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;

(d) any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

(e) any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described;

(f) any significant elements of income or loss that did not arise from the registrant's continuing operations; and

(g) any seasonal aspects that had a material effect on the financial condition or results of operations.

INTEREST OF NAMED EXPERTS

Legal Matters

All legal issues relating to the issuance of the Preferred Shares which are subject of this Offer shall be passed upon by Puyat Jacinto & Santos ("**PJS Law**") for the Issuer and Picazo Buyco Tan Fider & Santos ("**Picazo Law**") for the Joint Lead Underwriters.

PJS Law and Picazo Law have no direct or indirect interest in the Company. However, PJS Law and Picazo Law may, from time to time be engaged by the Company to advise on the transactions and perform legal services on the same basis that PJS Law and Picazo Law provide such services to its other clients.

Independent Auditors

The Audited Financial Statements of the Company as of December 31, 2018, 2017 and 2016 appearing in this Prospectus have been audited by Punongbayan&Araullo, independent auditors, as set forth in their report thereon appearing elsewhere in this Prospectus. The partner-in-charge for the year 2018 is Mr. Ramilito L. Nañola.

The Company's audit committee reviews and approves the scope of audit work of the independent auditor and the amount of audit fees for a given year. The amount will then be presented for approval by the stockholders in the annual meeting. As regards the services rendered by the external auditor other than the audit of financial statements, the scope of and the amount for the same are subject to review and approval by the Audit Committee.

The Company's aggregate audit fees for each of the last three fiscal years for professional services rendered by the external auditor were ₱5,364,970, ₱4,648,000, and ₱4,247,020 for 2018, 2017, and 2016, respectively.

The Company's independent auditors do not provide the Company other services that are not reasonably related to the performance of the audit or review of financial statements.

There is no arrangement that experts shall receive a direct or indirect interest in the Company or was a promoter, co-manager, voting trustee, director, officer, or employee of the Company.

Changes in and Disagreements with Accountants

The Company has not had any changes in or disagreements with its independent accountants or auditors on any matter relating to financial or accounting disclosures.

No interest in the Company

There is no arrangement that any of the foregoing experts shall receive a direct or indirect interest in the Company or was a promoter, co-manager, voting trustee, director, officer, or employee of the Company.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Offer Shares. The statements made regarding taxation in the Philippines are based on the laws in force at the date of this Prospectus and are subject to any changes in law occurring after such date. The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Shares. Itdoes not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Offer Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates or tax incentives under special laws. Prospective purchasers of the Offer Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Offer Shares.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines". A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

The term "non-resident holder" means a holder of the Offer Shares:

- *who is an individual who is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- *should an income tax treaty be applicable, whose ownership of the Offer Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

Philippine Taxation

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN**") took effect. The TRAIN amended various provisions of the Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax.

Sale, Exchange or Disposition of Shares after the IPO

Taxes on Transfer of Shares Listed and Traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (*please see discussion below on tax treaties)*, a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

In addition, Value-Added Tax (VAT) of 12% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client, the seller or transferor.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that immediately after December 31, 2012, the Philippine SEC shall impose a trading suspension for a period of not more than six (6) months, on shares of a listed company who has not complied with the Rule on Minimum Public Ownership ("**MPO**") which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10% of the listed companies issued and outstanding shares at all times. The sale of such listed company' shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax and documentary stamp tax, and may even include donor's tax).

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 ("**R.R. 16-12**") provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Capital Gains Tax, if the Sale Was Made outside the PSE

The net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to the following rates:

Not over ₱100,000 …………………………. 5%
On any amount in excess of ₱100,000……… 10%

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (*Please see discussion below on tax treaties.)*

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a Certificate Authorizing Registration ("**CAR**").

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to income tax while those received by a non-resident foreign corporation are generally subject to income tax at a final withholding tax rate of 30%. The 30% income tax rate for dividends paid to a non-resident foreign corporation may be reduced to a lower rate of 15% if tax sparing applies, which is when (i) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends or (ii) the country of domicile of the non-resident foreign corporation allows at least 15% credit equivalent for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Circular No. 80-91 (*Publishing the Resolution of the Supreme Court dated March 7, 1990 in G.R. No. 76573 entitled "Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals" re: pre-requisites for the availment of*

15% preferential tax rate under then Section 24 (b)(1) [now Sec. 25(b)(5)(B)] of the Tax Code, as amended dated August 12, 1991) states that the non-resident foreign holder has to submit the following documents to the payor of the cash dividends: (i) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (ii) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (iii) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends. The income recipient may also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with Revenue Memorandum Order No. 9-2014 (*Requests for Rulings with the Law and Legislative Division* dated February 6, 2014) and other relevant BIR issuances. The income recipient should thereafter provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder.*(Please see discussion on tax treaties below.)*

If the regular tax rate is withheld by the Company instead of the reduced rates applicable under an income tax treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g. documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	**Stock transaction tax on sale or disposition effected through the PSE (%)(9)**	**Capital gains tax due on disposition of shares outside the PSE (%)**
Canada	25(1)	0.6	May be exempt(13)
China	15(2)	Exempt(10)	May be exempt(13)
France	15(3)	Exempt(11)	May be exempt(13)
Germany	15(4)	Exempt(12)	May be exempt(13)
Japan	15(5)	0.6	May be exempt(13)
Singapore	25(6)	0.6	May be exempt(13)
United Kingdom	25(7)	0.6	Exempt(14)
United States	25(8)	0.6	May be exempt(13)

Notes:

(1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(2) *10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.*

(3) *10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.*

(4) *5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases*

(5) *10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.*

(6) *15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.*

(7) *15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*

(8) *20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.*

(9) *If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.*

(10) *Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.*

(11) *Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.*

(12) *Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.*

(13) *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*

(14) *Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption ruling from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 72-2010 (*Guidelines on the Processing of Tax Treaty Relief Applications (TTRA) Pursuant to Existing Philippine Tax Treaties* dated August 25, 2010), BIR Form No. 0901-C, and other BIR issuances. These include proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which in respect of capital gains tax, is before the deadline for the payment of the documentary stamp tax on the sale of shares.

With respect to the availment of preferential rates for dividends under an income tax treaty, most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (*Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners*, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief (CORTT) Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit within 30 days an original copy of the duly accomplished CORTT Form.

Documentary Stamp Tax

Beginning 1 January 2018, the original issue of shares is subject to a documentary stamp tax ("**DST**") of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The Philippines imposes a DST upon the transfer outside the PSE of shares issued by a Philippine corporation at the rate of ₱1.50 on each ₱200.00, or a fractional part thereof, of the par value of the shares.

The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by either or both the vendor or the vendee of the shares.

However, the sale, barter or exchange of shares of stock listed and traded at the PSE is exempt from documentary stamp tax.

Estate and Gift Taxes

Shares issued by a domestic corporation are deemed to have a Philippine situs and their transfer by way of a succession or donation is subject to Philippine estate and donor's taxes.

The transfer by a deceased Philippine resident to his heirs of the Offer Shares shall be subject to an estate tax which is levied on the net estate of the deceased at a rate of 6.0% A holder of the Offer Shares who is a Philippine resident shall be subject to donor's tax based on the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year on the transfer of the Offer Shares by donation at a rate of 6.0%

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Offer Shares, shall not be collected: (1) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the Offer Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Offer Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Offer Shares, based on Section 100 of the Philippine Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Sole Issue Manager, or any of their respective subsidiaries, affiliates or advisors in connection with the offer and sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of ₱120 million, of which 61.2 million shares were subscribed and fully paid-up as of June 30, 2018. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE adopted a new online disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In December 2013, the PSE Electronic Disclosure Generation Technology (EDGe), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ's X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the Exchange received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices

The table below sets out movements in the composite index as of the last business day of each calendar year from 2006 to 2018, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	PSEi Level	Number of Listed Companies	Market Capitalization (in ₱ billion)	Value Turnover (in ₱ billion)
2006	2,982.54	239	7,173.19	572.63
2007	3,621.60	244	7,976.84	1,338.25
2008	1,872.85	246	4,072.16	763.90
2009	3,052.68	248	6,032.22	994.15
2010	4,201.14	253	8,866.11	1,207.38
2011	4,371.96	253	8,696.96	1,422.59
2012	5,812.73	254	10,930.09	1,771.71
2013	5,889.83	257	11,931.29	2,546.18
2014	7,230.57	263	14,251.72	2,130.12
2015	6,952.08	265	13,465.57	2,151.41
2016	6,840.64	265	14,438.77	1,929.50
2017	8,558.42	267	17,583.13	1,958.36
2018	7,466.0	267	16,146.7	1,736.8

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session, and resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%All orders breaching the 60% static threshold will be rejected by the PSE.

- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("**SCCP**") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;

- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and

- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the nine existing Settlement Banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc., Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement ("**CCCS**") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("**PCD Nominee**"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;

- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;

- New securities to be offered and applied for listing by an existing listed company; and

- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.

- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (i) individuals (for as long as the shares held are not of a significant size (i.e., less than 10.0%) and are non-strategic in nature; (ii) trading participants (for as long as the shares held are non-strategic in nature); (iii) investment and mutual funds; (iv) pension funds; (v) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal stockholder); and (vi) social security funds.

Listed companies which become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six (6) months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 issued on December 1, 2017, the MPO requirement on initial public offerings is increased from 10% to 20%. For existing publicly listed companies, the existing rules and/or guidelines of an exchange on minimum public float duly approved by the SEC still apply. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the PSE. As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 15.0%, such proposed rules on MPO is yet to be issued by SEC for comments by the public.

FINANCIAL INFORMATION

The following pages set forth the Company’s unaudited consolidated financial statements for the period ended June 30, 2019 and 2018 and March 31, 2019 and 2018 and the Company’s audited consolidated financial statements as at December 31, 2018, 2017, and 2016.

08 August 2019

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

Philippine Stock Exchange
Disclosure Department
6/F PSE Tower, 28th Street corner 5th Avenue,
BGC, Taguig 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

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

Gentlemen and Madam:

We are herewith submitting the Company's second quarter report for period ended 30 June 2019 (SEC 17-Q) in compliance with the Securities Regulation Code and Revised Disclosure Rules.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

COVER SHEET

A	2	0	0	2	0	7	2	8	3	

S.E.C. Registration Number

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

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

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

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

DENNIS A. UY
Contact Person

(082) 235-8888
Company Telephone Number

1	2	3	1	SEC FORM 17-Q	3	XX
Month		Day		FORM TYPE	Month	Day

Fiscal Year Ending

last Friday

Annual Meeting

CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE
Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

71
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

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 June 2019

2. SEC identification number: A200207283

3. BIR Tax Identification No. 006-036-274

4. Exact name of issuer as specified in its charter **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**

5. Province, country or other jurisdiction of incorporation or organization Davao City, Philippines.

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office: Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
   Postal Code: 8000

8. Issuer's telephone number, including area code: (082) 235-8888

9. Former name, former address and former fiscal year, if changed since last report: Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of Shares Outstanding
COMMON	1,403,304,232.00
PREFERRED	22,000,000.00

Amount of Debt Outstanding as of 30 June 2019: Php48,062,485,609.00

11. Are any or all of the securities listed on the Stock Exchange?	Yes [✓] No [ ]
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:	Philippine Stock Exchange Common Shares Preferred Shares

12. Check whether the issuer has:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports):	Yes [✓] No [ ]
(b) has been subject to such filing requirements for the past ninety (90) days:	Yes [✓] No [ ]

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P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
UNAUDITED as of JUNE 30, 2019
(With Comparative Figures as of December 31, 2018
(Amounts in Philippine Pesos)

	Notes	UNAUDITED June 30, 2019	AUDITED December 31, 2018
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	**P 5,334,543,790**	P 7,889,708,807
Trade and other receivables - net	6	**15,218,331,696**	15,030,714,704
Inventories - net	7	**7,971,410,230**	11,135,494,286
Due from related parties - net	11	**393,719,628**	937,904,172
Restricted deposits	6	**53,910,062**	52,719,265
Input value-added tax - net		**1,558,835,010**	1,517,537,410
Prepayments and other current assets	6	**1,145,434,411**	695,698,779
Total Current Assets		**31,676,184,827**	37,259,777,423
NON-CURRENT ASSETS			
Property, plant and equipment - net	8	**22,632,144,542**	18,715,994,505
Investment properties		**1,738,671,163**	1,739,021,205
Intangible assets - net	9	**314,766,102**	328,054,350
Investments in joint ventures		**468,725,116**	455,436,370
Goodwill - net		**5,070,794,325**	4,418,842,831
Deferred tax assets - net		**186,936,967**	147,484,516
Other non-current assets		**1,970,315,907**	1,595,667,530
Total Non-current Assets		**32,382,354,122**	27,400,501,307
TOTAL ASSETS		**P 64,058,538,949**	P 64,660,278,730
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	10	**P 27,685,346,789**	26,309,487,284
Trade and other payables		**5,441,880,325**	7,434,839,252
Income tax payable		**120,291,703**	99,380,682
Total Current Liabilities		**33,247,518,817**	33,843,707,218
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	10	**12,372,247,002**	13,590,520,166
Deferred tax liabilities - net		**613,339,407**	631,776,224
Other non-current liabilities		**1,829,380,383**	620,602,265
Total Non-current Liabilities		**14,814,966,792**	14,842,898,655
Total Liabilities		**48,062,485,609**	48,686,605,873
EQUITY			
Equity attributable to parent company	12		
Capital stock		**1,107,004,230**	1,112,004,232
Additional paid-in capital		**6,738,692,486**	7,233,692,486
Revaluation reserves		**827,510,428**	827,510,428
Other reserves		**(730,361,725)**	(730,361,725)
Accumulated translation adjustment		**6,941,525**	24,928,394
Retained earnings		**8,078,679,632**	7,542,843,961
		16,028,466,576	16,010,617,776
Non-controlling interest		**(32,413,237)**	(36,944,919)
Total Equity		**15,996,053,339**	15,973,672,857
TOTAL LIABILITIES AND EQUITY		**P 64,058,538,948**	P 64,660,278,730

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019 AND 2018
UNAUDITED
(Amounts in Philippine Pesos)

	Notes	YTD January -June 2019	YTD January -June 2018	2nd Quarter (April to June) 2019	2nd Quarter (April to June) 2018
REVENUES					
Sale of goods	4,11	P 50,782,860,885	P 40,045,666,478	P 26,839,249,725	P 22,049,470,657
Fuel service and other revenues	4,11	361,892,304	170,046,763	228,046,633	95,941,517
Rent income	4,11	55,027,089	32,438,940	39,851,550	20,060,922
		51,199,780,278	40,248,152,181	27,107,147,908	22,165,473,096
COST AND EXPENSES					
Cost of sales and services	4	45,556,989,894	35,813,144,202	23,956,756,616	20,066,898,633
Selling and administrative expenses	4	3,576,351,115	2,734,468,474	2,105,111,009	1,203,671,564
		49,133,341,009	38,547,612,676	26,061,867,625	21,270,570,197
OTHER CHARGES (INCOME)					
Finance costs	4	1,116,029,304	659,568,608	533,585,014	332,930,483
Finance income	4	(10,876,269)	(38,549,572)	(1,148,591)	(30,738,653)
Equity share in net income of joint ventures		(16,582,232)	-	(5,074,992)	-
Others - net	4	(8,777,888)	(11,547,694)	(2,655,865)	(8,502,134)
		1,079,792,915	609,471,342	524,705,566	293,689,696
PROFIT BEFORE TAX		986,646,354	1,091,068,163	520,574,717	601,213,203
TAX EXPENSE		89,820,056	121,270,585	38,419,522	70,105,978
NET PROFIT		P 896,826,298	P 969,797,578	P 482,155,195	P 531,107,225
NET PROFIT ATTRIBUTABLE TO:					
Parent company		P 903,936,498	P 969,797,578	P 486,237,567	P 531,107,225
Non-controlling interest		(7,110,200)	-	(4,082,372)	-
		P 896,826,298	P 969,797,578	P 482,155,195	P 531,107,225
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will be reclassified subsequently to profit or loss					
Translation adjustment related to a foreign subsidiary		32,272,010	39,213,535	61,095,956	13,150,000
Items that will not be reclassified subsequently to profit or loss					
Gain on revaluation of land		-	-		
Remeasurements of post-employment defined benefit obligation		-	-		
Tax expense		-	-		
		-	-	-	-
Other Comprehensive Income - net of tax		32,272,010	39,213,535	61,095,956	13,150,000
TOTAL COMPREHENSIVE INCOME		P 929,098,308	P 1,009,011,113	P 543,251,151	P 544,257,225
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Parent company					
Non-controlling interest					
		-			
Basic Earnings per share		P 0.59	P 0.61		
Diluted Earnings per share		P 0.59	P 0.61		

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	Capital Stock: Preferred Stock	Capital Stock: Preferred Treasury Stock - At Cost	Capital Stock: Common Stock	Capital Stock: Common Treasury Stock - At Cost	Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Accumulated Translation Adjustment	Retained Earnings	Total Equity Attributable to the Shareholders of Parent Company	Non-controlling Interest	Total Equity
Balance at January 1, 2019		**32,000,000**	**(10,000,000)**	**1,434,304,232**	**(344,300,000)**	**1,112,004,232**	**7,233,692,486**	**827,510,428**	**(730,361,725)**	**24,928,394**	**7,542,843,961**	**16,010,617,776**	**(36,944,919)**	**15,973,672,857**
Cash dividends											**(370,742,301)**	**(370,742,301)**		**(370,742,301)**
Issuance of shares during the year												**-**		**-**
Adjustments for adoption of PFRS 16												**-**		**-**
Acquisition of shares during the year												**-**		**-**
Preferred Stock Redemption			**(5,000,000)**			**(5,000,000)**	**(495,000,000)**					**(500,000,000)**		**(500,000,000)**
Share-based compensation											**4,427,906**	**4,427,906**		**4,427,906**
Business combination												**-**	**11,641,882**	**11,641,882**
Translation adjustments during the year										**(17,986,869)**	**(1,786,432)**	**(19,773,301)**		**(19,773,301)**
Total comprehensive income for the year											**903,936,498**	**903,936,498**	**(7,110,200)**	**896,826,298**
Balance at June 30, 2019		**32,000,000**	**(15,000,000)**	**1,434,304,232**	**(344,300,000)**	**1,107,004,232**	**6,738,692,486**	**827,510,428**	**(730,361,725)**	**6,941,525**	**8,078,679,632**	**16,028,466,578**	**(32,413,237)**	**15,996,053,341**
Balance at January 1, 2018		0	0	1,431,538,232	-	1,431,538,232	5,709,303,309	(2,306,049)	-	(6,065,195)	5,524,581,532	12,657,051,829		12,657,051,829
Sale of treasury shares	28													
Cash dividends	28										(312,185,735)	(312,185,735)		(312,185,735)
Acquisition of shares during the year	28											-	720,241	720,241
Stock Options Exercised				2,201,000		2,201,000	17,020,094				(222,861)	18,998,233		18,998,233
OCI of new subsidiary									(2,199,839)			(2,199,839)		(2,199,839)
Issuance of shares during the year	28													
Share-based compensation	24													
Translation adjustments during the year	2									39,213,535	55,312,486	94,526,021		94,526,021
Total comprehensive income for the year											1,009,011,113	1,009,011,113		1,009,011,113
Balance at June 30, 2018		0	0	1,433,739,232	-	1,433,739,232	5,726,323,403	(2,306,049)	(2,199,839)	33,148,340	6,276,496,535	13,465,201,622	720,241.00	13,465,921,863

PHOENIX PETROLEUM PHILIPPINES INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	P 986,646,354	P 1,087,797,539
Adjustments for:		
Gain on revaluation of investment properties	-	
Interest expense	1,191,000,154	577,069,688
Depreciation and amortization	661,134,092	504,040,283
Unrealized foreign currency exchange losses (gains) - net	-	70,031,337
Equity share in net loss (income) of joint ventures and an associate	-	
Impairment losses on trade and other receivables	-	12,170,916
Impairment losses on other non-current assets	-	
Interest income	(13,088,517)	(6,281,830)
Provisions for lost cylinder	-	-
Gain on bargain purchase	-	-
Loss (gain) on disposal of property and equipment	-	(903,286)
Operating profit (loss) before working capital changes	2,825,692,083	2,243,924,647
Decrease (increase) in trade and other receivables	(187,616,992)	(4,759,579,538)
Decrease in inventories	3,164,084,056	6,273,952,611
Decrease (increase) in land held for sale and land development costs	-	
Increase in other current assets	(492,224,029)	358,550,612
Decrease in trade and other payables	(2,065,809,843)	(1,205,897,496)
Cash generated from operations	3,244,125,275	2,910,950,836
Cash paid for income taxes	(46,837,187)	(5,431,870)
Net Cash From Operating Activities	3,197,288,088	2,905,518,966
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of new subsidiaries	(651,951,494)	(510,355,275)
Acquisitions of property, plant and equipment	(4,553,906,588)	(2,547,370,671)
Additions to investment properties	-	
Increase in other non-current assets	(374,648,377)	(193,027,116)
Acquisitions through business combinations, net of cash acquired	-	
Advances to related parties	-	269,913,865
Translation of financial statement of foreign subsidiary	(15,241,616)	94,526,021
Additional investments in joint ventures	(13,288,746)	(45,353,131)
Proceeds from disposal of property and equipment	2,175,141	917,483
Interest received	13,088,517	6,281,830
Acquisitions of intangible assets	(11,914,391)	-
Net Cash Used in Investing Activities	(5,605,687,554)	(2,924,466,994)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from additional loans and borrowings	34,616,639,742	40,519,321,832
Repayments of interest-bearing loans and borrowings	(34,459,053,401)	(38,698,034,493)
Interest paid	(1,191,000,154)	(577,069,688)
Changes in non-controlling interests	-	
Payments made to related parties	-	
Additional borrowings from related parties	-	
Collections from related parties	-	
Employee Share Options	4,427,906	1,978,139
Declaration of cash dividends	(P 370,742,301)	(P 312,185,735)
Advances to related parties	544,184,544	
Placement of required deposits for equity swap (TRES) transaction	-	
Increase (decrease) in other non-current liabilities	1,208,778,118	128,576,907
Deposit for future stock subscription	-	
Decrease in revaluation reserves	-	
Proceeds from issuance for shares of stock	-	
Increase/decrease in APIC	(495,000,000)	17,020,094
Redemption of Preferred Stock	(5,000,002)	-
Proceeds from total return equity swap (TRES) transaction	-	-
Net Cash From Financing Activities	(146,765,548)	1,079,607,056
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,555,165,014)	1,060,659,028
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,889,708,807	1,831,542,441
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 5,334,543,793	P 2,892,201,469

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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

1. GROUP INFORMATION

1.1 Incorporation and Operations

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

The Parent Company is presently engaged in trading of refined petroleum products on wholesale basis and operation of oil depots, storage facilities and allied services. The registered office of the Parent Company, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City. The Parent Company is listed with the Philippine Stock Exchange (PSE) with its initial public offering on July 11, 2007. It has a total of 630 opened retail service stations, and a total of ten service stations under construction as of June 30, 2019.

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

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

Subsidiaries, Associate, Joint Venture and their Operations

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

Subsidiaries/Joint Venture	Explanatory Notes	Percentage of Ownership 2019	2018
Direct interest:			
Subsidiaries			
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. [4]	(f)	**100.00%**	100.00%
Philippine FamilyMart CVS, Inc. (PFM) [1]	(g)	**100.00%**	-
PNX Energy International Holdings, Pte. Ltd. (PNX Energy) [1]	(h)	**100.00%**	-
Action.Able, Inc.(AAI) [1]	(i)	**74.90%**	-
Think.Able Limited (TAL) [1]	(j)	**74.90%**	-
Phoenix Pilipinas Gas and Power Inc.	(k)	**100.00%**	
Joint venture			
Phoenix Asphalt Philippines, Inc.[3]	(l)	**40.00%**	-
Indirect interest:			
Kaparangan, Inc. (Kaparangan) [2,4]	(m)	**100.00%**	100.00%
PNX (Vietnam) Pte. Ltd. (PNX Vietnam) [5]	(n)	**100.00%**	-
Phoenix Gas Vietnam [6]	(o)	**75.00%**	-
PT Phoenix Petroleum Indonesia (PNX Indonesia)[7]	(o)	**100.00%**	-
Galaxi Petroleum Fuel, Inc. (Galaxi)[7]	(p)	**51.00%**	-
Phoenix Southern Petroleum Corp. (PSPC)[8]	(q)	**51.00%**	-

Notes:
1 New subsidiaries
2 Wholly-owned subsidiary of Duta
3 Joint venture of Parent Company
4 Duta and Kaparangan, collectively known as Duta Group
5 Subsidiary of PNX Energy
6 Subsidiary of PNX (Vietnam) Pye. Ltd. (PNX VIETNAM)
7 Subsidiary of PGMI
8 Joint venture of PPMI

(a) Incorporated on January 31, 2007 and is engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations.

(b) Incorporated on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI started commercial operations in 2007 and temporarily ceased its operation in 2008 but has resumed its business in October 2015 through selling of acid oil and coconut fatty acid distillates, both are by-products from manufacturing of coconut methyl ester (CME).

(c) Incorporated on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use.

(d) Incorporated on October 30, 2012 in Singapore and started operations in October 2017. It is the regional trading arm of the Group. It currently holds office in Singapore and is able to buy directly from the refineries in the region due to its bigger requirements. It also sells to other local and regional buyers.

(e) Incorporated on June 20, 1995 to engage in the buying, selling, storing, distributing, and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas (LPG) and other petroleum products.

(f) Incorporated on November 9, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing of land.

(g) Incorporated on November 29, 2012. PFM is engaged in the business of operating convenience stores (CVS) under the trademark "FamilyMart" either by direct operation and/or by franchise system in the Philippines and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.

(h) Incorporated on October 29, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses but has not yet started commercial operations as of December 31, 2018.

(i) Incorporated on May 6, 2015 to engage in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or ecommerce and to engage in the business of providing an outline digital network for the purpose of digital marketing and/or e-commerce accessible through electronic devices.

(j) Incorporated on May 5, 2014 and is a Hong Kong based company that handles the trademark of AAI.

(k) Incorporated on March 14, 2019 and is engaged in selling, trading, on wholesale basis, natural gas and liquified natural gas (LNG).

(l) Incorporated on March 23, 2018 and was established to import, store, manufacture, sell market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

(m) Incorporated on January 21, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.

(n) Incorporated on October 30, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses and has not yet started its commercial operations.

(o) Incorporated in Nov. 21, 1998 under the laws of Vietnam to engage in wholesale of solid, liquid, gas fuels and other related products.

(p) Incorporated on September 10, 2018 in Indonesia to serve as an avenue for the Parent Company to explore business opportunities in different parts of Indonesia. PNX Indonesia has not yet started its commercial operations.

(q) Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.

(r) Incorporated on July 5, 2018 to operate petroleum service stations in areas within Southern Luzon under the Parent Company's name and brand.

1.1 Other Corporate Information

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

SPTT	–	Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales
PNX SG	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PNX Energy	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PNX Vietnam	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
Phoenix Vietnam Gas LLC	_	No. 456 Phan Xich Long Street, Ward 2, Phu Nuan District, Ho Chi Minh City
PLPI	–	Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Kaparangan	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
PFM	–	4th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila
AAI	–	2nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City
TAL	–	Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong
PAPI and PSPC	–	25th Floor Fort Legend Tower, 3rd Avenue Fort corner 31st Street, Bonifacio Global City, Taguig City
PNX Indonesia	–	The Prominence Office Tower, 12th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera, Indonesia
Galaxi	–	1846 FB Harrison Street Pasay City

1.2 Approval of Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements (unaudited) of the Group as of and for the six months ended June 30, 2019 (including the comparative consolidated financial information as of December 31, 2018 and for the six months ended June 30, 2019 were authorized for issue by the Parent Company's Board of Directors (BOD) on August 8, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements for the three months ended June 30, 2019 and 2018 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2018.

The preparation of interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

2.2 Adoption of New and Amended PFRS

Effective in 2019 that are Relevant to the Group

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

PFRS 16	:	Leases
PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PFRS 9	:	Financial Instrument
PAS 28 (Amendments)	:	Investment in Associates – Long- Term Interest in Associates and Joint Ventures
PFRS 10 (Amendments)	:	Consolidated Financial Statements
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements – (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes
PAS 23 (Amendments)	:	Borrowing Costs
PFRS 3 (Amendments)	:	Business Combination
PFRS 11(Amendments)	:	Joint Arrangements – Remeasurement of Previously Held Interests in Joint Operations

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

The Group as a lessee

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

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

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

- the Group has the right to direct the use of the identified asset throughout the period of use.

- The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

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

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

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

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

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. A total of P115.9 million as part of the depreciation and an interest expense of P1.1 million as part of the finance cost were recorded during the first six month of 2019, as the group initially adopt PFRS 16.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. A total of P117.4 million was recognized as rent expense for short term leases during the first six months of the year.

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

The Group as a lessor

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

Finance leases

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

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

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

Operating leases

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

The Group as a lessor

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

(ii) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

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

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

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

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

(iv) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vi) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the amendments presented in the succeeding page are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements.

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.3 Financial Instruments

(a) Recognition and derecognition

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

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

(b) Classification and initial measurement of financial assets

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

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

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

The classification is determined by both:

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

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

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

(c) *Subsequent measurement of financial assets*

Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

(d) *Impairment of financial assets*

PFRS 9's new impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss' (ECL) model. This replaces PAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under PFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

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

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

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

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

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

(e) Classification and measurement of financial liabilities

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

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

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

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

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

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

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

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

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

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

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

2.4 Revenues

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

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

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

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

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

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

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

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

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

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

(b) *Fuel service and other revenues, and storage income* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. In addition, this includes revenue arising from port and cargo handling services.

(c) *Rent income* – Revenue is recognized on a straight-line basis over the lease term.

(d) *Interest income*– Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

4. REVENUES

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

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

	Six months to June 30, 2019			
	Trading	Depot and Logistics	Real Estate	Total
Primary Geographical Markets				
Philippines	P 35,778,703	P 361,892	P 55,027	P 36,195,622
Singapore	14,563,797			14,563,797
Vietnam	440,361	-	-	440,361
	P 50,782,861	P 361,892	P 55,027	P 50,782,861
Major goods/service lines				
Fuels	P 47,854,301	P -	-	P 47,854,301
LPG	2,361,707	-	-	2,361,707
Merchandise	355,973	-	-	355,973
Lubricants	332,659	-	-	332,659
Terminalling/hauling	-	361,892	-	361,892
Rentals	-	-	55,027	55,027
POS Device	57,367	-	-	57,367
	P 50,782,861	**P 361,892**	**P 55,027**	**P 50,782,861**

	Six months to June 30, 2018			
	Trading	Depot and Logistics	Real Estate	Total
Primary Geographical Markets				
Philippines	P 32,470,185	P 170,047	P 32,439	P 32,672,671
Singapore	7,575,482			7,575,482
	40,045,667	170,047	32,439	40,248,152
Major goods/service lines				
Fuel	P 37,298,432	P -	P -	P 37,298,432
Lubricants	2,020,009	-	-	2,020,009
LPG	332,370	-	-	332,370
Rentals	-	-	32,439	32,439
Terminalling/hauling	-	170,047	-	170,047
Merchandise	373,845	-	-	373,845
POS Device	21,011	-	-	21,011
	P 40,045,667	**P 170,047**	**P 32,439**	**P 40,248,152**

5. SEGMENT INFORMATION

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

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

As of June 30, 2019, there have been no change from prior periods in the measurement methods used to determine operating segments and reported segment revenues, expenses and performance.

The succeeding tables present revenue and profit information regarding segments for the six months ended June 30, 2019 and 2018 and certain asset and liability information regarding segments as at June 30, 2019 and December 31, 2018 (amounts in thousands).

	Trading		Depot and Logistics		Real Estate		Total	
	June 30,	June 30,	**June 30,**	June 30,	**June 30,**	June 30,	**June**	
30,	June 30,							
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
TOTAL REVENUES								
Sales to external customers	**P 50,782,861**	P 40,077,387	**P 361,892**	P 170,047	**P 55,027**	P 718	**P 51,199,780**	P 40,248,152
Intersegment sales	**17,274,000**	23,046	**424,405**	278,737	**8,241**	8,241		
17,706,646	310,384							
Total revenues	**68,056,861**	40,100,793	**786,297**	448,784	**63,268**	8,959	**68,906,426**	40,558,536
COSTS AND OTHER OPERATING EXPENSES								
Cost of sales and services excluding depreciation and amortization	**66,006,754**	38,198,281	**195,556**	153,409	2,446	2,267	**66,204,756**	38,353,957
Depreciation and amortization	**503,979**	332,012	**131,252**	172,028		-	**635,231**	504,040
	66,510,733	38,530,293	**326,808**	325,437	**2,446**	2,267	**66,839,987**	38,857,997
SEGMENT OPERATING PROFIT (LOSS)	**P 1,546,128**	P 1,570,500	**P 459,490**	P 123,347	**P 60,822**	P 6.692	**P 2,066,439**	P 1,700,540

	Trading		Depot and Logistics		Real Estate		Total	
	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)	**June 30, 2019 (Unaudited)**	December 31, 2018 (Audited)	**June 30, 2019 (Unaudited)**	December 31, 2018 (Audited)	**June 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
ASSETS AND LIABILITIES								
Segment assets	**P 61,732,758**	P 70,099,484	**P 8,603,062**	P 564,287	**P2,019,685**	P 415,081	**P 72,335,505**	P 71,078,852
Segment liabilities	**48,063,588**	51,410,451	**2,580,919**	421,481	**714,601**	324,206	**50,644,506**	52,150,138

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).

	June 30 2019 (Unaudited)	June 30 2018 (Unaudited)
Revenues		
Total segment revenues	**P 68,906,426**	P 40,558,538
Elimination of intersegment revenues	**(17,706,646)**	(310,384)
Revenues as reported in profit or loss	**P 51,199,780**	P 40,248,152
Profit or loss		
Segment operating profit	**P 2,066,439**	P 1,700,540
Other unallocated income		
Other unallocated expense	**-**	( )
Operating profit as reported in profit or loss	2,066,439	1,700,540
Finance costs	**(1,116,029)**	(659,569)
Finance/Other income	**36,236**	50,097
Profit before tax as reported in profit or loss	**P 986,646**	P 1,091,068

	June 30 2019 (Unaudited)	December 31 2018 (Audited)
Assets		
Segment assets	**P 72,662,703**	P 71,078,852
Deferred tax liabilities – net	**307,198**	307,198
Elimination of intercompany accounts	**(8,603,062)**	(6,566,058)
Total assets reported in the consolidated statements of financial position	**P 64,059,641**	P 64,819,992
Liabilities		
Segment liabilities	**P 50,644,506**	P 32,673,838
Elimination of intercompany accounts	**(2,580,919)**	
Total liabilities as reported in the consolidated statements of financial position	**P 48,063,588**	P 32,673,838

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.

	June 30, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**P 5,334,543,790**	**P 5,334,543,790**	P 7,889,708,807	P 7,889,708,807
Trade and other receivables-net*	**12,006,716,419**	**12,006,716,419**	11,363,226,589	11,363,226,589
Due from related parties	**393,719,628**	**393,719,628**	937,904,172	937,904,172
Construction Bond***	-	-	5,504,822	5,504,822
Restricted deposits	**69,619,290**	**69,619,290**	52,719,265	52,719,265
Refundable rental deposits	**309,930,107**	**309,930,107**	289,572,937	289,572,937
	P 18,114,529,234	**P 18,114,529,234**	P 20,538,636,592	P 20,538,636,592
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	**P 40,057,593,791**	**P 40,057,593,791**	P 39,945,245,450	P 39,945,245,450
Trade and other payables**	**6,785,315**	**6,785,315**	7,271,897,097	7,271,897,097
Security deposits	**321,726,739**	**321,726,739**	266,616,512	266,616,512
Customers' cylinder deposits	**378,833,016**	**378,833,016**	276,285,588	276,285,588
Cash bond deposits	**52,347,829**	**52,347,829**	56,702,491	56,702,491
	P 40,817,286,690	**P 40,817,286,690**	P 47,816,747,138	P 47,816,747,138

* *Excludes certain advances to suppliers and advances subject to liquidation*
** *Excludes tax-related payables*
*** *Included as part of Others under Prepayments and Other Current Assets*

5.2 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

5.3 Valuation Methods and Assumptions

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

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

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

	June 30, 2019 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 5,334,543,790	P -	P	P 5,334,543,790
Trade and other receivables - net	-	-	12,006,716,419	12,006,716,419
Due from related parties	-	-	393,719,628	393,719,628
Restricted deposits	69,619,290	-		69,619,290
Refundable rental deposits	-	-	309,930,107	309,930,107
	P 5,404,163,080	**P -**	**P 12,710,366,154**	**P 18,114,529,234**
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P -	P -	P 40,057,593,791	P 40,057,593,791
Trade and other payables	-	-	6,785,315	6,785,315
Cash bond deposits			52,347,829	52,347,829
Customers' cylinder deposits			378,833,016	378,833,016
Security deposits	-	-	321,726,739	321,726,739
	P -	**P -**	**P 40,817,286,690**	**P 40,817,286,690**

	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 7,889,708,807	P -	P -	P 7,889,708,807
Trade and other receivables - net	-	-	11,363,226,589	11,363,226,589
Due from related parties	-	-	937,904,172	937,904,172
Restricted deposits	52,719,265	-	-	52,719,265
Refundable rental deposits	-	-	289,572,937	289,572,937
	P 7,942,428,072	P -	P 12,596,208,520	P 20,538,636,592
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P -	P -	P 36,188,613,995	P 36,188,613,995
Trade and other payables	-	-	7,271,897,097	7,271,897,097
Cash bond deposits			56,702,491	56,702,491
Customers' cylinder deposits			276,285,588	276,285,588
Security deposits	-	-	266,616,512	266,616,512
	P -	P -	P 44,060,115,683	P 44,060,115,683

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:

	June 30, 2019 (Unaudited)	
	U.S. Dollar	Singapore Dollar
Financial assets	P 41,666,732	P 49,942
Financial liabilities	(106,115,123)	-
Net exposure	P 64,448,391	P 49,942

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

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

	June 30, 2019 (Unaudited) U.S. Dollar	**Singapore Dollar**
Reasonably possible change in rate	**10.808%**	**14.012%**
Effect in profit before tax	**(P 4,357,137)**	**P 6,998**
Effect in equity after tax	**(3,049,996)**	**4,899**

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

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

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually made at fixed rates. As of June 30, 2019 and 2018, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings, which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates.

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

(c) Other Price Risk

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

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

6.2 Credit Risk

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

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

Estimate of the fair value of collateral held against trade and other receivables as of June 30, 2019 and December 31,2018 follows:

	June 30,2019	Dec. 31, 2018
Standby letter of credits	**P 791,138,004**	P 940,522,926
Cash bond	**334,760,473**	318,976,639
Real estate mortgage	**74,192,730**	68,138,850
	P 1,200,091,207	P 1,327,638,425

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.

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash and cash equivalents	**P 5,334,543,790**	P 7,889,708,807
Trade and other receivables – net*	**12,006,716,419**	11,363,226,589
Due from related parties	**393,719,628**	937,904,172
Construction Deposit**	**-**	5,504,822
Restricted deposits	**69,619,290**	52,719,265
Refundable rental deposits	**309,930,107**	289,572,937
	P 18,114,529,234	P 20,538,636,592

**excluding certain advances to suppliers and advances subject to liquidation*
***included as part of Others under Prepayments and Other Current Assets*

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

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

(a) Cash and Cash Equivalents

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

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

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

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

PRR 3B	Counterparties with a sustainable financial profile and adequate business profile.	Counterparties whose risk elements are sufficiently pronounced to withstand normal business cycles but any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.	BB	0.081 – 0.26
PRR 2B	Counterparties with an average financial profile and sustainable business profile.		BB	0.261 – 0.41
PRR 1B	Counterparties with both average financial and business profile.	Credit exposure is not at risk of loss at the moment but performance of the client has weakened and unless present trends are reversed, could lead to losses.	B	0.411 – 1.13
PRR 3C	Counterparties with an average financial profile and adequate business profile.	This rating is given to a client where repayment of the receivable, through normal course of business, may be in jeopardy due to adverse events. There exists the possibility of future losses to the institution unless given closer supervision.	CCC/C	1.131 – 1.96
PRR 2C	Counterparties with a weak financial profile and adequate business profile.		CCC/C	1.961 – 3.71
PRR 1C	Counterparties with a weak financial profile and sustainable business profile.	Counterparties credits or portions thereof which exhibit more severe weaknesses. This rating is given to a counterparties	D	3.72-100
PRR D	Counterparties with a weak		D	100

	financial profile and average business profile.	whose receivables or portions thereof are considered		
PRR F	Counterparties with both weak financial profile and business profiles.	uncollectible. The collectible amount, with no collateral or which collateral is of little value, is difficult to measure and more practical to write-off than to defer even though partial recovery may be obtained in the future.	D	100

A reconciliation of the closing loss allowance for trade and other receivables and due from related parties as at June 30, 2019 and December 31, 2018 to the opening loss allowance is presented below:

	Trade and Other Receivables	Due from Related Parties
Credit Loss allowance at January1, 2019	634,396,128	P 1,908,282
Decrease in credit loss allowance during the year	(23,001,718)	2,451,245
Write-offs	-	
Recoveries	(10,708,024)	-
Credit loss allowance at June 30, 2019	**P 600,686,636**	**P 4,359,527**

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

The credit loss allowance provided as of June 30, 2019 is as follows:

Trade and Other Receivables

PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.01 – 0. 02	P 237,206,287	P 23,722
PRR 2A	BBB	0.021 – 0. 030	324,073,360	97,222
PRR 1A	BBB	0.031 –0.080	350,248,411	280,225
PRR 3B	BB	0.081 –0.260	3,181,303,308	8,296,009
PRR 2B	BB	0.261 –0.410	1,049,186,625	4,308,418
PRR 1B	B	0.411 –1.13	592,610,891	6,797,891
PRR 3C	CCC/C	1.131 – 1.96	177,232,951	3,757,961
PRR 2C	CCC/C	1.961 – 3.71	211,035,979	7,919,204
PRR 1C/D/F	D	3.72-100	2,026,343	2,026,343
			P 6,124,924,056	**P 33,606,995**

Due From Related Parties

PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 2A	BBB	0.01 – 0.03	P 1,103,681,266	P 331,104
PRR 1A	BBB	0.04 – 0.08	949,700,010	759,826
PRR 3B	BB	0.09 – 0.26	746,964,443	1,942,107
PRR 2B	BB	0.27 – 0.41	9,589,608	39,317
PRR 3C	CCC/C	0.42 - 1.96	996,816	20,288
PRR 2C	CCC/C	1.97 – 3.71	34,147,800	1,266,883
			P 2,845,079,945	**P 4,359,527**

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

Trade and Other Receivables

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

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

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.

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Not more than one month	**P 969,489,769**	P 577,035,340
More than one month but not more than two months	**944,378,629**	681,732,537
More than two months but not more than six months	**645,949,970**	1,475,835,606
More than six months but not more than one year	**464,033,625**	579,628,183
More than one year	**704,077,917**	455,810,155
	P 3,727,929,611	P 3,770,041,821

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 June 30, 2019 (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 26,297,013,455	P 1,388,333,333	P 6,791,666,667	P 5,580,580,335
Trade and other payables (excluding tax-related payables)		6,785,313,175	-	
Security deposits	-	-	321,726,739	-
Customers' cylinder deposits	-	-	-	378,833,016
Cash bond	-	-	-	52,347,829
	P 26,297,013,455	**P** 8,173,646,508	**P** 7,113,393,406	P 6,011,761,180

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

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

7. INVENTORIES

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

	June 30, 2019 (Unaudited)	**December 31, 2018** (Audited)
At cost:		
Fuels	**P 7,159,691,094**	P10,303,317,190
Lubricants	**453,630,017**	427,496,011
LPG	**262,510,185**	157,495,582
Others	**95,578,934**	247,185,503
	P 7,971,410,230	P11,135,494,286

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P**4,803.5** million and P3,045.6 million as of June 30, 2019 and December 31, 2018, respectively, have been released to the Group in trust for by the bank.

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

There was no Inventory write-down in June 30, 2019 and December 31, 2018.

8. PROPERTY, PLANT AND EQUIPMENT

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

	June 30,		December 31,
	2019 (Unaudited)	2018 (Unaudited)	2018 (Audited)
Balance at beginning of period	P 18,715,994,505	13,400,687,345	P 13,400,687,345
Business combination – net	215,698,587*	310,465,153	370,140,357
Additions	3,364,227,055	2,200,903,352	4,779,363,474
Revaluation Increments			1,219,846,043
PFRS 16 Leases (Right to Use recognition)	973,980,946		
Disposals – net	(2,175,141)	(1,820,769)	(28,844,956)
Depreciation and amortization	(635,581,410)	(484,457,851)	(1,025,197,758)
Balance at end of the period	P 22,632,144,542	P 15,425,777,230	P 18,715,994,505

*Related to PhoenixVietnam Gas LLC

9. INTANGIBLE ASSETS

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

	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of period	**P 328,054,350**	P 274,931,452	P 274,931,452
Additions	**11,914,391**	37,808,739	-
Amortization expense for the period	**(25,202,639)**	(19,232,393)	(53,122,898)
Balance at end of the period	**P 314,766,102**	P 293,507,798	P 328,054,350

10. INTEREST-BEARING LOANS AND BORROWINGS

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

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current:		
Liabilities under LC and TR	**P 5,063,645,606**	P 3,045,567,756
Term loans	**19,283,190,301**	16,667,005,937
Liabilities under short-term commercial papers	**3,338,510,882**	6,596,913,591
	27,685,346,789	26,309,487,284
Non-current –		
Obligations under finance lease*		
Term loans	**12,372,247,002**	13,590,520,166
	P 40,057,593,791	P39,900,007,450

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

10.1 Liabilities under Letters of Credits and Trust Receipts

The Group avails of LC and TR lines with local banks to finance its purchases of inventories. These short-term trust receipts bear interests based on prevailing market interest rates at an average of **6.81%** and 6.14% per annum as of June 30, 2019 and December 31, 2018, respectively.

10.2 Borrowings and Repayments

The Group has term loan with outstanding balance as of June 30, 2019 of P12,372.0 million. The loans bear interest ranging from 5.5 % to 7.6% and is repayable in various dates until 2025.

As of June 30, 2019, repayments of term loans amounting to P 671,666.6 million were made in line with previously disclosed repayment terms.

11. RELATED PARTY TRANSACTIONS

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

The summary of the Group's transactions with its related parties for the periods ended June 30, 2019 and 2018 and the related outstanding balances as of June 30, 2019 and December 31, 2018 is presented below.

Related Party Category	Amount of Transactions		Outstanding Balance	
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	**June 30, 2019 (Unaudited)**	December 31 2018 (Audited)
Other related parties under common Ownership				
Sale of subsidiaries			**P**	P 500,000,000
Sale of goods	**17,273,555,852**	1,976,953,702		1,851,288,462
Purchases of services				2,467,366
Advances to suppliers		-	-	-
Management fees	**162,576,436**		**243,999,368**	86,598,808
Rentals		40,886,212		5,774,879
Due from related parties	-			929,271,644
Due to related parties	**-**	-	**-**	-
Donations	**-**	-	**-**	-
Udenna Corporation				
Advances to suppliers	**-**	-		1,167,194,841
Rentals	-	3,842,000	-	710,545
Associate				
Technical ship Services	-	-	**-**	-
Key management personnel				
Salaries and employee benefits	**122,899,802**	73,372,350	-	-

11.1 Sale of Goods

The Group sells products to certain related parties under common ownership. Goods are sold on the basis of the price lists in force with non-related parties. The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized for the three months ended June 30, 2019 and 2018 based on management's assessment.

11.2 Purchases of Goods and Services

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

In addition, the Group advances certain amount to certain related parties for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of the three months ended June 30, 2019.

11.3 Due from Related Parties

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

11.4 Disposal and Acquisition of Subsidiaries / Joint Ventures

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

On March 14, 2019, Phoenix Pilipinas Gas and Power Inc. was incorporated. Its primary business purpose is to engage in trading and selling in wholesale basis of natural gas and liquefied natural gas.

There is no disposal of subsidiaries for the six months ended June 30, 2019.

12. EQUITY

12.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	For the six months Ended June 30, (Unaudited)		For the year ended December 31, 2018	For the six months ended June 30, (Unaudited)		For the year ended December 31, 2018
	2019	2018	(Audited)	**2019**	2018	(Audited)
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issued:						
Balance at beginning of year	**22,000,000**	30,000,000	30,000,000	**P 22,000,000**	P 30,000,000	P 30,000,000
Issuance during the year	**-**	-	2,000,000	**-**	-	2,000,000
Balance at end of year	**22,000,000**	30,000,000	32,000,000	**22,000,000**	30,000,000	32,000,000
Treasury shares	**(5,000,000)**	(5,000,000)	(10,000,000)	**(5,000,000)**	(5,000,000)	(10,000,000)
Issued and outstanding	**17,000,000**	25,000,000	22,000,000	**P 17,000,000**	P 25,000,000	P 22,000,000
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P 2,500,000,000
Issued:						
Balance at beginning of year	**1,090,004,232**	1,431,538,232	1,428,777,232	**P 1,090,004,232**	P1,431,538,232	P 1,431,538,232
Issuance during the year		2,201,000	2,766,000		2,201,000	2,766,000
Balance at end of year	**1,090,004,232**	1,433,739,232	1,431,538,232	**1,090,004,232**	1,433,739,232	1,434,304,232
Treasury shares			(31,000,000)	**-**		(344,300,000)
Issued and outstanding	**1,090,004,232**	1,433,739,232	1,403,304,232	**P 1,090,004,232**	P1,433,739,232	P 1,090,004,232
				P 1,107,004,232	P1,458,739,232	P 1,112,004,232

12.2 Employee Stock Options

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

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

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

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

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

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

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

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

12.3 Cash Dividends

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

	2019	2018
Common shares	**P 296,952,933**	P 214,730,735
Preferred shares	**73,789,368**	97,455,000
	P 370,742,301	P 312,185,735

12.4 Other Interim Disclosures

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

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

12.5 Earnings Per Share

EPS were computed as follows:

	For the six months ended June 30, (Unaudited)		For the year ended December 31, 2018
	2019	2018	(Audited)
a) Net profit pertaining to common shares	**P 823,036,930**	P 872,342,578	P 2,455,907,552
b) Net profit attributable to common shares and potential common shares	**823,036,930**	872,342,578	2,455,907,552
c) Weighted average number of outstanding common shares	**1,403,304,232**	1,436,881,267	1,424,576,265
d) Weighted average number of outstanding common and potential common shares	**1,403,304,232**	1,441,664,302	1,426,593,300
Basic EPS (a/c)	**P 0.59**	P .61	P 1.72
Diluted EPS (b/d)	**P 0. 59**	P .61	P 1.72

13. COMMITMENTS AND CONTINGENCIES

As of June 30, 2019 and December 31, 2018, the Group has commitments of more than P3,000.0 million and P6,000.0 million, respectively, for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 630 and 615 operating retail service stations as of June 30, 2019 and December 31, 2018, respectively. An additional of 10 and 8 retail service stations are opened and under various stages of completion as of June 30, 2019 and December 31, 2018, 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 June 30, 2019 and December 31, 2018, the Parent Company has unused LCs amounting to P11,507.8 million and P17,111.3 million, respectively.

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

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

14. EVENTS AFTER THE REPORTING PERIOD

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

15. SEASONAL FLUCTUATIONS

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

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

Comparable discussion on Material Changes in Results of Operations for the Period Ended June 30, 2019 vs. June 30, 2018.

Revenues, Cost of Sales and Gross Margins

The Group's **Revenues** during the first half of 2019 grew to ₱51.200 billion, about 27.2% higher compared to the ₱40.248 billion generated in the same period of 2018. This was mainly due to the 28.0% growth in total volume sold for the comparative six-month period (2019: 1,623 million liters vs. 2018: 1,271 million liters). In addition, the second round of increase in the excise tax rates of petroleum products under the Tax Reform for Acceleration and Inclusion (TRAIN) law was implemented starting January 2019 resulting in the rise of domestic oil prices. This was augmented by the ₱0.637 billion sales contributed by Philippine Family Mart CVS, Inc. (PFM) and ₱57 million sales contributed by Action Able, Inc.

The 352 million liters incremental sales volume was mainly attributable to the additional 180 million liters sold by Pnx Singapore to third parties as well as the 21 million liters sold by PNX Vietnam. Moreover, volume sold by both the parent company and Phoenix LPG Philippines, Inc. (PLPI) were higher by 112 million liters (12.9%) and 12 million liters (24.4%), respectively, during the comparative years.

Similarly, **Cost of Sales and Services** increased by 27.2%, from ₱35.813 billion in the first half of 2018 to ₱45.557 billion in the same period of 2019, as a result of the volume growth and the imposition of the new excise tax rates.

Consequently, **Gross Margin** rose by 27.2% or ₱1.208 billion, with Gross Margin Rate sustained at 11%.

Operating Expenses, Non-operating Expenses, Recurring Income

Selling and Administrative Expenses grew by 30.8% to ₱3.576 billion during the first half of 2019 vis-à-vis the ₱2.734 billion 2018 level in spite of the 21.0% growth in volume sold. The company continued to implement cost-effective programs aimed to streamline its processes and reduce cost.

On the other hand, **Net Non-operating Charges** of ₱1.080 billion was ₱0.470 billion more than the ₱0.609 billion incurred in 2018. The 77.2% increment was mainly on account of the combined effect of the increase in benchmark lending rates implemented starting in May 2018, as well as the additional debts incurred to finance the company's network expansion program, including its support systems and facilities.

Operating, Net and Comprehensive Incomes

Notwithstanding the increase in operating expenses, the 2019 **Operating Income** of ₱2.066 billion grew by 21.5% (₱0.366 billion) compared to the 2018 Operating Income of ₱1.700 billion.

However, with the rise in Net Non-operating Charges, the 2019 **Net Income Before Tax** (NIBT) of ₱0.987 billion declined by 9.6% (₱0.104 billion) vis-à-vis the 2018 NIBT of ₱1.091 billion.

Meanwhile, for the first half of 2019, the company recorded a ₱0.032 billion translation adjustment related to Pnx SG's operations, slightly lower than the ₱0.039 billion recorded in 2018. As such, **Comprehensive Income** of ₱0.929 billion, was 7.9% lower than the ₱1.009 billion reported in the same period in 2018.

Financial Condition
(As of June 30, 2019 versus December 31, 2018)

Consolidated resources as of June 30, 2019 stood at ₱64.059 billion, slightly lower than ₱64.660 billion level as of December 31, 2018. This was mainly due to the decrease in Cash and Cash Equivalents used in the settlement of debts and partial redemption of the company's Preferred Shares.

Cash and Cash Equivalents decreased by 32% (from ₱7.890 billion in December 31, 2018 to ₱5.334 billion as of June 30, 2019) as the company settled its maturing loans and partly redeemed Preferred Shares.

Similarly, **Trade and Other Receivables** increased by 1.2% (from ₱15.031 billion as of December 31, 2018 to ₱15.218 billion as of June 30, 2019) inspire the increase in revenue resulting from the intensified collections strategy.

Inventory was 28.4% lower at ₱7.971 billion as of June 30, 2019, from ₱11.135 billion as of December 31, 2018 as the company effected strategies to reduce its days inventory.

As of June 30, 2019, the Group's **Property and Equipment**, net of accumulated depreciation, increased to ₱22.632 billion versus the ₱18.716 billion as of December 31, 2018. The 20.9% growth represented the value of the assets of the newly acquired subsidiaries, the continuing expansion program of the group and the implementation of PFRS 16.

Interest-bearing Loans and Borrowings, both current and non-current of ₱40.058 billion as of June 30, 2019 slightly increased from ₱39.900 billion as of December 31, 2018 or by 0.4%. The availment of new loans to service the working capital requirements, the bulk of which was drawn by PNX SG, as well as the company's various capital expenditures was partly offset by the settlement of debts.

Trade and Other Payables decreased by 26.8% from ₱7.435 billion as of December 31, 2018 to ₱5.447 billion as of June 30, 2019 in conjunction with the management of company's inventory.

Total Stockholders' Equity increased to ₱15.996 billion as of June 30, 2019 from ₱15.973 billion as of December 31, 2018, (by 0.1%). The 7.1% growth in retained earnings came from the ₱0.929 billion net income realized during the first six months of 2019, but partly offset by the payment of dividends on both Common and Preferred shares, as well as the partial redemption of Preferred issued in prior years.

Key Performance Indicators and Relevant Ratios

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

	June 30, 2019	December 31, 2018
Current Ratio[1]	1.5x : 1x	1.1x : 1x
Debt to Equity Ratio[2]	3.0x : 1x	3.0x : 1x
Net Book Value per Share[3]	₱8.71	₱8.68
Debt to Equity Interest-Bearing[4]	2.5x : 1x	2.5x : 1x
Earnings per Share[5]	₱0.59	₱1.72

Notes:
1 - Total current assets divided by current liabilities
2 - Total liabilities divided by tangible net worth
3 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding
4 - Interest Bearing Debts divided by Total stockholder's equity
5 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

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

Material (5% or more) Changes to the Group's Balance Sheet as of June 30, 2019 vs. December 31, 2018

32% decrease in Cash and Cash Equivalents
Settlement of debts during the period.

28% decrease in Inventory
Reduced days inventory.

65% increase in Prepayments and other current assets.
Due to the renewal of insurances and local government taxes of all the assets, prepaid rentals advertising and other services and acquisitions which will cover the periods beyond June 30, 2019.

21% increase in PPE
Due to new acquisitions, and construction of new retail and depot facilities, and the recognition of Right to Use Asset in compliance with the implementation of PFRS 16.

15% increase in Goodwill
Due to the acquisition of Phoenix Gas Vietnam.

23% increase in Non-current Asset
Due to the increase in security and rent deposit for leases and rentals.

5% increase in Interest Bearing Loans- Current
Due to the Long Term Contracts maturing within 12 months from June 30, 2019.

27% decrease in Trade Payables
In relation to the decrease in days inventory

21% increase in Income Tax Payable
Due to the increased Taxable Income of Non-ITH Subsidiaries, net of applied Withholding Tax Certificates

9% decrease in Interest Bering Loans - Non-current
Net of the settled and maturing in the next 12 months after June 30, 2019

195% increase in Non-current liabilities
Due the recognition of Finance Lease Liabilities in compliance with PFRS 16

7% decrease in Additional Paid-in Capital
Due to the Preferred Shares Redemption

72% decrease in Accumulated Translation Adjustments
Due to increased transaction of the foreign currency denominated subsidiary, Pnx Singapore.

7% increase in Retained Earnings
Increase coming from the Net Income after tax net of the dividends declared and distributed during the year.

Material (5% or more)changes to the Group's Income Statement as of June 30, 2019 vs. June 30, 2018

27% increase in Sale of Goods
Due to the revenues coming from the new subsidiaries namely; PLPI, Pnx SG and Pnx Energy, coupled with the additional volume sold relative to last year (by 34%). The parent company recorded an 8% improvement on its volume sold this year while Pnx SG volume increased by 20% compared to the same period of last year.

106% increase in fuel service, storage income, rental income and other revenue
This is due increase in into-plane services, additional rental income from new retail stations, non-fuel related businesses and from Action Able, Inc.

27% increase in Cost of Sales and Services
This mirrors the increase in the sale of goods, reflecting the price movements in the world market during the year which is little higher compared to the same period in 2018. The increase in excise tax rates on petroleum products also contributed to the increment.

69% increase in Finance Costs
A substantial portion represents interest from the P6B loan used to acquire Petronas during the last quarter of 2017 and from the 7B STCP from PNB capital.

72% increase in Finance Income and Others
Net realized and unrealized forex gains and additional income of Pnx SG.

100% increase in Equity Share in Net Income of a Joint Venture
This is the net share from PAPI, PSPC and Galaxi join ventures.

24% decrease in Other income
Lower Other and Miscellaneous Income.

26% decrease in Tax Expense
Due to the additional ITH granted to the parent company.

18% decrease in Translation Adjustments
Due to the increased forex exposure on the increased transactions of the foreign denominated subsidiary.

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

PART II – OTHER INFORMATION

1. The Parent Company held its annual stockholders' meeting last March 15, 2019 at the Phoenix Petroleum Corporate Headquarters, Lanang, Davao City, Philippines.

2. The Board of Directors approved the declaration of cash dividend of ₱0.15 per share as disclosed last March 14, 2019, with record date of April 8, 2019 and payment date of May 8, 2019.

3. The Board of Directors has declared cash dividends for the Company's preferred shares (3rd Tranche) for the first half of 2019 as follows:

Shares	Record Date	Payment Date	Interest Rate Per Annum
PNX3A	February 19, 2019	March 18, 2019	7.427%
PNX3B	February 19, 2019	March 18, 2019	8.1078%
PNX3A	May 22, 2019	June 18, 2019	7.427%
PNX3B	May 22, 2019	June 18, 2019	8.1078%

4. On December 2018, the Company obtained approval from the Securities and Exchange Commission (SEC) for the registration and listing of Short Term Commercial Papers through the Philippine Dealing and Exchange Corporation (PDEX) up to the amount of PHP 10B with a three year validity period. On December 27, 2018 it listed and raised a total of PHP 7B in two tranches: Series A-1 amounting to PHP 3.5B with a discount rate of 7.0937% and is due in 180 days, and Series A-2 amounting to PHP 3.5B with a discount rate of 7.4717% and is due in 360 days. Series A-1 was fully redeemed on June 25, 2019 and on July 26, 2019 the Company filed notice with the SEC to subscribe and list up to PHP 3.5B under Series B of the Commercial Paper Program. Series B shall have a tenor of 360 days. As of July 31, 2019 confirmed orders amounted to P3.5B at a discounted rate of 7.00%. This shall be listed on the PDEX on August 5, 2019.

5. As of June 30, 2019, there are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result, in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity issues. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

6. 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.

7. 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.

8. 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

10 May 2019

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

Philippine Stock Exchange
Disclosure Department
6/F PSE Tower, 28th Street corner 5th Avenue,
BGC, Taguig 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

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

Ladies and Gentlemen:

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

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

COVER SHEET

A	2	0	0	2	0	7	2	8	3	

S.E.C. Registration Number

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

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

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

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

DENNIS A. UY
Contact Person

(082) 235-8888
Company Telephone Number

1	2	3	1	SEC FORM 17-Q	3	last Friday XX
Month		Day		FORM TYPE	Month	Day
Fiscal Year Ending					Annual Meeting	

CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE
Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

61
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

Amount of Debt Outstanding as of 31 March 2019: Php49,404,171,310.00

11. Are any or all of the securities listed on the Stock Exchange?	Yes [✓] No [ ]
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:	Philippine Stock Exchange Common Shares Preferred Shares

12. Check whether the issuer has:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports):	Yes [✓] No [ ]
(b) has been subject to such filing requirements for the past ninety (90) days:	Yes [✓] No [ ]

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

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

See Notes to Consolidated Financial Statements.

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

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

See Notes to Consolidated Financial Statements.

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

		Capital Stock												
	Notes	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Common Treasury Stock - At Cost	Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Accumulated Translation Adjustment	Retained Earnings	Total Equity Attributable to the Shareholders of Parent Company	Non-controlling Interest	Total Equity
Balance at January 1, 2019		**32,000,000**	**(10,000,000)**	**1,434,304,232**	**(344,300,000)**	**1,112,004,232**	**7,233,692,486**	**827,510,428**	**(730,361,725)**	**24,928,394**	**7,542,843,961**	**16,010,617,776**	**(36,944,919)**	**15,973,672,857**
Cash dividends											**(79,665,000)**	**(79,665,000)**		**(79,665,000)**
Issuance of shares during the year														
Adjustments for adoption of PFRS 16											**158,812,135**	**158,812,135**		**158,812,135**
Acquisition of shares during the year														
Share-based compensation														
Business combination													**11,641,882**	**11,641,882**
Translation adjustments during the year										**(28,823,905)**		**(28,823,905)**	**(3,027,828)**	**(31,851,733)**
Total comprehensive income for the year											**417,698,931**	**417,698,931**		**417,698,931**
Balance at March 31, 2019		**32,000,000**	**(10,000,000)**	**1,434,304,232**	**(344,300,000)**	**1,112,004,232**	**7,233,692,486**	**827,510,428**	**(730,361,725)**	**(3,895,511)**	**8,039,690,027**	**16,478,639,937**	**(28,330,864)**	**16,450,309,073**
Balance at January 1, 2018		30,000,000	(5,000,000)	1,431,538,232	-	1,456,538,232	5,709,303,309	(2,306,049)	(730,361,725)	(6,065,195)	5,574,650,498	12,001,759,070		12,001,759,070
Sale of treasury shares	28													
Cash dividends	28										(263,458,236)	(263,458,236)		(263,458,236)
Acquisition of shares during the year	28													
Issuance of shares during the year	28													
Share-based compensation	24													
Translation adjustments during the year	2									26,063,535	(76,132,501)	(50,068,966)		(50,068,966)
Total comprehensive income for the year											464,753,888	464,753,888		464,753,888
Balance at March 31, 2018		30,000,000	(5,000,000)	1,431,538,232	-	1,456,538,232	5,709,303,309	(2,306,049)	(730,361,725)	19,998,340	5,699,813,649	12,152,985,756	-	12,152,985,756

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

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

See Notes to Consolidated Financial Statements.

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

1. GROUPINFORMATION

1.1 Incorporation and Operations

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

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

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

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

1.2 Subsidiaries, Associate, Joint Venture and their Operations

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

Subsidiaries/Joint Venture	Explanatory Notes	Percentage of Ownership 2018	2017
Direct interest:			
Subsidiaries			
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. [4]	(f)	**100.00%**	100.00%
Philippine FamilyMart CVS, Inc. (PFM) [1]	(g)	**100.00%**	-
PNX Energy International Holdings, Pte. Ltd. (PNX Energy) [1]	(h)	**100.00%**	-
Action.Able, Inc.(AAI) [1]	(i)	**74.90%**	-
Think.Able Limited (TAL) [1]	(j)	**74.90%**	-
Joint venture			
Phoenix Asphalt Philippines, Inc.[3]	(k)	**40.00%**	-
Indirect interest:			
Kaparangan, Inc. (Kaparangan) [2,4]	(l)	**100.00%**	100.00%
PNX (Vietnam) Pte. Ltd. (PNX Vietnam) [5]	(m)	**100.00%**	-
PT Phoenix Petroleum Indonesia (PNX Indonesia)[6]	(n)	**100.00%**	-
Galaxi Petroleum Fuel, Inc. (Galaxi)[7]	(o)	**51.00%**	-
Phoenix Southern Petroleum Corp. (PSPC)[7]	(p)	**51.00%**	-

Notes:
1 New subsidiaries
2 Wholly-owned subsidiary of Duta
3 Joint venture of Parent Company
4 Duta and Kaparangan, collectively known as Duta Group
5 Subsidiary of PNX Energy
6 Subsidiary of PGMI
7 Joint venture of PPMI

(a) Incorporated on January 31, 2007 and is engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations.

(b) Incorporated on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI started commercial operations in 2007 and temporarily ceased its operation in 2008 but has resumed its business in October 2015 through selling of acid oil and coconut fatty acid distillates, both are by-products from manufacturing of coconut methyl ester (CME).

(c) Incorporated on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use.

(d) Incorporated on October 30, 2012 in Singapore and started operations in October 2017. It is the regional trading arm of the Group. It currently holds office in Singapore and is able to buy directly from the refineries in the region due to its bigger requirements. It also sells to other local and regional buyers.

(e) Incorporated on June 20, 1995 to engage in the buying, selling, storing, distributing, and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas (LPG) and other petroleum products.

(f) Incorporated on November 9, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing of land.

(g) Incorporated on November 29, 2012. PFM is engaged in the business of operating convenience stores (CVS) under the trademark "FamilyMart" either by direct operation and/or by franchise system in the Philippines and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.

(h) Incorporated on October 29, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses but has not yet started commercial operations as of December 31, 2018.

(i) Incorporated on May 6, 2015 to engage in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or ecommerce and to engage in the business of providing an outline digital network for the purpose of digital marketing and/or e-commerce accessible through electronic devices.

(j) Incorporated on May 5, 2014 and is a Hong Kong based company that handles the trademark of AAI.

(k) Incorporated on March 23, 2018 and was established to import, store, manufacture, sell market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

(l) Incorporated on January 21, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.

(m) Incorporated on October 30, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses and has not yet started its commercial operations.

(n) Incorporated on September 10, 2018 in Indonesia to serve as an avenue for the Parent Company to explore business opportunities in different parts of Indonesia. PNX Indonesia has not yet started its commercial operations.

(o) Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.

(p) Incorporated on July 5, 2018 to operate petroleum service stations in areas within Southern Luzon under the Parent Company's name and brand.

1.1 Other Corporate Information

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

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

1.2 Approval of Interim Condensed Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basisof Preparation of Interim Condensed Consolidated Financial Statements

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

The preparation of interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

2.2 Adoption of New and Amended PFRS

Effective in 2019 that are Relevant to the Group

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

PFRS16	:	Leases
PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PFRS 9	:	Financial Instrument
PAS28 (Amendments)	:	Investment in Associates – Long- Term Interest in Associates and Joint Ventures
PFRS 10 (Amendments)	:	Consolidated Financial Statements
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements – (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes
PAS 23 (Amendments)	:	Borrowing Costs
PFRS 3 (Amendments)	:	Business Combination
PFRS 11(Amendments)	:	Joint Arrangements – Remeasurement of Previously Held Interests in Joint Operations

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

The Group as a lessee

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

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

- the Group has the right to obtain substantially all of the economic benefits from use of theidentified asset throughout the period of use, considering its rights within the defined scope ofthe contract.

- the Group has the right to direct the use of the identified asset throughout the period of use.

- The Group assess whether it has the right to direct 'how and for what purpose' the asset is usedthroughout the period of use.

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

The Group as a lessor

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

Finance leases

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

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

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

Operating leases

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

The Group as a lessor

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

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

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

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

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

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

(iv) PAS 28(Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vi) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the amendments presented in the succeeding page are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements.

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends.* The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization.* The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation.* The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.3 Financial Instruments

(a) Recognition and derecognition

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

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

(b) Classification and initial measurement of financial assets

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

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

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

The classification is determined by both:

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

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

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

(c) *Subsequent measurement of financial assets*

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

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

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

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

Financial assets at fair value through other comprehensive income (FVOCI)
The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

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

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

(d) *Impairment of financial assets*

PFRS 9's new impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss' (ECL) model. This replaces PAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under PFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

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

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

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

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

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

(e) *Classification and measurement of financial liabilities*

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

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

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

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

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

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

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

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

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

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

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

2.4 *Revenues*

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

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

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

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

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

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

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

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

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

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

(b) *Fuel service and other revenues, and storage income* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. In addition, this includes revenue arising from port and cargo handling services.

(c) *Rent income* – Revenue is recognized on a straight-line basis over the lease term.

(d) *Interest income*– Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

4. REVENUES

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

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

	Three months to March 31, 2019			
	Trading	Depot and Logistics	Real Estate	Total
Primary Geographical Markets				
Philippines	**P** 17,561,821	P 63,526	P 15,175	P 17,640,522
Singapore	6,452,110	-	-	6,452,110
	P 24,013,931	**P 63,526**	**P 15,175**	**P 24,092,632**
Major goods/service lines				
Fuels	**P** 22,557,852	P -		P 22,557,852
LPG	1,223,243	-	-	1,223,243
Merchandise	589	-	-	589
Lubricants	162,731	-	-	162,731
Terminalling/hauling	-	63,526	-	63,526
Rentals	15,035	-	140	15,175
POS device	32,584	-	-	32,584
Others	36,932	-	-	36,932
	P 24,028,966	**P 63,526**	**P 140**	**P 24,092,632**

	Three months to March 31, 2018			
	Trading	Depot and Logistics	Real Estate	Total
Primary Geographical Markets				
Philippines	**P** 15,478,553	P 48,534	P 12,378	P 15,539,465
Singapore	2,543,214			2,543,214
Major goods/service lines				
Fuel	**P** 16,901,917	P -	**P** -	**P** 16,901,917
Lubricants	154,010	-	-	154,010
LPG	957,801	-	-	957,801
Rentals	12,117	-	261	12,378
Terminalling/hauling	-	48,534	-	48,534
Merchandise	4,651	-	-	4,651
Others	3,388	-	-	3,388
	P 18,033,884	**P 48,534**	**P 261**	**P 18,082,679**

5. SEGMENT INFORMATION

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

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

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

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

	Trading		Depot and Logistics		Real Estate		Total	
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	**March 31, 2019 (Unaudited)**	March 31, 2018 (Unaudited)	**March 31, 2019 (Unaudited)**	March 31, 2018 (Unaudited)	**March 31, 2019 (Unaudited)**	March 31, 2018 (Unaudited)
TOTAL REVENUES								
Sales to external customers	**P 24,013,931**	P 18,066,181	**P 63,526**	P 12,117	**P 15,715**	P 4,381	**P424,092,632**	P 18,082,679
Intersegment sales	**7,234,813**	-	**92,321**	110,120	**4,120**	-	**7,331,254**	110,120
Total revenues	**31,248,744**	18,822,683	**155,847**	122,237	**19,295**	4,381	**31,423,886**	18,192,799
COSTS AND OTHER OPERATING EXPENSES								
Cost of sales and services excluding depreciation and amortization	**29,951,380**	17,072,956	**65,830**	97,970	**1,767**	1,597	**30,018,977**	17,172,343
Depreciation and amortization	**289,000**	187,226	**59,355**	47,566	**35,395**	-	**383,750**	234,792
	30,240,380	17,260,182	**125,185**	145,356	**37,162**	1,597	**30,402,727**	17,407,135
SEGMENT OPERATING PROFIT (LOSS)	**P 1,008,364**	P 805,999	**P 30,662**	P (23,119)	**P(17,867)**	P 2,784	**P 1,021,159**	P 785,664

	Trading		Depot and Logistics		Real Estate		Total	
	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)	**March 31, 2019 (Unaudited)**	December 31, 2018 (Audited)	**March 31, 2019 (Unaudited)**	December 31, 2018 (Audited)	**March 31, 2019 (Unaudited)**	December 31, 2018 (Audited)
ASSETS AND LIABILITIES								
Segment assets	**P 65,282,610**	P 70,099,484	**P 8,513,166**	P 564,287	**P 571,870**	P 415,081	**P 74,367,646**	P 71,078,852
Segment liabilities	**48,836,504**	51,410,451	**255,230**	421,481	**312,437**	324,206	**49,404,171**	52,150,138

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).

	March 31 2019 (Unaudited)	March 31 2018 (Unaudited)
Revenues		
Total segment revenues	**P 31,423,886**	P 18,192,799
Elimination of intersegment revenues	**(7,331,254)**	(110,120)
Revenues as reported in profit or loss	**P 24,092,632**	P 18,082,679
Profit or loss		
Segment operating profit	**P 1,021,159**	P 785,664
Other unallocated income		24,064
Other unallocated expense	**-**	(3,046)
Operating profit as reported in profit or loss	**1,021,159**	808,682
Finance costs	**(582,444)**	(326,638)
Finance income	**27,357**	7,811
Profit before tax as reported in profit or loss	**P 466,072**	P 489,855

	March31 2019 (Unaudited)	December 31 2018 (Audited)
Assets		
Segment assets	**P 74,367,646**	P 71,078,852
Deferred tax liabilities – net	**615,104**	307,198
Elimination of intercompany accounts	**(9,128,270)**	(6,566,058)
Total assets reported in the consolidated statements of financial position	**P 65,854,480**	P 64,819,992
Liabilities		
Segment liabilities	**P 49,404,171**	P 32,673,838
Elimination of intercompany accounts		
Total liabilities as reported in the consolidated statements of financial position	**P 49,404,171**	P 32,673,838

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

5.1 Carrying Amounts and Fair Values by Category

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

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

* *Excludes certain advances to suppliers and advances subject toliquidation*
** *Excludes tax-related payables*
*** *Included as part of Others under Prepayments and Other Current Assets*

5.2 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

5.3 Valuation Methods and Assumptions

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

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

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

	March 31, 2019 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 5,182,047,666	P -	P -	P 5,182,047,666
Trade and other receivables - net	-	-	13,376,585,175	13,376,585,175
Due from related parties	-	-	937,904,272	937,904,272
Restricted deposits	53,421,713	-		53,421,713
Refundable rental deposits	-	-	729,285,265	223,417,240
	P5,235,469,379	**P -**	**P15,043,774,712**	**P20,279,244,091**
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P -	P -	P 39,737,688,286	P 39,737,688,286
Trade and other payables	-	-	7,570,620,203	7,570,620,203
Cash bond deposits			16,599,752	16,599,752
Customers' cylinder deposits			309,968,874	309,968,874
Security deposits	-	-	305,192,297	305,192,297
	P -	**P -**	**P 47,940,069,411**	**P47,940,069,411**

	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 7,889,708,807	P -	P -	P 7,889,708,807
Trade and other receivables - net	-	-	11,363,226,589	11,363,226,589
Due from related parties	-	-	937,904,172	937,904,172
Restricted deposits	52,719,265	-	-	52,719,265
Refundable rental deposits	-	-	289,572,937	289,572,937
	P 7,942,428,072	P -	P 12,596,208,520	P 20,538,636,592
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P -	P -	P 36,188,613,995	P 36,188,613,995
Trade and other payables	-	-	7,271,897,097	7,271,897,097
Cash bond deposits			56,702,491	56,702,491
Customers' cylinder deposits			276,285,588	276,285,588
Security deposits	-	-	266,616,512	266,616,512
	P -	P -	P 44,060,115,683	P 44,060,115,683

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:

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

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

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, usingstandard deviation, in the previous three and 12 months, respectively, at a 99% confidence level.

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

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

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

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually made at fixed rates. As of March 31, 2019 and 2018, the Group is exposed to changes in market interest ratesthrough 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 liabilitieshave fixed rates.

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

(c) Other Price Risk

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

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

6.2 Credit Risk

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

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

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

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

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 thedetailed analysis provided in the notes to the consolidated financial statements, as follows.

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash and cash equivalents	**P 5,182,047,666**	P 7,889,708,807
Trade and other receivables – net*	**13,376,585,175**	11,363,226,589
Due from related parties	**937,904,172**	937,904,172
Construction Deposit**		5,504,822
Restricted deposits	**53,421,713**	52,719,265
Refundable rental deposits	**729,285,265**	289,572,937
	P20,279,244,091	P20,538,636,592

**excluding certain advances to suppliers and advances subject to liquidation*
***included as part of Others under Prepayments and Other Current Assets*

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

(a) Cash and Cash Equivalents

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

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

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

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

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

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

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

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

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

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

Trade and Other Receivables				
PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.01 – 0. 02	P 256,420,967	P 25,642
PRR 2A	BBB	0.021 – 0. 030	371,574,739	111,472
PRR 1A	BBB	0.031 –0.080	378,149,347	222,663
PRR 3B	BB	0.081 –0.260	2,367,973,565	6,159,272
PRR 2B	BB	0.261 –0.410	1,156,028,592	4,746,307
PRR 1B	B	0.411 –1.13	730,869,044	8,274,557
PRR 3C	CCC/C	1.131 – 1.96	73,260,034	1,774,366
PRR 2C	CCC/C	1.961 – 3.71	227,827,336	8,487,418
PRR 1C/D/F	D	3.72-100	680,308,696	579,949,174
			P 6,142,412,320	**P 609,750,871**

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

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

Trade and Other Receivables

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

Due From Related Parties

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

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.

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

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

6.3 Liquidity Risk

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

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

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

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

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

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

7. INVENTORIES

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

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

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

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

9. INTANGIBLE ASSETS

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

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

10. INTEREST-BEARING LOANS AND BORROWINGS

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

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

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

10.1 Liabilities under Letters of Credits and Trust Receipts

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

10.2 Borrowings and Repayments

During the period, the Group obtained various term loans with banks in the total amount of P12,657.0 million with outstanding balance as of March 31, 2019 of P12,657.0 million.The loansbear interest ranging from 5.80% to 7.75% and is repayable in various dates until July26, 2019.

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

11. RELATED PARTY TRANSACTIONS

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

The summary of the Group's transactions with its related parties for the periods ended March 31, 2019 and 2018 and the related outstanding balances as of March 31, 2019 and December31, 2018 is presented below.

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

11.1 Sale of Goods

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

11.2 Purchases of Goods and Services

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

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

11.3 Due from Related Parties

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

11.4 Disposal and Acquisition of Subsidiaries / Joint Ventures

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

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

12. EQUITY

12.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	For the three months Ended March 31, (Unaudited)		For the year ended December 31, 2018	For the three months ended March 31, (Unaudited)		For the year ended December 31, 2018
	2019	2018	(Audited)	**2019**	2018	(Audited)
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issued:						
Balance at beginning of year	**22,000,000**	30,000,000	30,000,000	**P 22,000,000**	P 30,000,000	P 30,000,000
Issuance during the year	**-**	-	2,000,000	**-**	-	2,000,000
Balance at end of year	**22,000,000**	30,000,000	32,000,000	**22,000,000**	30,000,000	32,000,000
Treasury shares	**(-)**	(5,000,000)	(10,000,000)	**(-)**	(5,000,000)	(10,000,000)
Issued and outstanding	**22,000,000**	25,000,000	22,000,000	**P 22,000,000**	P 25,000,000	P 22,000,000
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P 2,500,000,000**	P2,500,000,000	P 2,500,000,000
Issued:						
Balance at beginning of year	**1,403,304,232**	1,431,538,232	1,428,777,232	**P 1,090,004,232**	P1,431,538,232	P 1,431,538,232
Issuance during the year		-	2,766,000		-	2,766,000
Balance at end of year	**1,403,304,232**	1,431,538,232	1,431,538,232	**1,090,004,232**	1,431,538,232	1,434,304,232
Treasury shares	**-**		(31,000,000)	**-**		(344,300,00)
Issued and outstanding	**1,403,304,232**	1,431,538,232	1,403,304,232	**P 1,090,004,232**	P1,431,538,232	P 1,090,004,232
				P 1,112,004,232	P1,456,538,232	P 1,112,004,232

12.2 Employee Stock Options

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

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

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

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

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

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

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

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

12.3 Cash Dividends

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

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

12.4 Other Interim Disclosures

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

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

12.5 Earnings Per Share

EPS were computed as follows:

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

13. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

14. EVENTS AFTER THE REPORTING PERIOD

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

15. SEASONAL FLUCTUATIONS

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

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

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

Revenues, Cost of Sales and Gross Margins

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

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

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

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

Operating Expenses, Non-operating Expenses, Recurring Income

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

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

Operating, Net and Comprehensive Incomes

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

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

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

Financial Condition
(As of March 31, 2019 versus December 31, 2018)

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

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

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

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

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

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

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

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

Key Performance Indicators and Relevant Ratios

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

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

Notes:
1 - Total current assets divided by current liabilities
2 - Total liabilities divided by tangible net worth
3 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding
4 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)
5 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

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

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

34% decrease in Cash and Cash Equivalents
Settlement of debts during the period.

12% decrease in Input Vat-Net
Lower input VAT from purchases compared to the output VAT on sales.

131% increase in Prepayments and other current assets.
Due to the renewal of insurances of all the assets, prepaid rentals advertising and other services and acquisitions which will cover the periods beyond March 31, 2019.

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

9% decrease in Intangible Assets
Due to the amortization of the software assets.

15% increase in Goodwill
Due to the acquisition of Phoenix Gas Vietnam.

100% decrease in Income Tax Payable
Due to the increased Certificates of Withholding Tax

139% increase in Non-current liabilities
Due the recognition of Finance Lease Liabilities in compliance with PFRS 16

116% decrease in Accumulated Translation Adjustments
Due toincreased transaction of the foreign currency denominated subsidiary, Pnx Singapore.

7% increase in Retained Earnings
Increase coming from the Net Income after tax net of the dividends declared and distributed during the year.

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

33% increase in Sale of Goods
Due to the revenues coming from the new subsidiaries namely; PLPI, Pnx SG and Pnx Energy, coupled with the additional volume sold relative to last year (by 33%). The parent company recorded an9% improvement on its volume sold this year while Pnx SG volume increased by 143% compared to the same period of last year.

72% increase in fuel service, storage income, rental income and other revenue
This is due increase in into-plane services, additional rental income from new retail stations, non-fuel related businesses and from Action Able, Inc.

37% increase in Cost of Sales and Services
This mirrors the increase in the sale of goods, reflecting the price movements in the world market during the year which is little higher compared to the same period in 2018. The increase in excise tax rateson petroleum products also contributed to the increment.

78% increase in Finance Costs
A substantial portion represents interest from the P6B loan used to acquire Petronas during the last quarter of 2017 and from the 7B STCP from PNB capital.

40% increase in Finance Income and Others
Net realized and unrealized forex gains and additional income of Pnx SG.

2612% increase in Equity Share in Net Income of a Joint Venture
This is the net share from PAPI, PSPC and Galaxi join ventures.

100% increase in Translation Adjustments
Due to the increased forex exposure on the increased transactions of the foreign denominated subsidiary.

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

PART II – OTHER INFORMATION

1. The Parent Company held its annual stockholders' meeting last March 15, 2019 at the Phoenix Petroleum Corporate Headquarters, Lanang, Davao City, Philippines.

2. The Board of Directors approved the declaration of cash dividend of ₱0.15 per share as disclosed last March 14, 2019, with record date of April 8, 2019 and payment date of May 8, 2019.

3. The Board of Directors has declared cash dividends for the Company's preferred shares (3rd Tranche) for the first quarter of 2019 as follows:

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

4. As of March 31, 2019, there are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result, in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity issues. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

5. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.

6. There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Parent Company.

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

SIGNATURES

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

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

DENNIS A. UY
President and Chief Executive Officer

MA. CONCEPCION F. DE CLARO
Chief Finance Officer

JONAREST Z. SIBOG
Controller

26 February 2019

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

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

Ladies and Gentlemen:

We would like to submit our recently concluded Annual Audited Financial Statement (AAFS) for period ended 31 December 2018 complete with its attachments as will be attached to our Definitive Information Statement (SEC Form 20-IS) and distributed to our shareholders.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

SEC DAVAO EXTENSION OFFICE
FEB 2 6 2019
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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 2 0 7 2 8 3

Company Name

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

Principal Office (No./Street/Barangay/City/Town/Province)

STELLA HIZON REYES ROAD, BO. PAMPANGA, DAVAO CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

'19 FEB 26 PM 1:30

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(082) 235-8888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
66	Any day in March	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MA. CONCEPCION F. DE CLARO	concepcion.declaro @phoenixfuels.ph	(082) 235-8888	

Contact Person's Address
Stella Hizon Reyes Road, Bo. Pampanga, Davao City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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FOR SEC FILING

SEC DAVAO EXTENSION OFFICE
FEB 26 2019
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Consolidated Financial Statements and
Independent Auditors' Report

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

December 31, 2018, 2017 and 2016
(With Corresponding Figures as at January 1, 2017)

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

Opinion

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2018, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

The Group's revenue is primarily generated from the sales of goods [fuels, liquefied petroleum gas (LPG), lubricants and other petroleum products], which is recognized as the goods are delivered. The Group focuses on revenue as a key performance measure, which could create an incentive for management to overstate revenues, particularly from sale of goods. In our view, revenue recognition is a key audit matter due to its significance to profit, high volume of revenue transactions and susceptibility to misstatement due to fraud or error. Relative to this, we consider that there is a higher risk associated with revenue occurrence and appropriate recognition of sales in the correct accounting period.

The revenue recognition policy and disaggregation of revenues are disclosed in accounting policies for revenues are included in Notes 2.13 and 21, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- updating our understanding of the Group's revenue recognition policy and procedures;
- reviewing the existing contracts with customers and evaluating the appropriateness of the Group's revenue recognition policies and application in accordance with PFRS 15, *Revenue from Contracts with Customers*;
- performing sales cut-off procedures immediately before and after the year-end by testing the sales invoices to evidence of delivery to ensure that revenue was recognized in the correct period;
- performing detailed transaction testing by agreeing sample revenue items to supporting documents, including sales invoices, contracts and third party correspondence,
- conducting substantive analytical procedures; and,
- confirming trade receivables, on a sample basis, as of the end of the reporting period.

(b) Impairment of Trade and Other Receivables

Description of the Matter

Under the PFRS, the Group is required to assess its trade and other receivables for impairment. As described in Note 4.2*(b)* to the consolidated financial statements, the impairment losses have been determined in accordance with PFRS 9, *Financial Instruments*. The allowance for impairment of trade and other receivables is considered to be a matter of significance since estimates used to determine the allowance for impairment requires significant judgment.

As of December 31, 2018, the Group had trade and other receivables amounting to P15,030.7 million, which contributed to 23.3% of the Group's total assets. As of December 31, 2018, the allowance for impairment on trade and other receivables amounted to P634.4 million.

The disclosures of the Group on the allowance for impairment of trade and other receivables and the related credit risk are included in Notes 7 and 4.2*(b)* to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of trade and other receivables, included, but not restricted to:

- evaluating the appropriateness of the Group's expected credit loss model based on the requirements of PFRS 9;
- assessing the appropriateness and reasonableness of underlying assumptions, and the sufficiency, reliability and relevance of the data used by the Group's management;
- performing independent checking on the probability of default, loss given default and exposure at default rates that are used as bases in computing the impairment loss on selected trade and other receivables accounts; and,
- performing an independent calculations based on the Group's methodology.

(c) Business Combination

Description of the Matter

As disclosed in Note 1.4 to the consolidated financial statements, in 2018, the Group completed the acquisitions of Philippine FamilyMart CVS, Inc. (PFM), Action.Able Inc. (AAI), Think.Able Limited (TAL) (AAI and TAL collectively known as AAI Group). The Group has determined these acquisitions to be business combinations for which the purchase price is to be allocated between the identifiable assets and liabilities at their respective fair values.

Following the various acquisitions, the management has determined Goodwill amounting to P273.1 million and P155.0 million for the acquisitions of PFM and AAI Group, respectively. The accounting for these on business acquisition is complex due to the significant judgements and estimates that are required to determine the values of the consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed. We, therefore, consider the business acquisition to be a key audit matter due to the significance of the amount involved and the complexity of the accounting requirements.

The Group's disclosure on policies on business combinations is presented in Note 2.12 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- reviewing the relevant minutes of meeting of the Parent Company for the approval of the transaction and executed share purchase agreement;
- involving our own valuation specialist to assist in evaluating the appropriateness of the valuation methods and relevant assumptions used;
- examining supporting document of the cash consideration given;
- reviewing the appropriateness and reasonableness of valuations prepared by independent appraisers on certain properties; in addition, assessing the competencies, objectivity and capabilities of the appraisers;
- testing the reasonableness of the fair values of the assets acquired and liabilities assumed as at the acquisition date;
- recalculating the difference between the net assets acquired and considerations given; and,
- evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

(d) Existence and Valuation of Inventories

Description of the Matter

As of December 31, 2018, the Group held P11,135.5 million of inventories, which is 17.2% of the total consolidated assets of the Group. Given the size of the inventory balance relative to the consolidated total assets of the Group, and the estimates and judgments involved in this account, the valuation of inventory required our significant audit attention. As disclosed in Note 2.5, inventories are held at the lower of cost and net realizable value using the moving average method. As of year-end, the valuation of inventory is reviewed by the management and the cost of inventory is reduced where inventory is forecast to be sold below cost. The breakdown of inventory as of December 31, 2018 is disclosed in Note 8 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:

- observing inventory counts and performing test of quantities;
- performing test of purchases and test on the moving average cost calculation; and,
- testing the net realizable values of sample inventory items to recent selling prices.

(e) Impairment of Goodwill

Description of the Matter

The Group has recognized goodwill amounting to P4,418.8 million as of December 31, 2018. Under PFRS, the Group is required to annually test the amount of its goodwill for impairment. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of management process in assessing the recoverability of goodwill. In addition, the assumptions used in determining the cash generating units (CGUs) where the goodwill is allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimated of future sales volume and prices, operating costs, terminal value growth rates and discount rate.

The Group's disclosures about Goodwill and the policy are included in Notes 14 and 2.12, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to goodwill included, among others, the following:

- involving our own valuation specialist to assist in evaluating the appropriateness of assumptions used in estimating the recoverable amount of CGUs;
- evaluating the appropriateness of assumptions and methodologies used by the management, in particular, those relating to the estimated of future sales volume and prices, and operating costs as well as the discount rate used; and,
- evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

(f) Change in Accounting Policy Resulting in Revaluation of Properties

Description of the Matter

As described in Note 2.1*(b)*, the Group changed its accounting policy in 2018 with respect to the subsequent measurement of its parcels of land that are classified under property, plant and equipment and investment properties. The Group now applies the revaluation model for parcels of land under property, plant and equipment, and fair value model for parcels of land under investment properties. Under the revaluation model, property, plant and equipment are carried at a revalued amount, being its fair value at the date of revaluation, less any subsequent impairment losses. Under the fair value model, investment properties are carried at fair value, and changes in fair value is recognized in profit or loss. Prior to this change, the Group applied the cost model, under which the parcels of land are carried at cost less impairment. The management believes that the new policy results in the consolidated financial statements providing reliable and more relevant information. As a result of the change in accounting policy, gain on revaluation of land under property, plant and equipment and fair value gains on investment properties amounting to P1,219.8 million and P624.9 million, respectively, were recognized. The voluntary change in accounting policy resulting to the valuation of parcels of land classified under property, plant and equipment and investment properties is considered as a key audit matter due to the significance of the amounts involved, combined with the significant judgements associated with the determination of fair values.

The Group's disclosures about the effect of the change in accounting policy is presented in Note 2.1*(b)(ii)* to the consolidated financial statements; the new accounting policy for property, plant and equipment and investment properties are discussed in Notes 2.7 and 2.8 to the consolidated financial statements, respectively; and, while the presentation of the carrying values are presented in Notes 11 and 15 for property, plant and equipment and investment properties, respectively.

How the Matter was Addressed in the Audit

Our audit procedures in relation to the change in accounting policy resulting to revaluation of the properties included, among others, the following:

- evaluating the appropriateness of the change in accounting policy and analyzing the effects from the perspective of PAS 8, *Accounting Policies, Changes in Accounting Estimates, Errors*;
- reviewing the appropriateness and reasonableness of valuations prepared by independent appraisers on certain properties and testing the land values, on a sampling basis, by comparing the values used by the independent appraisers to publicly available information of similar comparable properties;
- assessing the competencies, objectivity and capabilities of the appraisers; and,
- recalculating for the gain on revaluation of property, plant and equipment and fair value gains on investment properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

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

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

If, based on the work performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Ramilito L. Nañola.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 7333698, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-19-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 22, 2019

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein and as enumerated below, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

a) Supplementary schedules required under Annex 68-E of the Securities Regulation Code
   i. Financial assets
   ii. Amounts of receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
   iii. Amounts of receivables from Related Parties which are Eliminated during the Consolidation of Financial Statements
   iv. Intangible assets – other assets
   v. Long-term debt
   vi. Indebtedness to Related Parties (Long-term loans from related Company)
   vii. Guarantee of Securities of Other Issuers
   viii. Capital stock
b) Map showing the relationship between and among related entities
c) Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018
d) Reconciliation of retained earnings available for dividend declaration
e) Schedule showing financial soundness indicators

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signed this day 22nd day of **February 2019**

DOMINGO T. UY
Chairman

DENNIS A. UY
President

MA. CONCEPCION F. DE CLARO
Chief Finance Officer

(REPUBLIC OF THE PHILIPPINES)
City of Davao) S.s

0004 '19 FEB 26 PM 1:30

SUBSCRIBED AND SWORN to before me on this day of **22 February 2019** in Davao City. Affiants have confirmed their identities by presenting competent evidence of identity viz;

Name	**Competent Evidence of Identity**
Domingo T. Uy	
Dennis A. Uy	
Ma. Concepcion F. De Claro	

And that they further attest that the same are true and correct.

Doc. No. 385;
Page No. 78;
Book No. 99;
Series of 2019.

KENNETH L. DABI NOTARY PUBLIC Roll No. 47866 Davao City, Philippines

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2020
Serial No. 2019-016-2020
PTR No. 1480544; 12-13-18; D.C. (2019)
IBP No. 055663; 11-28-18; D.C. (2019)
Roll of Attorneys No. 47866
Km. 7, Lanang, Davao City

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018, AND 2017
(With Corresponding Figures as at January 1, 2017)
(Amounts in Philippine Pesos)

	Notes	December 31, 2018	December 31, 2017 (As Restated - see Note 2)	January 1, 2017 (As Restated - see Note 2)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	P 7,889,708,807	P 1,831,557,883	P 2,338,780,526
Trade and other receivables - net	7	15,030,714,704	7,705,307,762	8,789,006,059
Inventories - net	8	11,135,494,286	12,416,237,073	2,998,780,146
Due from related parties - net	27	937,904,172	518,004,898	1,506,997,926
Restricted deposits	9	52,719,265	51,281,559	50,925,404
Input value-added tax - net		1,517,537,410	1,773,091,281	731,735,790
Prepayments and other current assets	10	695,698,779	610,271,176	595,963,599
Total Current Assets		37,259,777,423	24,905,751,632	17,012,189,450
NON-CURRENT ASSETS				
Property, plant and equipment - net	11	18,715,994,505	13,399,979,808	9,002,313,141
Investment properties	15	1,739,021,205	1,114,780,281	-
Intangible assets - net	12	328,054,350	295,458,242	275,037,490
Investments in joint ventures	13	455,436,370	-	-
Goodwill - net	14	4,418,842,831	3,990,666,606	10,221,849
Deferred tax assets - net	26	147,484,516	235,996,230	46,191,775
Other non-current assets	16	1,595,667,530	223,467,068	192,084,216
Total Non-current Assets		27,400,501,307	19,260,348,235	9,525,848,471
TOTAL ASSETS		P 64,660,278,730	P 44,166,099,867	P 26,538,037,921
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	17	P 26,309,487,284	P 16,796,874,145	P 11,262,858,843
Trade and other payables	19	7,434,839,252	3,584,623,798	3,232,652,616
Income tax payable		99,380,682	3,671,202	100,283,443
Total Current Liabilities		33,843,707,218	20,385,169,145	14,595,794,902
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	17	13,590,520,166	11,374,559,853	1,921,565,000
Deferred tax liabilities - net	26	631,776,224	225,027,052	-
Other non-current liabilities	20	620,602,265	497,806,312	258,584,286
Total Non-current Liabilities		14,842,898,655	12,097,393,217	2,180,149,286
Total Liabilities		48,686,605,873	32,482,562,362	16,775,944,188
EQUITY	28			
Equity attributable to parent company				
Capital stock		1,112,004,232	1,456,538,232	1,123,097,449
Additional paid-in capital		7,233,692,486	5,709,303,309	5,320,816,182
Revaluation reserves		827,510,428	(2,306,049)	(12,148,102)
Other reserves		(730,361,725)	(730,361,725)	(730,361,725)
Accumulated translation adjustment		24,928,394	(3,791,486)	-
Retained earnings		7,542,843,961	5,254,155,224	4,060,689,929
		16,010,617,776	11,683,537,505	9,762,093,733
Non-controlling interest		(36,944,919)	-	-
Total Equity		15,973,672,857	11,683,537,505	9,762,093,733
TOTAL LIABILITIES AND EQUITY		P 64,660,278,730	P 44,166,099,867	P 26,538,037,921

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 YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated - see Note 2)	2016 (As Restated - see Note 2)
REVENUES				
Sale of goods	2, 27	**P 87,672,722,663**	P 44,148,952,252	P 29,346,197,021
Fuel service and other revenues	2, 20	**824,182,312**	301,402,792	205,587,559
Rent income	15, 31	**113,863,129**	92,626,832	148,340,733
Charter fees and other charges		**-**	-	624,704,375
Port revenues		**-**	-	126,128,262
		88,610,768,104	44,542,981,876	30,450,957,950
COST AND EXPENSES				
Cost of sales and services	21	**78,838,964,820**	38,345,104,529	25,123,949,229
Selling and administrative expenses	22	**5,741,750,297**	4,207,027,951	3,327,065,843
		84,580,715,117	42,552,132,480	28,451,015,072
OTHER CHARGES (INCOME)				
Finance costs	23	**1,449,247,671**	804,707,861	906,290,170
Fair value gains on investment properties	15	**(624,941,000)**	-	-
Finance income	23	**(73,374,342)**	(56,313,476)	(207,687,618)
Equity share in net income of joint ventures	13	**(7,342,245)**	-	50,068,966
Excess of fair value of net assets acquired over acquisition cost	1	**-**	(650,182,327)	-
Others - net	15	**(87,267,127)**	(36,852,747)	(11,006,428)
		656,322,957	61,359,311	737,665,090
PROFIT BEFORE TAX		**3,373,730,030**	1,929,490,085	1,262,277,788
TAX EXPENSE	26	**606,588,321**	408,067,238	169,802,891
NET PROFIT		**P 2,767,141,709**	P 1,521,422,847	P 1,092,474,897
NET PROFIT ATTRIBUTABLE TO:				
Parent company		**P 2,776,255,552**	P 1,521,422,847	P 1,092,474,897
Non-controlling interest		**(9,113,843)**	-	-
		P 2,767,141,709	P 1,521,422,847	P 1,092,474,897
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation adjustment related to a foreign subsidiary	2	**(P 28,719,880)**	(P 3,791,486)	P -
Items that will not be reclassified subsequently to profit or loss				
Gain on revaluation of land	11	**1,219,846,043**	-	-
Remeasurements of post-employment defined benefit obligation	24	**(34,393,933)**	14,060,076	15,360,800
Tax expense	26	**(355,635,633)**	(4,218,023)	(4,608,240)
		829,816,477	9,842,053	10,752,560
Other Comprehensive Income - net of tax		**801,096,597**	6,050,567	10,752,560
TOTAL COMPREHENSIVE INCOME		**P 3,568,238,306**	P 1,527,473,414	P 1,103,227,457
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Parent company		**P 3,577,352,149**	P 1,527,473,414	P 1,103,227,457
Non-controlling interest		**(9,113,843)**	-	-
		P 3,568,238,306	P 1,527,473,414	P 1,103,227,457
Basic Earnings per share	29	**P 1.72**	P 0.97	P 0.64
Diluted Earnings per share		**P 1.72**	P 0.96	P 0.64

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 YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

		Capital Stock												
	Notes	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Common Treasury Stock - At Cost	Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Accumulated Translation Adjustment	Retained Earnings	Total Equity Attributable to the Shareholders of Parent Company	Non-controlling Interest	Total Equity
Balance at January 1, 2018														
As previously reported		**P 30,000,000**	**(P 5,000,000)**	**P 1,431,538,232**	**P -**	**P 1,456,538,232**	**P 5,709,303,309**	**(P 2,306,049)**	**(P 730,361,725)**	**(P 6,065,195)**	**P 5,524,581,532**	**P 11,951,690,104**	**P -**	**P 11,951,690,104**
Adjustment from adoption of PFRS 9	2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(76,725,448)**	**(76,725,448)**		**(76,725,448.26)**
Restatements	2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,273,709**	**(270,426,308)**	**(268,152,599)**	**-**	**(268,152,599.00)**
As restated	2	**30,000,000**	**(5,000,000)**	**1,431,538,232**	**-**	**1,456,538,232**	**5,709,303,309**	**(2,306,049)**	**(730,361,725)**	**(3,791,486)**	**5,177,429,776**	**11,606,812,057**	**-**	**11,606,812,057**
Cash dividends	28	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(409,640,735)**	**(409,640,735)**	**-**	**(409,640,735)**
Issuance of shares during the year	28	**2,000,000**	**-**	**2,766,000.00**	**-**	**4,766,000**	**2,019,389,177**	**-**		**-**	**(8,444,298)**	**2,015,710,879**	**-**	**2,015,710,879**
Acquisition of shares during the year	28	**-**	**(5,000,000)**	**-**	**(344,300,000)**	**(349,300,000)**	**(495,000,000)**	**-**	**-**	**-**	**-**	**(844,300,000)**	**-**	**(844,300,000)**
Share-based compensation	24	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,243,666**	**7,243,666**	**-**	**7,243,666**
Business combination	1	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(27,831,076)**	**(27,831,076)**
Translation adjustments during the year	2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,719,880**	**-**	**28,719,880**	**-**	**28,719,880**
Total comprehensive income											**-**	**-**		**-**
for the year		**-**	**-**	**-**	**-**	**-**	**-**	**829,816,477**	**-**	**-**	**2,776,255,552**	**3,606,072,029**	**(9,113,843)**	**3,596,958,186**
Balance at December 31, 2018		**P 32,000,000**	**(P 10,000,000)**	**P 1,434,304,232**	**(P 344,300,000)**	**P 1,112,004,232**	**P 7,233,692,486**	**P 827,510,428**	**(P 730,361,725)**	**P 24,928,394**	**P 7,542,843,961**	**P 16,010,617,776**	**(P 36,944,919)**	**P 15,973,672,857**
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 -	P 4,060,689,929	P 9,762,093,733	P -	P 9,762,093,733
Sale of treasury shares	28	-	-	-	440,087,488	440,087,488	367,136,612	-	-	-	-	807,224,100	-	807,224,100
Cash dividends	28	-	-	-	-	-	-	-	-	-	(331,118,383)	(331,118,383)	-	(331,118,383)
Acquisition of shares during the year	28	-	-	-	(109,407,705)	(109,407,705)	-	-	-	-	-	(109,407,705)	-	(109,407,705)
Issuance of shares during the year	28	-	-	2,761,000	-	2,761,000	21,350,515	-	-	-	(8,429,034)	15,682,481	-	15,682,481
Share-based compensation	24	-	-	-	-	-	-	-	-	-	11,589,866	11,589,866	-	11,589,866
Translation adjustments during the year	2	-	-	-	-	-	-	-	-	(3,791,486)	-	(3,791,486)	-	(3,791,486)
Total comprehensive income												-	-	-
for the year		-	-	-	-	-	-	9,842,053	-	-	1,521,422,846	1,531,264,899	-	1,531,264,899
Balance at December 31, 2017 - As Restated - see Note 2		P 30,000,000	(P 5,000,000)	P 1,431,538,232	P -	P 1,456,538,232	P 5,709,303,309	(P 2,306,049)	(P 730,361,725)	(P 3,791,486)	P 5,254,155,224	P 11,683,537,505	P -	P 11,683,537,505
Balance at January 1, 2016		P 30,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,453,777,232	P 5,320,816,182	P 559,295,266	(P 622,952,239)	P -	P 3,312,425,742	P 10,023,362,183	P -	P 10,023,362,183
Deconsolidation of subsidiaries	1	-	-	-	-	-	-	(557,352,943)	(107,409,486)	-	(65,599,296)	(730,361,725)	-	(730,361,725)
Acquisition of shares during the year	28	-	-	-	(330,679,783)	(330,679,783)	-	-	-	-	-	(330,679,783)	-	(330,679,783)
Cash dividends	28	-	-	-	-	-	-	-	-	-	(309,212,179)	(309,212,179)	-	(309,212,179)
Share-based compensation	24	-	-	-	-	-	-	-	-	-	5,757,780	5,757,780	-	5,757,780
Total comprehensive income												-	-	-
for the year		-	-	-	-	-	-	10,752,560	-	-	1,092,474,897	1,103,227,457	-	1,103,227,457
Transfer of revaluation reserves												-	-	-
absorbed through												-	-	-
depreciation, net of tax		-	-	-	-	-	-	(24,842,985)	-	-	24,842,985	-	-	-
Balance at December 31, 2016		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 -	P 4,060,689,929	P 9,762,093,733	P -	P 9,762,093,733

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated - see Note 2)	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 3,373,730,030**	P 1,929,490,085	P 1,262,277,788
Adjustments for:				
Interest expense on bank loans and other borrowings	23	**1,376,994,786**	780,917,196	863,399,371
Depreciation and amortization	22	**1,056,749,318**	851,080,582	1,002,088,441
Impairment losses on trade and other receivables	22	**68,465,111**	50,335,399	112,986,854
Interest income	23	**(31,424,946)**	(18,480,943)	(7,110,105)
Unrealized foreign exchange currency loss (gain) - net		**(30,577,666)**	3,893,468	(171,372,659)
Translation adjustment	2	**28,719,880**	(3,791,486)	-
Provision for loss on lost cylinders	11	**24,290,486**	-	-
Share in net income of an indirectly-owned joint ventures	13	**(7,342,245)**	-	50,068,966
Employee share options	24	**7,243,666**	11,589,866	5,757,780
Recovery of accounts written off		**(2,768,583)**	-	-
Loss (gain) on disposal of property, plant and equipment		**(1,006,348)**	9,165,790	-
Excess of fair value of net assets acquired over acquisition cost	1	**-**	(650,182,327)	-
Gain on reversal of impairment losses on investment properties	15	**-**	(40,785,503)	-
Impairment losses on non-financial assets		**-**	92,823	-
Operating profit before working capital changes		**5,863,073,489**	2,923,324,950	3,118,096,436
Decrease (increase) in trade and other receivables		**(7,415,944,495)**	1,784,568,722	528,697,133
Decrease (increase) in inventories		**26,812,185,929**	11,723,876,386	(370,318,364)
Decrease in land held for sale and land development costs		**-**	-	22,667,290
Decrease (increase) in restricted deposits		**(1,437,706)**	(356,155)	20,046,803
Decrease (increase) in input value-added tax - net		**363,028,626**	(1,027,547,440)	(36,265,532)
Increase in prepayments and other current assets		**(1,174,855,871)**	(235,826,739)	(637,592,575)
Increase (decrease) in trade and other payables		**3,555,861,543**	101,084,787	(288,096,189)
Cash generated from operations		**28,001,911,515**	15,269,124,511	2,357,235,002
Cash paid for income taxes		**(29,603,287)**	(7,345,345)	(4,508,301)
Net Cash From Operating Activities		**27,972,308,228**	15,261,779,166	2,352,726,701
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	11	**(4,517,753,320)**	(3,176,343,510)	(2,155,960,542)
Increase in other non-current assets		**(1,698,692,055)**	27,350,919	(15,994,274)
Advances to related parties	27	**(524,778,830)**	(669,526,678)	(944,762,083)
Investments in joint ventures	13	**(448,094,125)**	-	-
Acquisition of subsidiaries	1	**(397,455,037)**	(6,705,620,931)	-
Acquisitions of intangible assets	12	**(58,062,515)**	(50,548,722)	(203,908,603)
Interest received		**27,225,602**	15,769,301	3,777,233
Collections from related parties	27	**25,952,983**	1,158,519,706	25,000
Proceeds from disposal of property, plant and equipment		**22,618,656**	14,531,586	2,434,359
Proceeds from disposal of subsidiaries	27	**-**	-	2,450,000,000
Increase in land held for future development		**-**	-	(151,281,172)
Net Cash Used in Investing Activities		**(7,569,038,642)**	(9,385,868,329)	(1,015,670,082)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings		**(71,873,587,858)**	(43,104,708,403)	(19,886,544,848)
Proceeds from additional interest-bearing loans and borrowings		**57,798,571,804**	37,016,647,657	20,684,209,975
Proceeds from issuance of shares of stock	28	**2,015,710,879**	15,682,481	-
Interest paid		**(1,638,604,940)**	(741,202,295)	(801,737,593)
Acquisition of treasury shares	28	**(844,300,000)**	(109,407,705)	(330,679,783)
Payments of cash dividends	28	**(409,640,735)**	(331,118,383)	(309,212,179)
Increase in other non-current liabilities		**606,732,188**	63,749,068	13,900,134
Proceeds from sale of treasury shares	28	**-**	807,224,100	-
Net Cash Used in Financing Activities		**(14,345,118,662)**	(6,383,133,480)	(630,064,294)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,058,150,924**	(507,222,643)	706,992,325
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,831,557,883**	2,338,780,526	1,631,788,201
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 7,889,708,807**	P 1,831,557,883	P 2,338,780,526

Supplemental Information on Non-cash Investing and Financing Activities:

1) In 2018, the Parent Company acquired certain land from a related party amounting to P92.9 million, of which, P19.8 million remained unpaid as of December 31, 2018 (see Note

2) On August 14, 2017, the Parent Company acquired the 100.00% shares of stocks of Duta, Inc. and Subsidiary for the amount of P394.2 million, of which P267.3 million advances of Duta, Inc.'s previous stockholder was novated in favor of the former (see Note 1.4).

3) Interest payments amounting to P261.6 million, P19.7 million, and P61.7 million in 2018, 2017 and 2016, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 11.1)

4) Certain hauling and heavy equipment with carrying amount of nil as of December 31, 2018 and 2017 and P3.1 million as of December 31, 2016, respectively, are accounted for under finance leases.

5) On November 24, 2016, the Parent Company sold its entire investments in Chelsea Shipping Corp. and Calaca Industrial Seaport Corp. to related parties under common ownership for a total consideration of P3,000.0 million (see Note 1.5). The disposal of the subsidiaries resulted to a recognition of Other Reserves, accounted as the difference between the net asset values of the subsidiaries and consideration received (see Notes 1.5 and 2.12). As of December 31, 2018 and 2017, the outstanding receivable from the sale of subsidiaries is presented as part of Non-trade receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Notes 7 and 27.9).

See Notes to Consolidated Financial Statements.

1. GROUP INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41.97% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company's made its initial public offering with the Philippine Stock Exchange (PSE) on July 11, 2007. 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 (UC), 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 600 operating retail service stations, and a total of eight service stations under construction as of December 31, 2018.

1.2 Subsidiaries, Joint Ventures and their Operations

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

Subsidiaries/Joint Venture	Explanatory Notes	Percentage of Ownership 2018	2017
Direct interest:			
Subsidiaries			
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.[4]	(f)	**100.00%**	100.00%
Philippine FamilyMart CVS, Inc. (PFM)[1]	(g)	**100.00%**	-
PNX Energy International Holdings, Pte. Ltd. (PNX Energy)[1]	(h)	**100.00%**	-
Action.Able, Inc.(AAI)[1]	(i)	**74.90%**	-
Think.Able Limited (TAL)[1]	(j)	**74.90%**	-
Joint venture			
Phoenix Asphalt Philippines, Inc.[3]	(k)	**40.00%**	-
Indirect interest:			
Kaparangan, Inc. (Kaparangan)[2,4]	(l)	**100.00%**	100.00%
PNX (Vietnam) Pte. Ltd. (PNX Vietnam)[5]	(m)	**100.00%**	-
PT Phoenix Petroleum Indonesia (PNX Indonesia)[6]	(n)	**100.00%**	-
Galaxi Petroleum Fuel, Inc. (Galaxi)[7]	(o)	**51.00%**	-
Phoenix Southern Petroleum Corp. (PSPC)[7]	(p)	**51.00%**	-

Notes:
1 New subsidiaries
2 Wholly-owned subsidiary of Duta
3 Joint venture of Parent Company
4 Duta and Kaparangan, collectively known as Duta Group
5 Subsidiary of PNX Energy
6 Subsidiary of PGMI
7 Joint venture of PPMI

(a) Incorporated on January 31, 2007 and is engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations.

(b) Incorporated on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI started commercial operations in 2007 and temporarily ceased its operation in 2008 but has resumed its business in October 2015 through selling of acid oil and coconut fatty acid distillates, both are by-products from manufacturing of coconut methyl ester (CME).

(c) Incorporated on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use.

(d) Incorporated on October 30, 2012 in Singapore and started operations in October 2017. It is the regional trading arm of the Group. It currently holds office in Singapore and is able to buy directly from the refineries in the region due to its bigger requirements. It also sells to other local and regional buyers.

(e) Incorporated on June 20, 1995 to engage in the buying, selling, storing, distributing, and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas (LPG) and other petroleum products.

(f) Incorporated on November 9, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing of land.

(g) Incorporated on November 29, 2012. PFM is engaged in the business of operating convenience stores (CVS) under the trademark "FamilyMart" either by direct operation and/or by franchise system in the Philippines and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.

(h) Incorporated on October 29, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses but has not yet started commercial operations as of December 31, 2018.

(i) Incorporated on May 6, 2015 to engage in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or ecommerce and to engage in the business of providing an outline digital network for the purpose of digital marketing and/or e-commerce accessible through electronic devices.

(j) Incorporated on May 5, 2014 and is a Hong Kong based company that handles the trademark of AAI.

(k) Incorporated on March 23, 2018 and was established to import, store, manufacture, sell market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

(l) Incorporated on January 21, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.

(m) Incorporated on October 30, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses and has not yet started its commercial operations.

(n) Incorporated on September 10, 2018 in Indonesia to serve as an avenue for the Parent Company to explore business opportunities in different parts of Indonesia. PNX Indonesia has not yet started its commercial operations.

(o) Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.

(p) Incorporated on July 5, 2018 to operate petroleum service stations in areas within Southern Luzon under the Parent Company's name and brand.

1.3 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
PNX Energy	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PNX Vietnam	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PLPI	–	Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Kaparangan	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
PFM	–	4th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila
AAI	–	2nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City
TAL	–	Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong
PAPI and PSPC	–	25th Floor Fort Legend Tower, 3rd Avenue Fort corner 31st Street, Bonifacio Global City, Taguig City
PNX Indonesia	–	The Prominence Office Tower, 12th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera, Indonesia
Galaxi	–	1846 FB Harrison Street Pasay City

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.

1.4 Business Combinations

a) On January 11, 2018, the Parent Company has signed a deed of absolute sale and concluded the acquisition of the 100.00% shares in PFM from its previous shareholders, namely: SIAL CVS Retailers, Inc., FamilyMart Co. Ltd. and ITOCHU Corporation, for P352.1 million. Objective of the acquisition is to broaden Group's portfolio of retail offers.

b) On May 25, 2018, the Parent Company entered into a deed of absolute sale of shares with Wildlemon, Inc. And Seawood Prime Limited for the acquisition of the voting rights for AAI and TAL, respectively (referred to as "AAI Group"). Total non-controlling interests from the acquisition of AAI Group amounted to P27.8 million and is measured at the proportionate share of the net identifiable assets.

   AAI and TAL are the owner of Pos!ble.net, a two and a half year old digital payment-platform. The acquisition supports business operations of the Parent Company, aside from synergies on its retail network development, for its various fuel products as well as the business operations of PFM.

c) On August 14, 2017, the Parent Company finalized the purchase and sale agreements with PDB (Netherlands) B.V., an entity organized under the laws of Netherlands and is an investment holdings Company of PETRONAS Dagangan Berhad (a Malaysia-listed entity), for the acquisition of the 100.00% voting rights of PLPI and Duta Group for P6,481.1 million and P394.2 million, respectively.

d) The Parent Company acquired 100.00% of voting rights of SPTT in 2011, and PGMI and PPMI in 2011. These acquisitions prior to 2017 resulted to a total goodwill of P11.5 million as the total cash consideration paid of P9.5 million exceeded the Parent Company's acquired fair values of the identifiable net assets.

The acquisition of PLPI and Duta Group strategically supports the Parent Company's expansion in operation as well as product lines.

Aggregate information of the entitites at the acquisition date are as follows:

	Reference	Entities Acquired 2017 PLPI	2017 DUTA Group	2018 PFM	2018 AAI Group
Fair value of assets acquired and liabilities assumed					
Cash and cash equivalents		P 145,913,427	P 23,743,964	P 21,601,695	P 5,009,121
Trade and other receivables	(i)	361,001,122	11,249,647	22,534,222	1,110,622
Inventories		63,146,150	-	80,744,545	772,585
Prepayments and other current assets		26,606,283	219,695	158,786,825	3,384,490
Property, plant and equipment		2,046,988,346	-	369,603,000	537,357
Investment properties		-	1,074,502,000	-	-
Intangible asset		-	-	21,476,320	-
Other non-current assets		155,581,389	-	46,832,211	344,712
Total assets		2,799,236,717	1,109,715,306	721,578,818	11,158,887
Trade and other payables		298,619,669	65,316,461	642,639,484	94,208,594
Total identifiable net assets (liabilities)		2,500,617,048	1,044,398,845	78,939,334	(83,049,707)
Fair value of cash consideration transferred		6,481,061,805	394,216,518	352,070,202	71,995,652
Goodwill		P 3,980,444,757	n/a	P 273,130,868	P 155,045,359
Excess of fair value of net assets acquired over cash consideration transferred	(ii)	n/a	P 650,182,327	n/a	n/a
Cash consideration settled in cash		P 6,481,061,805	P 394,216,518	P 352,070,202	P 71,995,652
Less: Cash and cash equivalents acquired		145,913,428	23,743,964	21,601,695	5,009,122
Net Cash Flow of Acquisition		P 6,335,148,377	P 370,472,554	P 330,468,507	P 66,986,530
Acquisition costs charged to expenses		P 84,018,826	P 679,767	P 6,440,651	P 1,738,116
Pre-acquisition income	(iii)	273,205,535	6,244,345	-	1,628,790
Revenue contribution		1,531,240,882	48,283,182	1,307,944,277	34,957,821
Net profit (loss) contribution		134,147,822	42,017,785	(193,507,767)	(36,310,130)

(i) The carrying amount of the acquired trade and other receivables is determined to be the reasonable approximation of fair value as these are only short-term and are expected to be collectible in whole.

(ii) The excess of the fair value of the nets assets of Duta Group over the acquisition cost amounting to P650.2 million is presented in the 2017 consolidated statement of comprehensive income as Excess of Fair Value of Net Assets Acquired Over Acquisition Cost (see Note 2.12). The acquisition of DUTA Group resulted to gain on bargain purchase because the fair value of net assets acquired exceeded the total cash consideration paid. The real properties of Duta Group, which pertain to investment properties, and property plant and equipment of PFM were appraised by an independent appraiser [see Note 3.2*(h)*]. The fair values of the said properties are determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between the knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transactions as at the valuation date.

(iii) The 2018 and 2017 consolidated statements of comprehensive income are presented net of the pre-acquisition income of the entities acquired.

1.5 Disposal of Investment of Shares of Chelsea Shipping Corporation (CSC) and Calaca Industrial Seaport Corp. (CISC)

On November 24, 2016, the Parent Company sold its entire investments in CSC to Chelsea Logistics Holdings Corp. (CLHC) for P2,000.0 million, and in CISC to Udenna Development (UDEVCO) Corporation (UDEVCO) for P1,000.0 million. CLHC and UDEVCO are related parties under common ownership. Business combinations and disposals that are under common ownership are accounted for under the pooling-of-interest method (see Note 2.12). The account balances of CSC and CISC were deconsolidated in the 2016 consolidated financial statements. The difference between the considerations received and net asset values as of disposal date of CSC and CISC amounting to P730.4 million was recognized and presented as Other Reserves in the consolidated statement of financial position.

1.6 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2018 (including the comparative consolidated financial statements as of and for the year ended December 31, 2017 and the corresponding figures as of and for the year ended January 1, 2017) were authorized for issue by the Parent Company's Board of Directors (BOD) on February 22, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(i) In 2018, the Group adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allows the Group not to restate its prior periods' financial statements. Differences arising from the adoption of PFRS 9 in relation to classification and measurement and impairment of financial assets are recognized in the opening balance of Retained Earnings in the current year [see Note 4.2*(b)*].

(ii) Also in 2018, Group changed its accounting policy on recognition of its parcels of land presented under Property, Plant and Equipment from cost to revaluation model. PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, makes a specific exception for a change in accounting policy to measure property, plant and equipment at a revalued amount for the first time. Such initial adoption is indeed a change in policy, however, the change due to the revaluation is accounted for as a revaluation in the year of adoption rather than prior year adjustment. Accordingly, the prior periods are not restated. In addition, the Group changed its accounting policy on recognition of its real properties presented under Investment Properties from cost to fair value model. Such change in the accounting policy is reflected only at the current year since the 2017 revalued amounts are already recognized at the time of business combination (see Note 1.4).

The management believes that the new policy results in the consolidated financial statements providing reliable and more relevant information as it is more closely aligned with the current actual valuation of the real properties. Further, the Group intends to maximize the value of the Group by capitalizing and/or leveraging on its assets in its strategic business ventures.

(iii) In addition, the Group has made prior period adjustments that resulted in retrospective restatements of certain accounts in the 2017 comparative consolidated statement of financial position and 2017 comparative consolidated statement of comprehensive income. These adjustments pertain to: (1) restatements of the foreign subsidiary's financial statements to correct certain accounting treatment; and, (2) recognition of deferred tax liability on the fair value adjustment of the investment properties acquired through business combination (see Note 1.4). Accordingly, the Group presents a third statement of financial position as at January 1, 2017 without the related notes, except for the disclosures required under PAS 8. The balance of Retained Earnings of the Group as at December 31, 2017, has been restated from the amount previously reported. Because of the restatements, the 2017 comparative consolidated financial statements contained in these consolidated financial statements differ from those previously presented in the Group's consolidated financial statements as at and for the year ended December 31, 2017. The prior period adjustments had no effect on 2016 comparative consolidated financial statements.

(iv) Lastly, certain items in the 2017 and 2016 consolidated statements of financial position and consolidated statements of comprehensive income have been reclassified to conform to the 2018 consolidated statement of financial position presentation and classification. The deferred tax asset – net amounting to P231.9 million in 2017 was previously presented as net amount of the deferred tax asset and deferred tax liability, is now separately being presented at gross [see Note 2.1*(b)(vi)*]. Rebates amounting to P258.7 million in 2017 and P125.7 million in 2016 that are previously presented as part of selling and administrative expenses are reclassified as reduction to sale of goods under Revenues on the 2017 and 2016 consolidated statements of comprehensive income.

(v) The table below shows the impact of the adoption of PFRS 9, change in accounting policy and prior period adjustments to the Group's total equity as of January 1, 2018:

		Effects on		
	Notes	Retained Earnings	Accumulated Translation Adjustment	Total Equity
Balance at January 1, 2018		P 5,524,581,532	(P 6,065,195)	P 11,951,690,104
Impact of PFRS 9 [see Note 4.2(b)(ii)]:				
Increase in allowance for credit losses on trade and other receivables	2.1*(b)(i)*	(109,607,783)	-	(109,607,783)
Increase in deferred tax asset arising from increase in credit loss allowance	2.1*(b)(i)*	32,882,335	-	32,882,335
Prior period adjustments – increase in deferred tax liability on fair value adjustment from business combination	2.1*(b)(iii)*	(220,817,016)	-	(220,817,016)
Prior period adjustments – restatements of foreign subsidiary's financial statements	2.1*(b)(iv)*	(49,609,291)	2,273,708	(47,335,583)
		P 5,177,429,777	**(P 3,791,487)**	**P 11,606,812,057**

(vi) The analyses of the impact on the affected accounts due to prior period adjustments in the Group's consolidated statement of financial position as at December 31, 2017 is presented below.

	Notes	As Previously Reported	Adjustments	As Restated
Changes in assets:				
Cash and cash equivalents	6	P 1,831,542,441	P 15,442	P 1,831,557,883
Trade and other receivables	7	7,509,198,377	196,109,385	7,705,307,762
Inventories	8	12,969,947,045	(553,709,972)	12,416,237,073
Prepayments and other current assets	10	581,435,883	28,835,293	610,271,176
Property, plant and equipment	11	13,400,687,345	(707,537)	13,399,979,808
Intangible assets	12	274,931,452	20,526,790	295,458,242
Deferred tax assets - net	26	231,866,237	4,129,992	235,996,230
Changes in liabilities:				
Trade and other payables	19	3,832,668,620	(248,044,822)	3,584,623,798
Deferred tax liabilities - net	26	-	225,027,052	225,027,052
Income tax payable		17,301,439	13,630,237	3,671,202
Decrease in Equity			(P 268,152,599)	
Changes in equity:				
Accumulated translation adjustments		(P 6,065,195)	P 2,273,709	(P 3,791,486)
Retained earnings		5,524,581,532	(270,426,308)	5,254,155,224
Decrease in Equity			(P 268,152,599)	

(vii) The analyses of the affected line items in the consolidated statement of comprehensive income of the Group for the year ended December 31, 2017 are shown below.

	Notes	As Previously Reported	Adjustments	As Restated
Changes in profit or loss:				
Sale of goods		P 44,051,471,509	P 97,480,743	P 44,148,952,252
Fuel service and other revenues		281,941,966	19,460,828	301,402,792
Cost of sales and services	21	(37,908,797,906)	(436,306,623)	(38,345,104,529)
Selling and administrative expenses	22	(4,411,742,322)	204,714,371	(4,207,027,951)
Finance income	23.2	56,629,280	(315,804)	56,313,476
Finance costs	23.1	(855,043,260)	50,335,399	(804,707,861)
Tax expense	26	(202,272,019)	(205,795,219)	(408,067,238)
Decrease in net income			(P 270,426,305)	
Basic earnings per share	29	P1.16		P0.97
Diluted earnings per share	29	P1.16		P0.96

(viii) The analyses of the affected line items in the consolidated statement of cash flows of the Group for the year ended December 31, 2017 are shown below.

	As Previously Reported	Adjustments	As Restated
Changes in cash flows from operating activities			
Profit before tax	P 1,994,121,173	(P 64,631,088)	P 1,929,490,085
Translation adjustments	(6,065,195)	2,273,709	(3,791,486)
Decrease in trade and other receivables	1,980,678,107	(196,109,385)	1,784,568,722
Decrease in inventories	11,170,166,814	553,709,572	11,723,876,386
Increase in prepayments and other current assets	(206,291,369)	(29,535,370)	(235,826,739)
Increase in trade and other payables	362,759,847	(261,675,060)	101,084,787
Changes in cash flows from investing activities			
Acquisitions of property, plant and equipment	(3,175,635,973)	(707,537)	(3,176,343,510)
Acquisitions of intangible assets	(30,021,932)	(20,526,790)	(50,548,722)

(ix) There are no changes in the total comprehensive income and in the consolidated statement of cash flows as a result of the reclassification of accounts in 2016. Hence, analysis is not presented.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.15), and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2018 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification

Discussed below are the relevant information about these amendments and improvements.

(i) PAS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property*. The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. The application of this amendment has no impact on the Group's consolidated financial statements.

(ii) PFRS 2 (Amendments), *Share-based Payment – 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. The application of this amendment has no significant impact on the Group's consolidated financial statements.

(iii) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. 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, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);

- an expected credit loss (ECL) model in determining impairment of all debt 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 such financial assets; 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.

The Group's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Notes 2.4 and 2.10.

The impact of the adoption of this new accounting standard to the Group's financial statements are as follows:

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows. All of the financial assets continue to be accounted for at amortized cost as the management assessed that the cash flows are solely payments for principal and interest (SPPI). There are no resulting reclassifications of financial assets.

- The application of the ECL methodology based on external benchmarking assessment for trade and other receivables resulted in the recognition of additional allowance for credit losses for trade and other receivables and due from related parties amounting P107.7 million and P1.9 million, respectively; as of January 1, 2018. Such amount, together with the total related deferred tax asset amounting to P32.9 million, were charged against the opening balance of Retained Earnings account.

- The adoption of PFRS 9 has no significant impact on the Group's financial liabilities.

(iv) PFRS 15, *Revenue from Contract with Customers*, together with the Clarifications to PFRS 15 (herein referred to as PFRS 15). This standard replaces 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, T*ransfers of Assets from Customers, and Standing Interpretations Committee 31, Revenue – Barter Transactions Involving Advertising Services*. 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.

The Group's revenue arises mainly from sale of fuel, lubricants, LPG, other petroleum products and merchandise inventories. Revenue from the sale of goods are recognized at a point in time when the control has been transferred to the customer. Certain revenues are recognized over time but management has assessed that such are not significant to the consolidated financial statements.

The Group adopted PFRS 15 using the modified retrospective approach. The adoption of PFRS 15 did not result in significant change in the Group's accounting policies. Accordingly, no cumulative effects from the initial application of the standard was made to the opening balance of the Retained Earnings account at January 1, 2018. The disaggregation of the Group's sources of revenues is presented in Note 21.

(v) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration*. The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The application of this amendment has no significant impact on the Group's financial statements.

(vi) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, only PAS 28 (Amendments), *Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification* is relevant to the Group but had no material impact on the Group's financial statements as this amendment merely clarify existing requirements. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

(b) Effective in 2018 that are not Relevant to the Group

The following annual amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Group's consolidated financial statements:

Annual Improvments to PFRS (2014-2016 Cycle)		
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-Term Exceptions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4

(c) Effective Subsequent to 2018 but not Adopted Early

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2018, 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 consolidated financial statements:

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

(ii) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

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

(iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. 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 similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized 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.

The management plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Management is currently assessing the financial impact of this new standard on the Group's consolidated financial statements.

(v) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(vi) 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.

(vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the amendments presented in the succeeding page are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements.

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries (see Note 1) after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, joint ventures and non-controlling interests as follows.

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill (see Note 14). If the consideration received is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

On the other hand, business combinations arising from transfers or acquisition of interests in entities that are under the common control of the shareholder that controls the Group are normally accounted for under the pooling-of-interests method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognized in the Group's consolidated financial statements at the carrying amounts previously recognized. The difference between the consideration transferred and the net assets of the subsidiary acquired is recognized as Other Reserves as part of the equity (see Notes 2.12 and 2.23).

If the Parent Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, derecognizes the cumulative translation differences recorded in equity, recognizes the fair value of the consideration received and reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities. The difference between the consideration received and the net asset of the subsidiary disposed is recognized as Other Reserves as part of the equity (see Notes 2.12 and 2.23).

(b) Investments in Joint Venture

A joint venture pertains to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture entity pertains to whose economic activities are controlled jointly by the Group and by other venturers independent of the Group (joint venturers). Investment in a joint venture is accounted for under the equity method of accounting. Under this method, on initial recognition the investment in joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share in the profit or loss of the investee after the date of the acquisition.
The Group's share of the investee's profit or loss is recognized as equity share in the net income of joint venture in the Group's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

The investments in joint ventures is subject to impairment testing (see Note 2.16).
The management has assessed that no impairment loss is required to be recognized for its investments in joint ventures in 2018.

(c) Transactions with Non-controlling interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and joint ventures as presented in Notes 1.2 and 13, respectively.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The financial assets are classified into the following categories: financial assets at amortized cost, financial assets at fair value through comprehensive income and financial assets at fair value through profit or loss. Currently, the financial assets category relevant to the Group is financial assets at amortized costs.

Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding advances to suppliers and advances subject to liquidation), Due from Related Parties, Restricted Deposits, and Refundable Rental Deposits (presented as part of Other Non-Current Assets in the consolidated statement of financial position).

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Group may irrevocably elect at initial application to classify a financial asset that meets the amortized cost criteria as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2018, the Group has not made such designation.

Refundable rental deposits are initially recognized at fair value. Interest on the rental deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Income under Other Charges (Income) in the consolidated statement of comprehensive income. The excess of the principal amount of the deposit over its present value is immediately recognized as deferred minimum lease payments (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Meanwhile, rent expense arising from subsequent amortization of deferred minimum lease payments is accounted for using the straight-line method over the lease term and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statement of comprehensive income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated financial statement of comprehensive income as part of Other Charges (Income).

(b) *Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39*

Financial assets are assigned to different categories by management on initial recognition, depending on the purpose for which the investments were acquired and their characteristics. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets.

Currently, the financial assets category relevant to the Group is loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding certain advances to suppliers and advances subject to liquidation), Due from Related Parties, Restricted Deposits, and Refundable Rental Deposits (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Cash and cash equivalents include cash on hand, savings and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Refundable rental deposits are initially recognized at fair value. Interest on the rental deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Income under Other Charges (Income) in the consolidated statement of comprehensive income. The excess of the principal amount of the deposit over its present value is immediately recognized as deferred minimum lease payments (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Meanwhile, rent expense arising from subsequent amortization of deferred minimum lease payments is accounted for using the straight-line method over the lease term and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statement of comprehensive income.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(c) *Impairment of Financial Assets Under PFRS 9*

From January 1, 2018, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Group's identification of a credit loss event. Instead, the Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The allowance for credit losses for financial assets at amortized cost is based on ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

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

- *Probability of default (PD)* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default (LGD)* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.
- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

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

(d) Impairment of Financial Assets Under PAS 39

All income and expenses relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs account in the consolidated statement of profit or loss.

As of December 31, 2017, the Group assessed impairment of loans and receivables as follows.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(e) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of inventories includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories (see Note 8).

2.6 Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.7 Property, Plant and Equipment

Prior to 2018, the Group measured land at cost [see Note 2.1*(b)*]. Currently, land is measured at fair value less any impairment in value. As no finite useful life for land can be determined, related carrying amount are not depreciated. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures for repairs and maintenance are charged to expense as incurred (see Note 2.13).

Following initial recognition at cost, land is carried at revalued amounts which are the fair values at the date of the revaluation, as determined by independent appraisers, less any accumulated impairment losses.

Revalued amounts are fair market values determined based on appraisals by external professional appraiser once every two years or more frequently if market factors indicate a material change in fair value (see Note 5.5).

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the consolidated statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves account is transferred to Retained Earnings account for the impairment, if any, relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in Revaluation Reserves account relating to them are transferred to Retained Earnings account.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

LPG cylinders	30 years
Buildings, depot, plant and pier facilities	5-25 years
Transportation and other equipment	1-10 years
Gasoline and LPG station equipment	1-5 years
Hauling and heavy equipment	1-5 years
Office furniture and equipment	1-3 years

LPG cylinders, which are circulating and are utilized by customers in their households or business premises, are presented at cost less accumulated depreciation and provision for losses on lost LPG cylinders. The Group performs an internal simulation and assessment of the quantity of LPG cylinders circulating and being stored in the market. A provision is provided for lost assets in accordance with the computed quantities. The assessment will be conducted every other year and when the lost LPG cylinders are ascertained, the lost cylinders will be written-off.

Leasehold and land improvements are amortized over the terms of the related leases or the useful lives of the improvements, whichever is shorter.

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.18) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

The residual values, estimated useful lives and method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Investment Properties

Investment properties, which include parcels of land and lot improvements, are properties held to earn rental income under operating lease, but not for sale in the ordinary course of business, use in services or for administrative purposes.

Land classified as investment property is accounted for under the fair value model. It is revalued every two years and is reported in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 5.5).

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains (losses) from investment property as part of Other Charges (Income) in the consolidated statement of comprehensive income.

Lot improvements is stated at cost, which includes acquisition price plus directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs, less accumulated depreciation (except for land) and any impairment losses.

Depreciation of lot improvements is computed on a straight-line basis over the estimated useful life of five years. The residual values, estimated useful lives and method of depreciation of investment properties are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

2.9 Intangible Assets

Intangible assets include acquired computer software licenses and basketball franchise, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. The useful lives of intangible assets are assessed as either finite or indefinite.

Capitalized costs for computer software licenses are amortized on a straight-line basis over the estimated useful lives (ranging from one to ten years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.16.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

The Group assessed the useful life of basketball franchise to be indefinite because this is expected to contribute to net cash flows indefinitely. The basketball franchise is not amortized but is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The intangible asset account also includes store franchise acquired from business combination with PFM. Such is for taking in the name and management know-how of the FamilyMart mark. The store franchise is carried at cost, less any accumulated amortization and any impairment in value. Amortization is computed on a straight-line method over its estimated useful life of 10.50 years (see Note 12).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.10 Financial Liabilities

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

Interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset (see Note 2.18). All other interest related charges are recognized as an expense in the consolidated statement of comprehensive income under the caption Finance Costs.

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

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

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

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-79.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the consolidated statements of financial position, are reduced for estimated non-returns. Estimated non-returns are determined through amortization of the balance over the estimated useful life of cylinders and/or estimated proportion of the provision for lost cylinders (see Note 2.8). The reduction is recognized directly in the consolidated statement of comprehensive income as part of Fuel Service and Other Revenues.

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

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

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

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting and pooling-of-interest method.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.16).

Negative goodwill which is the excess of the Group's interest in the fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Under the pooling-of-interest method which is applicable for the acquisition and disposal of an entity under common control, similar accounts of the entities are combined on a line-by-line basis except for the equity accounts which were offset with the new shares issued by the new entity in which the difference between the net assets received and the amount of the consideration (shares issued and cash) is accounted for as Other Reserves (see Note 2.23).

2.13 Revenue and Expense Recognition

Revenue arises mainly from the sales of goods (fuels and by-products, lubricants, LPG, and merchandise inventories) and from rendering into-plane, terminalling and hauling services
.
To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(1) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(2) each party's rights regarding the goods or services to be transferred or performed can be identified;
(3) the payment terms for the goods or services to be transferred or performed can be identified;
(4) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(5) collection of the consideration in exchange of the goods and services is probable.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

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

(a) *Sale of goods* – Revenue is recognized when or as the Group transfers control of the assets at a point in time to the customer. Invoices for goods transferred are due upon receipt by the customer. Sale of goods include fuel and by-products (such as CME); lubricants; LPG; and, merchandise inventories.

(b) *Fuel service and other revenues* – Revenue, which mainly consists of hauling, into-plane services, and transport services, is recognized over time and is based on a fixed agreed fee. These services are generally performed within the day. Invoices for services transferred are due upon receipt by the customer.

The Group presents a contract asset when performing services to a customer before the customer pays consideration or before payment is due. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

The Group presents a contract liability when a customer pays the consideration, or a Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group performs services to the customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

In 2017 and prior periods, the Group recognized revenues based on the provisions of PAS 18, which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Specifically, for sale of goods, revenues were recognized when the risks and rewards of ownership of the goods have passed to the buyer. For fuel services and other revenues, charter fees and other charges and port revenues, revenue is recognized when the performance of the contractually agreed task has been substantially rendered.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.18).

2.14 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.15 Foreign Currency Transactions and Translations

(a) Transactions and Balances

Except for PNX SG, PEIH, PNX Vietnam, which use the Singapore Dollars as its functional currency, and PTPPI, which uses Indonesian Rupiah, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of a foreign subsidiaries, in which their functional currency are measured as stated in Note 2.15(a), are translated to Philippine pesos, to the Group's functional currency as follows:

i. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

ii. Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

iii. All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account (see Note 2.23).

On consolidation, exchange differences arising from the translation of the net investment in the foreign subsidiaries are recognized under Translation Adjustment Related to Foreign Subsidiaries in the 2018 and 2017 consolidated statements of comprehensive income. When a foreign operation is partially disposed or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

The translation of the consolidated financial statements into Philippine peso should not be construed as a representation that the Singapore Dollar and Indonesian Rupiah amounts could be converted into Philippine Peso amounts at the translation rates or at any other rates of exchange.

2.16 Impairment of Non-financial Assets

The Group's property, plant and equipment, intangible assets, goodwill, investments in joint venture and other non-financial assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill and franchise with indefinite useful lives that are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The cash-generating units or groups of cash-generating units are identified according to operating segment.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill and franchise with indefinite useful lives, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss, except impairment loss on goodwill (see Note 2.12), is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.17 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and a defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets, if any, for funding the defined benefit plan have been acquired. Plan assets, if any, may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Profit-sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.18 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.19 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets, if any, are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities, the carrying amount of such properties is presumed to be recovered entirely through sale, unless the presumption is rebutted, that is when the land held for sale and development costs are held within the business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.20 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.21 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Parent Company's BOD and management committee responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 30, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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2.23 Equity

Preferred and common stock represents the nominal value of shares that have been issued.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise of gains arising from the revaluation in 2018 of the Group's parcels of land under property, plant and equipment and from the remeasurements of post-employment defined benefit obligation, net of applicable taxes.

Other reserves pertain to the difference between the Parent Company's consideration received and the disposed net assets of CSC and CISC (see Note 1.5).

Accumulated translation adjustment pertains to translation adjustments resulting from the translation of foreign-currency denominated financial statements of a certain foreign subsidiary into the Group's functional and presentation currency [see Note 2.15*(b)*].

Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

2.24 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to common shareholders by the weighted average number of common shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares, if any.

2.25 Share-based Payments

The Parent Company grants share options to qualified employees of the Parent Company eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any.

The share-based remuneration, if any, is recognized as an expense in profit or loss and the corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital.

2.26 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Determination of Timing of Satisfaction of Performance Obligations (2018)

(i) Rendering of Fuel Services and Other Revenues

The Group determines that its revenue from rendering of fuel services and other revenues shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. However, significant services are generally performed within the day.

(ii) Sale of Goods

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

(b) Determination of ECL of Financial Assets at Amortized Costs (2018)

The Group uses an external benchmarking to calculate ECL for financial assets at amortized cost. The Group applies the PFRS 9 using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's (S&P)] in order to reference/benchmark with published equivalent external cumulative PD.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.2).

(c) Evaluation of Business Model Applied in Managing Financial Instruments (2018)

Upon adoption of PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

(d) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement, either as a lessor or a lessee, as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Certain hauling and heavy equipment are acquired and accounted for under finance lease.

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 31.

(f) Determination of Qualifying Assets on Borrowing Costs

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Determining if an asset is a qualifying asset will depend on the circumstances and requires the use of judgment in each case. In making judgment, the management takes into account its planned use when it determines whether the asset is a qualifying asset and considers the facts and circumstances and uses its judgment to determine whether an asset takes a substantial period of time to get ready for its intended use or sale. Based on the facts and circumstances affecting the Group's qualifying asset, the management concludes that the Group's retail station, depot facilities, tankers and land held for sale and development costs are qualifying assets as the management assesses that it takes substantial period of time for the completion of those assets.

(g) Distinction between Investment Properties and Owner-Managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity.

Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Estimation of Allowance for ECL (2018)

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2(*b*).

(b) Determination of Net Realizable Value of Inventories

In determining the net realizable values of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Future realization of the carrying amounts of inventories, as presented in Note 8, is affected by price changes and action from competitors. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial reporting period.

(c) Estimation of Useful Lives of Property, Plant and Equipment, Intangible Assets and Investment Properties

The Group estimates the useful lives of property, plant and equipment, intangible assets and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property, plant and equipment and intangible assets are analyzed in Notes 11 and 12, respectively. The carrying amount of investment properties is disclosed in Note 15. Based on management's assessment as of December 31, 2018 and 2017, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Fair Value Measurement of Property, Plant and Equipment and Investment Properties (2018)

The Group's property, plant and equipment and investment properties include parcels of land, that are carried at revalued amount at the end of the reporting period. These assets were previously recorded under the cost model [see Note 2.1(*b*)]. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 5.5.

The amounts of revaluation and fair value gains recognized on parcels of land under property, plant and equipment and investment properties are disclosed in Notes 11 and 15, respectively.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2018 and 2017 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2018 and 2017 is disclosed in Note 26.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 24.3.

(g) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2018, 2017 and 2016.

(h) Fair Value Measurements of Business Combinations

On initial recognition in a business combination using the purchase method of accounting, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates and obtains assistance from third party valuation specialists on the acquired investment properties (see Note 1.4). Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(i) Provision for Losses on Lost LPG Cylinders

Management estimates provision for losses on lost LPG cylinders based on the quantities computed from its internal simulations and computations. The estimated quantities do not represent the exact quantities of the LPG cylinders but they are assessed based on management's assumptions and historical loss experience representing the management's best estimate of the quantities of lost cylinders. Management will arrange for the appraisal by an external expert to take place every other year to obtain confidence in the estimate of the provision amount.

The Management has recognized provision for losses on lost LPG cylinders amounting to P24.3 million and nil in 2018 and 2017, respectively (see Note 11). Relatively, the gain on reversal of cylinder deposits amounted to P91.8 million and nil in 2018 and 2017, respectively (see Notes 2.10 and 20). LPG cylinders were only acquired as result of business combination in 2017 [see Note 1.4*(c)*].

4. 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.

4.1 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 (U.S.$). The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). The Group also holds U.S. and Singapore dollar-denominated cash and cash equivalents. Financial instruments that are Indonesian Rupiah denominated are considered immaterial, hence, not included in the analyses below.

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:

	2018		2017 [As restated - see Note 2.1*(b)*]	
	U.S. Dollar	**Singapore Dollar**	U.S. Dollar	Singapore Dollar
Financial assets	**P 5,361,837,054**	**P 5,566,810**	P 1,220,868,767	P 72,694,628
Financial liabilities	**(5,253,328,012)**	**(14,176,750)**	(1,566,782,434)	(17,705,741)
Net exposure	**P 108,509,042**	**(P 8,609,940)**	(P 345,913,667)	P 54,988,887

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. and Singapore 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 12 months at a 99.00% confidence level.

	2018		2017 [As restated - see Note 2.1*(b)*]	
	U.S. Dollar	**Singapore Dollar**	U.S. Dollar	Singapore Dollar
Reasonably possible change in rate	**11.14%**	**16.28%**	10.77%	16.88%
Effect in profit before tax	**P 12,087,907**	**(P 1,401,698)**	(P 37,254,902)	P 9,282,124
Effect in equity after tax	**8,461,535**	**(981,189)**	(26,078,431)	6,497,487

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, 2018 and 2017, 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 (see Notes 6 and 17). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-1.93% and +/-0.47% in 2018 and 2017, respectively, for Philippine Peso and nil and +/-0.50% in 2018 and 2017, respectively, for Singapore dollar. Short-term money placements and time deposits are tested on a reasonably possible change of +/-2.28% and +/-0.90% in 2018 and 2017, respectively. Banks loans subject to variable interest rates (or repricing) are tested on a reasonably possible change of +/-0.79% and +/-0.30% for Philippine peso in 2018 and 2017, respectively, and nil for U.S. dollar for both years. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 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 +/-P470.5 million and +/-P94.5 million for the year ended December 31, 2018 and 2017, respectively, and equity after tax by +/-P329.3 million and +/-P66.2 million for the year ended December 31, 2018 and 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.

4.2 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 employs a range of policies and practices to mitigate credit risk. 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, collaterals such as advance payments are received to mitigate credit risk. Estimates of fair values are based on the value of collaterals assessed at the time of first dealing with the customer and are updated and monitored periodically, e.g., annually for real estate properties.

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

	2018	2017
Standby letter of credits	**P 940,522,926**	P 668,797,536
Cash bond	**318,976,639**	281,709,354
Real estate mortgage	**68,138,850**	69,292,121
	P 1,327,638,425	P 1,019,799,011

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 summarized below.

	Notes	**2018**	2017 [As restated – see Note 2.1*(b)*]
Cash and cash equivalents	6	**P 7,889,708,807**	P 1,831,557,883
Trade and other receivables – net*	7	**11,363,226,589**	7,039,808,333
Due from related parties - net	27.4	**937,904,172**	518,004,898
Construction bond**	10	**5,504,822**	-
Restricted deposits	9	**52,719,265**	51,281,559
Refundable deposits	16	**289,572,937**	182,480,300
		P20,538,636,592	P 9,623,132,973

**excluding advances to suppliers and advances subject to liquidation*
***included as part of Others under Prepayments and Other Current Assets*

(a) Cash and Cash Equivalents

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

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

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

Phoenix Risk Rating (PRR)	Description (PRR)		Equivalent S&P Rating	S&P PD (%)
	Financial and Business Profiles	Other Information		
PRR 3A	Counterparties with both very strong financial and business profiles. Lowest risk of default in the scale.	These counterparties do not have a greater-than-normal risk. The track record of the client in terms of profit is very good and exhibits highest quality under virtually all economic conditions. Probability of default is quite low and it bears some degree of stability and substance. However, client may be susceptible to cyclical changes and more concentration of business risk, by product or by market.	BBB	0.14 – 0.61
PRR 2A	Counterparties with strong financial profile and very strong business profile or vice versa.		BBB	0.14 – 0.61
PRR 1A	Counterparties with a strong to adequate financial profile and very strong to adequate business profile.		BBB	0.14 – 0.61
PRR 3B	Counterparties with a sustainable financial profile and adequate business profile.	Counterparties whose risk elements are sufficiently pronounced to withstand normal business cycles but any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.	BB	0.63 – 1.90
PRR 2B	Counterparties with an average financial profile and sustainable business profile.		BB	0.63 – 1.90
PRR 1B	Counterparties with both average financial and business profile.	Credit exposure is not at risk of loss at the moment but performance of the client has weakened and unless present trends are reversed, could lead to losses.	B	3.16 – 6.53
PRR 3C	Counterparties with an average financial profile and adequate business profile.	This rating is given to a client where repayment of the receivable, through normal course of business, may be in jeopardy due to adverse events. There exists the possibility of future losses to the institution unless given closer supervision.	CCC/C	17.97 – 22.33
PRR 2C	Counterparties with a weak financial profile and adequate business profile.		CCC/C	17.97 – 22.33
PRR 1C	Counterparties with a weak financial profile and sustainable business profile.	Counterparties credits or portions thereof which exhibit more severe weaknesses. This rating is given to a counterparties whose receivables or portions thereof are considered uncollectible. The collectible amount, with no collateral or which collateral is of little value, is difficult to measure and more practical to write-off than to defer even though partial recovery may be obtained in the future.	D	100
PRR D	Counterparties with a weak financial profile and average business profile.		D	100
PRR F	Counterparties with both weak financial profile and business profiles.		D	100

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

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

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

Trade and Other Receivables				
PRR	S&P Rating	PD Rate Range	Estimated Gross Carrying Amount at Default	Credit Loss Allowance
PRR 3A	BBB	0.14 – 0.62	P 52,149,981	P 215,228
PRR 2A	BBB	0.14 – 0.62	2,436,112,580	5,789,403
PRR 1A	BBB	0.14 – 0.62	3,376,579,304	5,932,107
PRR 3B	BB	0.63 – 1.90	3,228,077,624	21,232,653
PRR 2B	BB	0.63 – 1.90	1,569,274,748	6,774,836
PRR 1B	B	3.16 – 6.53	405,322,564	25,020,588
PRR 3C	CCC/C	17.97 – 22.33	68,521,800	13,649,151
PRR 2C	CCC/C	17.97 – 22.33	335,572,541	64,998,979
PRR 1C/D/F	D	100	490,783,183	490,783,183
			P 11,997,622,718	**P 634,396,128**

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

4.3 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.

As of December 31, 2018, 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	**P21,479,255,558**	**P 6,272,692,441**	**P11,302,340,399**	**P 4,925,525,000**
Trade and other payables (excluding tax-related payables)	**819,565,247**	**6,452,331,850**	-	-
Security deposits	-	-	**266,616,512**	-
Customers' cylinder deposits	-	-	-	**276,285,588**
Cash bond	-	-	-	**56,702,491**
	P22,316,820,805	**P12,725,024,291**	**P11,568,956,911**	**P 5,258,513,079**

As of December 31, 2017 [As Restated – See Note 2.1*(b)*], 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	P17,093,687,980	P 770,678,974	P 9,934,502,651	P 2,318,636,250
Trade and other payables (excluding tax-related payables)	3,482,001,666	-	-	-
Security deposits	-	-	245,488,541	-
Customers' cylinder deposits	-	-	-	196,380,513
Cash bond	-	-	-	33,492,002
	P20,575,689,646	P 770,678,974	P10,179,991,192	P 2,548,508,765

The contractual maturities of the financial liabilities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

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.

		2018		2017 [As restated – See Note 2.1*(b)*]	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	**P 7,889,708,807**	**P 7,889,708,807**	P 1,831,557,883	P 1,831,557,883
Trade and other receivables-net*	7	**11,363,226,589**	**11,363,226,589**	7,039,808,333	7,039,808,333
Due from related parties	27.4	**937,904,172**	**937,904,172**	518,004,898	518,004,898
Construction bond***	10	**5,504,822**	**5,504,822**	-	-
Restricted deposits	9	**52,719,265**	**52,719,265**	51,281,559	51,281,559
Refundable deposits	16	**289,572,937**	**289,572,937**	182,480,300	182,480,300
		P 20,538,636,592	**P 20,538,636,592**	P 9,623,132,973	P 9,623,132,973
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	**P 39,945,245,450**	**P 36,188,613,995**	P 28,171,433,998	P 26,474,273,801
Trade and other payables**	19	**7,271,897,097**	**7,271,897,097**	3,482,001,666	3,482,001,666
Customers' cylinder deposits	20	**276,285,588**	**276,285,588**	196,380,513	196,380,513
Security deposits	20	**266,616,512**	**266,616,512**	245,488,541	245,488,541
Cash bond deposits	20	**56,702,491**	**56,702,491**	33,492,002	33,492,002
		P 47,816,747,138	**P 44,060,115,683**	P 32,128,796,720	P 30,431,636,523

* *Excluding advances to suppliers and advances subject to liquidation*
** *Excluding tax-related payables*
*** *Included as part of Others under Prepayments and Other Current Assets*

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4. The carrying values of refundable deposits, customers' cylinder deposits, security deposits and cash bond deposits are reasonable approximation of their fair values.

5.2 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- 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 Financial Instruments Measurement at Fair Value

There are no financial assets and financial liabilities that are measured at fair value as of December 31, 2018 and 2017.

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 consolidated statements of financial position but for which fair value is disclosed.

	Notes	**2018** Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 7,889,708,807	P -	P -	P 7,889,708,807
Trade and other receivables	7	-	-	11,363,226,589	11,363,226,589
Due from related parties	27.4	-	-	937,904,172	937,904,172
Construction bond	10	-	-	5,504,822	5,504,822
Restricted deposits	9	52,719,265	-	-	52,719,265
Refundable deposits	16	-	-	289,572,937	289,572,937
		P 7,942,428,072	**P -**	**P 12,596,208,520**	**P 20,538,636,592**
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and other borrowings	17	P -	P -	P 36,188,613,995	P 36,188,613,995
Trade and other payables	19	-	-	7,271,897,097	7,271,897,097
Customers' cylinder deposits	20	-	-	276,285,588	276,285,588
Security deposits	20	-	-	266,616,512	266,616,512
Cash bond deposits	20	-	-	56,702,491	56,702,491
		P -	**P -**	**P 44,060,115,683**	**P 44,060,115,683**

	Notes	2017 [As restated – see Note 2.1*(b)*] Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 1,831,557,883	P -	P -	P 1,831,557,883
Trade and other receivables	7	-	-	7,039,808,333	7,039,808,333
Due from related parties	27.4	-	-	518,004,898	518,004,898
Restricted deposits	9	51,281,559	-	-	51,281,559
Refundable deposits	16	-	-	182,480,300	182,480,300
		P 1,882,839,442	P -	P 7,740,293,531	P 9,623,132,973
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and other borrowings	17	P -	P -	P 26,474,273,801	P 26,474,273,801
Trade and other payables	19	-	-	3,482,001,666	3,482,001,666
Security deposits	20	-	-	245,488,541	245,488,541
Customers' cylinder deposits	20	-	-	196,380,513	196,380,513
Cash bond deposits	20	-	-	33,492,002	33,492,002
		P -	P -	P 30,431,636,523	P 32,128,796,720

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.

5.5 *Fair Value Measurement for Non-financial Assets*

The fair values of the Group's parcels of land, included as part of Property, Plant and Equipment and Investment Properties accounts, were determined based on the appraisal reports of Asian Appraisal Company, Inc. and Cuervo Appraisers, Inc., respectively, who are professional and independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the vessels. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The Level 2 fair value of the parcels of land for both recognized under property, plant and equipment and investment properties was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

These properties were revalued in 2018 due to the change in the Group's accounting policy [see Note 2.1*(b)*]. The reconciliation of the carrying amount of investment properties is presented in Note 15.

5.6 *Offsetting of Financial Assets and Financial Liabilities*

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	December 31, 2018					
	Gross amounts recognized in the consolidated statement of financial position			Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Trade and Other Receivables	P 11,498,383,599	(P 135,157,010)	P 11,363,226,589	P -	(P 323,319,003)	P 11,039,907,586
Restricted deposits	52,719,265	-	52,719,265	(52,719,265)	-	-
Total	**P 11,551,102,864**	**(P 135,157,010)**	**P11,415,945,854**	**(P 52,719,265)**	**(P 323,319,003)**	**P 11,039,907,586**

	December 31, 2017 [As Restated – see Note 2.1(b)]					
	Gross amounts recognized in the consolidated statement of financial position			Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off	Net amount presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Trade and Other Receivables	P 7,039,808,333	P -	P 7,039,808,333	P -	(P 278,980,543)	P 6,760,827,790
Restricted deposits	51,281,559	-	51,281,559	(51,288,559)	-	-
Total	P 7,091,089,892	P -	P 7,091,089,892	(P 51,281,559)	(P 278,980,543)	P 6,760,827,790

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	December 31, 2018					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 39,945,245,450	P -	P 39,945,245,450	(P 52,719,265)	P -	P 39,892,526,185
Security deposits	266,616,512	-	266,616,512	-	(266,616,512)	-
Cash bond deposits	56,702,491	-	56,702,491	-	(56,702,491)	-
Total	**P 40,268,564,453**	**P -**	**P40,268,564,453**	**(P 52,719,265)**	**(P 323,319,003)**	**P 39,892,526,185**

	December 31, 2017 [As Restated – see Note 2.1(b)]					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 28,171,433,998	P -	P28,171,433,998	(P 51,281,559)	P -	P 28,120,152,440
Security deposits	245,488,541	-	245,488,541	-	(245,488,541)	-
Cash bond deposits	33,492,002	-	33,492,002	-	(33,492,002)	-
Total	P 28,450,414,541	P -	P 28,450,414,54	(P 51,281,559)	(P 278,980,543)	P 28,120,152,440

For financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements presented above, each agreement between the Group and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2018	2017 [As restated - see Note 2.1(*b*)]
Cash in banks	**P 7,728,117,276**	P 1,549,265,669
Cash on hand	**4,082,617**	412,846
Revolving fund	**16,968,918**	11,527,561
Short-term placements	**140,539,996**	270,351,807
	P 7,889,708,807	P 1,831,557,883

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 2.50% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 1.00% per annum in all years presented. Interest income earned amounted to P27.2 million, P15.7 million and P3.9 million in 2018, 2017 and 2016, respectively, and is included as part of Finance income under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.2).

The balances of cash in banks as of December 31, 2018 and 2017 exclude restricted time deposits totalling to P52.7 million and P51.3 million, respectively, which are shown as Restricted Deposits account (see Note 9) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the loan agreement (see Note 17).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2018	2017 (As restated - see Note 2.1[b])
Trade receivables:			
Third parties		**P 8,367,158,668**	P 5,437,450,799
Related parties	27.1	**1,851,415,359**	955,539,554
		10,218,574,027	6,392,990,353
Advances to suppliers:			
Third parties		**925,791,098**	219,626,441
Related parties	27.12	**2,692,341,658**	424,838,624
		3,618,132,756	644,465,065
Non-trade receivables:			
Third parties		**698,518,436**	517,507,971
Related parties	27.6, 27.9, 27.10	**1,045,301,862**	586,598,808
		1,743,820,298	1,104,106,779
Advances subject to liquidation		**49,355,359**	21,034,364
Other receivables		**35,228,394**	20,864,877
		15,665,110,832	8,183,461,438
Allowance for impairment		**(634,396,128)**	(478,153,676)
		P 15,030,714,704	P 7,705,307,762

Trade and other receivables generally do not bear any interest. All receivables are subject to credit risk exposure (see Note 4.2).

PLPI entered into deferred payment agreement (DPA) with customers that are unable to pay their due and outstanding payable to PLPI. PLPI agreed to collect, inclusive of interest, through instalments as stated in the terms and conditions of the agreement. As of December 31, 2018 and 2017, the balances of receivables under DPA amounted to P47.5 million and P28.3 million, respectively, and is presented as part of Trade Receivables – Third Parties in the Trade and Other Receivables account in the 2018 and 2017 consolidated statements of financial position. There are no non-current trade receivables as of the said cut-offs.

The parties have agreed to enter into the DPA for the full and final settlement of the debt subject to the following terms and conditions enumerated below and in the next page:

i) Customer promises to pay PLPI through monthly instalment payment and by way of post-dated checks;

ii) The customer shall undertake to make full and final settlement of the remaining outstanding amount of the debt in the event that the customer obtains any financial assistance from any banks and/or financial institutions to finance its business operation. The entire remaining outstanding amount of the debt shall become immediately due without further demand, formal or informal advice in the event any of the monthly instalments are not received by the PLPI on or before the due date;

iii) Should PLPI be compelled to institute extra-judicial foreclosure of the collateral and/or judicial actions to foreclose or collect unpaid amounts, the customer shall be liable for the costs and fees incurred by PLPI in the preparation, monitoring and enforcement of the DPA, as well as costs and fees incurred by the PLPI on account filing and prosecution and enforcement of any judicial foreclosures, extra-judicial foreclosures, and collection suits; and,

iv) The customer further agrees that in the event it fails to pay any of the monthly instalments, then PLPI shall be at liberty to recover the same through the process of court, in which event all costs and expenses incurred by the PLPI including the legal costs on a solicitor and client basis shall be solely borne by them.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade and other receivables, which are due from customers, were found to be impaired; hence, adequate amount of allowance for impairment has been recorded as of December 31, 2018 and 2017.

Impairment losses amounting to P68.5 million, P50.3 million and P113.0 million in 2018, 2017 and 2016, respectively, are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22). Recovery of bad debts are presented as part of Others under Other Income (Charges) in the consolidated statements of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of 2018 and 2017 is shown below.

	Notes	**2018**	2017
Balance at beginning of year, as previously reported		**P 478,153,676**	P 339,048,847
Effect of application of PFRS 9	2.1*(b)*	**107,699,501**	-
As restated		**585,853,177**	-
Business combination	1.4	**-**	138,498,702
Impairment loss for the year	22	**68,465,111**	46,167,713
Written-off during the year		**(17,153,577)**	(44,844,753)
Recovery of bad debts		**(2,768,583)**	(716,833)
Balance at end of year		**P 634,396,128**	P 478,153,676

In 2018 and 2017, the Group directly written off past due accounts amounting to nil and P4.1 million,respectively, which is also presented as part of Impairment losses on trade and other receivables under Selling and Administrative Expenses (see Note 22.1).

8. INVENTORIES

The breakdown of inventories are as follows:

	Note	**2018**	2017 [As restated - see Note 2.1*(b)*]
At cost:			
Fuels and by-products		**P 10,303,317,190**	P 12,017,877,179
Lubricants		**427,496,011**	271,868,702
Merchandise		**185,837,405**	-
LPG		**157,495,582**	124,305,656
Others		**61,348,098**	2,185,536
	21.2	**P 11,135,494,286**	P 12,416,237,073

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P3,045.6 million and P5,139.1 million as of December 31, 2018 and 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 (see Note 17.1).

There were no inventory write-down in 2018 and 2017.

An analysis of the cost of inventories included in the cost of fuels, lubricants, LPG and merchandise sold in each year is presented in Note 21.2.

9. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 17.1) amounting to P52.7 million and P51.3 million as of December 31, 2018 and 2017, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies. Interest rates for this type of deposit range from 0.80% to 3.68% per annum for December 31, 2018, 2017 and 2016. Interest income earned from restricted deposits amounted to P1.4 million, P0.1 million, P0.7 million in 2018, 2017 and 2016, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

10. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of December 31, 2018 and 2017 is shown below.

	Note	**2018**	2017 [As restated - see Note 2.1*(b)*]
Prepayments	27.3	**P 388,805,646**	P 299,066,139
Supplies		**165,373,021**	159,214,128
Creditable withholding tax		**124,698,086**	151,609,200
Others		**16,822,026**	381,709
		P 695,698,779	P 610,271,176

11. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2018 and 2017 are shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Land	Construction in Progress	Total
December 31, 2018										
Cost or revalued amount	P 8,755,732,757	P 559,063,602	P 4,916,628,325	P 2,065,608,639	P 504,464,581	P 739,542,684	P 71,943,639	P 3,836,203,184	P3,323,038,453	P 24,772,225,864
Accumulated depreciation, amortization and impairment	(2,202,616,943)	(269,784,374)	(1,886,469,891)	(860,115,301)	(259,737,242)	(519,693,346)	(57,814,262)	-	-	(6,056,231,359)
Net carrying amount	**P 6,553,115,814**	**P 289,279,228**	**P 3,030,158,434**	**P 1,205,493,338**	**P 244,727,339**	**P 219,849,338**	**P 14,129,377**	**P 3,836,203,184**	**P3,323,038,453**	**P 18,715,994,505**
December 31, 2017										
Cost	P 7,938,264,335	P 278,440,237	P 4,307,161,317	P 1,725,126,080	P 176,628,000	P 723,956,478	P 60,325,908	P 2,431,765,273	P 761,915,936	P 18,403,583,564
Accumulated depreciation, amortization, and impairment	(1,853,643,912)	(172,468,591)	(1,547,282,631)	(776,460,696)	(106,368,564)	(491,547,359)	(55,832,003)	-	-	(5,003,603,756)
Net carrying amount [As restated - see Note 2.1*(b)*]	P 6,084,620,423	P 105,971,646	P 2,759,878,686	P 948,665,384	P 70,259,436	P 232,409,119	P 4,493,905	P 2,431,765,273	P 761,915,936	P 13,399,979,808
January 1, 2017										
Cost	P 4,634,286,358	P 294,381,659	P 3,115,535,438	P -	P 105,444,580	P 652,099,361	P 38,154,152	P 1,696,586,766	P1,081,354,000	P 11,617,842,314
Accumulated depreciation and amortization	(1,135,333,357)	(89,335,859)	(857,037,528)	-	(84,301,661)	(411,366,616)	(38,154,152)	-	-	(2,615,529,173)
Net carrying amount	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P 1,696,586,766	P1,081,354,000	P 9,002,313,141

A reconciliation of the carrying amounts at the beginning and end of 2018 and 2017 of property, plant and equipment is shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Land	Construction in Progress	Total
Balance at January 1, 2018 net of accumulated depreciation and amortization – as previously reported	P 6,084,620,423	P 108,321,362	P 2,759,878,686	P 948,665,384	P 68,617,257	P 232,409,119	P 4,493,905	P 2,431,765,273	P 761,915,936	P 13,400,687,345
Restatement – cost	-	(2,110,086)	-	-	1,797,340	-	-	-	-	(312,746)
Restatement – accumulated depreciation	-	(239,630)	-	-	(155,161)	-	-	-	-	(394,791)
As restated – see Note 2.1(b)	6,084,620,423	105,971,646	2,759,878,686	948,665,384	70,259,436	232,409,119	4,493,905	2,431,765,273	761,915,936	13,399,979,808
Business combination - cost (see Note 1.4)	-	209,860,851	-	-	330,791,968	-	4,361,691	-	5,176,388	550,190,898
Business combination - accumulated depreciation (see Note 1.4)	-	(65,849,711)	-	-	(111,527,344)	-	(2,673,486)	-	-	(180,050,541)
Additions	1,038,828,696	60,964,354	96,270,515	393,588,977	6,418,615	33,809,407	11,494,707	184,591,868	2,953,396,335	4,779,363,474
Revaluation increments	-	-	-	-	-	-	-	1,219,846,043	-	1,219,846,043
Transfers (see Note 12)	(221,360,274)	27,229,763	585,048,375	(47,135,953)	2,542,575	44,072,911	-	-	(397,450,206)	(7,052,809)
Cost of asset disposed	-	(17,680,364)	(71,851,882)	(5,970,465)	(12,195,514)	(62,296,112)	(4,238,667)	-	-	(174,233,004)
Accumulated depreciation of asset disposed	-	4,709,356	66,892,056	3,942,624	10,550,372	62,296,112	4,230,176	-	-	152,620,696
Depreciation and amortization charges for the year	(348,973,031)	(36,175,428)	(406,079,316)	(63,306,743)	(52,391,706)	(90,442,099)	(3,538,949)	-	-	(1,000,907,272)
Provision for loss on lost cylinders	-	-	-	(24,290,486)	-	-	-	-	-	(24,290,486)
Translation adjustment	-	248,761	-	-	278,937	-	-	-	-	527,698
Balance at December 31, 2018 net of accumulated depreciation and amortization	P 6,553,115,814	P 289,279,228	P 3,030,158,434	P 1,205,493,338	P 244,727,339	P 219,849,338	P 14,129,377	P 3,836,203,184	P 3,323,038,453	P 18,715,994,505

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Land	Construction in Progress	Total
Balance at January 1, 2017 net of accumulated depreciation and amortization	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P 1,696,586,766	P1,081,354,000	P 9,002,313,141
Business combination - cost (see Note 1.4)	1,475,209,901	-	494,487,528	1,665,092,760	20,693,043	-	18,814,376	-	4,753,049	3,679,050,657
Business combination - accumulated depreciation and provision for loss on lost cylinders (see Note 1.4)	(507,141,325)	-	(333,104,296)	(757,139,740)	(16,551,492)	-	(18,125,459)	-	-	(1,632,062,312)
Additions	915,256	6,799,404	5,402,980	74,504,679	57,390,498	103,659,961	4,227,327	735,178,507	2,207,257,158	3,195,335,770
Restatement – cost	-	(2,110,086)	-	-	1,797,340	-	-	-	-	(312,746)
Restatement – accumulated depreciation	-	(239,630)	-	-	(155,161)	-	-	-	-	(394,791)
Transfers	1,827,852,820	(19,666,168)	723,567,010	(521,536)	-	-	-	-	(2,531,232,126)	-
Cost of asset disposed	-	(964,572)	(31,831,639)	(13,949,823)	(8,697,461)	(31,802,844)	(869,947)	-	(216,145)	(88,332,431)
Accumulated depreciation of asset disposed	-	964,572	23,068,476	4,610,559	8,567,528	26,568,472	855,448	-	-	64,635,055
Depreciation and amortization charges for the year	(211,169,230)	(83,857,674)	(380,209,283)	(23,931,515)	(13,927,778)	(106,749,215)	(407,840)	-	-	(820,252,535)
Balance at December 31, 2017 net of accumulated depreciation and amortization [As restated – see Note 2.1(*b*)]	P 6,084,620,423	P 105,971,646	P 2,759,878,686	P 948,665,384	P 70,259,436	P 232,409,119	P 4,493,905	P 2,431,765,273	P 761,915,936	P 13,399,979,808

11.1 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P261.6 million, P19.7 million and P61.7 million as of December 31, 2018, 2017 and 2016, respectively (see Note 17.5), representing the actual borrowing costs incurred on loans obtained to fund the construction of depot facilities and retail stations. The average capitalization rate used was 8.50% both in 2018 and 2017.

11.2 Finance Lease

There are no hauling and heavy equipment held under finance lease as of December 31, 2018 and 2017.

11.3 Depreciation and Amortization

The Group retired in its books fully-depreciated transportation equipment with a total cost of P21.6 million and P24.9 million in 2018 and 2017, respectively. As of December 2018 and 2017, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P987.4 million and P1,044.8 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2018**	2017	2016
Cost of sales and services	21.2, 21.3	**P 63,306,743**	P 23,964,493	P 402,281,752
Selling and administrative expenses		**937,600,529**	796,288,042	582,127,726
	22	**P 1,000,907,272**	P 820,252,535	P 984,409,478

11.4 Fair Value of Land

The Group's parcels of land are stated at their revalued amounts as of December 31, 2018 (see Note 2.1[b]), being the fair value at December 31, 2018, the date of appraisal report, less any subsequent impairment losses. The revaluation surplus, net of applicable deferred income taxes, is presented as part of the Revaluation Reserves account in the equity section of the 2018 consolidated statement of financial position.

The information on the fair value measurement and disclosures related to the revalued parcels of land are presented in Note 5.5.

If the parcels of land were carried at cost model as of December 31, 2018, the cost would be P2,597.7 million.

12. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2018 and 2017 are shown below.

	Basketball Franchise	Store Franchise	Computer Software Licenses	Software Development Cost	Others	Total
December 31, 2018						
Cost	P 176,861,660	P 42,028,644	P 244,288,416	P 47,571,271	P 1,334,093	P 512,084,084
Accumulated amortization	-	(19,675,619)	(150,259,211)	(13,986,616)	(108,288)	(184,029,734)
Net carrying amount	**P 176,861,660**	**P 22,353,025**	**P 94,029,205**	**P 33,584,655**	**P 1,225,805**	**P 328,054,350**
December 31, 2017						
Cost	P 176,861,660	P -	P 216,578,945	P 9,638,891	P 1,262,393	P 404,341,889
Accumulated amortization	-	-	(101,764,923)	(7,118,724)	-	(108,883,647)
Net carrying amount	P 176,861,660	P -	P 114,814,022	P 2,520,167	P 1,262,393	P 295,458,242
January 1, 2017						
Cost	P 176,861,660	P -	P 166,374,580	P 9,275,320	P 933,694	P 353,445,254
Accumulated amortization	-	-	(72,935,492)	(5,472,272)	-	(78,407,764)
Net carrying amount	P 176,861,660	P -	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2018 and 2017 are shown below.

	Basketball Franchise	Store Franchise	Computer Software Licenses	Software Development Cost	Others	Total
Balance at January 1, 2018, net of accumulated amortization – as previously reported	P 176,861,660	P -	P 94,287,232	P 2,520,167	P 1,262,393	P 274,931,452
Restatement – cost	-	-	20,874,703	-	-	20,874,703
Restatement – accumulated amortization	-	-	(347,913)	-	-	(347,913)
As restated – see Note 2.1(b)	176,861,660	-	114,814,022	2,520,167	1,262,393	295,458,242
Business combination -cost (see Note 1.4)	-	41,078,000	-	402,438	-	41,480,438
Business combination -accumulated amortization	-	(19,675,619)	-	(328,499)	-	(20,004,118)
Additions	-	950,644	26,563,038	30,477,133	71,700	58,062,515
Transfers from property, plant, and equipment (see Note 11)	-	-	-	7,052,809	-	7,052,809
Amortization expense for the year	-	-	(48,494,288)	(6,539,393)	(108,288)	(55,141,969)
Reclassification/ adjustment	-	-	1,146,433	-	-	1,146,433
Balance at December 31, 2018, Net of accumulated amortization	**P 176,861,660**	**P 22,353,025**	**P 94,029,205**	**P 33,584,655**	**P 1,225,805**	**P 328,054,350**
Balance at January 1, 2017, net of accumulated amortization	P 176,861,660	P -	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490
Additions	-	-	49,856,452	363,571	328,699	50,548,722
Amortization expense for the year	-	-	(28,481,518)	(1,646,452)	-	(30,127,970)
Balance at December 31, 2017, net of accumulated amortization [As restated – see Note 2.1*(b)*]	P 176,861,660	P -	P 114,814,022	P 2,520,167	P 1,262,393	P 295,458,242

In 2018, computer software licenses amounting to P7.5 million were transferred from property, plant and equipment (see Note 11). The amount of amortization is presented as part of selling and administrative expenses in the consolidated statements of comprehensive income (see Note 22).

Store franchise was acquired as a result of business combination in 2018 [see Notes 1.4*(a)* and 31.5].

Intangible assets are subject to annual impairment testing and whenever there is an indication of impairment. The Group assessed that the useful life of the basketball franchise to be indefinite. Based on analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Group. No impairment losses were recognized in 2018, 2017 and 2016 on such basis.

13. INVESTMENTS IN JOINT VENTURES

13.1 Joint venture of the Parent Company

The Parent Company has entered into a joint venture (JV) agreement with TIPCO Asphalt Public Company Limited (TIPCO Asphalt) and certain individual to set-up and incorporate a JV company – Phoenix Asphalt Philippines, Inc. (PAPI). The JV company – PAPI was incorporated on March 23, 2018 primarily to import, store, manufacture, sell, market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

Under the JV agreement, PAPI's authorized share capital is P275.0 million divided into 275.0 million shares with par value of P1 per share. The Parent Company owns P110.0 million shares or 40.00% of the outstanding capital stock of PAPI. The JV has no restrictions as to transfer of funds in the forms of cash dividend, or to pay advances made by PAPI. Moreover, the Parent Company shall be responsible to enter into a lease agreement for land identified as part of a certain industrial park in Batangas for the construction of terminal at fair rental value, and to cause to provide a minimum of 20 to 30 years' access rights to the oil, gas and chemical jetty for receiving and importing bulk bitumen cargo and other rights necessary for the construction and operations of terminal.

13.2 Joint ventures of PPMI

PPMI entered into an agreement with Per Petroleum Corporation for the operation and management of PPMI retail network including collateral businesses that may complement the operation or the retail network in the whole of the Bicol Region. The JV company, Phoenix Southern Petroleum Corp. (PSPC), was incorporated and registered with the SEC on June 1, 2018. The primary purpose of this company is to buy and sell refined liquefied petroleum gas, various kinds of lubricants, car care products and to operate, manage and carry out gasoline retail stations, convenience store and other non-fuel related businesses.

PPMI owns P30.6 million worth of shares or 51.00% of the outstanding capital stock, but does not has significant control on the entity. PPMI has no significant commitments relating to PSPC.

PPMI entered into a JV agreement with certain individuals for the management and operation of Galaxi Petroleum Fuel, Inc. (Galaxi). Galaxi was primarily established to sell petroleum products. PPMI owns P5.0 million worth of shares or 51.00% of the outstanding capital stock, but does not have significant control of the entity. PPMI has no significant commitments relating to Galaxi.

13.3 JVs financial information

Presented below are the financial information of the Group's joint ventures and the movements of the carrying value as of December 31, 2018:

	Joint Ventures			
	PAPI	PSPC	Galaxi	
Total current assets	P 275,278,082	P 67,459,164	P 172,295,310	
Total non-current assets	8,786,996	-	68,143,118	
Total current liabilities	10,613,773	7,988,212	152,326,905	
Total non-current liabilities	-	-	1,756,000	
Total revenues	6,828,601	-	398,627,902	
Total other comprehensive income	-	-	-	
				Total
Net income (loss)	(P 1,124,499)	(P 529,048)	P 15,807,567	
Percentage of ownership	40.00%	51.00%	51.00%	
Equity share in net income (loss) during the year	(P 449,800)	(P 269,814)	P 8,061,859	P 7,342,245
Total acquisition costs				448,094,125
Carrying value				P 455,436,370

No dividends were received from the joint ventures during the year. In addition, there are no share of contingent liabilities for all of the JVs. As of December 31, 2018, management believes that the investments in joint ventures are not impaired.

14. GOODWILL

Goodwill represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition and relates mainly to business synergy for economies of scale and scope. The movements of this account as of December 31 are as follows:

	Note	**2018**	2017
Balance at beginning of year – net of allowance on impairment loss		**P 3,990,666,606**	P 10,221,849
Additions due to business combinations	1.4	**428,176,225**	3,980,444,757
Balance at end of year		**P 4,418,842,831**	P 3,990,666,606

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2013, the Parent Company has assessed that the goodwill pertaining with PGMI is impaired; hence, full impairment loss amounting to P1.3 million was recognized.

The Group tests whether goodwill is impaired on an annual basis. The recoverable amount of the cash generating units [identified as PLPI (LPG), PFM (CVS) and AAI Group (Digital platform)] was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on budgets approved by the management covering a five-year period with an assumed a terminal growth rate of 3.0% and is based on the discount rate of weighted average cost of capital of 12.00%. Budgeted earnings before interest, taxes, depreciation and amortization (EBITDA) were based on expectations of future outcomes taking in to past experience of five years, adjusted for anticipated revenue growth. It is also further assumed that revenues coming from sales volume and sales prices would grow at a constant margin above forecast inflation over the next five years. Based on these, the estimated recoverable amount of each of the cash generating units exceeded its carrying amount. The carrying values of goodwill for each of the cash-generating units are disclosed in Note 1.4.

Based on these analyses, management has assessed that no impairment of goodwill is required to be recognized in 2018 and 2017.

15. INVESTMENT PROPERTIES

The Group's investment properties were acquired through business combinations in 2017 (see Note 1.4) and consist of several parcels of land and lot improvements, which are held for investment purposes only. Rental income from investment property amounted to P1.8 million in 2018, P1.1 million in 2017 and nil in 2016 are presented as part of Rent Income in the 2018 and 2017 consolidated statements of comprehensive income.

Related real property taxes amounted to P0.7 million and P0.2 million was recognized as a related expense in 2018 and 2017, respectively, and are presented as part of Taxes and Licenses under Selling and Administrative Expenses in the 2018 and 2017 consolidated statements of comprehensive income (see Note 22).

The gross carrying amounts and accumulated depreciation and impairment of investment properties at the beginning and end of 2018 and 2017 are shown below and in the next page.

	Land	Lot Improvements	Total
December 31, 2018			
Revalued amount / cost [see Note 2.1*(b)*]	P 1,742,840,628	P 3,500,390	P 1,746,341,018
Accumulated impairment loss	(4,633,374)	-	(4,633,374)
Accumulated depreciation	-	(2,686,439)	(2,686,439)
Net carrying amount	**P 1,738,207,254**	**P 813,951**	**P 1,739,021,205**
December 31, 2017			
Cost	P 1,117,899,628	P 3,500,390	P 1,121,400,018
Accumulated impairment loss	(4,633,374)	-	(4,633,374)
Accumulated depreciation	-	(2,001,986)	(1,986,362)
Net carrying amount	P 1,113,266,254	P 1,514,028	P 1,114,780,282

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2018 and 2017 is shown below.

	Land	Lot Improvements	Total
Balance at January 1, 2018 net of accumulated depreciation and impairment loss	P 1,113,266,254	P 1,514,028	P 1,114,780,282
Fair value gains	624,941,000	-	624,941,000
Depreciation charges for the year	-	(700,077)	(700,077)
Balance at December 31, 2018 net of accumulated depreciation	**P 1,738,207,254**	**P 813,951**	**P 1,739,021,205**
Balance at January 1, 2017 net of accumulated depreciation and impairment loss	P 336,839,553	P 2,214,105	P 339,053,658
Business combination	736,056,721	-	736,056,721
Depreciation charges for the year	-	(700,077)	(700,077)
Reversal of accumulated impairment losses	40,785,503	-	40,785,503
Cost of disposed property	(415,523)	(715,701)	(1,131,224)
Accumulated depreciation of disposed property	-	715,701	715,701
Balance at December 31, 2017 net of accumulated depreciation and impairment loss	P 1,113,266,254	P 1,514,028	P 1,114,780,282

In 2017, the carrying amount of the investment properties totaled to P1,114.8 million as a result of the acquisition of Duta Group. As a result of the increase in the appraisal values, the Group recognized in 2017 a gain on reversal of impairment amounting to P40.3 million, which was previously recognized before the business combination (see Note 1.4). Such is presented as part of Others under the Other Charges (Income) in the 2017 consolidated statement of comprehensive income.

In 2018, the Group has appraised its investment properties where fair value gains were recognized at the opening balance amounting to P624.9 million [see Note 2.1*(b)*].

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 5.5.

16. OTHER NON-CURRENT ASSETS

The composition of this account as of December 31 are shown below.

	Note	2018	2017
Advances to suppliers	27.2	**P 1,167,194,841**	P -
Refundable rental deposits	27.3	**289,572,937**	182,480,300
Deferred minimum lease payments		**48,242,728**	39,079,505
Other prepayments		**83,386,615**	-
Others		**7,270,409**	1,907,263
		P 1,595,667,530	P 223,467,068

Advances to suppliers pertain to advances made to related parties for future acquisition of real properties (see Note 27.2).

Refundable rental deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The fair values on initial recognition of the lease deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease (i.e. BVAL). Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P2.8 million in 2018, P2.7 million in 2017 and P2.6 million in 2016 and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

The excess of the principal amount of the rental deposit over its present value is recognized in the consolidated statements of financial position as Deferred Minimum Lease Payments. Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P3.2 million, P2.7 million and P2.4 million in 2018, 2017 and 2016, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

17. INTEREST-BEARING LOANS AND BORROWINGS

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

	2018	2017
Current:		
Liabilities under LC and TR	**P 3,045,567,756**	P 5,139,141,223
Term loans	**16,667,005,937**	11,657,732,922
Liabilities under short-term commercial papers	**6,596,913,591**	-
	26,309,487,284	16,796,874,145
Non-current Term loans	**13,590,520,166**	11,374,559,853
	P 39,900,007,450	P 28,171,433,998

17.1 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 (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 6.14% and 3.97% per annum in 2018 and 2017, respectively.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits, inventories and surety of certain stockholders (see Notes 6, 8, 9 and 27.5).

17.2 Term Loans

The breakdown of the outstanding balances of the term loans per creditor as at December 31 are as follows:

	Explanatory Notes	Term	Interest Rates	Outstanding Balance 2018	Outstanding Balance 2017
BDO Unibank, Inc. (BDO)					
i. Term Loan Agreement	*(a)*	7 years	4.77%	**P 5,142,186,833**	P 5,799,559,853
ii. Notes Facility Agreements	*(b), (c)*	1 month to 5 years	5.72% - 7.59%	**3,200,000,000**	4,600,000,000
				8,342,186,833	10,399,559,853
Philippine National Bank (PNB)					
i. Short-Term Commercial Papers	*(17.3)*	6 to 12 months	7.10% - 7.50%	**6,596,913,591**	-
ii. Notes Payable	*(c)*	2 months to 6 months	4.63% - 7.00%	**3,670,000,000**	2,150,000,000
ii. Term Loan Agreement	*(d)*	5 years	5.30% - 6.21%	**225,000,000**	325,000,000
				10,491,913,591	2,475,000,000
Land Bank of the Philippines (LBP)					
i. Term Loan Agreement	*(f)*	7 years	4.85%	**5,000,000,000**	-
	(f)	3 years	4.00%	**666,666,667**	1,000,000,000
ii. Notes Payable	*(c)*	2 to 3 months	6.00%	**1,100,000,000**	900,000,000
				6,766,666,667	1,900,000,000
Multinational Investment Bancorporation (MIB)					
i. Notes Payable	*(c)*	3 to 7 months	4.75% - 6.50%	**4,304,042,213**	2,385,732,922
ii. Medium-term loan	*(e)*	1 year and 6 months	3.75%	**200,000,000**	-
				4,504,042,213	2,385,732,922
Robinsons Bank Corporation (RBC)					
i. Notes Payable	*(c)*	2 to 6 months	6.75%	**375,000,000**	625,000,000
ii. Term Loan Agreement	*(b), (g)*	5 years	5.50%	**200,000,000**	347,000,000
				575,000,000	972,000,000
Development Bank of the Philippines (DBP)	*(c)*	2 to 3 months	5.30% - 5.90%	**1,715,000,000**	1,200,000,000
Asia United Bank (AUB)	*(c)*	3 months	6.75%	**1,009,630,390**	400,000,000
China Banking Corporation	*(c)*	3 months to 18 months	4.63%	**1,005,000,000**	-
Rizal Commercial Banking Corporation	*(c)*	2 to 3 months	7.25%	**985,000,000**	1,000,000,000
Bank of Commerce	*(c)*	1 month	6.38%	**810,000,000**	500,000,000
United Coconut Planters Bank	*(c)*	1 month	7.00%	**450,000,000**	500,000,000
Maybank Philippines, Inc.	*(c)*	3 months	6.00%	**200,000,000**	-
Pentacapital Investment Corporation	*(c)*	3 months	5.00%	**-**	400,000,000
Philippine Veterans Bank (PVB)	*(c)*	1 month	3.50%	**-**	600,000,000
Union Bank of the Philippines (UBP)	*(c)*	2 months	3.50%-4.00%	**-**	300,000,000
				P 36,854,439,694	P 23,032,292,775

(a) TLA with BDO

In 2017, the Parent Company obtained a seven-year term loan amounting to P6,000.0 million to finance the 100.00% acquisition of PLPI, including the refinancing of the deposit, and Duta, Inc. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month BVAL rate (which replaced and succeeded the PDST-R2 as the benchmark rate effective October 29, 2018) and 150 basis points divided by 0.99, or 4.00% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher. The interest rate shall be repriced at the start of the ninth quarter up to the final repayment date based on the higher of sum of the prevailing three-month BVAL and 150 basis points divided by 0.95, or 4.00% divided by 0.95 per annum, whichever is higher. The principal loan is payable quarterly in 28 installments. The first 27 installments shall be for the amount of P165.0 million quarterly while the last installment shall be P1,545.0 million.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1.1, and debt coverage ratio of at least 1.5.

As of December 31, 2018 and 2017, the Parent Company has complied with its debt covenants.

(b) Notes Facility Agreement

In 2011, the Parent Company availed of a P750.0 million clean loan under the notes facility agreement entered into with BDO, Maybank International, Ltd. and RBC. The long-term loan amounting to P700.0 million with interest rate of 7.40% annually is payable on August 24, 2016 and the remaining P50.0 million with interest rate of 7.70% is payable on August 23, 2018. The outstanding balance of the note facility as of December 31, 2018 and 2017 amounted to nil and P47.0 million, respectively. This loan does not include any covenant.

(c) Notes Payable

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 4.63% to 7.00% per annum and normally has a tenor of less than a year. Some of these loans are clean and unsecured. Certain loans are guaranteed by certain stockholders through surety agreement with the Banks (see Note 27.5).

The total outstanding balance of the various promissory notes as of December 31, 2018 and 2017 are P18,683.7 million and P14,560.7 million, respectively.

(d) TLA with PNB

On January 29, 2016, the Parent Company signed with PNB a five-year term clean loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 6.21% and is payable in twenty quarterly installments. As of December 31, 2018 and 2017, the outstanding principal balance amounted to P225.0 million and P325.0 million, respectively. This loan does not include any covenant.

(e) Medium-Term Loan with MIB

The Parent Company signed with MIB a clean medium-term loan amounting to P200.0 million with a tenor of 547 days. The loan proceeds were used for working capital requirements. The loan is subject to a fixed annual interest rate of 3.75% and is maturing on April 30, 2019. This loan does not include any covenant.

(f) TLA with LBP

On November 3, 2017, the Parent Company signed with LBP a three-year term clean loan amounting to P1,000.0 million to partially finance the permanent working capital requirements of the Parent Company. The loan is subject to a floating rate of 4.00% per annum subject to repricing semi-annually. Interest is payable semi-annually in arrears and the principal is payable in equal semi-annual amortization starting at the end of the first semester. As of December 31, 2018 and 2017, the outstanding principal balance amounted to P666.7 million and P1,000.0 million, respectively.

On July 5, 2018, the Parent Company signed with LBP a seven-year term loan with no grace period amounting to P5,000.0 million to partially finance the general corporate requirement of the company. The loan was approved on a clean basis and is subject to an interest rate of 4.85%and shall be repriced semi-annually. The principal loan is payable in semi-annually. The first 13 installments shall be for the amount of P25.0 million semi-annually while the last installment shall be P4.675.0 million.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1.

As of December 31, 2018 and 2017, the outstanding principal balance amounted to P5,000.0 million and nil, respectively. The Parent Company has complied with its debt covenants.

(g) TLA with RBC

On October 9, 2015, the Parent Company signed with RBC a five-year clean term loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 5.50% and is payable in twenty equal quarterly installments. As of December 31, 2018 and 2017, the outstanding principal balance amounted to P200.0 million and P300.0 million, respectively. This loan does not include any covenant.

17.3 Liabilities under Short-term Commercial Papers (STCPs)

In December 2018, the Parent Company issued STCPs amounting to P7,000.0 million with PNB Capital and Investment Corporation being the Sole Issue Manager and the Lead Underwriter. The amount represented the first of the two tranches totalling to P10,000.0 million of STCP registered with the SEC. Half of the first tranche consisted of 180-day paper that carries a discount rate of 7.10% while 350-day paper with discount rate of 7.50%. The Parent Company used 70.00% of the proceeds to finance the working capital requirements for the importation of fuels and lubricants, and the rest will be used to repay outstanding short-term loans with various banks.

The outstanding liabilities under STCP as of December 31, 2018 and 2017 amounted to P6,596.9 million and nil, respectively. The outstanding balance as of December 31, 2018 is net of the capitalized and unamortized debt issuance cost of P45.2 million.

17.4 Credit Line

The Parent Company has an available credit line under LC/TR of P17,111.3 million and P8,902.3 million and as of December 31, 2018 and 2017, respectively. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit lines are mostly granted on a clean basis while some of the credit lines are partially secured by the Joint Several Signatures of certain stockholders.

17.5 Interest Expense

Interest expense for 2018, 2017 and 2016 are presented as part of Finance Costs in the consolidated statements of comprehensive income amounted to P1,377.0 million, P780.9 million and P863.4 million (see Note 23.1), respectively, which is already exclusive of the capitalized borrowing cost of P261.6 million, P19.7 million and P61.7 million as of December 31, 2018, 2017 and 2018, respectively (see Note 11.1).

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Liabilities under LC and TR (see Note 17)	Term Loans (see Note 17)	Liabilities under STCP (see Note 17)	Obligations under finance lease (see Note 17)	Other Non-current Liabilities (see Note 20)	Total
Balance as of January 1, 2018	P 5,139,141,223	P 23,032,292,775	P -	P -	P 504,947,844	P 28,676,381,842
Cash flows from financing activities						
Additional borrowings	-	50,798,571,804	7,000,000,000	-	-	57,798,571,804
Repayment of borrowings and TR	(28,300,249,382)	(43,573,338,476)	-	-	-	(71,873,587,858)
Increase in non-current liability	-	-	-	-	78,717,366	78,717,366
Bond issue cost	-	-	(45,238,000)	-	-	(45,238,000)
Non-cash financing activities						
Availment of LC and TR	25,780,675,915	-	-	-	-	25,780,675,915
Business combination	426,000,000	-	-	-	3,664,685	429,664,685
Unamortized discount	-	-	(357,848,409)	-	-	(357,848,409)
Balance as of December 31, 2018	**P 3,045,567,756**	**P 30,257,526,193**	**P 6,596,913,591**	**P -**	**P 587,329,895**	**P 40,487,337,345**
Balance as of January 1, 2017	P 2,163,936,859	P 9,911,509,730	P 1,107,711,982	P 1,265,272	P 258,584,286	P 13,443,008,129
Cash flows from financing activities						
Additional borrowings	-	35,895,647,657	1,121,000,000	-	-	37,016,647,657
Repayment of borrowings and TR	(18,099,859,838)	(22,776,136,983)	(2,228,711,982)	-	-	(43,104,708,803)
Increase in non-current liability	-	-	-	-	63,749,068	63,749,068
Non-cash financing activities						
Availment of LC and TR	21,075,064,202	-	-	-	-	21,075,064,202
Business combination	-	-	-	-	182,614,490	182,614,490
Interest amortization on finance lease obligation	-	-	-	(1,265,272)	-	(1,265,272)
Amortization of unrecorded discount	-	1,272,371	-	-	-	1,272,371
Balance as of December 31, 2017	P 5,139,141,223	P 23,032,292,775	P -	P -	P 504,947,844	P 28,676,381,842

19. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2018	2017 [As Restated - Note 2.1*(b)*]
Trade payables:			
Third parties		**P 6,142,277,375**	P 2,844,928,495
Related parties	27.2, 27.3, 2.11	**84,630,306**	20,995,548
		6,226,907,681	2,865,924,043
Accrued expenses		**895,209,882**	439,067,334
Retention payable		**137,666,139**	78,959,503
Non-trade payables		**112,877,855**	13,344,313
Advances from customers		**7,208,523**	108,796,437
Others		**54,969,172**	78,532,168
		P 7,434,839,252	P 3,584,623,798

Trade payables are non-interest bearing and are generally settled within 30 to 90 days.

Accrued expenses mostly pertain to payables to various contractors for the construction of retail stations that remain unpaid at the end of the year. In addition, this comprises amounts to be paid in relation to charter hire cost, repairs and maintenance, interest expense arising from loans and professional fees.

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group. Moreover, significant portion of the retention payable pertains to the construction of gasoline and LPG stations equipment, which are expected to be completed within one year after the reporting period.

Non-trade payables pertain to liabilities to various suppliers of goods and services which are not related to primary business activities of the Group, such as, utility bills, travel expenses and purchase of office supplies, among others.

20. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	**2018**	2017
Customers' cylinder deposits		**P 276,285,558**	P 196,380,513
Security deposits		**266,616,512**	245,488,541
Cash bond		**56,702,491**	33,492,002
Unearned rent		**20,226,494**	20,724,633
Post-employment defined benefit obligation	24.4	**771,210**	1,720,623
		P 620,602,265	P 497,806,312

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P3.6 million, P6.3 million and P11.7 million in 2018, 2017 and 2016, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 23.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statements of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P5.6 million, P6.4 million and P8.1 million as of December 31, 2018, 2017, and 2016, respectively, and is presented as part of Rent Income in the consolidated statements of comprehensive income.

Customers' cylinder deposits represent the net amounts received for LPG cylinders loaned out to various dealers/customers. These deposits are non-interest bearing and refunded to the dealers upon return of the cylinders. This account is amongst the assumed liabilities as a result of business combination with PLPI in 2017 (see Note 1.4). In 2018 and 2017, there were no refunds made to the dealers. The composition of this account in 2017 are as follows:

	2018	2017
Deposits for cylinders	**P 431,736,323**	P 248,173,086
Less:		
Gain on reversal of cylinder deposits	**(91,841,621)**	-
Amortization of cylinder deposits	**(63,609,144)**	(51,792,573)
	P 276,285,558	P 196,380,513

Cash bond deposits consists of cash received from PLPI dealers upon entering dealership agreement.

This serves as a bond or security in case a dealer defaults from payment. The deposit will be returned to the dealer upon termination of the agreement. The Group recognized gain on reversal of cylinder deposits amounting to P91.8 million and nil in 2018 and 2017, respectively, and is presented as part of Fuel Service and Other Income in the consolidated statements of comprehensive income.

21. REVENUES AND COST OF SALES AND SERVICES

Revenues

Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services in the following primary geographical markets and major goods or service lines:

	Trading (point in time)	Depot and Logistics (over time)	Total
Primary geographical markets			
Philippines	P 66,671,556,143	P 824,182,312	P 67,495,738,455
Singapore	21,001,166,720	-	21,001,166,720
	P 87,672,722,863	**P 824,182,312**	**P 88,496,905,175**
Major goods/service lines			
Fuel and by-products	P 81,478,209,826	P 3,214,286	P 81,481,424,112
LPG	4,241,227,274	-	4,241,227,274
Merchandise	1,437,531,031	-	1,437,531,031
Lubricants	699,008,147	-	699,008,147
Hauling and into-plane	-	820,968,026	820,958,026
Others	61,175,962	-	61,175,962
	P 87,672,722,863	**P 824,182,312**	**P 88,496,905,175**

All of the Group's revenues except revenues from hauling and into-plane services and franchise fees (insignificant in amount), which are presented as part of Fuel services and other revenues are transferred at a point in time.

Contract Balances

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. However, the management assess that contract assets, if any, are of insignificant amounts.

Changes in the contract assets and contract liabilities are recognized by the Group a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively. However, the management assess that contract liabilities, if any, are of insignificant amounts.

Cost of Sales and Services

21.1 Costs of Sales and Services

This account is composed of the following as of December 31:

	Notes	**2018**	2017 [As Restated - see Note 2.1*(b)*]	2016
Cost of fuels and lubricants	21.2	**P 74,428,515,179**	P 37,251,184,765	P 23,914,378,824
Cost of LPG	21.2	**3,439,226,822**	1,093,919,764	-
Cost of merchandise	21.2	**971,222,819**	-	-
Cost of services	21.3	**-**	-	1,209,570,405
	22	**P 78,838,964,820**	P 38,345,104,529	P 25,123,949,229

21.2 Cost of Fuels, Lubricants, LPG and Merchandise Sold

The cost of inventories sold are broken down as follows:

	Notes	**2018**	2017 [As Restated - see Note 2.1*(b)*]	2016
Inventories at beginning of year		**P 12,416,237,073**	P 2,998,780,146	P 2,638,614,688
Net purchases during the year		**77,380,780,757**	47,660,988,176	24,274,544,282
Overhead costs	11.3	**95,924,146**	38,427,130	-
Business combination	1.4	**81,517,130**	63,146,150	-
Goods available for sale		**89,974,459,106**	50,761,341,602	26,913,158,970
Inventories at end of year	8	**(11,135,494,286)**	(12,416,237,073)	(2,998,780,146)
		P 78,838,964,820	P 38,345,104,529	P 23,914,378,824

21.3 Cost of Services

There are no cost of services as of December 31, 2018 and 2017. The details of cost of services as of December 31, 2016 follows:

	Notes	
Charter hire fees		P 219,480,628
Depreciation and amortization	11.3, 12	402,281,752
Salaries and employee benefits		223,104,624
Bunkering		128,272,479
Port expenses		69,045,193
Repairs and maintenance		47,398,625
Insurance		41,880,302
Taxes and licenses		18,061,125
Outside services		6,060,643
Service fees		5,228,607
Security services		2,650,929
Fuel, gas and lubricants		148,605
Professional fees		-
Others		45,956,893
		P 1,209,570,405

22. COSTS AND EXPENSES BY NATURE

The details of the Group's costs and expenses by nature are shown below.

	Notes	2018	2017 [As Restated - see Note 2.1*(b)*]	2016
Cost of inventories sold	21.1	**P 78,743,040,674**	P 38,306,677,397	P 23,914,378,824
Depreciation and amortization	11, 12, 15	**1,056,749,318**	851,080,582	1,002,088,441
Salaries and employee benefits	24.1	**868,282,821**	438,875,069	549,545,236
Rent	16, 27.3, 31.3	**865,873,379**	654,110,277	638,617,179
Freight and trucking charges		**859,631,739**	667,780,304	594,195,277
Taxes and licenses	15	**531,258,432**	581,832,247	336,339,378
Advertising and promotions		**373,530,774**	267,197,963	85,071,762
Repairs and maintenance		**167,873,962**	90,491,317	118,676,191
Utilities		**154,238,778**	73,874,917	60,577,393
Service fees		**123,721,448**	134,022,166	88,540,285
Security fees		**114,708,711**	82,623,951	69,578,620
Donations and contributions	27.13	**91,762,500**	-	-
Travel and transportation		**82,991,673**	58,361,503	50,971,497
Professional fees		**78,808,924**	53,176,668	107,609,032
Insurance		**71,827,325**	40,957,246	71,213,196
Fuel, oil and lubricants		**69,321,906**	50,194,019	27,084,236
Impairment losses on trade and other receivables	7	**68,465,111**	50,335,399	112,986,854
Office supplies		**42,948,909**	16,634,489	12,914,083
Dues and Subscriptions		**37,887,492**	-	-
Representation		**27,946,580**	9,814,799	16,204,648
Provision for loss on lost cylinders	11	**24,290,486**	-	-
Sales incentives		**20,965,232**	13,481,660	17,120,040
Outside services		**14,924,503**	2,881,506	7,753,440
Deficiency taxes		**45,858**	5,295,972	81,276,439
Charter hire fees		**-**	-	152,635,025
Bunkering		**-**	-	128,272,479
Port expenses		**-**	-	40,173,775
Miscellaneous	27.11	**89,103,852**	102,433,029	167,191,742
		P 84,580,715,117	P 42,552,132,480	P 28,576,725,128

The expenses are classified in the consolidated statements of comprehensive income as follows:

	Note	2018	2017	2016
Cost of sales and services	21.1	**P 78,838,964,820**	P 38,345,104,529	P 25,123,949,229
Selling and administrative expenses		**5,741,750,297**	4,207,027,951	3,327,065,843
		P 84,580,715,117	P 42,552,132,480	P 28,451,015,072

23. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

23.1 Finance Costs

	Notes	**2018**	2017	2016
Interest expense on bank loans and other borrowings	17.5	**P 1,376,994,786**	P 780,917,196	P 863,399,371
Bank charges		**54,113,374**	16,779,298	18,828,373
Foreign currency exchange losses – net		**14,575,031**	92,823	-
Interest expense from security deposits	20	**3,564,480**	6,341,824	11,680,584
Interest expense from post-employment defined benefit obligation – net	24.3	**-**	576,720	1,678,468
Others		**-**	-	10,703,374
		P 1,449,247,671	P 804,707,861	P 906,290,170

23.2 Finance Income

	Notes	**2018**	2017 [As Restated - see Note 2.1*(b)*]	2016
Foreign currency exchange gains – net		**P 37,007,589**	P 37,832,533	P 200,196,556
Interest income from cash in banks	6	**27,225,602**	15,662,627	3,874,299
Interest income on amortization of rental deposits	16	**2,761,638**	2,711,436	2,566,528
Interest income from overdue trade receivables		**1,796,910**	-	380,957
Interest income from restricted deposits	9	**1,437,706**	106,880	669,278
Interest income on retirement benefits	24.3	**1,148,645**	-	-
Others		**1,996,252**	-	-
		P 73,374,342	P 56,313,476	P 207,687,618

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	**2018**	2017	2016
Short-term benefits:				
Salaries and wages		**P 673,553,312**	P 323,104,897	P 434,209,853
Employee welfare and other benefits		**103,315,524**	63,959,232	76,840,351
13th month pay and bonuses		**67,321,587**	30,893,578	23,944,763
Post-employment defined benefit	24.3	**16,848,732**	9,327,496	8,792,489
Employee share options	24.2	**7,243,666**	11,589,866	5,757,780
	22	**P 868,282,821**	P 438,875,069	P 549,545,236

24.2 Employee Share Option Plan (ESOP)

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 2.20% 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 consolidated statements of comprehensive income amounted to P7.2 million, P11.6 million and P5.8 million in 2018, 2017 and 2016, respectively, while the corresponding credit to Retained Earnings of the same amount are presented under the Equity section of the consolidated statements of financial position.

24.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group has maintained a partially funded, tax-qualified, noncontributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. Normal retirement benefit is an amount equivalent to 75.00% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2018 and 2017.

The amounts of post-employment defined benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 20) in the consolidated statements of financial position, are determined as follow:

	2018	2017
Present value of obligation	**P 169,428,265**	P 123,569,725
Fair value of plan assets	**(170,568,742)**	(122,023,565)
Funded status	**(1,140,477)**	1,546,160
Effect of asset ceiling	**1,911,687**	174,463
	P 771,210	P 1,720,623

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	2018	2017
Balance at beginning of year	**P 123,569,725**	P 59,336,376
Current service cost	**16,848,732**	9,327,496
Effect of business combination	**3,664,685**	75,111,933
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(32,969,509)**	(12,276,998)
Experience adjustments	**51,934,933**	(5,001,689)
Changes in demographic assumptions	**3,091,223**	(355,175)
Benefits paid from:		
Plan assets	**(4,036,824)**	(7,100,000)
Book reserves	**-**	(5,453,559)
Settlement loss	**-**	3,582,092
Interest expense	**7,325,300**	6,399,249
Balance at end of year	**P 169,428,265**	P 123,569,725

The movements in the fair value of plan assets are presented below.

	2018	2017
Balance at beginning of year	**P 122,023,565**	P 86,148,347
Contributions to the plan	**54,718,273**	41,209,772
Benefits paid from plan assets	**(4,036,824)**	(7,100,000)
Interest income	**8,473,945**	5,164,769
Loss on plan assets (excluding amounts included in net interest)	**(10,610,217)**	(3,399,323)
Balance at end of year	**P 170,568,742**	P 122,023,565

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2018	2017
Cash and cash equivalents	**P 14,929,101**	P 17,064,860
Quoted equity securities:		
Holding	**1,036,800**	6,115,830
Property	**7,374,000**	3,199,153
Construction	**2,658,740**	2,966,310
Telecommunications	**2,044,800**	2,226,695
Manufacturing (Preferred)	**1,799,780**	1,831,803
	14,914,120	16,339,791
Government bonds	**55,700,985**	43,642,587
Unit investment trust funds (UITF)	**68,001,187**	27,611,035
Unit Corporate Bonds	**17,023,349**	16,227,865
Others	**-**	1,137,427
	P 170,568,742	P 122,023,565

The fair value of the above investments are determined based on quoted market prices in active markets (classified as Level 1 in the fair value hierarchy). Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	**2018**	2017	2016
Reported in profit or loss:				
Current service cost	24.1	**P 16,848,732**	P 9,327,496	P 8,792,489
Settlement loss		**-**	3,582,092	-
Net interest expense (income)	23.1, 23.2	**(1,148,645)**	576,720	1,678,468
		P 15,700,087	P 13,486,308	P 10,470,957
Reported in other comprehensive income:				
Actuarial gains or Losses arising from changes in:				
Experience adjustments		**P 51,934,933**	(P 5,001,689)	(P 10,503,288)
Financial assumptions		**(32,969,509)**	(12,276,998)	(3,020,965)
Demographic assumptions		**3,091,223**	(355,175)	-
Effect of asset ceiling		**1,727,069**	174,463	-
Return (loss) on plan assets (excluding amounts included in net interest expense)		**10,610,217**	3,399,323	(1,836,547)
		P 34,393,933	(P 14,060,076)	(P 15,360,800)

Current service cost is presented as part of salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

The net interest expense is included as part of Finance Costs under the Other Charges (Income) (see Note 23.1).

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2018	2017	2016
Discount rates	**7.53% to 7.97%**	5.70% to 5.82%	5.38%
Expected rate of salary increases	**2.00% to 6.00%**	5.00% to 6.00%	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 for both males and females is 25.7 and 20.9 for the Parent Company and PLPI, respectively.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, quoted equity securities and UITF.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+/- 1.00%**	**(P 13,482,291)**	**P 15,252,253**
Salary increase rate	**+/- 1.00%**	**15,529,199**	**(13,461,468)**

	2017		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.00%	(P 13,204,709)	P 15,537,569
Salary increase rate	+/- 1.00%	14,128,498	(12,313,513)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. A large portion of the plan assets as of December 31, 2018 and 2017 is allocated to market gains and losses and accrued receivables.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2018, the plan is overfunded by P1.1 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make contribution of P10.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan within ten years as of December 31 follows:

	2018	2017
Within one year	**P 23,403,502**	P 5,296,457
More than one year to five years	**71,661,736**	23,841,856
More than five years to ten years	**149,066,180**	81,961,568
	P 244,131,418	P 111,099,881

The weighted average duration of the defined benefit obligation at the end of the reporting period is ten years.

25. REGISTRATION WITH THE BOARD OF INVESTMENTS

The Parent Company and PLPI were registered with the Board of Investments (BOI) for certain terminal and facilities that entitled the entities certain tax and non-tax incentives. Terminal and facitlities registered with the BOI are as follows:

Note	Location of Project	Entity Registered	Date of Registration	Income Tax Holiday (ITH) Period	Expiry
25.1	Bacolod City	PPPI	May 10, 2012	5 Years	May 9, 2017
25.2	Cagayan De Oro City	PPPI	May 10, 2012	5 Years	May 9, 2017
25.3	Naga City, Cebu	PLPI	March 7, 2013	5 years	March 6, 2018
25.4	Tayud, Consolacion	PPPI	Nov 24, 2017	5 Years	Nov 24, 2022
25.5	Calapan,Oriental Mindoro	PPPI	Sep 9, 2017	5 Years	Sep 9, 2022
25.6	Villanueva, Misamis Oriental	PPPI	Oct 12, 2017	5 Years	Oct 12, 2022
25.7	Calaca, Batangas Expansion	PPPI	Dec 22, 2017	5 Years	Dec 22, 2022

25.1 BOI Registration for New Investment – Bacolod Storage Terminal

The Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under Republic Act 8479, *Downstream Oil Industry Deregulation Act* (RA 8479) for its storage terminal in Bacolod City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

25.2 BOI Registration for New Investment – Cagayan De Oro City Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Cagayan de Oro City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating Cagayan de Oro City storage terminal is also entitled to certain tax and non-tax incentives as also mentioned previously.

The ITH for Cagayan de Oro City Storage expired on May 10, 2017.

25.3 BOI Registration for New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu

On March 7, 2013, the PLPI has registered with the BOI under Registration No. 2013-060 for its new investment for the construction of New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu. PLPI's Naga Plant Site is entitled to avail the incentives, which include, among others, ITH for a period of five years without extension from March 2014 or date of registration whichever is earlier but in no case earlier than the date of registration. The ITH for this terminal and storage facility expired on March 6, 2018.

25.4 BOI Registration for New Investment in Tayud, Consolacion, Cebu Oil Depot

On September 19, 2017, the Parent Company has registered with BOI under Registration No. 2017-267 its new project for the Bulk Marketing of Petroleum Products in Tayud, Consolacion, Cebu Oil Depot with 16.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Cebu Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from September 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

25.5 BOI Registration for New Investment in Calapan, Oriental Mindoro Oil Depot

On October 12, 2017, the Parent Company has registered with BOI under Registration No. 2017-287 its new project for the Bulk Marketing of Petroleum Products in Calapan, Oriental Mindoro Oil Depot with 5.0 million liters combined capacity of two storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Calapan, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from October 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

25.6 BOI Registration for New Investment in Villanueva, Misamis Oriental Oil Depot

On November 24, 2017, the Parent Company has registered with BOI under Registration No. 2017-320 its new project for the Bulk Marketing of Petroleum Products in Villanueva, Oriental Mindoro Oil Depot with 49.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Villanueva, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from November 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

25.7 BOI Registration for New Investment in Calaca, Batangas Oil Depot

On December 22, 2017, the Parent Company has registered with BOI under Registration No. 2017-353 its new project for the Bulk Marketing of Petroleum Products in Calapan, Batangas Oil Depot with 78.3 million liters combined capacity of seven storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from January 2018 or date of registration whichever is earlier but in no case earlier than the date of registration.

As of December 31, 2018 and 2017, the Parent Company and PLPI have complied with the terms and conditions under their ITH registrations.

26. TAXES

The components of tax expenses reported in the consolidated profit or loss and in the consolidated other comprehensive income is presented below.

	2018	2017 [As restated see Note 2.1*(b)*]	2016
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30.00% and 17.00%	**P 723,376,187**	P 558,801,190	P 195,720,139
Final tax at 20.00% and 7.50%	**9,174,318**	3,157,079	1,928,511
Minimum corporate income tax (MCIT) at 2.00%	**12,308,333**	1,657,937	3,214,611
	744,858,838	563,616,206	200,863,261
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(138,270,517)**	(155,548,968)	(31,060,370)
	P 606,588,321	P 408,067,238	P 169,802,891
Reported in other comprehensive income:			
Deferred tax expense relating to origination and reversal of temporary differences	**P 355,635,633**	P 4,218,023	P 4,608,240

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated profit or loss is as follows:

	2018	2017 [As restated see Note 2.1(*b*)]	2016
Tax on pretax profit at 30.00% and 17.00%	**P 893,992,261**	P 804,031,571	P 378,683,336
Adjustment for income subjected to lower income tax rates	**(1,671,503)**	(186,606,000)	(982,323)
Tax effects of:			
Adjustment for income and expenses under ITH	**(353,339,769)**	(190,713,945)	(212,788,085)
Unrecognized DTA	**72,038,868**	-	-
Non-deductible expenses	**17,551,587**	62,995,167	69,479,619
Recognition of previously unrecognized DTA on impairment losses	**(16,415,482)**	-	(69,375,158)
Non-taxable income	**(7,656,113)**	(2,732,284)	(3,205,464)
Reversal of MCIT	**2,696,116**	3,157,282	3,051,968
Share benefit expense on on exercised stock options	**(2,533,289)**	(2,528,710)	-
Reversal of net operating loss carry over (NOLCO)	**1,881,501**	2,761,014	179,839
Reversal of deferred tax liability (DTL) on 2016 unrealized forex gain, realized in 2017	**44,144**	(83,181,314)	-
Derecognition of previously recognized deferred tax assets (DTA)	**-**	884,457	4,759,159
Tax expense reported in consolidated statements of comprehensive income [As restated – see Note 2.1 (*b*)(*vii*)]	**P 606,588,321**	P 408,067,238	P 169,802,89

The net deferred tax assets and liabilities as of December 31, 2018 and 2017 pertain to the following:

	Consolidated Statements of Financial Position		Effects of Business Combination	Consolidated Statements of Comprehensive Income					
				Profit or Loss			Other Comprehensive Income (Loss)		
	2018	2017	2018	2018	2017	2016	2018	2017	2016
Deferred tax assets:									
Impairment losses on trade and other receivables	P 150,061,918	P 135,499,033	P -	P 14,562,885	(P 3,955,666)	P 93,522,541	P -	P -	P -
Provision for losses on lost cylinders	78,914,501	71,627,356	-	7,287,145	-	-	-	-	-
Unamortized past service cost	33,066,105	7,730,775	-	25,335,330	1,600,550	-	-	-	-
Accrued rent expense	13,465,656	-	-	13,465,656	(2,593,275)	1,776,960	-	-	-
Impairment losses – effect of PFRS 9	32,882,335	-	-	-	-	-	-	-	-
MCIT	6,967,764	6,620,729	-	347,035	(1,037,884)	(1,248,706)	-	-	-
NOLCO	1,570,632	15,291,370	-	(13,720,738)	4,116,765	4,808,625	-	-	-
Post-employment benefit obligation	587,075	3,110,141	(1,216,855)	(11,624,391)	(6,006,157)	(618,401)	10,318,180	(4,218,023)	(4,608,240)
Unrealized foreign currency loss – net	-	1,849,446	-	(1,849,446)	1,110,382	-	-	-	-
Others	-	761,427	-	(761,428)	(1,041,871)	-	-	-	-
	307,197,806	242,490,277	(1,216,855)	33,042,048	(7,807,156)	98,241,019	10,318,180	(4,218,023)	(4,608,240)
Deferred tax liabilities:									
Fair value gains on investment property	(408,299,316)	(220,817,016)	-	(187,482,300)	(220,817,016)	-	-	-	-
Gain on revaluation of land	(365,953,813)	-	-	-	-	-	(365,953,813)	-	-
Accrued rent income	(13,987,805)	(10,704,083)	(137,881)	(3,145,841)	(10,106,110)	-	-	-	-
Unrealized foreign currency gains – net	(3,248,580)	-	-	(3,248,580)	83,181,314	(67,180,649)	-	-	-
	(791,489,514)	(231,521,099)	(137,881)	(193,876,721)	(147,741,812)	-	(365,953,813)	-	-
Net deferred tax asset (liability), [As restated - see Note 2.1(*b*)]	(P 484,291,708)	P 10,969,178	(P 1,354,736)						
Net deferred tax income (expense)				(P 138,270,517)	(P 155,548,968)	P 31,060,370	(P 355,635,633)	(P 4,218,023)	(P 4,608,240)

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

Taxable Years	Original Amount	Tax Effect	Valid Until
2018	P 1,946,439	P 583,932	2021
2017	3,289,001	986,700	2020
	P 5,235,440	P 1,570,632	

The Group is subject to the MCIT, which is computed at 2.00% of gross income net of allowable deductions, as defined under the tax regulations or RCIT, whichever is higher. PGMI's RCIT was higher than MCIT in 2018 and 2016 while in 2017, MCIT was higher than RCIT. MCIT was higher than RCIT for all the years presented for PPMI and SPTT, respectively.

The amounts of MCIT and the applicable years that are valid and deductible from future regular income tax payable are shown below.

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2018	P -	P 3,033,658	P 3,033,658	P 3,033,658	2021
2017	-	1,667,430	1,667,430	1,667,430	2020
2016	-	2,266,676	2,266,676	2,266,676	2019
	P -	P 6,967,764	P 6,967,764	P 6,967,764	

In 2018, 2017 and 2016, the Group claimed itemized deductions in computing for its income tax due.

27. 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 as of December 31, 2018, 2017 and 2016 is presented in the next page.

Category*	Related Party Notes	Amount of Transactions 2018	2017	2016	Outstanding Balance 2018	2017
Other related parties under common ownership						
Sale of subsidiaries*	1.5,7,27.9	**P -**	P -	P 3,000,000,000	**P 500,000,000**	P 500,000,000
Sale of goods*	7,27.1	**4,732,957,659**	2,038,584,803	120,662,536	**1,851,288,462**	955,539,554
Sale of services	7,27.10	**322,703,055**	-	-	**346,703,054**	-
Purchase of goods	21,27.2	**1,035,334,676**	-	-	**56,511,741**	-
Purchase of services*	19,27.2	**352,010,893**	115,202,871	72,601,698	**2,467,366**	20,995,548
Purchase of land	19,27.11	**92,880,000**	-	-	**19,876,320**	-
Advances to suppliers*	7,27.2	**115,305,467**	-	(438,294,800)	**115,305,467**	-
Management fees*	7,27.7	**-**	(2,139,028)	24,255,000	**86,598,808**	86,598,808
Rentals	19,27.3	**104,531,407**	41,194,056	74,840,032	**5,774,879**	2,740,627
Advances for option to purchase properties	7,27.12	**2,577,036,191**	-	-	**2,577,036,191**	-
Due from related parties	27.4	**421,266,746**	(988,966,628)	-	**939,271,644**	518,004,898
Donations	22,27.13	**30,610,000**	-	-	**-**	-
Udenna Corporation						
Advances to suppliers	7,27.2	**742,356,217**	13,456,176	438,294,800	**1,167,194,841**	424,838,624
Rentals	19,27.3	**7,106,449**	1,101,775	9,616,314	**-**	710,545
Sale of services	7,27.10	**100,000,000**	-	-	**112,000,000**	-
Sale of goods	7,27.1	**392,022**	-	-	**126,897**	-
Key management personnel						
Salaries and Employee benefits	22,27.7	**258,103,179**	80,182,994	66,518,009	**-**	-

**As a result of the deconsolidation of CISC and CSC (see Note 1.5), these formerly wholly-owned subsidiaries fall under related party under common ownership in 2016.*

27.1 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. Revenues arising from these transactions are presented as part of Sale of Goods in the consolidated statements of comprehensive income. The outstanding receivables from sales of goods to other related parties are presented as part of Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. As a result of adoption of PFRS 9, allowance for impairment losses for trade receivables from related parties that is charged to opening retained earnings amounted to P17.2 million (see Notes 4.3 and 7). No additional impairment loss was recognized in 2018 based on management’s assessment.

27.2 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. Total purchase of goods and services from related parties is presented as part of Cost of Sales in the consolidated statements of comprehensive income and the related outstanding payables for goods purchased and services obtained are presented as part of trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

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. The outstanding balances are presented as part of advances to suppliers under Trade and Other Receivables account in the consolidated statements of financial position (see Note 7). Certain advances were also made for the purchase of properties and is presented as Advances to Supplier under other non-current assets in the 2018 consolidated statement of financial position. The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

27.3 Rentals

The Group has the following lease agreements with the following related parties under common ownership:

(a) Udenna Corporation – of which total rent expense incurred in the years 2018, 2017 and 2016 amounted to P7.1 million, P1.1 million and P9.6 million, respectively. The outstanding rental payable amounting to nil and P0.7 million in 2018 and 2017, respectively, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 19).

(b) UDEVCO – of which total rent expense in the years 2018, 2017 and 2016 amounted to P7.2 million, P6.3 million and P48.3 million, respectively. Prepaid rent amounted to P1.3 million both in 2018 and 2017 (see Note 10). Rental deposit for the lease amounted to P6.5 million as of both December 31, 2018 and 2017, respectively, is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

(c) Valueleases, Inc. (VLI) – of which total rent expense in the years 2018, 2017 and 2016 amounted to P72.4 million, P34.9 million and P25.7 million, respectively. Prepaid rent amounted to P17.8 million in 2018 and 2017 (see Note 10). Refundable rental deposits amounted to P19.0 million and P15.0 million as of December 31, 2018 and 2017, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22) and the related outstanding rent payables for UDEVCO and VLI are presented as part of Trade Payables while the outstanding rent payable to Udenna Corporation is presented as part of Accrued Expenses, both under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

27.4 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.

As of December 31, 2018 and 2017, the outstanding receivable from related parties are shown as Due From Related Parties in the consolidated statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year. Interest income earned on the Parent Company's advances to CISC amounted to P6.2 million in 2018, nil in 2017 and P5.0 million in 2016. However, the income and cost are eliminated in the 2016 consolidated statement of comprehensive income.

The breakdown of the Due from Related Parties as of December 31 is as follows:

	Note	2018	2017
CISC		**P 933,096,022**	P 496,819,699
PAPI		**5,241,248**	-
Galaxi Petroleum Fuels, Inc.		**876,256**	-
Udenna Corporation		**540,810**	-
P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI)		**58,118**	20,236,382
CSC		**-**	948,817
		939,812,454	518,004,898
Allowance for impairment	4.3(*b*)	**(1,908,282)**	-
		P 937,904,172	P 518,004,898

The movement of Due from Related Parties as of December 31 is as follows:

	Notes	2018	2017
Balance at beginning of year		**P 518,004,898**	P 1,506,997,926
Additions		**524,778,830**	669,526,678
Reclassification	7	**(77,018,291)**	(500,000,000)
Collections		**(25,952,983)**	(1,158,519,706)
Allowance for impairment	4.3*(b)*	**(1,908,282)**	-
Balance at end of year		**P 937,904,172**	P 518,004,898

As a result of adoption of PFRS 9, allowance for impairment losses on due from related parties that is charged to opening retained earnings amounted to P1.9 million [see Note 4.3 (*b*)].

27.5 Loan Collaterals

The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks (see Note 9).

27.6 Management Fees

The Parent Company's non-trade receivables include receivable from CISC representing management fees for the services rendered by the Parent Company to CISC when the latter is still a wholly-owned subsidiary by the former. Under the Management Contract entered into by the Parent Company and CISC, the former will manage CISC:

(a) to secure and maintain a strong market position for CISC in the real estate industry;
(b) sustain the long-term profitability of CISC; and,
(c) develop a core of competent and effective management professionals in CISC.

In return, CISC will pay a certain amount of management fee annually. Previous to the deconsolidation, the outstanding balance pertaining to the management fees were being eliminated in the consolidated financial statements. Total receivable from CISC is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7) and are unsecured, non-interest bearing, payable on demand and normally settled in cash.

As a result of adoption of PFRS 9, allowance for impairment losses on the receivables from CISC that is charged to opening retained earnings is included as part of amounted to the total P1.8 million allowance for impairment on trade and other receivables (see Note 4.3).

27.7 Key Management Compensations

The compensation of key management personnel are broken down as follows:

	2018	2017	2016
Salaries and wages	**P 215,217,266**	P 59,621,546	P 53,164,063
13th month pay and bonuses	**17,622,482**	5,488,660	7,384,629
Honoraria and allowances	**13,192,196**	6,242,372	5,566,274
Post-employment benefits	**8,494,913**	3,623,132	403,043
Share-based payment	**3,576,322**	5,207,284	-
	P 258,103,179	P 80,182,994	P 66,518,009

27.8 Retirement Plan

The Group's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and composition of the plan assets as of December 31, 2018 and 2017 is shown in Note 24.3. As of December 31, 2018 and 2017, the retirement plan has no investment in shares of stocks of the Parent Company and other listed related parties.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The details of the contributions of the Group and the benefits paid out by the plan are presented in Note 24.3.

27.9 Sale of Subsidiaries

In 2016, the Parent Company disposed its equity share in CSC to CLHC, and in CISC to UDEVCO. Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total of P500.0 million and P550.0 million is still receivable in 2018 and 2017, respectively. The outstanding receivables arising from the sale of subsidiaries is presented as part of Non-trade receivables under Trade and Other Receivables in the 2018 and 2017 consolidated statement of financial position (see Note 7).

27.10 Sale of Service

In 2018, the Group entered into a service agreement with UDEVCO, CISC, Le Penseur Inc. (LPI) and Udenna Corporation to temporarily operate and manage the related parties' operations. Total service income recognized in 2018 to P37.5 million from LPI and P100.0 million each from UDEVCO, CISC and UC. The outstanding balance from services rendered to related parties amounted to P37.5 million from LPI and P112.0 million each from UDEVCO, CISC and UC.

The service income aforementioned are presented as part of Fuel Service and Other Revenues in the consolidated statements of comprehensive income and the related outstanding receivables are presented as part of Non-Trade Receivables under Trade and Other Receivables account in the consolidated statements of financial position (Note 7). The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

27.11 Purchase of Land

The Group acquired land from CISC amounting to P92.9 million, with outstanding balance of P19.9 million presented as part of Trade Payables under Trade and Other Payables account in the consolidated statements of financial position (Note 19). The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

27.12 Advances for Option to Purchase Properties

In 2018, the Group entered into reservation agreements with a one year option period with Global Gateway Development Corporation (GGDC) and Udenna Tower Corporation (UTOWCO) for option to purchase leasehold rights and properties, respectively. The consideration paid for GGDC and UTOWCO amounted to P2,322.7 million and P254.2 million, respectively. The payments made are creditable to the payment of the purchase price of the leasehold rights and properties in the event that a Contract of Sublease covering the purchase of the sublease rights of the properties is executed or returned or refunded to the Group in the event that the referenced Contract of Sublease is not executed within the option period. The related advances are presented as part of Advances to Suppliers under Trade and Other Receivables in the 2018 consolidated statement of financial position (Note 7).

27.13 Others

The Group granted P30.6 million and nil donations to Udenna Foundation, Inc. in 2018 and 2017, respectively. These are presented as part of Donations and Contributions under the Selling and Administrative expenses account in the consolidated statements of comprehensive income (see Note 22).

28. EQUITY

28.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2018	2017	2016	**2018**	2017	2016
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issue						
Balance at beginning of year	**30,000,000**	30,000,000	30,000,000	**30,000,000**	P 30,000,000	P 30,000,000
Issuance during the year	**2,000,000**	-	-	**2,000,000**	-	-
Balance at end of year	**32,000,000**	30,000,000	30,000,000	**32,000,000**	30,000,000	30,000,000
Treasury shares						
Balance at beginning of year	**(5,000,000)**	(5,000,000)	(5,000,000)	**(5,000,000)**	(5,000,000)	(5,000,000)
Redemption	**(5,000,000)**	-	-	**(5,000,000)**	-	-
Balance at end of year	**(10,000,000)**	(5,000,000)	(5,000,000)	**(10,000,000)**	(5,000,000)	(5,000,000)
Issued and outstanding	**22,000,000**	25,000,000	25,000,000	**P 22,000,000**	P 25,000,000	P 25,000,000
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P2,500,000,000
Issued:						
Balance at beginning of year	**1,431,538,232**	1,428,777,232	1,428,777,232	**P1,431,538,232**	P1,428,777,232	P1,428,777,232
Issuance during the year	**2,766,000**	2,761,000	-	**2,766,000**	2,761,000	-
Balance at end of year	**1,434,304,232**	1,431,538,232	1,428,777,232	**1,434,304,232**	1,431,538,232	1,428,777,232
Treasury shares	**(31,000,000)**	-	(54,393,300)	**(344,300,000)**	-	(330,679,783)
Issued and outstanding	**1,403,304,232**	1,431,538,232	1,374,383,932	**P1,090,004,232**	P1,431,538,232	P1,098,097,449
				P1,112,004,232	P1,456,538,232	P1,123,097,449

(a) On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and P50.0 million preferred shares with par value of P1 per share to P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

(b) In 2016, the Parent Company's BOD approved the buy-back share program of PNX (common) shares of up to P450.0 million. In various dates in 2016, the Parent Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

(c) In 2017, the Parent Company purchased 15.8 million of its shares with corresponding total cost of P109.4 million. Subsequently, the Parent Company sold all of its treasury shares amounting to P440.1 million. The total consideration received on November 6, 2017 for the sale of treasury shares amounted to P807.2 million which resulted to an additional paid-in capital of P367.1 million (see Note 28.4).

(d) In 2018, the Parent Company purchased a total of 31.0 million of its common shares with corresponding total cost of P344.3 million.

(e) The preferred shares shall have the following features:

- Non-convertible into common shares;

- Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;

- No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The BOD shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,

- The preferred shares shall be redeemable at the Parent Company's option under such terms as the BOD may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

Moreover, preferred shares have the following features among others as provided in the subscription agreement;

- Dividends on the preferred shares shall have a fixed rate of 11.50% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

- Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends onthe Preferred Shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

- The preferred shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a long-term debt to equity ratio of 1:1 throughout the life of the preferred shares.

(f) On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 and re-issued the same amount and features of preferred shares except for the rate, which was reduced to 8.25% per annum.

(g) On December 18, 2015, the Parent Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3rd tranche). The preferred shares' offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B (see Note 28.2).

The 3rd tranche of preferred shares have the same features with the 1st and 2nd tranche of preferred shares except for the following:

Dividend rates:	PNX3A	7.43% per annum
	PNX3B	8.11% per annum
Dividend payment dates:	Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company's BOD.	
Debt-to-equity ratio:	The Parent Company shall maintain a debt-to-equity ratio of 3:1 throughout the life of these preferred shares.	

(h) On December 3, 2018, the Parent Company entered into a Subscription Agreement for a perpetual preferred shares with RCBC Capital Corporation, which was taken from the unissued portion of the authorized capital stock of the Parent Company. The preferred shares with the same features under Note 28.1*(e)* were issued on December 5, 2018. The issuance was by way of private placement of P2,000.0 million, consisting of 2,000.0 million preferred shares at an offered price of P1,000.0 per share. Initial dividend rate is at 8.25% per annum.

28.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80.

The Parent Company' successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 28.1).

The market prices of the shares as of December 31 are as follows:

	2018	2017	2016
PNX (Common)	**P 10.74**	P 12.88	P 5.63
PNX 3A (Preferred)	**100.00**	103.70	105.00
PNX 3B (Preferred)	**102.00**	108.80	115.00

28.3 Track Registration of Shares

The number of shareholders as of December 31 are as follows:

	2018	2017	2016
Common	**66**	60	66
Preferred			
a) First tranche	**-**	-	-
b) Second tranche	**1**	1	1
c) PNX 3A	**5**	5	5
d) PNX 3B	**4**	4	4

In accordance with Securities Regulation Commission Rule 68, as amended, Annex 68-D; presented below is a summary of the Parent Company's track record of registration of securities.

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
Registered, not listed	Common	10,000,000	P 1	Par value	1/11/2004	2,500,000
			1	Issue price		
Registered, not listed	Common	40,000,000	1	Par value	1/12/2006	25,000,000
			1	Issue price		
Registered, not listed	Common	50,000,000	1	Par value	8/7/2006	13,500,000
			1	Issue price		
Registered, not listed	Common	300,000,000	1	Par value	12/29/2006	75,000,000
			1	Issue price		
Initial public offering	Common		1	Par value	7/11/2007	29,000,000
			9.80	Issue price		
30% stock dividends	Common		1	Par value	8/6/2008	43,000,198
40% stock dividends	Common		1	Par value	8/3/2009	73,660,476
Placement SSS	Common		1	Par value	11/13/2009	7,500,000
			5.60	Issue price		
Increase	Common	350,000,000	1		9/7/2010	
Increase	Preferred	50,000,000	1		9/7/2010	
40% stock dividends	Common		1		10/20/2010	107,664,266
30% stock dividends	Common		1		5/6/2011	113,047,475
Increase	Common	1,750,000,000	1		4/23/2012	
50% stock dividends	Common		1		4/26/2012	244,936,203
CSC Acquisitions	Common		1	Par value	9/6/2012	171,250,798
			1.01	Issue price		
Placements	Common		1	Par value	3/11/2013	130,000,000
			9.40	Issue price		
30% stock dividends	Common		1		6/10/2013	329,717,816
Payment for PPHI subscription	Common		1	Par value	10/8/2013	63,000,000
			5.10	Issue price		
Issuance	Preferred		1	Par value	9/21/2010	5,000,000
			100	Issue price		
Redeemed treasury shares	Treasury Shares		1		12/20/2013	(5,000,000)
Issuance	Preferred		1	Par value	12/20/2013	5,000,000
Issuance	Preferred		1	Par value	12/18/2015	20,000,000
			100	Issue price		
Redeemed treasury shares	Common		1		5/31/2016	(500,000)
Redeemed treasury shares	Common		1		6/13/2016	(500,000)
Redeemed treasury shares	Common		1		6/21/2016	(500,000)
Redeemed treasury shares	Common		1		6/23/2016	(1,100,000)
Redeemed treasury shares	Common		1		6/27/2016	(250,000)
Redeemed treasury shares	Common		1		6/28/2016	(500,000)
Redeemed treasury shares	Common		1		6/30/2016	(900,000)
Redeemed treasury shares	Common		1		7/1/2016	(897,700)
Redeemed treasury shares	Common		1		7/4/2016	(1,900)
Redeemed treasury shares	Common		1		7/5/2016	(498,900)
Redeemed treasury shares	Common		1		7/7/2016	(228,400)
Redeemed treasury shares	Common		1		7/8/2016	(2,650,000)
Redeemed treasury shares	Common		1		7/11/2016	(4,001,700)
Redeemed treasury shares	Common		1		7/12/2016	(2,000,000)
Redeemed treasury shares	Common		1		7/14/2016	(3,000,000)
(Amounts carried forward)		2,550,000,000				P1,436,248,632

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		**2,550,000,000**			**P1,436,248,632**
Redeemed treasury shares	Common		1	7/15/2016	(3,600,700)
Redeemed treasury shares	Common		1	7/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	7/22/2016	(500,000)
Redeemed treasury shares	Common		1	8/1/2016	(150,000)
Redeemed treasury shares	Common		1	8/2/2016	(203,600)
Redeemed treasury shares	Common		1	8/5/2016	(500,000)
Redeemed treasury shares	Common		1	8/11/2016	(200,000)
Redeemed treasury shares	Common		1	8/12/2016	(500,000)
Redeemed treasury shares	Common		1	8/18/2016	(500,000)
Redeemed treasury shares	Common		1	8/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/23/2016	(200,000)
Redeemed treasury shares	Common		1	8/26/2016	(500,000)
Redeemed treasury shares	Common		1	8/30/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/31/2016	(287,300)
Redeemed treasury shares	Common		1	9/1/2016	(700,000)
Redeemed treasury shares	Common		1	9/2/2016	(760,000)
Redeemed treasury shares	Common		1	9/6/2016	(500,000)
Redeemed treasury shares	Common		1	9/7/2016	(200,000)
Redeemed treasury shares	Common		1	9/8/2016	(298,800)
Redeemed treasury shares	Common		1	9/9/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/13/2016	(500,000)
Redeemed treasury shares	Common		1	9/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/20/2016	(300,000)
Redeemed treasury shares	Common		1	9/21/2016	(600,000)
Redeemed treasury shares	Common		1	9/23/2016	(200,000)
Redeemed treasury shares	Common		1	9/26/2016	(100,000)
Redeemed treasury shares	Common		1	9/27/2016	(386,600)
Redeemed treasury shares	Common		1	9/28/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/3/2016	(1,029,000)
Redeemed treasury shares	Common		1	10/4/2016	(700,000)
Redeemed treasury shares	Common		1	10/5/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/6/2016	(600,000)
Redeemed treasury shares	Common		1	10/7/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/10/2016	(650,000)
Redeemed treasury shares	Common		1	10/12/2016	(500,000)
Redeemed treasury shares	Common		1	10/13/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/17/2016	(500,000)
Redeemed treasury shares	Common		1	10/20/2016	(500,000)
Redeemed treasury shares	Common		1	10/21/2016	(500,000)
Redeemed treasury shares	Common		1	10/24/2016	(500,000)
Redeemed treasury shares	Common		1	10/26/2016	(850,000)
Redeemed treasury shares	Common		1	10/27/2016	(500,000)
Redeemed treasury shares	Common		1	11/2/2016	(500,000)
Redeemed treasury shares	Common		1	11/7/2016	(300,000)
Redeemed treasury shares	Common		1	11/9/2016	(300,000)
Redeemed treasury shares	Common		1	11/10/2016	(100,000)
Redeemed treasury shares	Common		1	11/16/2016	(100,000)
Redeemed treasury shares	Common		1	11/17/2016	(300,000)
Redeemed treasury shares	Common		1	12/8/2016	(198,700)
Redeemed treasury shares	Common		1	12/9/2016	(700,000)
Amounts carried forward)		**2,550,000,000**			**P1,406,233,932**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		**2,550,000,000**			**P1,406,233,932**
Redeemed treasury shares	Common		1	12/19/2016	(500,000)
Redeemed treasury shares	Common		1	12/20/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/21/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/22/2016	(500,000)
Redeemed treasury shares	Common		1	12/23/2016	(3,000,000)
Redeemed treasury shares	Common		1	12/27/2016	(513,100)
Redeemed treasury shares	Common		1	12/28/2016	(336,900)
Redeemed treasury shares	Common		1	1/4/2017	(300,000)
Redeemed treasury shares	Common		1	1/5/2017	(18,800)
Redeemed treasury shares	Common		1	1/5/2017	(209,200)
Redeemed treasury shares	Common		1	1/9/2017	(111,800)
Redeemed treasury shares	Common		1	1/9/2017	(88,200)
Redeemed treasury shares	Common		1	1/10/2017	(200,000)
Redeemed treasury shares	Common		1	1/10/2017	(300,000)
Redeemed treasury shares	Common		1	1/12/2017	(500,000)
Redeemed treasury shares	Common		1	1/6/2017	(93,800)
Redeemed treasury shares	Common		1	1/6/2017	(206,200)
Redeemed treasury shares	Common		1	1/12/2017	(10,000)
Redeemed treasury shares	Common		1	1/12/2017	(125,500)
Redeemed treasury shares	Common		1	1/12/2017	(14,500)
Redeemed treasury shares	Common		1	1/13/2017	(200,000)
Redeemed treasury shares	Common		1	1/11/2017	(999,000)
Redeemed treasury shares	Common		1	1/11/2017	(107,000)
Redeemed treasury shares	Common		1	1/11/2017	(193,000)
Redeemed treasury shares	Common		1	1/16/2017	(286,000)
Redeemed treasury shares	Common		1	1/17/2017	(200,000)
Redeemed treasury shares	Common		1	1/23/2017	(300,000)
Redeemed treasury shares	Common		1	1/24/2017	(500,000)
Redeemed treasury shares	Common		1	1/25/2017	(500,000)
Redeemed treasury shares	Common		1	1/27/2017	(1,000,000)
Redeemed treasury shares	Common		1	1/31/2017	(300,000)
Redeemed treasury shares	Common		1	2/2/2017	(500,000)
Redeemed treasury shares	Common		1	2/6/2017	(500,000)
Redeemed treasury shares	Common		1	2/16/2017	(800,000)
Redeemed treasury shares	Common		1	2/23/2017	(750,000)
Redeemed treasury shares	Common		1	2/24/2017	(500,000)
Redeemed treasury shares	Common		1	2/27/2017	(300,000)
Redeemed treasury shares	Common		1	3/21/2017	(500,000)
Redeemed treasury shares	Common		1	3/23/2017	(187,100)
Redeemed treasury shares	Common		1	3/27/2017	(500,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(500,000)
Redeemed treasury shares	Common		1	4/12/2017	(500,000)
Redeemed treasury shares	Common		1	4/18/2017	(500,000)
Redeemed treasury shares	Common		1	5/3/2017	(1,000,000)
Issuance	Common		1	7/1/2017	2,160,000
Issuance	Common		1	7/1/2017	601,000
Sale of treasury shares	Common		1	11/6/2017	70,193,400
Amounts carried forward)		**2,550,000,000**			**P1,456,538,232**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
(Amounts brought forward)		2,550,000,000				P1,456,538,232
Issuance	Common		1		5/23/2018	73,000
Issuance	Common		1		6/30/2018	2,128,000
Redeemed treasury shares	Common		1		9/12/2018	(25,000,000)
Issuance	Common		1		9/30/2018	447,000
Redeemed treasury shares	Common		1		11/21/2018	(3,500,000)
Redeemed treasury shares	Common		1		11/21/2018	(2,500,000)
Issuance	Preferred		1	Par value	12/5/2018	2,000,000
			1,000	Issue price		
Issuance	Common		1		12/31/2018	118,000
Redeemed treasury shares	Treasury Shares		1		12/20/2018	(5,000,000)
Total		2,550,000,000				P1,425,304,232

28.4 Additional Paid-in Capital

In 2018, the Parent Company issued 2.0 million of its preferred shares at P1,000.0 per share. Premiums received in excess of the par value amounting to P1,998.0 million were recorded as part of Additional Paid-in Capital account in the 2018 consolidated statement of financial position.
In addition, the Parent Company also redeemed 5,000.0 million shares at P100.0 per share for a total consideration paid of P500.0 million. The payment in excess of the par value of the redeemed share was recorded as reduction under the Additional Paid-in Capital account amounting to P495.0 million.

In 2018 and 2017, the Parent Company issued 2.8 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P21.4 million and P12.9 million, respectively (see Notes 28.1 and 28.7). The fair value of stock options exercised in 2018 and 2017, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P8.4 million, which is computed at P3.05 per stock option.

In 2017, the Parent Company redeemed 70.2 million of its treasury shares at a total cost of P807.2 million. Premiums received in excess of the cost of treasury shares amounting to P367.1 million were recorded under Additional Paid-in Capital account in the 2017 consolidated statement of financial position (see Note 28.1).

In 2015, the Parent Company issued 20.0 million of its preferred shares at P100.0 per share. Premiums received in excess of the par value during the public offering amounting toP1,952.9 million were recorded under Additional Paid-in Capital account in the 2015 consolidated statement of financial position.

In 2013, the Parent Company issued 130.0 million of its common shares at P9.40 per share and 63.0 million common shares at P5.10 per share. The excess of the par value for such subscriptions amounting to P1,350.3 million was recorded as part of Additional Paid-in Capital account in the 2013 consolidated statement of changes in equity. In addition, direct cost of the share issuances amounting to P34.1 million was deducted from the Additional Paid-in Capital account.

In 2012, the Parent Company issued 171.3 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC. The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

28.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	Property, Plant and Equipment	Defined Benefit Obligation	Total
Balance as of January 1, 2018	P -	(P 2,306,049)	(P 2,306,049)
Revaluation increment	1,219,846,043	-	1,219,846,043
Remeasurements of defined post-employment obligation	-	(34,393,933)	(34,393,933)
Tax income (expense)	(365,953,813)	10,318,180	(355,635,633)
Balance as of December 31, 2018	**P 853,892,230**	**(P 26,381,802)**	**(P 827,510,428)**
Balance as of January 1, 2017	P -	(P 12,148,102)	(P 12,148,102)
Remeasurements of defined post-employment obligation	-	14,060,076	14,060,076
Tax expense	-	(4,218,023)	(4,218,023)
Balance as of December 31, 2017	P -	(P 2,306,049)	(P 2,306,049)

28.6 Retained Earnings

On January 26, 2018, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 15 centavos per share totalling to P214.7 million, record date of April 2, 2018. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2018. No stock dividends were declared and distributed in 2018.

On January 25, 2017, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 1 centavo per share totalling to P136.2 million, record date of March 30, 2017. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2017. No stock dividends were declared and distributed in 2017.

On March 18, 2016, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 8 centavos per share totalling to P114.3 million, record date of April 5, 2016. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2016. No stock dividends were declared and distributed in 2016.

On March 4, 2015, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 5 centavos per share totaling to P71.5 million, record date as of March 18, 2015. A total of P41.2 million cash dividends were also declared and distributed to 2nd tranche preferred stockholders in 2015. No stock dividends were declared and distributed in 2015.

On January 29, 2014, the BOD approved the declaration and payment of common share cash dividend of 10 centavos per share totaling to P142.9 million to stockholders of record as of March 17, 2014. In addition, total cash dividends declared and distributed to 2nd tranche preferred stockholders amounted to P41.2 million in 2014. No stock dividends were declared and distributed in 2014.

28.7 ESOP

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

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

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

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

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

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

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

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

28.8 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and,
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2018	2017 (As restated - see Note 2.1[b])
Total liabilities	**P 48,686,605,873**	P 32,849,056,409
Total equity	**15,973,672,857**	11,683,537,505
Debt-to-equity ratio	**3.0 : 1.0**	2.8 : 1.0

The increase of the total assets and liabilities in 2018 is 1) due to the business combinations, wherein the Group acquired the assets and assumed the liabilities of the new subsidiaries acquired, 2) increase in interest-bearing loans and borrowings utilized for the acquisition. The increase in equity is the net effect business combination, revaluation of land under Property, Plant and Equipment and appraisal of its investment properties and the net profit in 2018 less the cash dividend declared and paid during the period for common shares.

The Group's internal goal in capital management is to maintain a debt-to-equity structure ratio not in excess of 2.7 to 1. All externally imposed key ratios have been complied with in all the years presented, (see Note 17).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

29. EARNINGS PER SHARE

EPS were computed as follows:

	2018	2017 [As Restated - see Note 2.1(*b*)]	2016
a) Net profit pertaining to common shares	**P 2,455,907,552**	P 1,521,422,847	P 902,592,062
b) Net profit attributable to common shares and potential common shares	**2,455,907,552**	1,521,422,847	902,592,062
c) Weighted average number of outstanding common shares	**1,424,576,265**	1,372,487,454	1,410,964,421
d) Weighted average number of outstanding common and potential common shares	**1,426,593,300**	1,377,270,489	1,414,736,438
Basic EPS (a/c)	**P 1.72**	P 0.97	P 0.64
Diluted EPS (b/d)	**P 1.72**	P 0.96	P 0.64

The potential dilutive common shares totalling 2,017,035, 4,783,035 and 3,772,017 shares in relation to the unexercised share warrants were considered in the computation of diluted EPS in 2018, 2017 and 2016.

30. SEGMENT REPORTING

30.1 Business Segments

In identifying its operating segments, management generally follows the Group's product and service lines, which represent the main products and services provided by the Group, namely fuels and lubricant sales (trading segment), depot and logistics services, shipping and cargo services and real estate sales. These are also the bases of the Group in reporting its primary segment information.

(a) Trading segment is engaged in marketing, merchandising, purchasing, selling, dealing, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), adhesives, glues, bonding agents, epoxy resins, lubricants and other products.

(b) Depot and logistics services segment is engaged in operating of oil depots, storage facilities and provides logistics services to various entities.

(c) Shipping and cargo services segment is engaged in hauling of petroleum products, operation of inter-island going vessels for domestic trade, chartering in and out any such vessels and providing complete marine services, either as principal or agent to ship owners, operators and managers.

(d) Real estate segment is involved in real estate development, management and operations.

30.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, and other assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, and other liabilities. Segment assets and liabilities do not include deferred tax assets or liabilities.

30.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between segments and between geographical segments. Such sales and purchases are eliminated upon combination.

The tables presented in the succeeding page present revenue and profit information regarding business segments of the Group for the years ended December 31, 2018 and 2017 and certain asset and liability information regarding industry segments as of December 31, 2018, 2017 and 2016 (in thousands).

	Sale of Goods – Trading			Fuel Service and Other Revenues – Depot and Logistics			Shipping and Cargo Services			Real Estate			Total		
	2018	2017 [As Restated - see Note 2.1(b)]	2016 [As restated see Note 2' 2.1(b)]	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017 [As Restated see Note 2.1(b)]	2016 [As Restated see Note 2 2.1(b)]
TOTAL REVENUES															
Sales to external customers	**P 88,239,192**	P 44,072,366	P 29,342,741	**P 369,768**	P 469,557	P 480,057	**P -**	P -	P 628,160	**P 1,808**	P 1,059	P -	**P 88,610,768**	P 44,542,982	P 30,450,958
Intersegment sales	**20,139,519**	4,180,373	681,402	**209,985**	-	53,126	**-**	-	893,299	**16,721**	22,338	-	**20,366,225**	4,202,711	1,627,827
Total revenues	**108,378,711**	48,252,739	30,024,143	**579,753**	469,557	533,183	**-**	-	1,521,459	**18,529**	23,397	-	**108,976,993**	48,745,693	32,078,785
COSTS AND OTHER OPERATING EXPENSES															
Cost of sales and services excluding depreciation and amortization	**102,895,593**	45,419,830	26,843,970	**958,174**	437,631	403,563	**-**	**-**	1,829,221	**36,424**	46,302	-	**103,890,191**	45,903,763	29,076,754
Depreciation and amortization	**1,047,964**	841,340	576,126	**8,130**	9,040	45,912	**-**	-	380,050	**700**	700	-	**1,056,749**	851,080	1,002,088
	103,943,512	46,261,170	27,420,096	**966,304**	446,671	449,475	**-**	-	2,209,271	**37,124**	47,002	-	**104,946,940**	46,754,843	30,078,842
SEGMENT OPERATING PROFIT (LOSS)	**P 4,435,199**	P 1,991,569	P 2,604,047	**(P 386,551)**	P 22,886	P 83,708	**P -**	P -	(P 687,812)	**(P 18,595)**	(P 23,605)	P -	**P 4,030,053**	P 1,990,850	P 1,999,943
ASSETS AND LIABILITIES															
Segment assets	**P 70,099,484**	P 47,427,360		**P 564,287**	P 493,812		**P -**	P -		**P 415,081**	P 411,922		**P 71,078,852**	P 48,333,094	
Segment liabilities	**51,410,451**	33,468,783		**421,481**	363,152		**-**	-		**318,206**	324,150		**52,150,138**	34,156,085	

30.4 Reconciliations

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

	2018	2017 [As Restated - see Note 2.1(b)]	2016 [As Restated - see Note 2.1(b)]
Revenues			
Total segment revenues	**P 108,976,993**	P 48,745,693	P 32,078,785
Elimination of intersegment revenues	**(20,366,225)**	(4,202,711)	(1,627,827)
Revenues as reported in profit or loss	**P 88,610,768**	P 44,542,982	P 30,450,958
Profit or loss			
Segment operating profit	**P 4,030,053**	P 1,990,850	P 1,999,943
Fair value on investment property	**624,941**	-	-
Equity share in net income (loss) in joint venture	**7,342**	-	(50,069)
Excess of fair value of net assets acquired over acquisition costs	**-**	650,182	-
Other unallocated income	**87,267**	36,853	11,006
Operating profit as reported in profit or loss	**4,749,603**	2,677,885	1,960,880
Finance costs	**(1,449,248)**	(804,708)	(906,290)
Finance income	**73,375**	56,313	207,688
Profit before tax as reported in profit or loss	**P 3,373,730**	P 1,929,490	P 1,262,278
Assets			
Segment assets	**P 71,078,852**	P 48,333,094	
Deferred tax assets – net	**307,198**	242,490	
Elimination of intercompany accounts	**(6,566,058)**	(4,402,990)	
Total assets reported in the consolidated statements of financial position	**P 64,819,992**	P 44,172,594	
Liabilities			
Segment liabilities	**P 52,150,138**	P 34,156,085	
Deferred tax liabilities – net	**791,489**	231,521	
Elimination of intercompany accounts	**(4,095,308)**	(1,898,550)	
Total liabilities as reported in the consolidated statements of financial position	**P 48,846,319**	P 32,489,056	

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital Commitments

As of December 31, 2018, the Group has commitments of more than P6,000.0 million 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 600 operating retail service stations as of December 31, 2018. An additional of eight retail service stations are under various stages of completion as of December 31, 2018.

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.

In addition, in view of PLPI's development and innovation to provide legal, safer and cheaper alternative to the LPG refilled butane canisters, PLPI has entered in 2018 a purchase contract of around P100.0 million capital commitments to purchase Refillable Welded Stainless Steel (RWSS) LPG cylinders. Further, starting 2017, PLPI has about P1.0 billion commitments for purchase of LPG cylinders to augment its current operations and re-establish its market in the Luzon areas.

31.2 Unused LCs

As of December 31, 2018 and December 31, 2017, the Parent Company has unused LCs amounting to P17,111.3 million and P8,652.3 million, respectively.

31.3 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 5 to 15 years, with renewal options, and include annual escalation rates ranging from 3.00% to 10.00%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	2018	2017
Within one year	**P 502,525,573**	P 371,674,361
After one year but not more than five years	**1,714,046,926**	1,187,252,691
More than five years	**2,376,914,724**	1,554,982,467
	P 4,593,487,223	P 3,113,909,519

Total rent expense for the years 2018, 2017 and 2016 amounted to P865.9 million, P654.1 million, and P638.6 million, respectively (see Note 22).

31.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 1 to 5 years, with renewal options, and include annual escalation rates ranging from 5.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below.

	2018	2017
Within one year	**P 97,563,919**	P 87,237,539
After one year but not more than five years	**135,545,769**	138,482,193
More than five years	**3,545,631**	23,917,284
	P 236,655,319	P 249,637,016

Rent income in 2018, 2017 and 2016 amounting to P113.9 million, P91.6 million and P97.3 million, respectively, is presented as part of Rent Income in the consolidated statements of comprehensive income.

31.5 PFM's Franchise

PFM as Franchisee

PFM has area franchise agreement with FamilyMart Co. Ltd., whereby the latter will grant exclusive rights to the PFM for operating the FamilyMart stores in the Philippines as an Area Franchisor using the FamilyMart System for a period of ten years and six months, renewable at the option of the PFM. The agreement provides for an initial franchise fee of US$1.0 million and royalty fees amounting to 1.00% of gross sales, exclusive of VAT, of all FamilyMart stores computed at the end of every month. On January 2, 2013, the PFM paid the initial franchise fee amounting to P41.1 million.

On December 11, 2017, as part of the acquisition of PFM by the Parent Company, the franchise agreement was renewed for ten years starting on the date of renewal at no additional cost to the PFM. As of December 31, 2018, the carrying value of the franchise fee amounted to P18.5 million and is presented as part of Intangible Assets in the 2018 consolidated statement of financial position (see Note 12).

Royalty expense recognized by the PFM in 2018 P12.79 million, and is presented under Selling and Administrative Expenses in the 2018 consolidated statement of comprehensive income (see Note 22). There are no outstanding payable in 2018 relating to the royalty.

PFM as Franchisor

In December 2014, PFM started entering into franchise agreements whereby, as an Area Franchisor, the PFM grants exclusive rights to qualified persons and entities (Franchisees) to own and operate FamilyMart store/s at locations in the Philippines approved by it. The agreement is for a term of five years unless earlier terminated by either party and provides for a one-time franchise fee plus monthly royalties to the PFM equivalent to a percentage of gross profit. Cash receipts of the franchised stores from merchandise sales are initially deposited to the PFM. Deductions are made from this fund for the cost of merchandise sales, share of the PFM on the store's monthly gross profit and other costs. The remaining balance is subsequently remitted to the franchisees.

One-time franchise fees, which pertain to the initial investment of the franchisees are also presented as part of Non-trade Payables under Trade and Other Payables in the 2018 consolidated statement of financial position until the PFM has performed initial services as franchisor as agreed under the agreement. As of December 31, 2018, there are no outstanding liabilities. Revenues from franchise fees amounted to P56.0 million is presented as part of Fuel service and other revenues in the 2018 consolidated statement of comprehensive income with the corresponding outstanding receivable from the franchisees amounting to P14.7 million, presented as part of Non-trade Receivables under Trade and Other Receivables in the 2018 consolidated financial statements.

31.6 Lawsuits

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and results of operations.

(a) In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

(b) On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

(c) On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. On October 24, 2016, the Group received the decision of the Court of Appeals denying the Petition for Certiorari dated October 27, 2014. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

A Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN. On July 23, 2015, the Group received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the SC, seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the CA. On October 12, 2016, the Court denied the Petition for Certiorari and further denied petitioner's Motion for Reconsideration on January 25, 2017.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the Supreme Court (SC), Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the SC's issuance on the resolution directing the Group to file Comment to the Petition for Review.

(d) A qualified theft case was filed against former crew of M/T Chelsea Denise Rodrigo Yana, et al on June 29, 2015 with the RTC Branch 15 for taking and misappropriation of substantial portion of the Group's cargo consisting of 23,500.9 Liters of diesel worth P754,353 on June 26, 2015 at the Davao Terminal. On January 20, 2017, the Court grants (1) Prosecution's Motion for Reconsideration that the testimony of Joel Sularte shall remain as part of the records of the case; and (2) application of the accused to post bail amounting to P100,000. On February 8, 2017, a Motion for Partial Reconsideration of the Court's order was filed by the Group seeking the reversal of the approval of the application of the accused to post bail.

(e) Several grave coercion complaints were filed against Norman Navarro, et al., along with the BOD of the Group (including Dennis Uy and Cherylyn Uy) for the closure of five Phoenix Fuel Stations namely, Phoenix Bankerohan, Cabaguio, Boulevard, Acacia and Ponciano Stations. On July 19 and 27, 2016, complaint was dismissed for Acacia, Ponciano and Bankerohan Stations as respondent's action could not be considered unlawful or illegal. On December 29, 2017, the Petition for Review was dismissed in a Joint Resolution issued by the Regional Director Janet Grace Fabrero.

(f) Six separate cases of libel against the BOD of the Group and the Editors of newspapers as the alleged authors/originators for an alleged libelous Notice posted in the Mindanao Daily Mirror/ Sunstar Davao and other local newspapers. On July 19, 2017, all cases and Motion for Reconsideration were dismissed in a resolution dated June 19, 2017.

(g) Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the BOD except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Parent Company's closure and take-over of six Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

(h) The Parent Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case has been dismissed by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

Other court cases typical and customary in the course of the business operations of the Group such as those, among others, involving collection, qualified theft and reckless imprudence have been filed by and against the Group by and against its employees and/or third parties.

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2018 and 2017, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

32. EVENT AFTER THE BALANCE SHEET DATE

Joint Venture of the Parent Company

The Parent Company's BOD has approved on January 31, 2019 for the Group to enter into joint cooperation or venture with China National Offshore Oil Corporation (CNOOC) Gas and Power Group for the operation and establishment of various liquefied natural gas (LNG)-related trades and services under the LNG Integrated Hub Project in the Philippines. In addition, the BOD has approved to form and organize a new and wholly-owned subsidiary or company and to invest corporate funds with initial investment of P250.0 million for the LNG project, subject to the approval of the stockholders during the annual stockholders' meeting of the Parent Company.

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Report of Independent Certified Public Accountants to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

The Board of Directors and Stockholders
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the year ended December 31, 2018, on which we have rendered our report dated February 22, 2019. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68 (as amended), and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 7333698, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-19-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 22, 2019

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Financial Soundness Indicators
December 31, 2018

	Amount 2018	Amount 2017 (As Restated)	Ratio 2018	Ratio 2017 (As Restated)
A) LIQUIDITY RATIOS				
1 Current Ratio:				
Current Assets	37,259,777,423	24,905,751,632	1.1	1.2
Current Liabilities	33,843,707,218	20,385,169,145		
2 Quick Ratio:				
Current Assets - Inventories	26,124,283,137	12,489,514,559	0.8	0.6
Current Liabities	33,843,707,218	20,385,169,145		
3 Cash Ratio:				
Cash and Cash Equivalents	7,889,708,807	1,831,557,883	0.2	0.1
Current Liabilities	33,843,707,218	20,385,169,145		
B) SOLVENCY RATIOS				
1 Solvency Ratio:				
After Tax Net Profit + Depreciation	3,823,891,027	2,372,503,429	0.1	0.1
Long term liabilities + Short term Liabilities	48,686,605,873	32,482,562,362		
2 Debt to Equity Ratio:				
Total Liabilities	48,686,605,873	32,482,562,362	3.0	2.8
Equity	15,973,672,857	11,683,537,505		
3 Debt Service Coverage Ratio				
Net Operating Income	5,776,049,188	3,543,006,920	2.3	2.9
Net Interest Expense + Long-term repayments	2,473,903,173	1,230,719,493		
C) ASSET TO EQUITY RATIO				
Total Assets	64,660,278,730	44,166,099,867	4.0	3.8
Equity	15,973,672,857	11,683,537,505		
D) INTEREST RATE COVERAGE RATIO				
Earnings Before Interest and Taxes	4,719,299,870	2,691,926,338	3.4	3.4
Interest Expense	1,376,994,786	780,917,196		
E) PROFITABILITY RATIOS				
1 Gross Profit Margin:				
Sales - Cost of Goods Sold	8,833,757,843	5,803,847,723	0.1	0.1
Sales	87,672,722,663	44,148,952,252		
2 Return on Assets:				
Net Income	2,767,141,709	1,521,422,847	0.0	0.0
Total Assets	64,660,278,730	44,166,099,867		
3 Return on Equity:				
Net Income	2,767,141,709	1,521,422,847	0.2	0.1
Equity	15,973,672,857	11,683,537,505		

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
LIST OF SUPPLEMENTARY SCHEDULES
December 31, 2018

Schedule	*Description*	*Page*
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D	Intangible Assets - Other assets	4
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G	Guarantees of Securities of Other Issuers	N/A
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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2018

Description		*Carrying Value*		*Fair Value*
Loans and receivables:				
Cash and cash equivalents	P	7,889,708,807	P	7,889,708,807
Trade and other receivables - net		11,363,226,589		11,363,226,589
Due from related parties		937,904,172		937,904,172
Construction bond		5,504,822		5,504,822
Restricted deposits		52,719,265		52,719,265
Refundable rental deposits		289,572,937		289,572,937
	P	**20,538,636,592**	**P**	**20,538,636,592**

Notes:
1) Trade and other receivables excludes advances to suppliers and advances to subject to liquidation.
2) There are no other financial assets applicable to the group, except for loans and receivables.
3) Construction bond is included as part of Others under Prepayments and Other Current Assets.
4) Net of allowance for impairment losses of P634,396,128.

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

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Reclassification	Ending Balance: Current	Ending Balance: Non-current	Balance at end of period
Calaca Industrial Seaport Corporation	P 496,819,699	P 436,276,323	P -	P -	P 933,096,022	P -	P 933,096,022
P-H-O-E-N-I-XPhilippines Foundation, Inc.	20,236,382	5,286,770	(25,465,034)	-	58,118	-	58,118
Chelsea Shipping Corporation	948,817	76,069,474	-	(77,018,291)	-	-	-
Phoenix Asphalt Philippines, Inc.	-	5,729,197	(487,949)	-	5,241,248	-	5,241,248
Galaxi Petroleum Fuels, Inc.	-	876,256	-	-	876,256	-	876,256
Udenna Corporation	-	540,810	-	-	540,810	-	540,810
	P 518,004,898	P 446,508,846	P 20,236,382	P -	P 944,277,362	P -	P 939,812,454

Notes:

1) There are no amounts written-off. However, allowance for impairment of P1,908,282 was recognized. Balance at end of period net of allowance for impairment losses amounted to P937,904,172.

2) All are related parties under common ownership except for Udenna Corporation, which is the Ultimate Parent Company.

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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule C - Amounts of Receivable from Related Parties
which are Eliminated during Consolidation of Financial Statements
December 31, 2018

Creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Current	Non- Current	Balance at end of period
P-H-O-E-N-I-X Petroleum Philippines, Inc.							
Advances to subsidiaries/parent	P-H-O-E-N-I-X Global Mercantile, Inc.	P 1,277,008	P 69,254,863	P 41,685,008	P 28,846,863	P -	P 28,846,863
	PFL Petroleum Management, Inc.	53,186,464	385,121,212	2,605,991	435,701,685	-	435,701,685
	Subic Petroleum Trading and Transport Phils., Inc.	597,870,572	3,963,314,179	3,314,397,878	1,246,786,873	-	1,246,786,873
	PNX Petroleum Singapore, PTE Ltd.	47,996,717	22,252,243	45,806,062	24,442,898	-	24,442,898
	DUTA, Inc.	267,349,103	-	-	267,349,103	-	267,349,103
	Phoenix LPG Philippines, Inc.	-	95,152,138	40,000,000	55,152,138	-	55,152,138
	Action.Able, Inc.	-	198,892,712	-	198,892,712	-	198,892,712
	Philippine Familymart CVS, Inc.	-	1,341,052,950	648,554,020	692,498,930	-	692,498,930
		P 967,679,864	**P 6,075,040,296**	**P 4,093,048,958**	**P 2,949,671,202**	**P -**	**P 2,949,671,202**
P-H-O-E-N-I-X Petroleum Philippines, Inc.							
Trade and Other Receivables	P-H-O-E-N-I-X Global Mercantile, Inc.	P 7,543,030	P 9,259,603	P 10,786,707	P 6,015,926	P -	P 6,015,926
	PFL Petroleum Management, Inc.	51,016,391	37,037,855	73,754,598	14,299,648	-	14,299,648
	Phoenix LPG Philippines, Inc.	93,398,411	206,770,614	138,751,396	161,417,629	-	161,417,629
	PNX Petroleum Singapore, PTE Ltd.	-	97,261,125	-	97,261,125	-	97,261,125
	Philippine Familymart CVS, Inc.	-	58,122	-	58,122	-	58,122
		P 151,957,832	**P 350,387,319**	**P 223,292,701**	**P 279,052,450**	**P -**	**P 279,052,450**
Subic Petroleum Trading & Transport Phils., Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc. *(Trade Receivables)*	P 119,024	P -	P 119,024	P -	P -	P -
		P 119,024	**P -**	**P 119,024**	**P -**	**P -**	**P -**
Phoenix LPG Philippines, Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P -	P 16,104,048	P -	P 16,104,048		P 16,104,048
Advances in subsidiaries/parent	DUTA, Inc.	36,753,805	8,129,826	-	44,883,631	-	44,883,631
	Kaparangan, Inc.	13,945,435	-	13,945,435	-	-	-
		P 50,699,240	**P 24,233,874**	**P 13,945,435**	**P 60,987,679**	**P -**	**P 60,987,679**
Phoenix LPG Philippines, Inc.							
Trade and Other Receivables	PNX Petroleum Singapore, PTE Ltd.	P -	P 677,320,305	P 538,472,811	P 138,847,494	P -	P 138,847,494
		P -	**P 677,320,305**	**P 538,472,811**	**P 138,847,494**	**P -**	**P 138,847,494**
DUTA, Inc.	Phoenix LPG Philippines, Inc. *(Lease Receivable)*	P 12,677,635	P 16,481,251	P 15,455,543	P 13,703,343	P -	P 13,703,343
		P 12,677,635	**P 16,481,251**	**P 15,455,543**	**P 13,703,343**	**-**	**P 13,703,343**
PFL Petroleum Management, Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc. *(Trade Receivables)*	P -	P 3,214,286	P 2,141,759	P 1,072,527	P -	P 1,072,527
		P -	**P 3,214,286**	**P 2,141,759**	**P 1,072,527**	**P -**	**P 1,072,527**
PNX Petroleum Singapore, PTE Ltd.							
Trade and Other Receivables	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P -	P 19,536,187,648	P 17,689,121,299	P 1,847,066,349	P -	P 1,847,066,349
		P -	**P 19,536,187,648**	**P 17,689,121,299**	**P 1,847,066,349**	**P -**	**P 1,847,066,349**

Terms and conditions:
All receivables/payables are unsecured, non-interest bearing, collectible/payable on demand and generally settled in cash.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2018

Description	Beginning balance	Additions at cost	Deductions: Charged to cost and expenses	Deductions: Charged to other accounts	Other changes additions (deductions)	Ending balance
Other Non-Current assets						
Goodwill	P 3,990,666,606	P 428,176,225	P -	P -	P -	P 4,418,842,831
Basketball franchise	176,861,660	-	-	-	-	176,861,660
Computer software licenses	94,287,230	26,563,038	(48,494,288)	-	21,673,225	94,029,205
Franchise	-	22,353,025	-		950,644	23,303,669
Software cost	2,520,167	30,477,133	(6,539,393)	7,052,809	73,939	33,584,655
Others	1,262,393	71,700	(108,288)	-	-	1,225,805
TOTAL	P 4,265,598,056	P 507,641,121	(P 55,141,969)	P -	P 22,697,808	P 4,747,847,825

Explanations:

1 Addition to goodwill was due to the acquisitions of Philippine FamilyMart CVS, Inc. (PFM) and Action.Able Inc. and Think.Able Limited.

2 Due to the acquition of PFM, the Group has additional intangible asset in the form of Franchise as a result of business combination.

3 Charged to cost and expenses under Computer Software Licenses was due to amortizations of Intangible Assets.

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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2018

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*	*Terms*
Installment, notes and loans payable				
Peso-denominated				
BDO Unibank, Inc.	6,000,000,000	660,000,000	4,482,186,832	Interest rate of 4.677%, seven-year term, maturing on August 7, 2024
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 7.5884%, five year term, maturing on, August 18, 2021
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 5.7185%, maturing on November 10, 2022
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 5.7185%, maturing on November 10, 2022
Land Bank of the Philippines	5,000,000,000	50,000,000	4,950,000,000	Interest rate of 4.85%, seven-year term, maturing on July 4, 2025
Land Bank of the Philippines	1,000,000,000	333,333,333	333,333,333	Interest rate of 7.00%, three-year term, maturing on November 3, 2020
Multinational Investment Bancorporation	2,385,732,922	200,000	-	Interest rates from 3.75%, maturing on April 30,2019
Philippine National Bank	1,000,000,000	250,000,000	600,000,000	Interest rate of 5.30%, maturing on April 3, 2020
Philippine National Bank	500,000,000	100,000,000	125,000,000	Interest rate of 6.2105%, five-year term, maturing on January 2, 2021
Robinsons Bank Corporation	500,000,000	100,000,000	100,000,000	Interest rate of 5.50%, five-year term, maturing on October 9, 2020
Total Installment, notes and loans payable	19,385,732,922	1,493,533,333	13,590,520,165	
TOTAL	**P 19,385,732,922**	**P 1,493,533,333**	**P 13,590,520,165**	

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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2018

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, coversion and other rights	Number of shares held by: Related parties	Directors, officers and employees	Others
Preferred shares - P1 par value Non-voting, non-participating, non-convertible into common shares Issued and outstanding - 20,000,000	50,000,000	22,000,000	-	-	-	22,000,000
Common shares - P1 par value Issued and outstanding	2,500,000,000	1,403,304,232	-	223,221,490	123,831,027	1,056,251,715

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P-H-O-E-N-I-X Petroleum Philippines, Inc.
Stella Hizon Reyes Road, Barrio Pampanga, Davao City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2018

UNAPPROPRIATED RETAINED EARNINGS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING		**P 3,093,771,222**
Net Profit based on the audited Statement of Comprehensive Income	P 1,777,824,901	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents	1,636,662	
Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument	1,933,147	
Add: Non-actual losses		
Other unrealized loss or adjustment to retained earnings as a result of day one loss on financial instrument	2,223,674	
Equity in net loss of joint venture net of tax	314,860	
Subtotal	(1,031,274)	
Net income actually earned during the period	1,776,793,627	1,776,793,627
Add/Less:		
Dividend declarations during the period:		
Common shares cash dividends	(214,730,735)	
Preferred shares cash dividends	(194,910,000)	(409,640,735)
Treasury shares		(344,300,000)
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING		**P 4,116,624,114**

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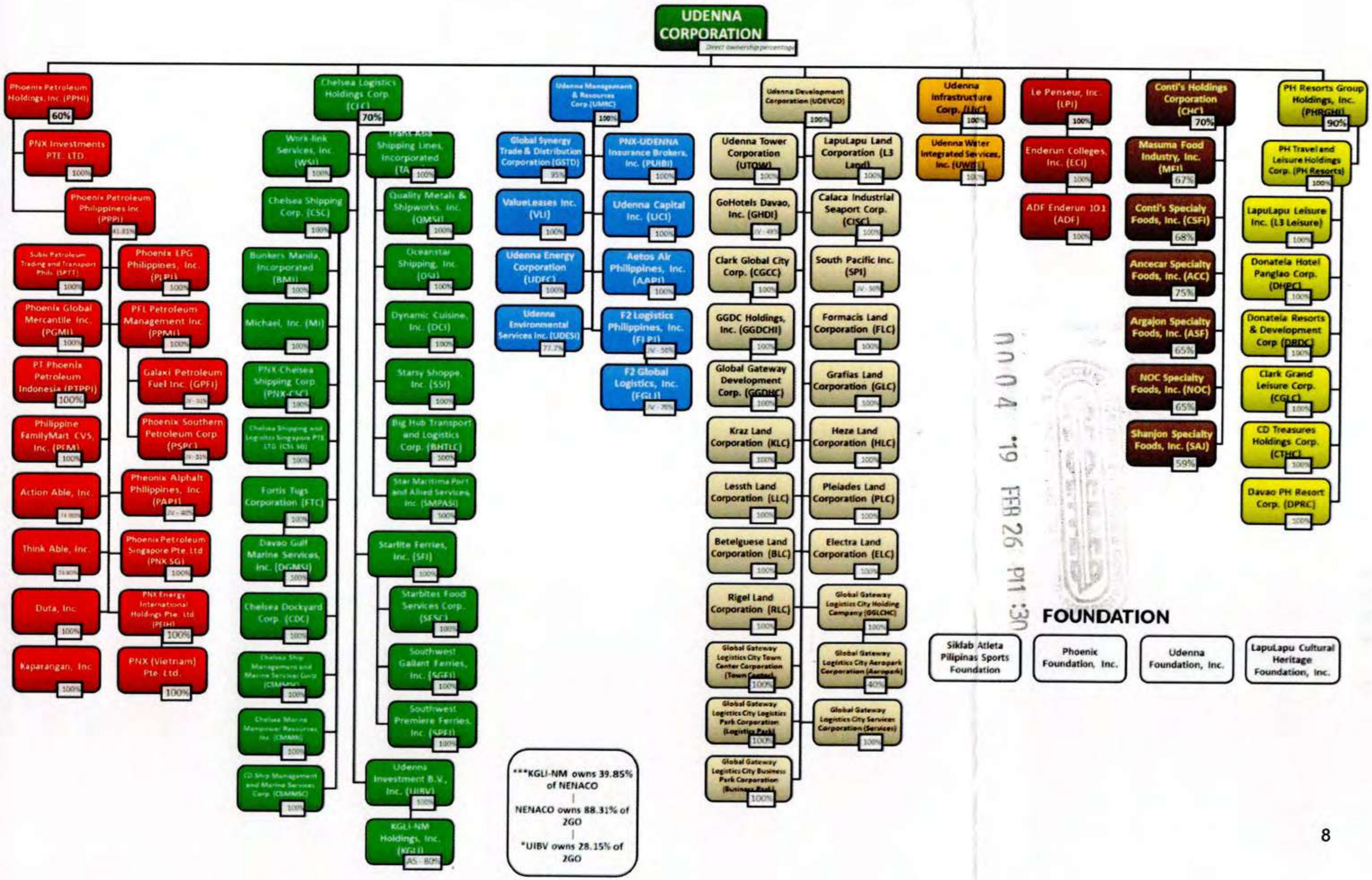
P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. & SUBSIDIARIES
SCHEDULE J- MAPPING OF THE ORGANIZATIONAL STRUCTURE
December 31, 2018



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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* *(effective January 1, 2019)*	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* *(effective January 1, 2019)*			✓

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation* *(effective January 1, 2019)*			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts* *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture* *(effective January 1, 2019)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments (effective *January 1, 2019*)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2018 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

16 April 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

Mr. Jose Valeriano B. Zuño III
Head - Disclosure Department
Philippine Stock Exchange

Ms. Erika Grace C. Alulod
Head - Issuer Compliance and Disclosure Department (ICDD)

Gentlemen and Madam:

We are herewith submitting our SEC Form 17-A Annual Report for period ended 31 December 2017 in accordance with the Securities regulations Code and the Revised Disclosure Rules.

Thank you and warm regards.

Very truly yours,

Atty. Socorro Ermac Cabreros
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the period ended:	31 December 2017
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	1,431,538,232
PREFERRED	25,000,000

Amount of Debt Outstanding as of December 31, 2017:	Php **32,519,210,369.00**
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

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 [ ]

DOCUMENTS INCORPORATED BY REFERENCE

The Consolidated Financial Statements as of and for the year ended December 31, 2017 and 2016.

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PART I – BUSINESS AND GENERAL INFORMATION

1. Business Description

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8,2002 and is 41.14% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company's made its Initial Public Offering with the Philippine Stock Exchange (PSE) on July 11, 2007. The Parent Company is engaged in trading of petroleum products on wholesale basis and operating oil depots, storage facilities and other 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 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 company 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 company has a total of 530 completed retail service station and a total of 8 service stations under construction as of December 31, 2017.

1.1 Subsidiaries, Associate and their Operations

As of December 31, the Company holds ownership interests in the following entities which are all incorporated in the Philippines:

Subsidiaries/Associate	Explanatory Notes	Percentage of Ownership 2017	Percentage of Ownership 2016
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) 1	(e)	**100.00%**	**-**
Duta, Inc.(Duta) 1	(f)	**100.00%**	-

Notes:

1 New Subsidiaries
2 Wholly-owned Subsidiary of Duta
3 Duta and Kaparangan, collectively known as Duta Group

All the subsidiaries were organized and incorporated in the Philippines except for PNX SG which was organized in Singapore.

(a) Engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations. PPMI was registered with the Securities and Exchange Commission (SEC) on January 31, 2007.

(b) Registered with the SEC 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 temporarily ceased its operation in 2008 and has resumed its business in October 2015.

(c) Registered with the SEC 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 better 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.

1.2 Other Corporate Information

The registered office and principal place of business of the subsidiaries, except those presented in the 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
PLPI	– Phoenix Petroleum Corporate Headquarters, Stella Hizon reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	– 15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati

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.

Operational Highlights

2017 was a landmark year for Phoenix Petroleum, as the company acquired new businesses and laid the groundwork for regional expansion. The Company ended the year with its best performance yet: triple all-time highs in sales volume, revenues, and net income.

Across retail, commercial, and industrial channels, sales volume of its fuels and lubricants increased by 17% to 1.76 billion liters as the Company reached more customers and launched key programs.

Strengthening our retail network

Retail volume increased by 9% as the Company opened new stations, increased same-store sales, and upgraded more stations to a new look. The new design features a clean, modern, and sleek style – reflecting the Company's aspiration to become the next generation fuel company catering to the needs of next generation drivers. A hundred stations now sport the refreshed design, and this has increased volume sales per station by an average of 9% after upgrade.

With 530 stations in the network, the Company is establishing new standards for operational excellence and customer service to deliver a better experience for every motorist.

Customers enjoyed innovative promotions, such as the groundbreaking 10 pesos per liter promo, the Summer Combo Panalo which gave away Php 500,000 to lucky winners, Scratch-a-Prize which raffled off latest gadgets as prizes, and the collectible Justice League self-stirring mugs. The Company also partnered with Uber, Grab, and Lazada for promos in select stations.

On April, the Phoenix Tsuper Club was launched as a way to reward loyal customers. The program is open to professional drivers nationwide and offers many benefits. With every fuel and lubricants purchase at a Phoenix station, Phoenix Tsuper Club members earn points and redeem rewards.

Serving major industries

Sales volume to commercial and industrial businesses grew by 15% and aviation by 13%, as the Company firmly establishes itself as the third major player in the commercial and industrial segment, counting as customers the country's biggest companies.

With depots and terminals in key locations across the country, and with affiliate companies in shipping with their own vessels and tugboats, the Company is able to ensure supply capability and reliability to its customers, so they can run their businesses without worrying about fuel.

From our first client, Cebu Pacific – which we continue to serve as their logistics provider in Mindanao and in more airports – the Company has expanded to serve more businesses across the country. This year, we gained new key accounts and won bids to supply companies in the land transport, construction, mining, power, manufacturing, marine, fishing, and shipping industries.

We also showed our decisiveness, reliability, and quick action when we were able to deliver the urgent requirements of power companies in the Visayas when their major suppliers could not.

Added support such as Technical Services ensures the quality of products and the productivity of customers' fleet and equipment.

These technical assistance and initiatives come in the form of industry and in-house trainings, technical visits, lubricant surveys, product matching and application, issue resolution, and after sales services such as emission tests and engine analysis. The Company's quality assurance and product development services include product testing, formulation issuance, quality control, development of new products, and formulation optimization.

Growing the lubricants business

Lubricants volume rose by 49% as the Company continued to open new stations, serve more commercial accounts, introduce new products, and strengthen our distributor network.

New products introduced were All Purpose Oil, Cyclomax Scooter Gear Oil, Cyclomax 4T 200mL, HT2 Grease, Hydraulic Premium 68, and Turbine Oil 68, all of which delivered fresh volume for the business.

Supporting expansion is the completion of our distributor network, where we appointed partners in key areas in Luzon, Visayas, and Mindanao.

We also improved our efficiency and fulfilment time with our new Lube Oil Blending Plant, which manufactures and services our locally blended products nationwide.

On the racing front, our Phoenix Cyclomax Racing Team continued to dominate the racing scene, ending 2017 with a total of 115 podium finishes. To further support the brand, the Company sponsored major events such as the Inside Racing Bikefest, National Slalom Series, and NAsFOR- Maxxis 4x4 Cup.

Safety, Operations, Logistics

The Company accomplished milestones in safety, operations, and logistics in the continued pursuit of safety and efficiency.

On June 2017, we commissioned and inaugurated our new depot in Consolacion, Cebu. With a capacity of 18 million liters, the depot is our largest in the Visayas and our ninth facility in the country. Our own depot enables us to more reliably and efficiently serve the fuel and lubricant needs of our growing retail network and various customers in the shipping, airlines, construction and other industries in the greater Visayas.

At the Company's largest terminal in Calaca, Batangas at the Calaca Industrial Seaport Park (formerly Phoenix Petroterminals and Industrial Park), we commissioned additional storage tanks to increase storage capacity, and extended the cargo line to provide scheduling flexibility in vessel receiving and loading.

We also broke ground for the improvement of our marine facility in our Calapan depot in Misamis Oriental.

Our Road Transport group increased their profitability and efficiency by optimizing the fleet of lorries, increasing the volume delivered by our own tankers, and overhauling aviation refueler trucks in various airports nationwide. The new motorpool facility in Calaca has also improved efficiency in repairs and availability of our units.

Affirming these accomplishments is the achievement of a new safety milestone: 4.4 million safe man-hours without lost time incident. This is a new record for the Company, reached in the period between January 2015 to December 2017, as we continue to prioritize safety.

In addition, new subsidiary, Petronas Energy Philippines, Inc. now Phoenix LPG Philippines, Inc., achieved a safety record of 3 million safe man-hours without incident for its Iligan plant – a milestone achieved over 20 years since the plant was first commissioned on June 1997.

These milestones are a testament to the Company's commitment to safety and health. In support of this is the development of our Environmental Management System, a framework that helps the organization achieve our environmental goals through consistent review, evaluation, and improvement of our environmental performance.

Our Health, Safety, and Environment group is at the forefront of ensuring that safety is a priority and becomes part of our culture. This year, they conducted several trainings on industrial first aid, CPR and AED operations, disaster preparedness, live fire handling, construction occupational safety and health, emergency preparedness, and sharing of best safety practices. Terminals and depots are also audited for operational excellence and process improvements.

People Development

Employees takes pride in being part of the country's most dynamic oil company and contributing to that growth. A sense of energy and excitement permeates the team, inspiring people with a passion to perform.

To support the company's big ambitions, a key program is developing competencies and building the right culture. A Competency Framework was established to help people perform their work effectively. We also rolled out programs for people development such as trainings, workshops, and mentoring. With a mix of seasoned veterans and young talents, there are many opportunities to teach and learn from the experienced and new.

As part of the Company's culture-building efforts, we reinforced our shared values and internal communications. Our Values Matter at Work workshops nationwide underline the importance of the Phoenix core values – Teamwork, Excellence, Stewardship, Service, Innovation, and Integrity – which distinguish us from the rest. The Company has also stepped up its internal communications to increase employee engagement and pride in what we are accomplishing.

This year also marked the first year of the vesting of our Employee Stock Options Plan in the five-year period. Over the one year since the launch of the ESOP to the vesting, the PNX stock price more than doubled – a manifestation of the team's collective efforts bearing fruit.

Team Phoenix strives to exemplify our core values as we achieve our goals with the valuable contribution of each and every team member.

Corporate Social Responsibility

As the Company grows, so too our commitment to the communities we serve. Since the first CSR activity in 2007, the Phoenix Philippines Foundation Inc. has been an active partner of people and institutions to develop, protect, alleviate, educate, and empower our less privileged members of society. We champion our communities by giving back to them through initiatives designed to elevate and preserve their quality of life.

EDUCATION

Our educational programs aim to empower people to build a bright future. We support teachers, provide free pre-school and livelihood education to students, and help schools build a better library of books. In doing so, we help others help themselves.

Adopt-A-School

The Foundation continues to support 23 adopted schools across the country. From the first school in 2008 in Davao City, we have reached out to more schools – 6 in Luzon, 7 in Visayas, and 10 in Mindanao. Their pre-schoolers are able to study for free, as we shoulder the monthly salaries of 14 teachers. These adopted pre-school and elementary schools have produced close to 8,000 young graduates over the nine years since we started – a support that helps give them a head start in life.

Phoenix Library

To encourage wonder and curiosity – keys to a lifelong interest in learning – the Foundation has established Phoenix libraries in seven adopted schools. This year, we donated books, learning materials, television sets, and library furnishings to 18 schools in Luzon, Visayas, and Mindanao. With big and colorful books and engaging materials, children enjoy learning and exploring.

Alternative Learning System

Out-of-school youths, the unemployed, and those looking to learn new skills are given a chance to contribute to society through the Alternative Learning System. The ALS is a free livelihood education program of the Department of Education, implemented with the support of private institutions to sustain the project.

The Foundation now supports two ALS schools – the F. Bangoy Central Elementary School in Davao City and the Banisil Central Elementary School in General Santos City. We sponsor the salaries of 7 instructors and provide training facilities and equipment. This allows students to study for free the various courses such as Welding, Plumbing, Electrical Installation, Maintenance, Computer Servicing, and Beauty Culture and Hairstyling.

Since we started the program in 2009 up to this year, 1,857 ALS students have graduated. Some of them proceed to take the assessment and certification from the Technical Education and Skills Development Authority (TESDA), a government system to determine whether the person has the competencies required of a middle-level skilled worker. We are proud to report that our ALS has produced 100% TESDA passers since 2013. After finishing the program, graduates find work here or abroad, or embark on their own business, armed with their new skills.

Brigada Eskwela

This year, the Foundation helped clean and refurbish 10 schools around the country as part of Brigada Eskwela, the Department of Education's annual school clean-up drive. Team Phoenix painted classrooms, and donated painting and construction materials to schools.

ENVIRONMENT

We work to preserve our natural habitat so that future generations can enjoy the environment as we do. Our programs span the circle of life: from planting seedlings of trees that will grow to protect and nourish, to ensuring that seas are clean, to taking care of endangered animals that play a vital role in the ecosystem. These, so nature can continue to nurture life.

Plant and Save A Tree: Tree-Growing Program

This year, the Foundation went to 12 watersheds, parks, and mangroves around the country to plant 17,500 seedlings. These watersheds include those in Mt. Talomo-Lipadas in Malagos, Davao City, Taguibo River in Butuan City, Mahuganao in Cagayan de Oro City, Lusaran in Cebu City, Upper Caliban Imbang in Bacolod City, and Maasin in Iloilo.

Since 2009, we have planted 49,500 trees. By doing so, we help protect and ensure the health of watersheds, which sustain life by providing clean water for drinking, agriculture, manufacturing, and are home to a variety of plants and animals.

Coastal Cleanups

Team Phoenix helped clean 11 coastlines and waterways across the country in the Coastal Cleanup drive. Our annual participation in the clean-up helps rehabilitate and clean coastal areas, seas, and waterways from trash and debris that damage marine life and ecosystems.

Adoption of Philippine Eagle

Since 2012, the Company has adopted a Philippine Eagle named “Phoenix” at the Philippine Eagle Foundation (PEF) in Davao City. Our support is used to care for the eagle, the operation and maintenance of the eagle's breeding facility, and the associated conservation research and campaign of PEF.

Phoenix and his pair Marikit – together for seven years now – are only one of five natural pairs at the Philippine Eagle Center. As PEF seeks to increase the dwindling population of the Philippine Eagle, the pair play a critical role in the center’s captive breeding efforts.

The Philippine Eagle *(Pithecophaga jefferyi)* is the country’s national bird and is one of the rarest, largest, and most powerful eagles in the world. It is also critically endangered – with an estimated population of only 400 pairs. It is endemic to the Philippines, and found on the islands of Luzon, Samar, Leyte, and Mindanao.

Build A Reef

This year, the Company launched its first Build A Reef project – making and laying artificial domes to replace damaged reefs and serve as new sanctuary for hundreds of species of fish and other marine organisms.

Team Phoenix and partners from the Philippine Coast Guard and Philippine Coast Guard Auxiliary built 30 artificial reefs. These were then successfully laid in the marine-protected areas within Barangay Vicente Hizon, Lanang, and Barangay Centro Jerome, Agdao, in Davao City.

The reefs will help protect fishes from destructive fishing practices and increase their population – resulting in healthier marine life.

<u>HEALTH</u>

The Company shows its care to partner communities by ensuring their health and wellness through various programs.

Medical and Dental Missions

This year, the Foundation served over 3,000 in medical and dental missions around the country. Since 2010 when we started the program, 16,078 have benefited from the free check-ups and medicines that we provide in partnership with local institutions.

Every Drop Fuels Life Bloodletting Program

In the 10 years since we started the project in coordination with the Philippine Red Cross, we have collected 7,011 blood bags, of which 1,841 were donated in 2017. Our employees, partners, and volunteers support our regular bloodletting activities in various areas in Luzon, Visayas, and Mindanao. These blood donations help save lives, as well as benefiting the donors by increasing their cardiovascular health and decreasing the chances of cancer.

Fueling the country's largest humanitarian ship

The Company donated Php 25 million worth of fuels, lubricants, and technical services for the maintenance of M/V Amazing Grace, the Philippines' first and largest humanitarian vessel.

Commissioned by the Philippine Red Cross on May 2017, M/V Amazing Grace serves as a hospital ship, relief supply transport ship, sea rescue vessel, mobile command center, cargo transport for trucks and ambulances, and mass evacuation ship, among others. Its full-scale facilities will help ensure that life-saving supplies and services will immediately reach those who need it the most.

OUTREACH

The Company is always ready to lend a hand to those who need it the most.

Christmas Gift-Giving for Kids

Since 2007, the Company has made it an annual event to share the joy of Christmas to children through our Christmas Gift-Giving for Kids. They receive bags, school supplies, toys, slippers, and other gifts from Phoenix. This year, we played Santa to close to 4,000 kids as we also held a party for them. Throughout a decade of this program, we have given gifts to 16,146 children.

Relief Operations

When natural calamities and disasters strike, we organize relief operations to help the victims. On December 2017, when tropical storm Vinta hit Davao, we quickly distributed relief goods to 1,020 families, relieving them in our own way during the Christmas season.

PINOY TSUPER HERO

The third season of "Pinoy Tsuper Hero" continues the advocacy program in search of the most outstanding driver.

The program is presented by Phoenix Petroleum Philippines in partnership with ABS-CBN Lingkod Kapamilya Foundation Inc. and Bayan Academy for Social Entrepreneurship and Human Resource Development. It aims to bring out the "superhero" in every driver and promote driving as a noble profession.

On its latest season, Pinoy Tsuper Hero received a record-high 32,532 nominations, as we went on a nationwide caravan and launched the Phoenix Tsuper Club.

Regional finalists are selected from drivers who register at Phoenix stations. Selected candidates attend trainings about road safety, environment protection, financial literacy, and leadership. The top 10 finalists are called in for training and mentoring by industry experts, as they also present their own advocacy to pursue if they win.

The third Pinoy Tsuper Hero will be named on May 2018.

LIFE FUND

As the Company marked its 10th Listing Anniversary, we announced the creation of the LIFE Fund with a seed money of Php 100 million, to support the families of soldiers who fought in Marawi City.

Phoenix Philippines Foundation and UDENNA Foundation initiated the LIFE Fund to help beneficiaries secure sustainable **L**ivelihoods, achieve **I**ndependence, sustain their **F**amilies, and provide **E**ducation to their children.

The LIFE Fund is a mutual fund designed to give back to the brave men and women who risk their lives for the protection of the citizens of our country. It is a private sector initiative that aims to provide long-term financial aid and livelihood development for members of the Armed Forces and their families.

Awards and Recognitions

The Company received several awards this year for its leadership, brand, and marketing.

2017 ASEAN Business Awards: Young Entrepreneur of the Year

The Company's founder, President, and CEO, and UDENNA Corporation Chairman Dennis Uy was recognized in the 2017 ASEAN Business Awards as the Young Entrepreneur of the Year. The award cites "outstanding business owners below the age of 45 who have demonstrated significant success through leadership, market positioning and company performance."

2017 Franchise Excellence Awards: Outstanding Filipino Franchise in Retail-Large Scale

Phoenix Petroleum was named Outstanding Filipino Franchise in Retail-Large Store Category in the 2017 Franchise Excellence Awards (FEA), our second time to receive the prestigious award.

Phoenix Petroleum was recognized for continuing to be committed to deliver world-class services and products; for empowering people through our various advocacies; and for inspiring the entrepreneurial spirit of Filipinos.

The Company received its first Outstanding Filipino Franchise award in 2015, where we were cited for being a successful and fast-growing homegrown company in an oil industry dominated by major players.

Our second win in the FEA places us in the awards' **Hall of Fame**, given to businesses which win twice in the same award category.

Gawad Kaagapay Awards: Outstanding Large Corporation II for Non-Agri-Based Category, 2nd place

Phoenix Petroleum won second place as Outstanding Large Corporation II under the Non-Agri-Based Category in Landbank's Gawad Kaagapay Awards 2017.
Land Bank of the Philippines recognized our company's contribution to priority sectors like small and medium enterprises which promote countryside development.

2017 ICE Awards: Bronze in Single Medium Category

Our "Goku" TVC for our Phoenix Cyclomax brand of lubricants won a Bronze ICE award given last September by the Media Specialists Association of the Philippines (MSAP). Award entries are judged according to insights, creativity, and effectiveness.

2017 Franchise Asia Philippines Awards: Best Booth Design for Non-Food Franchisor Category

Phoenix Petroleum won the Best Booth Design award under the Non-Food: 108 sqm. category during the Franchise Asia Philippines 2017 – the company's fifth time to receive such recognition.

The Phoenix booth, which featured our station's new look and an auto lounge for visitors and potential business partners, was recognized for its impressive design. The Franchise Asia Philippines 2017, dubbed as Asia's Biggest 4-in-1 Franchise Show, showcased more than 500 homegrown and international brands in the food, retail, and service sectors on July 2017.

2. Business of Issuer

i) Principal's products or services and the Company's market and distribution method:

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products and the operation of petrochemical depots, storage facilities and allied services nationwide.

The operation of the Company is divided between trading, and terminalling and hauling services. Under its trading operations, the Company offers its refined petroleum products and lubricants to retail and industrial customers.

Terminalling involves the storage of petroleum products, mainly refined gasoline, diesel and other petrochemical products, while hauling involves the transport and provision of fuel to industrial customers.

The Company also distributes lubricants and chemicals. The Company produced its own blend of lubricants variety and sells these under the Phoenix brand name such as ***Cyclomax,*** a motorcycle oil brand, **Zoelo,** a Diesel engine Oil, and **Accelerate**, a gasoline Engine oil.

The Company provides storage space for the Jet A-1 fuel supply of Cebu Pacific Airlines (CPA) for the latter's requirements for their Cebu, Kalibo, Davao, Cagayan de Oro, Cotabato, General Santos, Zamboanga City, Pagadian City, Butuan and Ozamis City flights. The Company is the exclusive service provider for CPA in all its Mindanao Operations. It also supplies Jet A-1 fuels and services to Tiger Airways in Aklan.

ii) Percentage distribution of sales or revenues:

In 2017, the Company attained a Total Revenue of **₱44.426** billion, in which **₱44.051** billion or 99.16% was accounted for by the sales of petroleum products, and the balance accounts for the revenue on fuel service, storage income and other income. For 2017, the non-petroleum revenue accounted for 0.84% compared to 3.61% in 2016. The reduction on non-petroleum revenue is also due to the sale of the two subsidiaries, CSC and PPIPC during the last last quarter of 2016.

iii) Other products or services:

In 2017, the company added LPG to its business.

iv) Competition:

The Company's main competitors are the major players in the downstream oil industry namely, Petron, Shell and Chevron, other multinational industry players such as Total (of France), PTT (of Thailand) and other independent local players like Seaoil Corp., TWA, Liquigaz, Petronas, Prycegas, Micro Dragon, Unioil, Isla LPG Corp., Jetti, Eastern Corp., Perdido, SL Harbour, Filoil Energy Co., Petrotrade Phils. Inc., Marubeni, JS Union, JS Phils Corp, South Pacific, and end-users who import directly most of their requirements.

The three major players are estimated by the Department of Energy (DOE) to have a cumulative market share of 54.6% of the total Philippine market as of December 31, 2017 while the balance of 45.5% is shared among the aforementioned multinational players, the independent players, and importers including Phoenix Petroleum. The Company was reported to have 6.2% of the market, while the rest shares the remaining 39.2%, making Phoenix the strongest and leading independent oil company.

Specific to the LPG business, Phoenix main competitors are Petron with 29.8% market share, Liquigaz 23.8%,South Pacific 13.7%, Prycegas 12.7% and Isla Gas 12.3%. Phoenix, on the other hand, has 4.5% market share, making it the number 5 player in the LPG business.

It should be noted that the Company competes with other players in the industry in terms of pricing, quality of service and products, and strategic locations and visual manifestation of its service station retail network.

v) Sources and availability of products and principal suppliers

From the start of its operation in 2005 until the first half of year 2009, the Company procured its petroleum products within the Philippines. Its main suppliers were PTT Philippines Corporation as the well as Total Philippines Corporation.

With the growth in volume and the availability of the storage capacities in Calaca, Batangas and the Davao expansion, the Company started importing refined petroleum products by September 2009 until the present from Singapore and Taiwan. The Company also sources products from Thailand, Korea, and China through various foreign traders and suppliers.

The Company continues to import its lubricants from Singapore and Thailand.

The company's trading arm based in Singapore started its operation in October of 2017, allowing the company to have better access to suppliers.

vi) Transactions with and / or dependence on related parties.

The Company has existing synergies with related companies as follows:

- UDENNA Corporation.

  Lease of properties from UDENNA Corporation which are identified under Leased Properties;

- Chelsea Shipping Corporation (CSC).

  The Company has existing Contracts of Affreightment with CSC to haul the Company's petroleum supplies. CSC serves other clients including but not limited to Cebu Pacific Airways, Marine Fuels and other petroleum companies. The Company sold CSC on November 2016.

vii) Patents, trademarks, licenses, franchises

The Company uses its registered trademark *PHOENIXFuelsLife*TM to identify its brand. Branding is a cornerstone of the Company's marketing program. It sells its refined petroleum products like Diesel, Super Regular 91 Gasoline, Premium 95 Gasoline, Premium 98 Gasoline, and Phoenix JET A1.

Below are the approved Trademarks by the Intellectual Property Philippines (IPP) through the Trademark Department.

PRODUCT	REGISTRATION NO.	Date of Registration	Term
NEST Necessities for Life	4-2008-012149	Feb.9,2009	10yrs, until 2-9-2019
CAGE Free ur Spirit	4-2008-012148	Feb.9,2009	10yrs, until 2-9-2019
PHOENIX Fuels Life	4-2009-000918	April27,2009	10yrs,until 4-27-2019
PHOENIX Facing East	4-2009-000917	April27,2009	10yrs,until 4-27,2019
PHOENIX Flame Kerosene	4-2008-005929	Oct.13,2008	10yrs,until 10-13-2018
PHOENIX JetA-1	4-2008-005934	Oct.27,2008	10yrs,until 10-27-2018
PHOENIX Magma Diesel	4-2008-005936	Oct.13,2008	10yrs,until 10-13-2018
PHOENIX Raptor X Premium	4-2008-005932	Oct.13,2008	10yrs,until 10-13-2018
PHOENIX Regular	4-2008-005931	Oct.13,2008	10yrs,until 10-13-2018

PHOENIX Glide Super Unleaded	4-2008-005933	Oct.13,2008	10yrs,until 10-13-2018
ACCELERATE Supreme	4-2012-005161	July26,2012	10yrs,until 7-26-2022
ZOELO Extreme Heavy Duty Engine Oil	4-2012-005162	April27,2012	10yrs,until 8-2-2022
PHOENIX Cyclomax Motorcycle Oils 4T Force	4-2012-005164	April27,2012	10yrs,until 8-16-2022
ZOELO Diesel Oil	4-2012-005163	Aug.16,2012	10yrs,until 8-16-2022
PHOENIX Cyclomax Motorcycle Oils	4-2012-005165	Jan.03,2013	10yrs,until 1-3-2023
ACCELERATE Vega Fully Synthetic Motor Oil	4-2012-005169	Jan.03,2013	10yrs,until 1-3-2023
CYCLE Fork Oil	4-2012-00005168	June14,2013	10yrs,until 6-14-2023
2T2-Stroke Motorcycle Oil	4-2012-00005167	Sept.27,2013	10yrs,until 9-27-2023
2T MAX	4-2012-00005166	Sept.12,2013	10yrs,until 9-12-2023
PHOENIX Premium 98	4-2014-002029	June12,2014	10yrs,until 6-12-2024
PREMIUM 98	4-2014-002028	June12,2014	10yrs,until 6-12-2024
PHOENIX Trip natin’to	4-2016-0000099 9	August 25, 2016	10yrs,until 8-25-2026
Ikaw, Ano’ng Trip mo?	4-2016-0000100 0	August 25, 2016	10yrs,until 8-25-2026
Trip natin’to	4-2016-0000100 1	August 26, 2016	10yrs,until 8-25-2026
PHOENIX Accelerate	4-2016-0000228 2	May 19, 2016	10yrs,until 05-19-2026
PHOENIX Accelarators	4-2016-0002722	June 10,2016	10yrs,until 6-10-2026
PHOENIX ZOELO	4-2016-0000228 6	July 21,2016	10yrs,until 7-21-2026
PHOENIX FuelMasters	4-2016-0000272 3	July 7, 2016	10yrs,until 7-7-2026
PHOENIX Zoelo Extreme Heavy Duty Diesel Engine Oil	4-2016-0000228 7	August 18, 2016	10yrs,until 8-18-2026
PHOENIX Tsuper Club	4-2016-0001474 5	March 24,2017	10yrs,until 3-24-2027
PHOENIX Premium 98 High Performance Gasoline Fuel with Engine Rejuvenator Additives	4-2016-0001473 9	April 20, 2017	10yrs,until 4-20-2027
With Era Engine Rejuvenator Additive	4-2016-0001474 0	April 13, 2017	10yrs,until 4-13-2027
With Active Cyclo Booster	4-2016-0001474 2	April 13, 2017	10yrs,until 4-13-2027
With Speed Booster	4-2016-0001474 3	April 13, 2017	10yrs,until 4-13-2027
PHOENIX FuelMasters	4-2016-0001474 4	April 13, 2017	10yrs,until 4-13-2027

With HDD Formula	4-2016-00014741	May 4, 2017	10yrs,until 5-4-2027
PHOENIX Super LPG	4-2017-00009625	October 5, 2017	10yr,until 10-5-2027

viii) Total number of employees

The Company has a total of 810 employees as of December 31, 2017 from 650 employees in December 31, 2016. This is broken down as follows:

	2017	2016
Chairman	1	1
President / CEO	1	1
Vice President	4	4
Assistant Vice President	16	14
Senior Manager	3	3
Managers	88	73
Supervisor	289	203
Rank and File	408	351
	810	650

The increase number of employees is due to the inclusion of the employees of the newly acquired subsidiaries, PLPI and Duta Group.

There are no labor unions in the Company and its subsidiaries nor are there any labor cases filed against the Company and its subsidiaries that may materially and adversely affect the Company's financial or operational results or position.

Aside from the statutory benefits, the Company grants group term life insurance and hospitalization benefits fully paid by the Company. It also provides free uniforms, free meals, and vacation, sick, emergency leaves and, recently, entitlement to avail of the Employee Stock Option Plan (ESOP) to all its regular employees based on annual performance evaluation.

The Commission has approved the application for exemption from the registration requirement of the Securities Regulations Code of the Company for the proposed issuance of 24,493,620 common shares for the Company's Employee's Stock Options Plan (ESOP).

The ESOP Committee of the Company has already approved the ESOP internal guidelines. The initial offering date of ESOP was July 1, 2016 as approved by the BOD.

Major Risks Involved

Risk Factors

The Company recognizes, assesses, and manages certain risks that could materially and adversely affect its business, financial condition, results of operations and prospects.

An integral part of its risk management process involves the establishment of a Credit Committee, Pricing Committee, an Internal Audit Department, and organization of special teams to conduct financial analysis, planning and evaluation of company projects / plans and other business activities.

Monthly Business Unit reviews are conducted to identify risks, threats and opportunities, and to ensure that concerned units manage or promptly address identified risks.

Major Risks

The Company manages the following major risks relative to its business, industry, and area of operations:

Volatility of Prices of Fuels.

Oil prices, which have been and are expected to continue to be volatile and subject to a variety of factors beyond the Company's control, could affect the Company's profitability, liquidity, and sales volume.

Intense Competition.

Competitive pressures from the majors and all other independent / new players could lead to a possible loss of market share or a decrease in prices, either of which could result in decreased revenues and profits. The Company's competitors are numerous, ranging from large multinational corporations, which have significantly greater capital resources, to relatively small and specialized regional companies.

Material Disruptions in the Availability or Supply of Fuel.

As a trading concern, the Company largely depends on its ability to find stable sources of supply of fuel oil, diesel oil and blend components to assure uninterrupted supply of requirements of its customers. Some of its fuel purchases are negotiated transactions with suppliers offering fuel for immediate or near term delivery, also known as the spot market.

In times of extreme market demand or other supply disruptions, there may be possibility of having limited supply to fully satisfy requirements of customers or of having to buy at higher prices in order to meet customer demand.

Reliance on Third Parties to Fulfill their Obligations on a Timely Basis.

The Company, at certain levels, depends on some third party providers for various aspects of its business. As such, it runs the risk that suppliers and service providers may fail to honor their contractual obligations.

The Company relies on suppliers of fuel to regularly provide it with its inventory. Shipping companies and charter tankers are contracted to transport fuel oil, diesel oil, and blend components from suppliers' facilities to service centers.

The failure of these third parties to fulfill their obligations or to perform the services they have agreed to provide could affect the Company's relationships with its customers or may lead to its not being able to honor its own contractual obligations to other parties.

Regulatory Risk.

Risk can arise from changes in government policies and regulations that may limit the Company's ability to do business or require it to incur substantial additional costs or otherwise materially adversely affect business, results of operation, or financial condition.

<u>Risk Management and Mitigants</u>

RISKS RELATING TO THE COMPANY AND ITS SUBSIDIARY

The following discussion is not intended to be a comprehensive description of all applicable risk considerations, and is not in any way meant to disclose all risk considerations or other significant aspects.

Volatility of the price of crude oil may have an adverse effect on the Company's business, results of operations, and financial condition.

The Company's financial results are primarily affected by the difference between the price and cost of its petroleum products, which accounts for more than 99% of the Company's total cost of goods sold.

A number of domestic and international factors influence the price of petroleum products, including but not limited to the changes in supply and demand for crude oil, economic conditions, conflicts or acts of terrorism, weather conditions, and governmental regulation.

International crude oil prices have been volatile, and are likely to continue being volatile going forward. International crude oil prices in 2016 recorded gradual increase.

Brent spot crude oil ended to under US$55/bbl in December 2016 and went up to US$66/bbl in December 2017 or a 20% increase. Though the prices were more stable, it was the highest end of the year since 2013. Mean of Platts-Singapore (MOPS) followed the increase, thereby affecting local petroleum prices.

In this year, the market has been a more stable compared to the prior years. The MOPS for GASOIL started at an average of about US$65 /barrel in January and ended at an average of US$75/barrel. There were inconsistencies on demand and supply mismatch worldwide but prices fluctuation was less compared to the prior year. There is no clear sign and/or assurance that prices will remain stable over the near- and medium-term.

The Company holds about twenty (20) to forty (40) days of inventory and uses the average method to account for its inventory. Should crude and/or MOPS prices suddenly drop significantly, this could adversely affect the Company which could translate into the Company being forced to sell its petroleum products at a selling price below acquisition costs of its existing inventory.

In a period of rising crude oil prices, social and competitive concerns and government intervention can further force the Company to keep current selling prices, resulting in an inability to pass on price fluctuations in a timely manner.

The Government has previously intervened to restrict price increases for petroleum products, following a declaration of a state of national calamity. Another declaration of a state of national calamity may result in the Company being unable to pass on prices effectively which could adversely affect the profitability for the period of effect of the order.

Such inability to pass on price fluctuations may result to an adverse effect on the Company's business, results of operations, and financial condition.

Demand for the Company's products may also be affected as a result of price increases, following passing-on of the increased costs of imported oil.

Though currently prices are at a low level, a sharp rise in oil prices will require higher working capital and may force the Company to acquire higher financing costs. A material adverse effect on the Company's financial condition and results of operations may follow should the Company face challenges in securing short-term financing for working capital.

To mitigate this risk, the Company closely monitors the prices of fuel in the international and domestic markets. Following industry practice, prices for the upcoming week are set based on the world market price of fuel of the immediately preceding week. These enable the Company not only to anticipate any significant price movement but likewise plan out contingencies to hasten the disposition of its existing inventory as necessary to various distributors and other clients.

The Company's business, financial condition and results of operations may be adversely affected by intense competition.

The Company faces intense multinational, national, regional and local competition in the sale of refined petroleum products and other related products in the Philippines.

Competition is driven and dictated primarily by the price, as oil is one of the basic commodities. Differences in product specifications, and other overhead costs such as transportation, distribution and marketing costs, account for the price differentials amongst industry players. Some competitors, notably Petron, Shell and Chevron, have significantly greater financial and operating resources and access to capital than Phoenix, and could arguably dictate domestic marketing and selling conditions to the detriment of the Company.

As competition is mainly driven by price, the Company's business, operational, and financial condition may be materially adversely affected if it is unable to compete effectively against other players, which will be primarily driven by its ability to manage overhead costs, streamline transportation and distribution costs, and maximize utilization of its assets.

Smuggling and illegal trading activities of petroleum products have affected the domestic petroleum market. These activities have translated to lower sales price and volumes for legitimate market players in the domestic market. The Company's financial condition and results of operations may be adversely affected if the Government is unable to properly enforce and regulate the domestic oil market.

Competition risk is primarily mitigated by the Company continually strengthening and expanding its distribution network to improve its presence in both growing and high potential markets.

The Company continues to invest in building brand equity to ensure that it is consistently recognized and recalled by its target market, and improving customer service to a level at par with or superior to its competitors.

The growth of the Company is dependent on the successful execution of its expansion plans.

Proper execution and successful implementation of the Company's expansion plans is critical to maintain the growth of Phoenix going forward. These plans are based on certain assumptions about oil demand, oil prices, competition, financing cost and acquiring the necessary timely regulatory approvals, among other things. The Company cannot and does not represent with absolute certainty that these assumptions would materialize as predicted. In the event that these prove to be incorrect, the Company's future financial performance may be negatively affected.

To mitigate this risk, the Company continually reviews its network expansion program by identifying and anticipating target locations, dealers and operating and logistical requirements up to a year in advance.

The Company is able to mobilize financial and operating resources in a timely manner and allocate resources effectively to support the Company's expansion plans.

A Dealer Selection Panel of senior management interviews the dealer-applicants and awards the dealership. The Capital Expenditure proposal are reviewed by dedicated finance analysts prior to the approval of the authorized senior management team.

The Company's business strategies require significant capital expenditures and financing, which are subject to a number of risks and uncertainties. Its financial condition and results of operations may be adversely affected by its debt levels.

The Company's business is capital intensive, particularly the importation, storage and distribution of petroleum products. The Company's financial condition, sales, net income and cash flows, will depend on its capital expenditures for, among others, the construction of storage and wholesale distribution facilities and equipment, the construction of retail gas stations and the acquisition of tanker trucks.

Its business strategies involve the construction of new terminal facilities and the expansion of its service station networks. If the Company fails to complete its capital expenditure projects on time or at all or within the allotted budget, or to operate such facilities at their designed capacity, it may be unable to maintain and increase its sales and profits or to capture additional markets share as planned, and its business, results of operations, and financial conditions could be adversely affected.

The Company has incurred additional indebtedness to support its capital expenditure program. The Company's ability to follow this program and meet its debt obligations will partly depend on the business' ability to generate cash flows from its operations and obtain additional financing. There can be no assurance that the Company will be able to generate sufficient cash flows from its operations or obtain adequate financing for its capital expenditure projects or to meet its debt servicing obligations, on acceptable terms or at all.

The inability of the Company to meet its capital expenditure program whether through unsuccessful implementation or insufficient funding could adversely affect its business, financial condition, and results of operations.

Financing risk is mitigated as the Company follows a conservative financing strategy to optimize its leverage and ensure that the costs of financing are well within the Company's ability to meet these costs. The Notes issuance is an important part of this financing strategy, as it provides the Company the funding to support its medium term expansion and capital expenditure plans.

Any significant disruption in operations or casualty loss at the Company's storage and distribution facilities could adversely affect its business and results of operations and result in potential liabilities.

The Company's operation of its storage and terminal facilities and retail gasoline stations could be adversely affected by several factors, including but not limited to equipment failure and breakdown, accidents, power interruption, human error, natural disasters and other unforeseen incidents and issues. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and / or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations, and financial condition of the Company.

Company has purchased insurance policies covering majority of foreseeable risks but do not cover all potential losses as insurance may not be available for all such risks or on commercially reasonable terms. Operational disruptions may occur going forward, and as such, insurance may not be able to adequately cover the entire scope or extent of the losses or other financial impact on the Company.

The Company aims to mitigate this risk by following best practices to prevent the occurrence of or minimize the impact of accidents or other untoward incidents. These include measures to isolate the physical effects of any incidents (for example, the dispersed locations of its storage depots, alternative storage arrangements), minimize their financial impact on the Company (by ensuring that insurance coverage is adequate), and prevent their occurrence (for example, by ensuring that maintenance and safety procedures follow ISO standards and maintaining an adequate security force).

Continued compliance with safety, health, environmental, and zoning laws and regulations may adversely affect the Company's results of operations and financial condition.

The operations of the Company's business are subject to a number of national and local laws and regulations, including safety, health, environmental and zoning laws and regulations. These laws and regulations impose controls on air and water discharges, storage, handling, discharge and disposal of waste, location of storage facilities, and other aspects of the operations of the Company's business. Financial penalties, administrative, legal proceedings against the Company, or revocation or suspension of the Company's licenses or operation of its facilities may arise should the Company fail to comply with relevant laws and regulations.

The Company has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, the Company has made and expects to continue to make capital expenditures on an ongoing basis to comply with safety, health, environmental, and zoning laws and regulations.

There can be no assurance that the Company will be in compliance with all applicable laws and regulations or will not become involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings relating to safety, health, environmental and zoning matters, the costs of which could be material. Safety, health, environmental and zoning laws and regulations in the Philippines are becoming more and more stringent over the years. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in the Company being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities.

To mitigate this risk, the Company keeps itself updated on government policies and regulations pertaining to the oil industry. Through its Corporate Affairs department, the Company maintains lines of communication with regulatory agencies to allow Phoenix to identify potential regulatory risks and proactively respond to these risks.

Regulatory decisions and changes in the legal and regulatory environment could increase the Company's operating costs and adversely affect its business, results of operations, and financial condition.

Even though the local downstream oil industry is a deregulated industry, the Government has historically intervened to limit and restrict increases in the prices of petroleum products. On October 2, 2009, a state of national calamity in view of the devastation caused by typhoons "Ondoy" and "Pepeng" was called by former President Gloria Macapagal - Arroyo. Executive Order 839 was issued which called for the prices of petroleum products in Luzon to be kept at October 15, 2009 levels effective October 23, 2009. As a result of the Executive Order, prices of oil products were kept at said levels by the Company, affecting its profitability in Luzon for the period the executive order was in effect. On November 16, 2009, the price freeze was lifted. There were also similar price freeze in some areas in Visayas during period of calamities in recent times. There is no assurance that the Government will not invoke similar measures or reinstate price regulation in the future, which may adversely affect the Company's results of operations.

The Company's operations are subject to various taxes, duties, and tariffs. The oil industry in the Philippines has experienced some key changes in its tax and duty structure. Import duties for crude oil and petroleum products were increased in January 1, 2005 from 3% to 5% which was then rolled back to 3%. In 2006, an additional 12% VAT was imposed by the Government on the sale or importation of petroleum products. As of July 4, 2010, import duties on crude oil and petroleum products were lifted. The recent imposition of TRAIN LAW increased the excise taxes imposed on Petroleum products. Such taxes, duties, and tariffs may or may not change going forward, that could result to a material and adverse effect on the Company's business, financial condition, and results of operations.

As indicated in the previous item, the Company has a group dedicated to monitor compliance with regulations as well as anticipate any new regulations that may be implemented by the authorities. This ensures that any additional costs resulting from changes in the legal and regulatory environment can be anticipated and prepared for by the Company.

The Company's business, and financial condition may be adversely impacted by the fluctuations in the value of the Philippine Peso against the U. S. dollar.

The Company's revenues are denominated in PHP while a bulk of its expenses, notably the cost of its imported petroleum products, is US $-denominated. In 2014, 93% of the Company's revenues were denominated in PHP, while approximately 83% of its cost of goods sold was denominated in US$. The Company's reporting currency in its financial statements is the PHP. Changes in the US$:PHP exchange rate may adversely affect the financial condition of the Company. Should the PHP depreciate, this would translate to higher foreign currency denominated costs and effectively affect the Company's financial conditions. There can be no assurance that the Company could increase its Peso – denominated product prices to offset increases in its cost of goods sold or other costs resulting from any depreciation of the Peso. There can be no assurance that the value of the Peso will not decline or continue to fluctuate significantly against the U.S. dollar and any significant future depreciation of the Peso could have a material adverse effect on the Company's margins, results of operations, and financial condition.

To mitigate this risk, the Company limits its exposure to foreign currency denominated liabilities. The risk posed by foreign exchange fluctuations on the cost of its imported petroleum products is generally mitigated by the Company's ability to pass on any such additional costs to its selling prices.

Sales to Cebu Air comprise a significant amount of the Company's sales.

Revenues from the supply of jet fuel to Cebu Air, the Philippines' largest airline in terms of passengers carried, comprised almost 5.3% of the Company's total sales for 2017. This makes Cebu Air the Company's largest single corporate customer. While the Company has supplied Cebu Air with jet fuel since 2005, there is no long-term fuel supply contract between the Company and Cebu Air. However, the Company enters into an annual supply contractor agreement with Cebu Air to ensure continuous purchase by the latter for the year ahead. Any disruption, reduction, or material change in the business relationship between Cebu Air and the Company could adversely impact the Company's sales and results of operations. Aside from Cebu Air, the Company has no other customer or buyer that accounts for more than 3.5% of the Company's sales.

To mitigate the risk, the Company continues to expand its base of industrial customers, thus diversifying its risk that the loss of business from any one customer would have a material effect on the Company's sales.

The Company currently benefits from income tax holidays on the operation of certain of its depots.

If the Company did not have the benefit of income tax holidays, its profitability will be adversely affected, as it will have to pay income tax at the prevailing rates.

Under its registration with the BOI, the Company enjoys certain benefits, including an income tax holiday ("ITH") on the operations of the Davao Extension, the Calaca (Batangas) and the Zamboanga depots. In addition, the Company got approval in 2012 for BOI registration with corresponding income tax holidays for its Cagayan de Oro City (Phividec) and Bacolod depots which expired in 2017. New income tax holidays for Villanueva expansion, Tayud and Calapan depots were granted in 2017. The ITH runs for a period of five (5) years from the commencement of operations of each depot. Upon expiration of a tax holiday, the Company's income from a depot will be subject to prevailing income tax rates. In addition, if the Company fails to meet certain conditions imposed by the BOI, it may lose its right to the ITH. In such an event, the Company may not be able to continue to avail of the benefits under the ITH. The loss of the ITH would adversely affect the Company's profitability, as it would have to pay income tax at prevailing rates. In addition, there is no guarantee that the Company will be able to secure similar income tax holidays for any new depots that it may establish in the future or for the statutes granting the said ITH to be superseded or amended.

For example, the Company's registration as a New Industry Participant with New Investment in Storage, Marketing and Distribution of Petroleum Products (with Certificate of Registration No. 2010-184) provides that it is entitled to ITH until 15 November 2010. After the lapse of the ITH, the Company became liable for the regular corporate income tax. Any such inability by the Company to enjoy ITH benefits will have a material adverse effect on its business prospects, financial condition, and results of operations.

The Company continuously monitors its compliance with the requirements and conditions imposed by the BOI to mitigate this risk.

The Company depends on certain key personnel, and its business and growth prospects may be disrupted if their services were lost.

Certain key executives and employees are critical to the continued success of the Company's business. There is no assurance that such key executives and employees will remain employed with the Company. Should several of these key personnel be unable or unwilling to continue their present roles, the Company may face difficulties in looking for replacements and the business and operations may be disrupted as a result translating to a potential material adverse effect on the financial condition and operations results of the Company.

To mitigate this risk the Company ensures that its compensation and benefit packages for its officers, staff and rank and file are competitive with industry standards. Promotions and pay raises are merit-based and performance appraisals are conducted regularly. Key personnel are also regularly sent to training programs in the Philippines and abroad to ensure that their knowledge and skills are continually updated.

The Company's controlling shareholder may have interests that may not be the same as those of other shareholders.

Udenna Corp, the ultimate holding company, directly or indirectly through PPHI and UMRC, holds 42.85% of the Company's outstanding common equity as of December 31, 2016. Neither Udenna nor PPHI is obligated to provide the Company with financial support or to exercise its rights as a shareholder in the Company's best interests or the best interests of the Company's other shareholders. Should there be a conflict between the interests of Udenna Corp or PPHI and the interests of the Company, the Company may be affected by the actions done by Udenna Corp.

The Company has an operating lease agreement with its parent, Udenna Corp, for the use of various properties for its operations and for offices pace. Furthermore, the Company regularly charters the use of marine tankers from its affiliate, CSC, for the hauling of its fuel products from suppliers' terminals and from its own depots to Company depots and to its customers. The Company also avails of the freight forwarding services of another affiliate, F2 Logistics, Inc., for the delivery of goods to customers and for internal movement of non-commercial cargo. While the Company believes that the terms of these transactions were negotiated on an arms-length basis, there is no assurance that the Company cannot avail of better terms if it contracted with parties other than its affiliates.

To mitigate this risk, the Company follows good corporate governance standards in dealing with its shareholders and other related parties. These standards include, but are not necessarily limited to, “arms-length” practices in all commercial dealings with related interests and transparency and full disclosure in all such dealings.

If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the cost of damages and claims prove to be more severe than its insurance coverage, the Company’s financial condition and results of operations may be materially adversely affected.

The Company uses a combination of self-insurance and reinsurance to cover its properties and certain potential liabilities. The Company’s insurance coverage includes property, marine cargo, and third party liability. The Company estimates the liabilities associated with the risks retained by it, in part, by considering historical claims, experience and other actuarial assumptions which, by their nature, are subject to a degree of uncertainty and variability. A number of external factors affect the uncertainty and variability including but not limited to future inflation rates, discount rates, litigation trends, legal interpretations and actual claim settlement patterns. If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than its original assessments, the Company’s financial condition, results of operations, and cash flows may be materially adversely affected.

To mitigate this risk the Company continually reviews and updates its insurance policies so that it is reasonably protected from foreseeable events and risks. Insurance coverage is acquired through competitive bidding to ensure that the Company’s premium costs are reasonable and at par with industry standards.

Risks Relating to the Philippines

The Company’s business and sales may be negatively affected by slow growth rates and economic instability globally and in the Philippines.

The Company, since its commencement of operations, has derived all of its revenues and operating profits from sales of its petroleum products in the Philippines. The Company’s business has mostly been influenced by the Philippine economy and the level of business activity in the country.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso and debt restructuring, and has been significantly affected by economic volatilities in the Asia-Pacific region. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers’ purchasing power, which could materially and adversely affect the Company’s financial condition and results of operations.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause economic conditions in the Philippines to deteriorate.

A slowdown in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in demand for the Company's products. There is also no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

Political instability or acts of terrorism in the Philippines could destabilize the country and may have a negative effect on the Company.

The Philippines has experienced political and military instability. In the past decade, political instability has been observed headlined by impeachment proceedings against former presidents Joseph Estrada and Gloria Macapagal- Arroyo, public and military protests arising from alleged misconduct by previous administrations. There is no assurance that acts of election-related violence will not occur in the future and such events have the potential to negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law, or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operation environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Terrorist attacks have been observed in the Philippines since 2000. The conflict with the Abu Sayyaf organization continues. The Abu Sayyaf organization is being identified and associated with kidnapping and terrorist activities in the country including several bombing activities in the southern region of the country and is said to have ties with the al-Qaeda terrorist network.

On May 10, 2010, the Philippines held a presidential election, as well as elections for national (members of the Senate and the Congress) and local positions. This resulted in the election of Benigno Aquino III as the new President of the Philippines, effective June 30,2010. Although there has been no major public protest of the change in government, there can be no assurance that the political environment in the Philippines will continue to be stable or that the new government will adopt economic policies conducive to sustained economic growth or which do not impact adversely on the current regulatory environment.

On August 23, 2010, a hostage situation occurred in Manila resulting to 8 dead hostages. This resulted in the HongKong Special Administrative Region government issuing a "black" travel alert for the Philippines. Up to this time, this remains a political issue between the Philippines and HongKong with effects on the business, financial condition, and results of operations of the Company.

On October 2013, an alleged group of Moro National Liberation Front (MNLF) seized Zamboanga City that resulted to a more than a week-long gun battle with the Philippine government forces. The said incident resulted to more than 100 deaths and thousands families displaced. An increase in the frequency, severity or geographic reach of terrorist attacks may destabilize the Government, and adversely affect the country's economy.

The 2016 Presidential election signified a major change not only in the political but even in the social and economic aspect for the country. President Rodrigo Duterte is the first President from Mindanao. The present administration's 10-point socioeconomic agenda aims to make the country more globally competitive, attract more investors, reduce general poverty, and ensure inclusive growth. The President's strong leadership is not a guarantee that the Philippines and the assets of the Company will not be subject to such acts of terrorism, resulting to potential adverse effect.

The 2017, a war broke out in Marawi City, thereby the government declared the entire island of Mindanao under martial law until now. The triumph of the government against the ISIS/MAUTE rebels is not a guarantee that no similar war will occur in the future. The war may adversely affect the business and assets of the company.

The occurrence of natural catastrophes or blackouts may materially disrupt the Company's operations.

The Philippines has encountered and is expected to experience a number of major natural catastrophes including typhoons, volcanic eruptions, earthquakes, mudslides, droughts, or floods. Such natural catastrophes may cause disruption to the Company's operations, and distribution of its petroleum products. Electricity black-outs are also experienced caused by insufficient power generation following strong typhoons and other natural catastrophes. These types of events may materially disrupt and adversely affect the Company's business and operations. The Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes or blackouts, including possible business interruptions.

If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase petroleum, petroleum products, raw materials, equipment and other imported products, could be adversely affected.

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange maybe freely sold and purchased outside the Philippine banking system. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations. The Company purchases some critical materials, particularly petroleum and petroleum products, and some capital equipment from abroad and needs foreign currency to make these purchases. Although the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restrictions imposed in the future could adversely affect the ability of the Company to purchase petroleum and other materials and equipment from abroad in U.S. dollars.

3. Description of Property:

The Company's properties consist of its terminal, depot facilities, head office building, pier and pipeline structures and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot.

Under the terms of agreements covering the liabilities under trust receipts, certain inventories of petroleum products released to the Company are held in trust for the bank. The Company is accountable to the bank for the trusteed inventories or their sales proceeds.

<u>Leased Properties</u>

Lease with Udenna Corporation

The Company's headquarters is currently located at Stella Hizon Reyes Road, Bo. Pampanga, Davao City. The premises are covered by existing lease contracts with Udenna Corporation and the Heirs of Stella Hizon Reyes, as lessors.

Following are the relevant terms of the lease contracts:

The Company's sublease contract with Udenna Corporation was originally for a term of three (3) years, from January 2007 to December 2009. The lease was renewed for another term of three (3) years, commencing from 01 January 2017 to 31 December 2019, subject to further renewal under terms and conditions to be agreed to by the parties.

On the other hand, the lease contract by Udenna Corporation with the Heirs of Stella Hizon Reyes over 1.1 hectares is effective for twenty one (21) years, which shall expire on March 20, 2027, subject to renewal upon terms and conditions to be agreed to by the parties. The same term for purposes of synchronization was implemented over the lease of the remaining area of 1.2 hectares with the less or for the expanded area which is now leased directly by the Company.

- The Company shall pay Udenna Corporation a monthly lease rental for the parcels of land used as sites of its Depot Facilities in Davao and a retail station site.

- The leased premises shall be exclusively used by the Company for petroleum and fuel products storage and for its pier facilities or any other related business. The Company is prohibited from using the leased premises for any other purpose without the prior written consent of lessors.

- The Company may not introduce improvements or make alterations or changes without the written consent of Udenna Corporation, except the construction of the necessary offices, storage tanks, and other improvements required by the business of the Company.

- Udenna Corporation shall have the right to pre-terminate the sublease on any of the following grounds: (a) non-payment of rentals for at least two
(2) consecutive months; (b) if the Company, at anytime, fails or neglects to perform or comply with any of the covenants, conditions, agreements, or restrictions stipulated in the lease contract; or (c) if the Company shall become insolvent. Udenna Corporation shall give the Corporation one (1) month notice prior to the intended date of termination. The Company may pre-terminate the lease, upon prior thirty-day written notice to Udenna Corporation.

- Payment of real property taxes on the land shall for the account of the Lessor while the real property taxes pertaining to the improvements found there on shall be for the account of the Company, as lessee.

Leased Properties for Terminal / Depot Sites

The Company likewise executed valid lease agreement over various parcels of lands in various areas of the country where its Terminal / Depots are located and established as part of its expansion program, namely:

- **General Santos City.** A fifteen-year (15) lease contract, with option to renew for another five (5) years, was entered with Southern Fishing Industries, Inc. for the 10,000 square meters property located at Tambler, General Santos City. Contract was signed on May 7, 2008. In 2015, the Company decided to purchase this subject property.

- **Zamboanga City.** The Company entered to a lease agreement with Jordan Fishing Corporation for an area of 10,000 square meters for a period of ten (10) years, with an option to renew for another five (5) years. The said lease agreement commenced November 16, 2008. The depot
In Zamboanga City has a 5.5 million liter capacity that supports the retail network and the commercial and industrial accounts.

- **Bacolod City.** A land with an area consisting of 5,000 square meters more or less was leased by the Company from Jordan Fishing Corporation for ten (10) years starting January 01, 2008 with option to renew for another five (5) years. The Depot in Bacolod City has a 9 million liter capacity that supports the retail network and the commercial and industrial accounts in the area.

- **Mindoro.** A land with an area consisting of 3,723 square meters more or less was leased by the Company from Benjamin Espiritu for twenty (20) years starting September 2013 with option to renew for another ten (10) years. This is site of the Company Depot to support its retail network and the commercial and industrial accounts in the area.

Leased Properties for Company- owned, Dealer-operated (CODO) Stations

In addition to the aforementioned leases, the Company likewise has existing lease contracts with various property owners covering the properties where its CODOs are situated. Relevant terms of said lease contracts are as follows:

- The lease shall be for a term often (10) to twenty (20) years, subject to renewal upon such terms and conditions as maybe agreed upon in writing and signed by the parties.

- The Company shall pay monthly rentals, subject to annual escalation ranging from 3% to 10%, plus applicable real estate and government taxes.

- The leased premises may be occupied and used by the Company exclusively as a gasoline service station. In some areas, the leased premises for the CODOs include the operation of convenience stores, coffeeshops, service bays and other facilities as might be deemed appropriate for a gasoline service station and for no other purpose without the written consent of the lessors.

- Given the nature of the business, the Company is expressly permitted to sublease the leased premises.

4. Legal Proceedings

Involvement in Certain Legal Proceedings

The Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case have been **dismissed** by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

The Department of Justice (DOJ) filed twenty-five (25) Informations against Dennis A. Uy, President and CEO of the Company, for alleged violations of the Tariff and Customs Code of the Philippines, twenty-two (22) of which were filed with the Regional Trial Court of Davao City, and three (3) Informations filed with the Regional Trial Court of Batangas City.

With respect to the Informations filed with the Regional Trial Court of Batangas City, upon filing by Mr. Uy on September 2, 2013 of an *Omnibus Motion for the Determination of Lack of Probable Cause*, the Regional Trial Court of Batangas City granted said motion on September 17, 2013 and DISMISSED all three (3) Informations. The DOJ filed a *Motion for Reconsideration with Motion for Inhibition* of Judge Ruben A. Galvez, which was subsequently denied on December 6, 2013. On July 7, 2014, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that its Order dated December 6, 2013, which denied the Motion for Reconsideration and affirmed the Order dated September 17, 2013 which dismissed the 3 Informations filed against Mr. Uy for lack of probable cause, has already become final and executory since no appeal was filed therefrom.

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the DISMISSAL of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court docketed as **CA G.R. SP No. 06500-MINm CA, CDO, 23rd Division.** On October 24, 2016, Mr. Uy received a copy of the Decision of the CA dated October 12, 2016 DENYING the Petition for Certiorari. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

As of January 25, 2017, the Court of Appeals has DENIED the Petitioner's Motion for Reconsideration and upheld the decision the Court on October 12, 2016.

On 4 April 2017, we received a copy of the Petition for Review on Certiorari dated 27 March 2017 filed by petitioner docketed as GR No. 229705, SC, Manila, 3rd Division. To date, we are still awaiting for the Supreme Court to issue a resolution directing us to file COMMENT to the PETITION FOR REVIEW.

Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the Board of Directors except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Company's closure and take-over of six (6) Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

Other court cases typical and customary in the course of the business operations of the Company such as those, among others, involving collection, qualified theft, breach of contract and reckless imprudence have been filed by and against the Company, by and against its employees and/or third parties. The results of which will not significantly affect the financial standing of the Company.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and
- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the Commission, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

PART II – SECURITIES OF THE REGISTRANT

(A) Market price of and Dividends on Registrant's common equity shares and Related Stockholders Matters

(1) Market Information

On 11 July 2007, the Parent Company's common shares became listed for trading on the Philippine Stock Exchange ("PSE"). The high and low sale prices of each quarter for the year 2017 are here under shown:

Period(2017)	Highest Close Price	Lowest Close Price
First Quarter	8.47	5.53
Second Quarter	11.68	8.10
Third Quarter	13.26	9.50
Fourth Quarter	13.36	10.90

As of December 31, 2017, the market capitalization of the Company, based on the closing price of P13.00, was approximately P18,609,997,016.00

(2) Top 20 Stockholders As of January 31, 2018

#	NAME OF STOCKHOLDER	NO. OF SHARES	% OWNERSHIP
1	PHOENIX PETROLEUM HOLDINGS INC.	588,945,630	41.1408
2	ES CONSULTANCY GROUP, INC.	340,270,980	23.7696
3	TOP DIRECT INVESTMENTS LIMITED.	142,000,000	9.9194
4	UDENNA CORPORATION	117,245,918	8.1802
5	PCD NOMINEE CORPORATION -(FILIPINO)	109,844,749	7.6729
6	PCD NOMINEE CORPORATION -(NON-FILIPINO)	107,206,416	7.4889
7	UDENNA MANAGEMENT & RESOURCES CORP.	11,661,195	0.8146
8	JOSELITO R. RAMOS	4,812,600	0.3362
9	DENNIS A. UY	3,991,811	0.2788
10	UDENCO CORPORATION	1,614,787	0.1128
11	DENNIS A.UY &/ OR CHERYLYN C. UY	1,098,060	0.0767
12	DOMINGO T. UY	645,919	0.0451
13	ERIC U. LIM OR CHRISTINE YAO LIM	319,000	0.0223
14	MARJORIE ANN LIM LEE OR PAULINE ANN LIM	300,000	0.0210
15	EDWIN U. LIM OR GENEVIEVE LIM	300,000	0.0210
16	JOSE MANUEL ROQUE QUIMSON	173,039	0.0121
17	ZENAIDA CHAN UY	149,058	0.0104
18	REBECCA PILAR CLARIDAD CATERIO	148,453	0.0104
19	SOCORRO ERMAC CABREROS	103,316	0.0072
20	ROSITA G. ARTOS	82,000	0.0057

(3) Dividends

The Company's dividend policy is to declare at least 30% of its prior year's net income as dividends, whether in stock or in cash or a combination of both, payable out of its unrestricted retained earnings subject to statutory limitations. Each holder of a common share is entitled to such dividends as may be declared in accordance with the Company's dividend policy. The Company's current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Board of Directors. Such recommendation will consider such factors as operating expenses, implementation of business plans, and working capital.

History of Dividend Income Payment

1. Company

    a. Dividends on Common Shares

Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
January 25, 2017	Cash Dividend of ₱0.10 per share	March 30, 2017	April 27, 2017	₱136,468,719.08
March 18, 2016	Cash Dividend of ₱0.08 per share	April 05, 2016	April 29, 2016	₱114,302,178.56
March 4, 2015	Cash Dividend of ₱0.05 per share	March 18, 2015	April 16, 2015	₱71,438,861.60
January 29, 2014	Cash Dividend of ₱0.10 per share	March 17, 2014	April 11, 2014	₱142,877,723.20
January 24, 2013	30% Stock Dividend	May 15, 2013	June 10, 2013	₱329,717,232.00
	Cash Dividend of ₱0.10 per share	April 11, 2013	May 8, 2013	₱103,605,941.60

    b. Cash Dividend on Preferred Shares

Since the issuance of the preferred shares of the Company on September 21, 2010 (the 1st tranche), the Company has declared quarterly dividends fixed at 11.50% per annum, calculated in respect of each share with reference to the Issue Price thereof on each dividend period. This translates to a cash dividend amounting to ₱2.875 per share per quarter. The cash dividends were paid on September 21, December 21, March 21 and June 21 of each year starting December 21, 2010 until the preferred shares were redeemed on December 20, 2013.

1st Tranche				
Date Declared	Dividend Rate	Record	Payment Date	Total Amount

		Date		
December 5, 2013	₱2.875 per share	N/A	December 20, 2013	₱14,375,000.00
September 5, 2013	₱2.875 per share	N/A	September 21, 2013	₱14,375,000.00
June 5, 2013	₱2.875 per share	N/A	June 21, 2013	₱14,375,000.00
Mar 5, 2013	₱2.875 per share	N/A	March 21, 2013	₱14,375,000.00
December 5, 2012	₱2.875 per share	N/A	December 21, 2012	₱14,375,000.00
September 5, 2012	₱2.875 per share	N/A	September 21, 2012	₱14,375,000.00
June 4, 2012	₱2.875 per share	N/A	June 21, 2012	₱14,375,000.00
March 05, 2012	₱2.875 per share	N/A	March 21, 2012	₱14,375,000.00
December 1, 2011	₱2.875 per share	N/A	December 21, 2011	₱14,375,000.00
August 12, 2011	₱2.875 per share	N/A	September 21, 2011	₱14,375,000.00
May 12, 2011	₱2.875 per share	N/A	June 21, 2011	₱14,375,000.00
March 11, 2011	₱2.875 per share	N/A	March 21, 2011	₱14,375,000.00
September 21, 2010	₱2.875 per share	N/A	December 21, 2010	₱14,375,000.00

On December 20, 2013, in order to redeem the 1st tranche of preferred shares, the Company issued the 2nd tranche of preferred shares with the same amount and features except for the rate,which was reduced to 8.25% per annum. The dividends are calculated on a 30/360 day basis and have a priority in the payment of dividends at the fixed rate of 8.25% per annum at the time of issuance, which translates to a cash dividend amounting to ₱2.0625 per share per quarter. These shares are also preferred in the distribution of corporate assets in the event of liquidation and dissolution of the Company.

2nd Tranche				
Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
Nov. 6, 2017	₱2.0625 per share	Nov. 23, 2017	Dec. 20, 2017	₱10,312,500.00
Aug 3, 2017	₱2.0625 per share	Aug. 24, 2017	Sept 20, 2017	₱10,312,500.00
May 4, 2017	₱2.0625 per share	May 24, 2017	June 20, 2017	₱10,312,500.00
Feb 6, 2017	₱2.0625 per share	Feb 22, 2017	March 20, 2017	₱10,312,500.00
Nov 7, 2016	₱2.0625 per share	Nov 2016	December 2016	₱10,312,500.00

Aug 10, 2016	₱2.0625 per share	Aug 24, 2016	Sept 20, 2016	₱10,312,500.00
May 11, 2016	₱2.0625 per share	May 26, 2016	June 20, 2016	₱10,312,500.00
March 10, 2016	₱2.0625 per share	Feb 23, 2016	March 21, 2016	₱10,312,500.00
Nov 10, 2015	₱2.0625 per share	November 26, 2015	Dec 20, 2015	₱10,312,500.00
Aug 10, 2015	₱2.0625 per share	August 25, 2015	Sept 21, 2015	₱10,312,500.00
May 12, 2015	₱2.0625 per share	May 12, 2015	June 22, 2015	₱10,312,500.00
Feb 6, 2015	₱2.0625 per share	February 24, 2015	March 20, 2015	₱10,312,500.00
N/A	₱2.0625 per share	N/A	Dec 22, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	Sept 22, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	June 20, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	March 20, 2014	₱10,312,500.00

(4) Recent Sale of Unregistered Securities

All of the shares of the Company are duly registered with the Securities and Exchange Commission.

(5) Re-acquisition / buy-back of its Own Securities

On September 21, 2007, the Board of Directors approved the buy-back program of the Company's common shares, worth a total of P50,000,000.00 or 5.15% of the Company's then market capitalization. Using PSE facilities, the program commenced on the second week of October 2007. The program will conclude upon exhaustion of the approved allotment, subject to the disclosure requirements of the SEC and the PSE. As of December 31, 2016 and December 31, 2015, the Company treasury shares have cumulative costs of ₱330.7 and ₱-0-, respectively. No re-acquisitions of shares were made in 2009 to 2015. A total of 54,393,300 shares were re-acquired in 2016.

The funds allocated for the repurchase of the shares was taken from the Company's unrestricted retained earnings. The program was basically designed to boost up and / or improve the shareholders value through the repurchase of the shares whenever the same is trading at a value lower than its actual corporate valuation. The program did not involve any funds allotted for the Company's impending expansion projects / investments nor any of those allotted for the payment of obligations and liabilities.

(B) Description of Shares

The Company's shares consist of common shares with a par value of ₱1.00 per share and preferred shares with a par value of ₱1.00 per share. As of December 31, 2016, total outstanding common shares, with voting rights, is 1,399,383,932 Preferred share issued by the Company as of December 31, 2016 is 25,000,000 shares with a par value of ₱1.00 per share.

(C) Employee Stock Option Plan

The Company's Board of Directors approved the Employees' Stock Option Plan (ESOP) during its April 12, 2010 Board Meeting. Under the ESOP program, the Parent Company will allocate up to a total of 5% of its issued and outstanding common shares to be awarded to eligible employees. The ESOP was approved by the shareholders during the 2011 Annual Stockholders' Meeting.

The ESOP initial Offer date was July 01, 2016 as approved by the Board of Directors. The initial offer was a total of 24,493,620 shares at a subscription price of P5.68/share. The ESOP was awarded to all eligible employees at all job levels as of July 01, 2016.

PART III - FINANCIAL INFORMATION

(A) Management's Discussion and Analysis of Financial Conditions

The following is a discussion and analysis of the PPPI and its Subsidiaries' financial performance for the years ended December 31, 2016 and 2015. The discussion should be read in conjunction with the audited consolidated financial statements and the accompanying notes. **In the discussion of financial information, any reference to "the Company" or to the "Group" means PPPI and its Subsidiaries.**

The selected financial information set forth in the following table has been derived from the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016.

The Company's financial statements were audited by Punongbayan & Araullo for 2017 and 2016, in accordance with Philippine Financial Reporting Standards.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2017 vs. December 31, 2016.

Revenues

The Group generated total revenues of ₱46.326 billion in 2017, 52% higher than 2016's ₱30.577 billion, on the back of a 17% increase in sales volume and fuel prices. This includes addition of LPG revenue of ₱3.4 billion and Pnx SG revenue to third party customers of ₱ 250 million. The group reported ₱44.426 billion net of the pre-acquisition revenues, 45% higher than 2016.

Sales revenues from trading and distribution of petroleum products increased by 56% from ₱29.472 billion in 2016 to ₱45.879 billion in 2017. **Excluding the LPG's pre-operating revenue, net increase is 49% amounting to ₱44.051 billion**. Retail volume (station sales) increased by 9% due to growth in both station network and same store sales. The Commercial and industrial segment also increased by 15%, while aviation volume grew by 13%. Lubricants volume also grew by 49% from the prior year.

The Parent has built five hundred five (530) Phoenix retail service stations as of December 31, 2017 compared to four hundred forty-seven (505) retail stations as of the same period last year. The Parent has a number of retail stations undergoing various stages of construction which are projected to be opened within the 1st half of 2018.

The Group generated revenues of ₱ 375 million from fuel service, storage, and others in 2017, down from ₱1.104 billion in 2016. The 66% year-on-year decline was mainly because 2016 includes shipping, port and real estate revenues from the spun-off subsidiaries. Excluding the revenue from CSC and PPIPC in 2016, fuel services, storage and other revenue increased by 6%.

Cost and expenses

The Group recorded cost of sales and services of ₱39.298 billion as of December 2017, an increase of 56% from ₱25.124 billion in 2016. Net of the pre-acquisition cost of sales of the LPG business, the group reported ₱37.909 billion, a net increase of 51%. This was due to higher product costs compared to last year, reflecting increasing global oil prices. The 17% increase in volume is also a factor in the increase cost of sales.

Selling and administrative expenses increased by 32%, driven by higher operating expenses for completed expansions, expected growth impact and newly acquired subsidiaries.

Net Income

The Group's net income for 2017 grew to ₱1.792 billion from ₱1.092 billion in 2016. This includes one-time gain coming from the excess of fair value over acquisition cost of the newly - acquired subsidiary, Duta,Inc amounting to ₱ 650 million and the pre-acquisition profit of PLPI and Duta, Inc. amounting to ₱ 279 million. Excluding non-recurring income, core business net income grew by 30% to ₱1.421 billion, driven primarily by 17% increase in sales volume and additions from the new business, particularly LPG.

The Parent was registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, enjoyed an income tax holiday for five (5) years from November 16, 2005 to November 16, 2010.

The Parent Company obtained additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitled the Parent Company to an Income Tax Holiday (ITH) on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted to the Davao Terminal Expansion facility effective February 2010, which entitled the Parent Company another set of incentives, including the five (5) year ITH on its Davao Terminal Marketing and Storage activities.

The Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. This expired on November 25, 2015.

The Parent Company also obtained new approvals with the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City facilities were registered and issued certification by the BOI on May 12, 2012, entitling the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI-registered entities.

The Parent Company also obtained new approvals with the BOI for its four (4) new facilities. Expansions of Cagayan de Oro City and Calaca, Batangas facilities were registered and issued certification by the BOI on November 24, 2017 and December 22, 2017, respectively. New facilities in Tayud, Cebu and Calapan, Mindoro were likewise registered and issued certification by the BOI on September 9, 2017 and October 12, 2017, respectively, entitling the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI-registered entities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

Financial Condition

(As of December 31, 2017 versus December 31, 2016)

Total resources of the Group as of December 31, 2017 stood at ₱44.471 billion, higher by 68% compared to the ₱26.538 billion as of December 31, 2016. This is due to the acquisition of PLPI and Duta, Inc., higher fuel prices, increase in inventory, completion of new retail stations and increase of delivery and storage assets.

Cash and cash equivalents this year decreased by 22% from ₱2.339 billion in December 31, 2016 to ₱1.831 billion as a result of increased operating, acquisition and expansion requirements.
Trade and other receivables decreased by 15% from ₱8.789 billion as of December 31, 2016 to ₱7.510 billion as of December 31, 2017, due to the intensified collection of credit sales and other receivables.

Inventories increased to ₱12.970 billion as of December 30, 2016 from ₱2.999 billion as of December 31, 2016. The increase is brought about by the confluence of the following factors: 1) to address requirements of new businesses, such as LPG with the purchase of PEPI, the operation of Singapore Trading and serving volume of new accounts; 2) higher price of imported petroleum products, mainly because of the increase in crude prices and 3) the continued decrease in demand for IFO by the power sectors also contributed to the higher inventory levels.

Due from related parties decreased to ₱518 million as of December 2017 from ₱1.507 billion as of December 2016. The receivable balance from UDEVCO amounting to ₱50 million for the sale of PPIPC was settled and reclassification of the non-trade receivable from Chelsea Shipping Group Corp. amounting to ₱500 million.

As of December 31, 2017, the Group's property and equipment, net of accumulated depreciation, increased to ₱13.401 billion compared to ₱9.002 billion as of December 31, 2016 due to the acquisition of PEPI and Duta, Inc. as well as the completion of the new retail stations, additional delivery and storage assets and various facility expansion of the group.

Loans and Borrowings, both current and non-current, increased by 114% from ₱13.184 billion as of December 31, 2016 to ₱28.171 billion as of December 31, 2017. The increase of ₱14.987 billion was from the acquisition of PEPI and Duta, Investment in PNX Singapore, increased inventory value and other capital expenditures of the group.

Trade and other payables increased by 20% from ₱3.333 billion as of December 31, 2016 to ₱3.863 billion as of December 31, 2017 due to longer supplier credit term.

Total Stockholders' Equity increased to ₱11.952 billion as of December 31, 2017 from ₱9.762 billion as of December 31, 2016, resulting from the earnings generated in 2017 net of cash dividend declared and paid during the period for both common shares and preferred shares. The sale of treasury shares and the employee stock also contributed to the increase. The sale of treasury shares increased the Additional paid in capital by ₱367 million while the employee stock option increased the common shares by ₱2.761 million and the additional paid in capital by ₱21.351 million.

Key Performance Indicators and Relevant Ratios

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

	December 31, 2017	December 31, 2016
Current Ratio[1]	1.22 : 1	1.17:1
Debt to Equity Ratio[2]	2.72 : 1	1.72:1
Return on Equity [3]	17%	11%
Net Book Value per Share[4]	6.60 : 1	5.08:1
Debt to Equity Interest-Bearing[5]	2.36 : 1	1.35:1
Earnings per Share[6]	1.16	0.64
Earnings per Share (net of one-time gain)[6]	0.89	0.64

Notes:
1 - Total current assets divided by current liabilities
2 - Total liabilities divided by tangible net worth
3 - Period or Year Net income divided by average total stockholders' equity
4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding
5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)
6 - Period or Year Net Income after tax divided by weighted average number of outstanding common shares
7 - Period or Year Net Income after tax (net of one-time gain) divided by weighted average number of outstanding common shares

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

The Group's debt to equity (DE) ratio for 2017 is higher at 2.72: 1 due to increased liability used for the acquisition of PEPI and Duta, Inc, investment in PNX Singapore, capital expenditures for various expansions and increased inventory requirement.

Material Changes to the Group's Balance Sheet as of December 31, 2017 compared to December 31, 2016 (Increase/decrease of 5% or more)

22% decrease in Cash and Cash Equivalents
A result of increased operating, acquisition and expansion requirements. The Cash and cash equivalent is within the maintained minimum level to support the operating requirement of the group.

15% decrease in trade and other receivables
Due to the intensified collection of credit sales and other receivables.

333% increase in inventory

The increase is brought about by the confluence of the following factors: 1) to address requirements of new businesses, such as LPG with the purchase of PEPI, the operation of Singapore Trading and serving volume of new accounts; 2) higher price of imported petroleum products, mainly because of the increase in crude prices and 3) the continued decrease in demand for IFO by the power sectors also contributed to the higher inventory levels.

66% decrease in due from a related party
Collection of the receivable balance from UDEVCO for the sale of PPIPC amounting to ₱50 million and reclassification of the ₱500 million to Non-Trade receivable for the CLC for the sale of CSC.

141% increase in net input vat
Due to increase in inventory purchases.

49% increase in property, plant and equipment
Due to the acquisition of PEPI and Duta, Inc. as well as the completion of the retail stations and expansion of various facilities.

100% increase in Investment Property
Due to the acquisition and appraisal of the fair value of the investment properties of Duta Inc. and Kaparangan.

38,941% increase in Goodwill
Due to the acquisition of PEPI and Duta, Inc.

402% increase in Deferred Tax Assets
Due to the additions from the newly-acquired subsidiaries.

39% decrease in Other Non-Current Assets
Due to additions from the newly-acquired subsidiaries.

49% increase in Current Interest-bearing loans
Due to the increase in inventory requirement

20% increase in Trade Payable
Due to the extended supplier credit terms.

492% increase in Non-current Interest-bearing loans
Used for the acquisition of PEPI and Duta Inc., investment in PNX SG and various capital expenditure requirements.

93% Increase in Other Non-Current Liabilities
Increase in security deposit from new customers especially with the additions from LPG business.

30% increase in Capital Stock
Due to the sale of treasury shares and the employee stock option plan.

7% increase in Additional Paid-in Capital
Due to the sale of treasury shares and the employee stock option plan.

36% increase in Retained Earnings
Due to earnings generated in 2017 net of the dividends paid both to common and preferred shares.

Material changes to the Group's Income Statement as of December 31, 2017 compared to December 31, 2016 (Increase/decrease of 5% or more)

49% increase in sale of goods
Due to the increase in volume, increase in fuel prices, addition of the LPG Business and sale coming from PNX SG

66% decrease in fuel service, shipping, storage income, and other revenue
There are no more charter fees, sale of real estate and port revenues after the spin-off of CSC and PPIPC.

51% increase in Cost of Sales
As a result of the increase in revenue, volume and fuel prices

32% increase in selling and administrative expenses
Driven by the Group's expansion and acquisition program that resulted in higher depreciation, rent expense, salaries and wages, taxes and licenses and professional fees.

16% decrease in Finance Costs
Most of the financing transactions were made towards the latter part of the year to fund acquisitions and investments. Moreover, a material portion of the 2016 finance cost were from the spun-off subsidiaries.

73% decrease in Finance Income
The decrease is on account of the depreciation of foreign exchange at year-end which resulted in lower forex gain.

100% decrease in Equity share in Net Loss of a Joint venture
The joint venture was part of the spun-off subsidiary in 2016.

100% increase in Excess of Fair Value over acquisition cost
Due to the acquisition of Duta Inc. which has investment properties with higher appraisal value versus the acquisition cost inclusive of its novated advances from Petronas in favor or PPPI.

640% Increase in other income
Due to other income coming from PLPI and Duta, Inc. related to reversals of previously recognized impairments and allowances.

Recognition of Pre-acquisition Profit
This refers to the Income of PEPI and Duta, Inc. from January to July 2017, prior to the completion of the acquisition.

19% increase in income tax

Due to additions from the newly-acquired subsidiaries, expiration of certain ITH certificates net of the effect of the new approvals.

8% decrease in re-measurement of post-employment benefit obligation
Due to the sale of CSC and PPIPC net of the increase from PLPI.

100% increase in Translation adjustment
This comes from the forex translation of PNX SG to Philippines Peso.

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.

Audit and Audit-Related Fees

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2017, 2016 and 2015.
Said external auditor has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

(B) External Audit Fees and Services

The following table sets out the aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by the Company's external auditors.

Audit and Related Fees				
		Amount in Thousands Php		
Particulars	Nature	2015	2016	2017
Punongbayan and Araullo	Audit of FS for the year 2008 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2009 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2010 –Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2011 - Parent and Subsidiaries			

Punongbayan and Araullo	Audit of FS for the year 2012 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2013 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2014 - Parent and Subsidiaries	**3,064.46**		
Punongbayan and Araullo	Audit of FS for the year 2015 - Parent and Subsidiaries	**2,107.17**	**1,638.18**	
Punongbayan and Araullo	Audit of FS for the year 2016 - Parent and Subsidiaries		**2,608.84**	**1,920.00**
Punongbayan and Araullo	Audit of FS for the year 2017 - Parent and Subsidiaries			**2,728.00**
Sub-total		**5,171.63**	**4,247.02**	**4,648.00**
Tax Advisory Services				
Sycip, Gorres and Velayo	Tax Consultancy	138.36	155.07	120.18
Sub-total		**138.36**	**155.07**	**120.18**
All Other Fees				
Entia Accounting Office	Professional Fee for BOI Registration of Depot Facilities		187.5	1,526.63
Punongbayan and Araullo	Professional Fee for Special Audit, Transfer Pricing, tax Compliance for PLPI and Due Diligence Engagement			5,557.75
Sub-total			**187.5**	**7,084.38**
GRAND TOTAL		**5,309.99**	**4,589.59**	**11,852.56**

Audit Committee and Policies

Under the Company's By-laws, the Audit Committee is responsible for, among others, the setting-up of an internal audit department and considers the appointment of an internal auditor as well as the independent external auditor, the audit fees and any question of resignation or dismissal, and the review of the quarterly, half-year and annual financial statements before their submission to the Board of Directors.

In accordance with the Company's By-laws and Manual of Corporate Governance, in 2007, the Company formed its Audit Committee. The Company's Audit Committee shall be composed of at least three (3) members of the Board, preferable with accounting and finance background, one of whom shall be an Independent Director and another should have related audit experience. The chairman of the Audit Committee should be an independent director and he should be responsible for inculcating in the minds of the members of the Board the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

The following are the members of the Audit Committee: Monico Jacob (Independent Director) as Chairman, Domingo T. Uy, Carolina Inez Angela S. Reyes and Justice Consuelo Ynares Santiago (Independent Director) as members.

The Internal Audit systems of the Company are in place since 2008 but these auditing tools are strengthened this year. The Internal Audit's role and responsibilities are defined in the Audit Charter approved by the Board of Directors. Primarily, it assists the Audit Committee of the Board in fulfilling its oversight responsibility to the shareholders by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and internal control processes.

Internal Audit, in fulfilling its role, performs the following general functions: 1.) evaluating the Company's governance processes including ethics-related programs; 2.) performing an objective assessment of the effectiveness of risk management and internal control framework, identifying risk exposures and recommending strategies to mitigate them; 3.) evaluating the reliability and integrity of financial statements and the financial reporting process; 4.) analyzing and evaluating business processes and associated controls; 5.) determining compliance with applicable laws and regulations.

Changes In and Disagreements With Accountants

The Company has not had any disagreement with its previous and current external auditor/independent public accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

(A) Directors and Executive Officers of the Registrants

The Company's members of the Board of Directors are herewith described below with their respective experiences.

Board of Directors

Directors

The members of the Board of Directors of the Company are elected during the annual stockholders' meeting to hold office until the next succeeding annual stockholders' meeting and until their successors have been appointed or elected and qualified. The following is the list of the incumbent members of the Board of Directors, and their business experiences during the past five (5) years:

Domingo T. Uy
Chairman

Mr. Domingo T. Uy, Filipino, 71 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development. Mr. Uy is actively involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also a Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

Dennis A. Uy
Director, President and Chief Executive Officer

Mr. Dennis A. Uy, Filipino, 44 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is the Founder, Chairman, and President of UDENNA Corporation, the parent company, which has businesses in the petroleum, shipping, logistics, real estate development, tourism, education, and service industries. He is Chairman of Chelsea Logistics Holdings Corporation, which listed on the Philippine Stock Exchange on August 2017. Mr. Uy is the Chairman and President of UDENNA Development Corporation, which develops and manages real estate projects such as Clark Global City, Calaca Industrial Seaport Park, UDENNA Tower, and The Emerald in Mactan, Cebu under development. He is the Chairman of 2GO Group Inc., the country's largest logistics provider. Mr. Uy is also Chairman of Phoenix Philippines Foundation and UDENNA Foundation. He serves as independent director of Apex Mining Corp. and is a member of the Young Presidents Organization's Philippine chapter. Since November 2011, he has been the Honorary Consul of Kazakhstan to the Philippines. In 2016, he was appointed as the Presidential

Adviser on Sports. Mr. Uy is a graduate of De La Salle University with a degree in Business Management.

Romeo B. De Guzman
Director, Vice Chairman

Mr. Romeo B. De Guzman, Filipino, 68 years old, was elected Director of the Company in 2009. He is the Vice Chairman and Senior Strategic Adviser, and previously was Chief Operating Officer of the Company, bringing over 40 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to December 2006. He was with the said company holding various management and executive positions. Prior to that, he worked at Getty Oil Philippines Inc. for 10 years. Mr. De Guzman is also the Chairman of the Board of Directors of Mirait Philippines, Inc. He holds a Marketing Management and MBA degrees from San Sebastian College – Manila.

Atty. J.V. Emmanuel A. De Dios
Director

Atty. J.V. Emmanuel A. De Dios, Filipino, 53 years old, was elected Independent Director of the Company on February 15, 2007 and regular director on March 7, 2008. He is the CEO of GE Philippines, and prior to that was President and CEO of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He was Managing Director of Merritt Advisory Partners, Inc. and was a member of the Board of Directors of Davies Energy Systems, Inc. He also served as Chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

Joseph John L. Ong
Director, Chief Finance Officer

Mr. Joseph John L. Ong, Filipino, 58 years old, is the Chief Finance Officer of the Company. He is also a member of the Board of Directors of Phoenix LPG Philippines, Inc., Philippine FamilyMart CVS, Inc., and South Pacific, Inc., an affiliate of the Company. Prior to his employment in the Company, he spent almost 10 years at Primeworld Digital Systems, Inc. (Pacific Internet Phils.) initially as Vice President and CFO and eventually as Executive Vice President – Operations and Chief Finance Officer from 2008 - 2009. He also worked for 12 years with Ginebra San Miguel, Inc., then known as La Tondeña Distillers, Inc., the country's second largest beverage company at the time and a listed subsidiary of San Miguel Corporation. He was its Vice President for Treasury from 1995 – 1999, at which time he headed the team that took the company public in 1994 and was primarily responsible for institutional-investor relations. Prior to the San Miguel Group, he held various positions at the Bank of the Philippine Islands and Ayala Investment & Development Corp. (before it merged with BPI) from 1980-1986. He received his Bachelor of Science in

Commerce from De La Salle University in 1980.

Frederic T. DyBuncio
Director

Mr. Frederic C. DyBuncio, Filipino, 57 years old, was elected as a Director of the Company on May 27, 2017. He is the President of SM Investments Corporation. He is a Director of Atlas Consolidated Mining and Development Corporation, Premium Leisure Corp., 2GO Group, Inc., and Pacific Online Systems Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and completed a Master's degree in Business Management from the Asian Institute of Management.

Cherylyn C. Uy
Director

Ms. Cherylyn Chiong-Uy, Filipino, 38 years old, is one of the pioneers and incorporators of UDENNA Corporation, the ultimate parent company of Phoenix Petroleum, and which has subsidiaries engaged in the petroleum, shipping, logistics, services, and real estate businesses, among others. She is the Corporate Treasurer of UDENNA Corporation and is an Executive Director of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company. She is also the Corporate Treasurer of Chelsea Logistics Holdings Corporation and UDENNA Management and Resources Corporation. Ms. Uy is a graduate of Business and Finance from Ateneo de Davao University.

Carolina Inez Angela S. Reyes
Director

Carolina Inez Angela S. Reyes, Filipino, 56 years old, is the owner and Co-Chief Executive Officer of Reyes Barbecue, a popular chain of more than 50 barbecue-focused restaurants founded by her husband, Francisco Reyes. Before taking charge at Reyes Barbecue in 2008, Ms. Reyes spent 20 years as a corporate marketing executive, where she distinguished herself by revitalizing and energizing brands. From 1994 to 1999, she held the following positions in La Tondeña Distillers, Inc.: Vice-President Marketing Services; Vice-President Marketing and Sales Non-Liquor (Bottled Water & Juices), Assistant Vice-President and Area Sales Director. From 1999 to 2002, Ms. Reyes also worked in The Coca-Cola Export Corporation as its Division Marketing Director of Non-Carbonated Beverages Business Unit and Director for Alternative Beverages. From July 2002 to October 2007, Ms. Reyes served as the Vice-President for Marketing of Jollibee Foods Corporation. She took her Masters in Business Administration from De La Salle University Graduate

School of Business, graduated from the University of the Philippines (Diliman) with a degree in A.B. Economics, and took a short course at the Culinary Institute of America in New York.

Stephen T. CuUnjieng
Director

Stephen T. CuUnjieng, Filipino, 58 years old, was elected as a Director of the Company on January 15, 2018, after being a long-time adviser to the Board. He is Chairman of Evercore Asia Limited, and has substantial and wide experience in investment banking. He has acted as Financial Adviser to several financial transactions of companies involving initial public offerings, major and strategic acquisitions, and mergers of various companies from various industries. He is a member of the Executive Advisory Board for Asia of the Wharton School of Business, and an Independent Director of Century Properties Group and Aboitiz Equity Ventures. He has received several awards and distinctions, such as the Best Independent Advisory Firm in Asia in 2016 for Evercore, and Deals of the Year for various acquisitions. He graduated from Ateneo de Manila University and Ateneo School of Law, and completed an MBA in Finance from the Wharton School of Business.

Consuelo Yñares-Santiago*
Independent Director

Ms. Consuelo Ynares-Santiago, Filipino, 78 years old, is a Retired Justice of the Philippine Supreme Court. Justice Santiago (Ret) is currently an independent director of Anchor Insurance Brokerage Corp., a leading insurance brokerage company based in New York, USA, SMC Global Power Holdings, Inc., one of the country's leading power companies which is the power generation unit of San Miguel Corporation, South Luzon Tollway Corp., and Top Frontier Investment Holdings, Inc. She is the Chair Advisory Council of the Office of Alternative Dispute Resolution under the Department of Justice. She earned her Law Degree at the University of the Philippines. After being admitted to the bar, she started her career as a Legal Officer of the Securities and Exchange Commission (SEC). After 5 years of legal practice, she decided to enter the Judiciary and spent 36 years of her career as Municipal Judge, Metropolitan Trial Court judge, Regional Trial Court judge, and Associate Justice of Court of Appeals, before becoming an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she became the chairperson of the Supreme Court's 3rd Division and also joined various committees, among them the Justice on Wheels Program as Chairperson, the Foreign Travel Committee as Chairperson, the House of Representative Electoral Tribunal (HRET) as Chairperson, and member of the Presidential Electoral Tribunal. She was also a consultant of the Judicial and Bar Council (JBC) and a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law in the 1998 Bar Examination.

Monico V. Jacob*
Independent Director

Monico V. Jacob, Filipino, 72 years old, has been Independent Director of the Company since March 7, 2008. He is President and Chief Executive Officer of the STI Education Systems Holdings, Inc., a publicly listed company; of STI Education Services Group, Inc.; and of West Negros University. He is also the Chairman of Philplans First, Inc., a pre-need company; and of Philippine Life Financial, Inc., a life insurance company. He likewise sits as an independent director of Jollibee Foods, Inc., Lopez Holdings, Inc. and 2GO Shipping. He sits as Director of Asian Terminals, Inc., Philhealthcare Systems, Inc., an HMO, and IAcademy.

** Independent director – the Company is compliant with the Guidelines set forth by the Securities Regulation Code (SRC)) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

Period of Directorship in the Company

Name	Period of Service	Term of Office
Dennis A. Uy	since incorporation to present	1 year
Domingo T. Uy	since incorporation to present	1 year
Socorro T. Ermac-Cabreros**	2006 to January 15, 2018	1 year
Romeo B. De Guzman	since 2009 to present	1 year
J.V. Emmanuel De Dios	2007 to present	1 year
Cherylyn C. Uy	2004 to 2006, 2013 to present	1 year
Joseph John L. Ong	2013 to present	1 year
Monico V. Jacob	2008 to present	1 year
Consuelo Ynares Santiago	2013 to present	1 year
Carolina Inez A. S. Reyes	2016 to present	1 year
Stephen T. CuUnjieng*	January 15, 2018 to present	1 year
Frederic C. DyBuncio	May 27, 2017 to present	1 year

* *Incoming Director*
***Outgoing Director*

Directorships in Other Reporting Companies

The following are directorships held by the directors and executive officers in other reporting companies during the last five (5) years:

Name of Director	Name of Reporting Company	Position Held
Consuelo Ynares Santiago	Anchor Insurance Brokerage Corp. SMC Global Power Holdings, Inc.	Independent Director

	South Luzon Tollway Corp. Top Frontier Investment Holdings, Inc.	
Monico V. Jacob	Jollibee Foods Corporation Lopez Holdings, Inc. Rockwell Land Corporation STI Educations Systems Holdings, Inc. Asian Terminals, Inc. 2GO Shipping	Independent Director

Certificate of Qualification of the Independent Directors

The Company will submit an updated Certificate of Qualification of all independent directors pursuant to the October 20, 2006 notice of the Commission on or before the Company's distribution of the Definitive Information Statement to the security holders on February 22, 2018.

Certificates of Attendance of Directors for 2017 and Compliance with the Provisions of the Manual of Corporate Governance

Copies of the Corporate Secretary's Sworn Certifications on the attendance of Directors for the year 2017 and compliance with the Provisions of the Manual of Corporate Governance are attached hereto as **Annexes "C"** and **"D"**, respectively.

Executive Officers

The following is a list of other executive officers and their business experiences during the past five (5) years:

Henry Albert R. Fadullon, Filipino, 50 years of age, was appointed Chief Operating Officer of the Company on April 17, 2017. Prior to this, he served Shell Shared Services (Asia) B.V. as General Manager for its global businesses. He has over 25 years of experience in the petroleum industry, having held various roles at Pilipinas Shell Petroleum Corp., a decade of which were spent overseas with postings in Malaysia, Oman, and London. He has a wealth of experience in Retail and B2B performing a variety of frontline and functional roles leading into General Management positions. He completed his BS Industrial Management Engineering, minor in Mechanical Engineering, from De La Salle University.

Alan Raymond T. Zorrilla, Filipino, 48 years of age, is the Vice President for External Affairs, Business Development, and Security of the Company. Prior to his employment with the Company, he was Chief Legal Counsel of the Unioil

Group of Companies where he headed the Legal, Human Resources, and Administrative Departments. He also served as Director for Freeport Services Corporation, a 100% subsidiary of Subic Bay Metropolitan Authority and was once a Legal Consultant of the Department of Environment and Natural Resources. Atty. Zorrilla was engaged in litigation practice with Pangilinan, Britanico, Sarmiento and Franco Law Offices before he entered corporate practice. He formerly worked as Corporate Legal Counsel of publicly-listed Fil-Estate Group of Companies in its Litigation and Labor Department. Atty. Zorrilla completed his law studies at the San Beda College of Law in 1994 and was admitted to the Philippine Bar in 1995. He also took up his masteral studies at the Ateneo Graduate School of Business. He is an Army Reservist and a concurrent Commander (Lt. Colonel) of the Philippine Coast Guard Auxiliary.

William M. Azarcon, Filipino, 71 years old, is currently the Vice President for Business Development for Terminals and Depots. Mr. Azarcon has twenty-six (26) years experience in the oil industry, covering engineering operations, retail and distribution of bulk & packed products nationwide. Mr. Azarcon used to work for Pilipinas Shell Petroleum Corporation and served as Field Engineer in Operations nationwide constructing depots & related facilities, i.e, jetties, submarine pipelines, bulk storage tanks, among others. He likewise served as Head of Operations of North Luzon and transferred to Retail Engineering as Retail Engineering Manager nationwide. He also served as RVI (Retail Visual Identity) Manager. After retiring from Shell, Mr. Azarcon engaged in business as Retail Engineering Contractor of Shell. He holds a degree in Bachelor of Science in Mechanical Engineering from Mapua.

Socorro T. Ermac-Cabreros, Filipino, 53 years old, is concurrently the Asst. Vice President for Corporate Legal and Corporate Secretary of the Company. She is also the Corporate Secretary Phoenix Petroleum Holdings, Inc. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She was President for the Davao City Chapter of the Integrated Bar of the Philippines, Davao City Chapter from 2009-2011 and President of the Davao Lady Lawyers Association from 2000-2002.

Jonarest Z. Sibog, Filipino, 37 years old, is the Asst. Vice President for Comptrollership. She joined the company in 2006, starting her career in Procurement which she headed for seven years before moving to Finance. She is a graduate of Ateneo de Davao University with a degree in Bachelor of Science in Accountancy. She finished her Masters in Business Administration at the University of Mindanao where she also earned a few units in LLB. She is a Certified Public Accountant and is currently a Board of Director of the Association of CPAs in Commerce and Industry (ACPACI) - Davao City Chapter

Richard C. Tiansay, Filipino, 54 years old, is the General Manager for Pricing and Demand. Mr. Tiansay has more than 22 years of experience in the oil industry covering domestic and international operations. His last position in Royal Dutch Shell is as Global SAP IT Order to Cash Team Lead in London, U.K. This after being assigned to various key managerial positions not limited in the Philippines but as well as in a number in Asia Pacific and other countries. Mr. Tiansay completed his Bachelor of Science in Mechanical Engineering degree from the University of San Carlos, Cebu City.

Roy O. Jimenez, Filipino, 55 years of age is currently the General Manager for Commercial and Industrial Business. Prior to joining the Company he was connected with Chevron Phil. Inc for almost 30 years and handled various National and District Managerial positions, as well as supervisory positions for various trades such as Retail, Commercial/Industrial, Marketing Support, Liquefied Petroleum Gas and Lubricants. He also handled regional position as a Programs Manager and have been the team lead for Philippines in various Chevron Regional projects. He was assigned as a District Manager covering various areas like North Metro Manila/North Luzon, Visayas and Mindanao. He is a licensed Mechanical Engineer and graduated in University of Santo Tomas. He has MBA units in De La Salle University and attended various Leadership and Management programs in Asian Institute of Management, as well as in-house training programs of Chevron in Asia Pacific and South Africa.

Joselito G. de Jesus, Filipino, 62 years old, is the General Manager for Business Development, Strategies and Portfolio Unit. Prior to joining the Company, Mr. de Jesus was the Assistant Vice-President for Reseller Trade of Petron Corporation. He joined the oil industry in late 1970's when became a Corporate Planning Analyst, then later on Corporate Planning Manager/Coordinator, of the Philippine National Oil Company (PNOC). Mr. de Jesus also became a Manager in the Corporate Planning Department of PNOC Shipping and Transport Corporation and at the same time, he was also an assistant to the Chairman of PNOC. In the late 90's, Mr. de Jesus transferred to Petron Corporation and stayed with said Company for almost 17 years. He is a graduate of Bachelor of Science in Business Administration Major in Marketing and Finance from the University of the Philippines and holds a Masters in Business Administration from the Ateneo Graduate School of Business.

Ericson S. Inocencio, Filipino, 43 years old, is the General Manager for Retail Business. Eric has more than 20 years of extensive experience in the petroleum industry. Prior to joining the Company, he was connected with Chevron Phils. where he held various positions primarily leading the Commercial and Industrial business as District Sales Manager for more than five(5) years and as concurrent National Fleet Cards Sales Manager. He has exposure in marketing support function in charge of developing and executed local & global process/programs which includes profitability modelling. He is a certified Mechanical Engineer from De La Salle University and attended his MBA at Ateneo Graduate School of Business.

Joven Jesus G. Mujar, Filipino, 47 years of age, is the General Manager for Lubricants Sales and Distribution Business. He joined Phoenix last May 4, 2015. He brought with Him twelve and a half years of pure lubricant experience from a major petroleum company holding various positions in sales, business development and marketing handling both B2C and B2B.Within those years, he had 2 years assignment in the Asia Pacific Region doing Channel Development Specialist work.

Ignacio B. Romero, Filipino, 73 years old, is currently the Asst. Vice President for Technical Service and Quality Product Assurance Department. Mr. Romero has more than 44 years of experience in the oil industry. Before joining the Company,he held the same position in National Oil Company of Indonesia, Pilipinas Shell Corporation, and Mobil Exxon. He is a graduate of Bachelor of Science in Mechanical Engineering at Cebu Institute of Technology in 1966 and is a licensed Mechanical Engineer.

Maria Rita A. Ros, Filipino, 58 years old, is currently the Asst. Vice President for Supply. Ms. Ros has more than thirty (30) years of experience in the oil industry covering materials management, supply chain management, production planning, imports-exports, warehousing and logistics. She held various positions in Petron Corporation from 1981 up to 2011 when she handled Biofuels and Special Projects, and Supply Optimization. Ms. Ros set up a personal business before joining Phoenix Petroleum Philippines, Inc. in November 2013. She is a graduate of B.S. Chemical Engineering from the University of the Philippines, and is a licensed Chemical Engineer, and took up Basic Management at the Asian Institute of Management.

Celina I. Matias, Filipino, 53 years old, is presently the Asst. Vice President for Brand and Marketing Group of the Company. Ms. Matias has more than 25 years of expertise on strategic marketing and client servicing. She honed her skills from Ogilvy & Mather and McCann Erickson and had worked with local Ad Agency as partner. She handled over 25 local and global brands across different product categories from petroleum, telecoms, real estate, automotive, pharmaceutical and a lot more. She finished Communication Arts major in Advertising & Public Relations in Assumption College.

Debbie A. Uy-Rodolfo, Filipino, 38 years old, is presently the Asst. Vice President for Customer Service Unit and Corporate Communications of the Company. Before joining the Company, she gained a decade of experience in publishing and journalism as editor and writer at a local paper and in custom publications such as books, magazines, brochures, and websites. She graduated with a degree in Computer Science major in IT from De La Salle University, and finished her Masters in Journalism at Ateneo de Manila University.

Reynaldo A. Phala Filipino, 51 years old, is the Asst. Vice President for Treasury. He joined the Company in 2008 as its Credit and Collection Manager. Before joining the Company, he led a progressive banking career for 17 years, which he started at UCPB. He also worked with the Department of Trade and Industry as Municipal Trade and Industry Officer for a year. He graduated from Mindanao State University-General Santos City with the degree Bachelor of Science in Civil Engineering as a consistent academic scholar and passed the licensure examinations for Civil Engineers in May 1989. He recently finished his Master in Business Administration (MBA) under the Regis Program at the Ateneo Graduate School of Business.

Celeste Marie G. Ong, Filipino, 50 years old, is currently the Asst. Vice President for Human Resources. Ms. Ong has more than 20 years of solid human resources management experience from local and multinational companies (Concrete Aggregates Inc., Van Melle Phils., Fujitsu Computer Products and Optodev, Inc.) Her expertise includes compensation management, talent acquisition, training and development, employee relations/engagement, benefits administration and HRIS. She finished A.B. Psychology from Pamantasan ng Lungsod ng Maynila and took her M.A. in Psychology at University of Santo Tomas. She completed Essilor Management Training course in Singapore & France.

Gigi Q. Fuensalida-Ty, Filipino, 41 years old, is presently the Asst. Corporate Secretary of the Company. Prior to her employment with the Company, she was one of the Senior Associates of the Villaraza Cruz Marcelo and Angangco Law Office. For six (6) years, Atty. Fuensalida specialized in Civil, Commercial and Criminal Litigation wherein she developed strategies for complex litigation and actively participated in the prosecution and defense of criminal cases before the regular trial courts, quasi-judicial bodies and the appellate courts. Atty. Fuensalida holds a degree in Bachelor of Arts Major in Political Science from the Ateneo de Manila University. She further obtained her Juris Doctor degree from the same institution and graduated with honors in 2002. Atty. Fuensalida is a member of the Integrated Bar of the Philippines since 2003.

Alfredo E. Reyes, Filipino, 55 years old, is currently the Asst. Vice President for - Information Technology of the Company. Mr. Reyes has been in the oil industry for the past 28 years. He worked in Pilipinas Shell Petroleum for 24 years in various management roles, regional and global, in retail and IT, his last position being Retail Lead GSAP Implementation for both Philippines and Indonesia. Prior to joining Phoenix he had a brief stint in Northgate Arinso as a Project Manager implementing HR SAP. Since joining the Company, he has overseen the SAP ERP and MSD CRM Systems which are anchoring Phoenix's aggressive sales growth with retail and commercial accounts.

Ignacio Raymund S. Ramos, Jr., Filipino, 55 years old, is the AVP for Engineering. He has more than 25 years of specialized practice in the fuel industry. He previously worked with Shell Philippines (1985 to 2003) and worked his way up to key positions like Special Projects Manager, Head Retail Construction, Retail Engineering Manager and Field Facilities Engineering Manager. He also worked in Enmar Construction Inc. (2004-2009) where his role as General Manager propelled the business in the field of construction and maintenance of bulk oil terminal facilities and equipment for major petroleum companies. Among the projects he managed from 2006-2017 were: SMART Pigging (Intelligent Inspection of Pipelines) Shell Guam Inc.; In Indonesia: Pulau Laut Terminal bulk storage & distribution and jetty facility' PT Banten Energy for the construction of Refrigerated LPG Terminal, New IBT Barge Fuel

Loading facility and in Singapore the construction of Lube Oil & Grease Manufacturing Plant. He finished Civil Engineering from the University of the Philippines.

Bernard C. Suiza, Filipino, 52 years old is the Assistant Vice President for NFRB, Network Development & Capital Investments.Bernard has 30 years of experience in network planning, marketing, and operations, having worked in industries from fuel to food. He joined Phoenix in 2017, and was previously with San Miguel Foods as its Area Sales Manager for North Luzon. He was formerly marketing director of Prominex Ventures, and General Manager of Emerging Channels Inc. where he handled marketing and distribution of food and non-food products. He spent 11 years in Pilipinas Shell Petroleum Corp. in various roles in retail, finance, network planning, and non-fuels retailing. He graduated from the University of the Philippines with a degree in Business Administration, and obtained his MBA from UP in 2017.

Chryss Alfonsus V. Damuy, Filipino, 44 years old, is the Treasurer of the Company. Prior to his employment with the Company, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant of the Regional Educators Multi-purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College where as a dean's lister, he earned his Bachelor of Science Degree in Accountancy in 1997. Mr. Damuy is a Certified Public Accountant.

Period of Service in the Company

Name	**Period of Service**
Henry Albert R. Fadullon	April 17, 2017 to present
Joseph John L. Ong	November 3, 2010 to present
Socorro Ermac Cabreros	July 2, 2006 to present
Jonarest Z. Sibog	March 27, 2006 to present
Reynaldo A. Phala	October 16, 2008 to present
Alan Raymond T. Zorrilla	April 1, 2009 to present
William M. Azarcon	June 1, 2009 to present
Joselito G. De Jesus	March 15, 2011 to present
Richard C. Tiansay	March 1, 2013 to present
Ericson S. Inocencio	February 15, 2014 to present
Roy O. Jimenez	May 11, 2015 to present
Joven Jesus Mujar	May 4, 2015 to present
Ma. Rita A. Ros	November 1, 2013 to present
Ignacio B. Romero	2013 to present to present
Celeste Marie G. Ong	July 2, 2012 to present
Debbie A. Uy-Rodolfo	February 1, 2008 to present
Celina I. Matias	July 2, 2012 to present
Gigi Q. Fuensalida	2008 to present

Alfredo E. Reyes	April 6, 2011 to present
Chryss Alfonsus V. Damuy	January 13, 2008 to present
Ignacio Raymund Ramos, Jr.	January 16, 2018 to present
Bernard C. Suiza	August 16, 2017 to present

(a) Nominations of Directors and Independent Directors for the term 2018-2019

The following are the final nominees who were duly screened by the nomination committee for election to the Board of Directors for the following fiscal year 2018 at the forthcoming Annual Meeting:

1. Domingo T. Uy
2. Dennis A. Uy
3. Romeo B. De Guzman
4. J.V. Emmanuel A. de Dios
5. Joseph John L. Ong
6. Cherylyn C. Uy
7. Carolina Inez Angela S. Reyes (Independent Director)
8. Consuelo Ynares-Santiago (Independent Director)
9. Monico V. Jacob
10. Frederic C. DyBuncio
11. Stephen T. CuUnjieng

The term of Mr. Jacob as Independent Director has reached its full term of 9 years. He is currently nominated as a regular member of the Board of Directors.

To replace him, Ms. Carolina Inez Angela S. Reyes is nominated to become an Independent Director of the Company based on the following qualifications:

1. Ms. Reyes has no transaction, affiliations or relations with the Issuer/Corporation
2. Her current business activities such as in the food industry are different from the current business activities of the Corporation. Thus, her credentials adds to the diversity in the business backgrounds of the Board of Directors
3. She has always maintained independent judgment and views with the Board of Directors
4. Except for the 1 share, Ms. Reyes does not own any shares in the Corporation
5. She possesses none of the disqualification of an Independent Director.

Carolina Inez Angela S. Reyes

Carolina Inez Angela S. Reyes, 56 years old, is the owner and Co-Chief Executive Officer of Reyes Barbecue, a popular chain of more than 50 barbecue-focused restaurants founded by her husband, Francisco Reyes.

Before taking charge at Reyes Barbecue in 2008, Ms. Reyes spent 20 years as a corporate marketing executive, where she distinguished herself by revitalizing and energizing brands. From 1994 to 1999, she held the following positions in La Tondeña Distillers, Inc.: Vice-President Marketing Services; Vice-President Marketing and Sales Non-Liquor (Bottled Water & Juices), Assistant Vice-President and Area Sales Director. From 1999 to 2002, Ms. Reyes also worked in The Coca-Cola Export Corporation as its Division Marketing Director of Non-Carbonated Beverages Business Unit and Director for Alternative Beverages. From July 2002 to October 2007, Ms. Reyes served as the Vice-President for Marketing of Jollibee Foods Corporation. She took her Masters in Business Administration from De La Salle University Graduate School of Business, graduated from the University of the Philippines (Diliman) with a degree in A.B. Economics, and took a short course at the Culinary Institute of America in New York.

Retired Supreme Court Justice Consuelo Ynares-Santiago was nominated as Independent Director by Atty. J.V. Emmanuel A. de Dios. On the other hand, Ms. Carolina Inez Angela S. Sanchez was nominated by Ms. Cherylyn C. Uy. Atty. de Dios and Ms. Cherylyn C. Uy or any of the nominated directors is not related to either Retired Justice Santiago or Ms. Reyes by consanguinity or affinity and has no professional or business dealings with them. Retired Justice Santiago and Ms. Reyes are neither officers nor substantial stockholders of the Company. They possess the qualifications and none of the disqualifications of independent directors. Retired Justice Santiago and Mr.Reyes hold only one (1) share each in the Company. Prior to being elected as Director of the Company, they have not, at any time, rendered any service to the Company.

The members of the Nomination Committee are: Consuelo Ynares-Santiago as Chairman, and the following as members: Atty. J.V. Emmanuel A. de Dios, and Cherylyn C. Uy.

For the scheduled Annual Meeting, the Committee has screened and evaluated the candidates for Independent Directors based on the Rule 38 of the Securities Regulation Code ("SRC") and the Company's amended By-laws and New Code of Corporate Governance. Amendments to the By-laws of the Company incorporating the provisions of SRC Rule 38 were approved by the SEC on February 19, 2007.

(b) Significant Employees

No single person is expected to make a significant contribution to the Company's business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

(c) Family Relationships

With the exception of Messrs. Domingo T. Uy and Dennis A. Uy who are related to each other by consanguinity within the first civil degree, Debbie Uy-Rodolfo and Mr. Dennis Uy, who are related to each other by consanguinity within the second civil degree, Cherylyn C. Uy and Dennis A. Uy, who are spouses and related to each other by affinity, Domingo T. Uy and Cherylyn C. Uy who are related to each other by affinity, and Domingo T. Uy and Debbie Uy-Rodolfo who are related to each other by consanguinity within the first civil degree, and Cherylyn C. Uy and Debbie Uy-Rodolfo, who are related to each other by affinity, there are no other family relationships either by consanguinity or affinity up to the fourth civil degree among the directors, executive officers, and persons nominated and chosen by the Company to become directors and executive officers of the Company.

(d) Involvement in Certain Legal Proceedings

The Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case have been **dismissed** by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

The Department of Justice (DOJ) filed twenty-five (25) Informations against Dennis A. Uy, President and CEO of the Company, for alleged violations of the Tariff and Customs Code of the Philippines, twenty-two (22) of which were filed with the Regional Trial Court of Davao City, and three (3) Informations filed with the Regional Trial Court of Batangas City.

With respect to the Informations filed with the Regional Trial Court of Batangas City, upon filing by Mr. Uy on September 2, 2013 of an *Omnibus Motion for the Determination of Lack of Probable Cause*, the Regional Trial Court of Batangas City granted said motion on September 17, 2013 and DISMISSED all three (3) Informations. The DOJ filed a *Motion for Reconsideration with Motion for Inhibition* of Judge Ruben A. Galvez, which was subsequently denied on December 6, 2013. On July 7, 2014, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that its Order dated December 6, 2013, which denied the Motion for Reconsideration and affirmed the Order dated September 17, 2013 which dismissed the 3 Informations filed against Mr. Uy for lack of probable cause, has already become final and executory since no appeal was filed therefrom.

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the DISMISSAL of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court docketed as **CA G.R. SP No. 06500-MINm CA, CDO, 23rd Division.** On October 24, 2016, Mr. Uy received a copy of the Decision of the CA dated October 12, 2016 DENYING the Petition for Certiorari. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

As of January 25, 2017, the Court of Appeals has DENIED the Petitioner's Motion for Reconsideration and upheld the decision the Court on October 12, 2016.

On 4 April 2017, we received a copy of the Petition for Review on Certiorari dated 27 March 2017 filed by petitioner docketed as GR No. 229705, SC, Manila, 3rd Division. Todate, we are still awaiting for the Supreme Court to issue a resolution directing us to file COMMENT to the PETITION FOR REVIEW.

Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the Board of Directors except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Company's closure and take-over of six (6) Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

Other court cases typical and customary in the course of the business operations of the Company such as those, among others, involving collection, qualified theft, breach of contract and reckless imprudence have been filed by and against the Company, by and against its employees and/or third parties. The results of which will not significantly affect the financial standing of the Company.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;

- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the Commission, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

There are no other pending legal cases as far as records of the Company is concerned.

(e) Certain Relationships and Related Transactions

The Group's related parties include the ultimate parent company, parent company, subsidiaries, stockholders, the Group's key management and others as described below.

The Company has an operating lease agreement with its ultimate parent company, Udenna Corporation, for the use of various properties for its operations and for office space. Furthermore, the Company regularly charters the use of marine tankers from its affiliate, CSC, for the hauling of its fuel products from suppliers' terminals and from its own depots to Company depots and to its customers. These contracted services are made on reasonable arms-length terms as would be obtainable from third party providers. The following are the transactions with related parties:

(B) Executive Compensation

(1) Executive Compensation

The Company's executives are regular employees and are paid a compensation package of 12 months pay plus the statutory 13th month pay. They also receive performance bonuses similarly to that of the managerial, supervisory and technical employees. The members of the Board of Directors who are not employees of the company are elected for a period of one year. They receive compensation on a per meeting participation. There are no other arrangements for which the members of the board are compensated.

Summary of Compensation Table

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ending December 31, 2017		
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	**40,412**	**3,368**	**43,779**
Henry Albert R. Fadullon	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			

Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
William M. Azarcon	VP-Business Development for Terminals and Depots			
All other officers and directors as a group unnamed		**25,452**	**2,121**	**27,573**

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2016		
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	**25,140**	**3,480**	**28,620**
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**33,109**	**3,905**	**37,814**

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2015		
Name	**Principal Position**	**Salaries (in ₱)**	**Bonuses / 13th Month / Other Income (in ₱)**	**Total (in ₱)**
Dennis A. Uy	President and Chief Executive Officer	**23,131**	**3,246**	**26,377**
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			

Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**34,062**	**3,234**	**37,926**

(C) Security Ownership of Certain Beneficial Owners and Management

As of **December 31, 2017**, 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 Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City	4,349,811 direct beneficial owner	Filipino	0.30%
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	1,425,746 direct beneficial owner	Filipino	0.10%
Common	Socorro T. Ermac Cabreros 223 V. Mapa St., Davao City	103,316 direct beneficial owner	Filipino	0.01%
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 7th flr Philippine First Bldg, 6764 Ayala Ave., Makati City	1 direct beneficial owner	Filipino	0.00%
Common	Frederic T. 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 %

Senior Management:

Common	Gigi Q. Fuensalida 155 Brillantes St. 5th Avenue, Caloocan City	70,980 direct beneficial owner	Filipino	0.01%
Common	Reynaldo A. Phala Block 5 Lot 20 Pioneers Village	24,830 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 direct beneficial owner	30,000	0.15%

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

The other executive officers of the Company, Alan Raymond T. Zorrilla – VP 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. Mujar-General Manager for Lubricant Sales and Distribution Business own common shares in scripless form through the Company's Employees Stock Option Plan (ESOP) issued on July 26, 2017 and November 15, 2017 as follows:

Names	No. of Shares
Alan Raymond T. Zorrilla	89,000
Ericson S. Inocencio	57,000
Joselito G. De Jesus	59,000
William M. Azarcon	62,000
Ma. Rita A. Ros	57,000
Richard R. Tiansay	58,000
Roy O. Jimenez	51,000
Ma. Celina I. Matias	46,000
Celeste Marie G. Ong	39,000
Jonarest Z. Sibog	26,000
Debbie Uy-Rodolfo	32,000
Joven Jesus G. Mujar	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 Ten Million One Hundred Sixty Thousand Three Hundred Sixty (10,160,360) 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

Change in Control

On 22 May 2017, the Corporation was informed by its major stockholders, Udenna Corporation (UC) and Udenna Management & Resources Corp. (UMRC) of a joint block sale, using the Philippine Stock Exchange's (PSE) facilities, of a total of 340,270,958 common shares of the Corporation in favor of a certain ES Consulting Group, Inc. (ESGI), a consulting firm that is focused on financial strategy, capital mergers and acquisitions as well as joint ventures. This consists of about 23.77% of the Corporation's outstanding capital stock.

On 04 January 2018, the Corporation received a copy of SEC Form 18-A from a certain Top Direct Investments Limited (Top Direct Investments), a foreign corporation organized in the British Virgin Islands with registered office in Hongkong, SAR through a reporting person identified as Miguel Jose C. Valencia who is holding office at the PSE Center in Ortigas, Metro Manila. The form indicated that Top Direct Investments acquired about 142,000,000 shares in the Corporation representing about 9.92% of the total outstanding capital stock, through a special block sale crossed at the PSE at the price of Php15.00 per share. It further disclosed that the purpose of the acquisition of equity interest in the Corporation is for investment purposes in the petroleum industry and it does not intend to acquire shares of the Corporation for purposes of taking over the same.

(D) Certain Relationships and Related Transactions

The Group's related parties include the ultimate parent company, parent company, subsidiaries, stockholders, the Group's key management and others as described below.

The Company has an operating lease agreement with its ultimate parent company, Udenna Corporation, for the use of various properties for its operations and for office space. Furthermore, the Company regularly charters the use of marine tankers from its affiliate, CSC, for the hauling of its fuel products from suppliers' terminals and from its own depots to Company depots and to its customers. These contracted services are made on reasonable arms-length terms as would be obtainable from third party providers. The following are the transactions with related parties:

a.) ***Rentals***

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent company. The total rent expense of the Company is presented as follows:

2014	2015	2016	2017	**TOTAL**
65,545,819.59	70,723,717.38	75,198,160.90	68,093,074.22	279,560,772

b.) ***Contract of Affreightment***

The Company entered into a Contract of Affreightment with CSC, an affiliate to haul the Company's petroleum supplies for both regional and domestic markets.

c.) ***Due to and Due from Related Parties***

The breakdown of due from related parties as of December 31, 2016 and 2017 is as follows:

	2016	**2017**
PPHI		
Balance at beginning of year		
Additions	-	-
Collections		
Balance at end of year	-	-

UMRC		
Balance at beginning of year		
Additions		
Collections		
Balance at year-end	-	-

UDEVCO		
Additions	50,000,000	-
Collections		(50,000,000)
Balance at end of year	**50,000,000**	**-**

CISC (formerly PPIPC)		
Additions	942,812,571	200,000,000
Collections		(645,996,472)
Balance at end of year	**942,812,571**	**496,816,099**

CSC Group Inc.		
Additions	500,000,000	951,417
Reclassifications		(500,000,000)
Balance at end of year	**500,000,000**	**951,417**

PPFI		
Balance beginning of the year	12,260,843	13,256,329
Additions	1,020,486	10,748,633
Collections	(25,000)	(3,764,980)
Balance at end of year	**13,256,329**	**20,239,982**

TOTAL		
Balance beginning of the year	12,260,843	1,506,977,925
Additions	1,494,782,082	211,697,447
Collections/Reclassifications	(25,000)	(1,199,761,452)
Balance at end of year	**1,506,997,925**	**518,913,926**

The Group's advances to related parties are presented as Due from Related Parties in the consolidated balance sheet.

(E) Corporate Governance

Corporate powers and governance of the Company is exercised by the Board of Directors which consists of eleven (11) members, two (2) of whom are independent directors. As a matter of policy and based on good corporate practice, unless a special meeting is called upon for a specific purpose, the Board regularly meets every quarter wherein which the relevant corporate issues may be raised for discussion and voted by the members of the Board.

Last March 07, 2008, during the regular meeting of the Board, the Manual of Corporate Governance which incorporated the best practices was approved and adopted to establish the principles of good corporate governance for the entire Corporation. The adoption of the new Manual of Corporate Governance replaces the old manual of corporate governance prescribed by the SEC which was then observed and followed by the Company. Moreover, the adoption of the new Manual now complies with the SEC requirement that before assuming office, a director must attend a seminar on corporate governance conducted by a duly recognized government or private institution.

Last January 30, 2008, the Company through the Corporate Secretary has submitted a document certifying the attendance of the members of the Board of Directors in all regular meetings for the year 2007 as well as the compliance to the provisions of the Manual of Corporate Governance prescribed by the SEC as adopted by the Company.
March 03, 2009 was the submission and compliance with the Certification of the Company's Compliance Officer to the extent of compliance with its Manual for Corporate Governance.

On 05 January 2017, the Company's Corporate Secretary and Asst. Vice President for Corporate Legal issued a certificate, certifying that in the year 2016, the company has substantially complied with the provisions of its Manual of Corporate Governance and that there are no changes in the Company's Manual of Corporate Governance (please refer to Annex D).

As part of the Corporate Governance, the Group works on the early disclosures of quarterly and annual reports tot SEC and PSE.

Internal Audit Group of the Company conducts regular internal audit review to both processes, compliance to Company policies and procedures and risk analysis. Reports and recommendations submitted for board review and actions.

The Company plans on constantly improving corporate governance. The Company recognizes that corporate governance is not just a set of rules but a way of life, not just for the directors and officers of the Company but for every single employee. The Company intends to continuously re-evaluate its existing policies, implement reforms, emulate and improve on the best existing corporate practices of industry leaders in order to improve the quality of life of every employee, maximize returns to shareholders, to improve its relationship with business partners, and strengthen and widen the reach of its corporate social responsibility programs.

The Company's ACGR is also posted in the Company's official website, www.phoenixfuels.ph

PART V – EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

Exhibits

The following exhibits are incorporated by reference in this report.

- Consolidated Financial Statements of the Company as of and for the year ended 31 December 2017
- Index to Financial Statements and Supplementary Schedules

Reports on SEC Form 17-C

The following disclosures have been reported and disclosed to the Commission for the year 2017 up to April 6, 2018 which were duly supported by disclosure letters:

2017 Disclosures (including disclosures up to April 6, 2018):

2017 -2018 DISCLOSURES:

Report on the Number of Shareholders as of 31 March 2018
April 6, 2018

Foreign Ownership Report as of 31 March 2018
April 6, 2018

Press Release in relation to the Company's market share
April 03, 2018

Clarification of news articles published in Philstar on 26 March 2018
March 26, 2018

Change in Directors or Officers
March 26, 2018

Press Statement for New Appointments of Key Finance Officers in the Company
March 23, 2018

Results of the Organization Meeting of the Board of Directors
March 16, 2018

[Amend-1] Results of the 2018 Annual Stockholders' Meeting
March 16, 2018

Results of the 2018 Annual Stockholders' Meeting
March 16, 2018

Report on the Number of Shareholders as of 28 February
March 6, 2018

Foreign Ownership Report as of 28 February 2018
March 6, 2018

Stockholders record date 14 February 2018 who shall be entitled to vote and participate in the Company's Annual Stockholders Meeting on March 15, 2018 at 2:00 o'clock
February 20, 2018

Audited Financial Statement for period ended 31 December 2017
February 19, 2018

Definitive Information Statement
February 19, 2018

Press Release on the Company's Performance for period ended 31 December 2017
February 15, 2018

Clarification of News Article in Business World
February 14, 2018

Press Release regarding Phoenix PULSE Technology
February 14, 2018

General Information Sheet (GIS) that relates to the new information particularly the

new member of the Board in view of the resignation of the undersigned as member of the Company’s Board of the Director which was disclosed in January 15 2018:
February 13, 2018

Clarification on the news article published in Manila Standard on Feb. 12, 2018
February 12, 2018

Preliminary Information Statement
February 08, 2018

[Amend-2]Notice of Annual or Special Stockholders' Meeting
February 06, 2018

Declaration of Cash Dividends 3rd tranche Series B(PNX3B) 1Q 2018
February 05, 2018

Declaration of Cash Dividends 3rd tranche series A(PNX3A) 1Q 2018
February 05, 2018

Foreign Ownership Report as of 31 January 2018
February 6, 2018

Report on the Number of Shareholders as of 31 January 2018
February 6, 2018

Declaration of Cash Dividends 2nd tranche 1Q 2018
February 05, 2018

[Amend-1] Notice of Annual or Special Stockholders' Meeting
January 31, 2018

Disclosure of Board Approvals
January 26, 2018

[Amend-1] Disclosure of Board Approvals
January 26, 2018

Joint Venture Agreement
January 16, 2018

SEC Form 23-A: New Director Stephen CuUnjieng
January 16, 2018

Change in Directors and/or Officers
January 16, 2018

Top 100 Stockholders as of December 31, 2017
January 16, 2018

Public Ownership Report as of December 31, 2017
January 12, 2018

Completion of the acquisition of 100% shares in Philippine FamilyMart CVS, Inc.
January 11, 2018

Letter of advicement or certification as to the compliance and changes in the Manual of Corporate Governance Certification of attendance of the company's Board of Directors for 2017
January 11, 2018

Employee Stock Option plan (ESOP) of the Company issued on July 26 and November 15, 2017, list of total shares exercise and amount paid.
January 10, 2018

Report on the Number of Shareholders as of 31 December 2017
January 8, 2018

Foreign Ownership Report as of 31 December 2017
January 8, 2018

Disposition of PNX Shares
January 08, 2018

Disposition of PNX shares
January 08, 2018

PSE Disclosure Form 17-8 - Report by Owner of More Than Five Percent
January 05, 2018

Clarification on the New Article posted in abs-cbn.com on 04 January 2017 entitled "Phoenix Purchase of FamilyMart gets regulatory approval"
January 05, 2018

SEC Form 23-B (Udenna Corp 12282017)
December 29, 2017

Clarification on News Article dated 28 December 2017
December 29, 2017

Disposition of PNX shares as of 21 December 2017
December 22, 2017

Additional acquisition of PNX shares pursuant to the ESOP
November 23, 2017

Additional acquisition of PNX shares pursuant to the ESOP
November 23, 2017

Additional acquisition of PNX shares pursuant to the ESOP
November 23, 2017

[Amend-1] Statement of Changes in Beneficial Ownership of Securities

November 21, 2017

Statement of Changes in Beneficial Ownership of Securities
November 21, 2017

Press Statement of the Company's 3rd Quarter Performance for 2017
November 13, 2017

SEC 17Q - 3rd Quarter Results
November 13, 2017

Change in Shareholdings of Directors and Principal Officers
November 10, 2017

Disposition of PNX shares
November 10, 2017

Cash Dividend declaration of the Company's Preferred Shares 2nd tranche (PNXP)
November 06, 2017

Cash dividends declaration of the company's preferred shares 3rd tranche series A(PNX3A)
November 06, 2017

Cash dividends declaration of the company's preferred shares 3rd tranche series B(PNX3B)
November 06, 2017

Cash Dividend declaration of the Company's Preferred Shares 2nd tranche (PNXP) [Amend-1]
November 06, 2017

Sale of the Company's Treasury Shares
November 02, 2017

Press Release for the execution of the MOU for the possible acquisition of 100% shares of Philippine FamilyMart CVS, Inc.
October 30, 2017

Memorandum of Understanding for the possible acquisition of 100% shareholdings of Philippine FamilyMart CVS, Inc.
October 30, 2017

List of Top 100 Stockholders as of September 30, 2017
October 16, 2017

Public Ownership Report as of September 30, 2017
October 13, 2017

Disposition of PNX shares as of 21 September 2017
September 22, 2017

Board Approval for establishment of Singapore-based trading company
September 22, 2017

Cash dividend declaration for preferred shares 3rd tranche Series B(PNX3B)
August 22, 2017

Cash dividend declaration for preferred shares 3rd tranche series A(PNX3A)
August 22, 2017

Closing Transaction or Completion of the 100% acquisition of PETRONAS Energy Philippines, Inc. and Duta, Inc.
August 15, 2017

SEC 17Q - 2nd Quarter Results
August 14, 2017

Press Statement for 2nd Quarter 2017 results
August 14, 2017

Comprehensive Corporate Disclosure re acquisition of PEPI and DUTA [Amend-3]
August 07, 2017

Press Statement of PCC Approval on Petronas Acquisition
August 07, 2017

Additional acquisition of PNX shares through the Company's Employee Stock Option Plan (ESOP)
August 07, 2017

Additional acquisition of shares through Employee Stock Option Plan (ESOP)
August 07, 2017

PCC approval for PETRONAS Energy Philippines, Inc. acquisition by P-H-O-E-N-I-X Petroleum Philippines, Inc.
August 04, 2017

Cash dividend declaration of the Company's Preferred Shares 2nd tranche (PNXP)
August 02, 2017

Cash dividend declaration of the company's preferred shares 3rd tranche series A(PNX3A)
August 02, 2017

Cash dividend declaration for Preferred shares 3rd tranche Series B (PNX3B)
August 02, 2017

Public Ownership Report of the Company as of June 30, 2017
July 14, 2017

List of Top 100 Stockholders as of June 30, 2017

July 11, 2017

Comprehensive Corporate Disclosure re acquisition of PEPI and DUTA [Amend-2]
July 07, 2017

Comprehensive Corporate Disclosure re acquisition of PEPI and DUTA
July 06, 2017

Comprehensive Corporate Disclosure re acquisition of PEPI and DUTA [Amend-1]
July 06, 2017

Acquisition of Duta, Inc. (DUTA)
July 06, 2017

Press Release: Phoenix Petroleum inaugurates new terminal in Cebu
June 29, 2017

Update on Short Term Commercial Paper
June 14, 2017

Press Release: Phoenix Petroleum fuels country's largest humanitarian ship
June 13, 2017

SEC Form 23-A, Initial Statement of Beneficial Ownership of Mr. Dybuncio
June 07, 2017

Amendment of the GIS for 2017
June 05, 2017

New Code of Corporate Governance pursuant to SEC Memorandum Circular No. 19 series of 2016
June 01, 2017

Company's Annual Corporate Governance Report for 2016
May 31, 2017

Statement of Changes in Beneficial Ownership of Udenna Corporation
May 30, 2017

Resignation and Replacement/Appointment of directors in the Board of Directors
May 26, 2017

Press Release re MOU on Petronas
May 25, 2017

Disclosure on approval of MOU in relation to acquisition of PEPI
May 24, 2017

Statement of Changes in Beneficial Ownership of Securities
May 18, 2017

Quarterly Report as of 31 March 2017
May 12, 2017

Press Release on SEC 17Q - 1st Quarter Results
May 12, 2017

Declaration of Cash Dividends 050317
May 04, 2017

Share Buy-Back Transactions 042617
April 27, 2017

SEC Form 23-B of Udenna Management & Resources Corp.
April 24, 2017

2017 General Information System
April 24, 2017

Share Buy-Back Transactions 041817
April 19, 2017

Changes in Directors and/or Officers
April 18, 2017

SEC Form 17-A Annual Report
April 11, 2017

Statement of Changes in Beneficial Ownership of Securities
April 10, 2017

Report on the Number of Shares as of 31 March 2017
April 4, 2017

Share Buy-Back Transactions 033117
April 03, 2017

Share Buy-Back Transactions 033017
March 31, 2017

Share Buy-Back Transactions 032317
March 24, 2017

Share Buy-Back Transactions 032217
March 23, 2017

Share Buy-Back Transactions 031717
March 21, 2017

SEC Order re Disclosure 2017
March 09, 2017

Definitive Information Statement
March 09, 2017

Share Buy-Back Transactions 030117
March 02, 2017

Share Buy-Back Transactions 022417
February 27, 2017

Disclosure Information Statement 2017
February 22, 2017

Audited Financial Statements for 2016
February 22, 2017

Press Release for Audited Financial Statement
February 22, 2017

Share Buy-Back Transactions 022017
February 21, 2017

Progress Report on the 2B (3rd tranche)
February 15, 2017

Share Buy-Back Transactions 021317
February 14, 2017

Disbursements on the 2B (3rd tranche)
February 14, 2017

Preliminary Information Statement (SEC Form 20-IS)
February 09, 2017

Share Buy-Back Transactions 020217
February 03, 2017

Share Buy-Back Transactions 020117
February 02, 2017

Share Buy-Back Transactions 013117
February 01, 2017

Share Buy-Back Transactions 012717
January 30, 2017

Share Buy-Back Transactions 012417
January 25, 2017

Share Buy-Back Transactions 012317
January 24, 2017

Share Buy-Back Transactions 011717
January 18, 2017

Share Buy-Back Transactions 011617
January 17, 2017

Public Ownership Report as of 31 December 2016
January 17, 2017

Share Buy-Back Transactions 011317
January 16, 2017

Share Buy-Back Transactions 011217
January 13, 2017

Share Buy-Back Transactions 011017
January 13, 2017

Share Buy-Back Transactions 011117
January 12, 2017

Share Buy-Back Transactions 010917
January 10, 2017

Share Buy-Back Transactions 010617
January 09, 2017

Share Buy-Back Transactions 010517
January 06, 2017

Certificate of Compliance 2016
January 06, 2017

Foreign Ownership Report as of 31 December 2017
January 6, 2017

Report on the Number of Shareholders as of 31 December 2017
January 6, 2017

Share Buy-Back Transactions 010417
January 05, 2017

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Davao on April 16, 2018.

By:

DENNIS A. UY
President & Chief Executive Officer

JOSEPH JOHN L. ONG
Chief Financial Officer

JONAREST Z. SIBOG
Comptroller

SOCORRO ERMAC CABREROS
Corporate Secretary

SUBSCRIBED AND SWORN to before me on APR 16 2018 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Dennis A. Uy	TIN 172-020-135
Joseph John L. Ong	TIN 101-116-899
Jonarest Z. Sibog	SSS ID#0009-2318308-8
Socorro Ermac Cabreros	TIN 111-790-618

and that they further attest that the same are true and correct.

Doc. No. 129;
Page No. 27;
Book No. 11;
Series of 2018.

MEL S. SUMATRA
Notary Public for Davao City
Serial No. 2017-0079-2018
Until December 31, 2018
PTR No. 9904531; 1/3/18 D.C.
IBP No. 025540; 1/8/18 D.C.
MCLE V-0017642; 4/15/16
Roll No. 53104; TIN 929-115-931
2/F, Lopez Bldg, Candelaria - Maya Sts.
Ecoland, Davao City

MEL S. SUMATRA NOTARY PUBLIC Roll No. 53104 DAVAO CITY, PHILIPPINES

P&A Grant Thornton

An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

Opinion

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2017, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

Revenue is recognized to the extent that the revenue can be reliably measured and that it is probable that the future economic benefits will flow to the Group. The Group's revenue is primarily generated from the sales of goods [fuels, liquefied petroleum gas (LPG), lubricants and other petroleum products], which is recognized once risks and rewards of the goods have passed to the buyer, and fuel services, which is recognized when the performance of contractually agreed tasks has been substantially rendered. The Group focuses on revenue as a key performance measure, which could create an incentive for revenues, particularly from sale of goods, to be recognized before the risks and rewards have been transferred. The accounting policies for revenues are included in Note 2 to the consolidated financial statements. We identified the valuation, occurrence, completeness and cut-off of revenue recognition as key audit matters.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- evaluating the appropriateness of the Group's revenue recognition policies;
- assessing, with the assistance of our internal IT specialists, the design and operating effectiveness of controls surrounding the revenues cycle;
- performing cut-off procedures to ensure that revenue was recognized in the correct period;
- performing substantive analytical procedures and tests of details on revenues; and,
- substantiating transactions with the underlying documentation, including sales invoices, contracts and third party correspondence.

(b) Impairment of Trade and Other Receivables

Description of the Matter

Under the PFRS, the Group is required to assess its trade and other receivables for impairment. The allowance for impairment of trade and other receivables is considered to be a matter of significance as it requires the application of judgment and estimation. The Group recognized allowance for impairment on trade and other receivables based on management's assessment.

As of December 31, 2017, the Group had trade and other receivables amounting to P7,509.2 million, which contributed to 17% of the Group's total assets. As of December 31, 2017, the allowance for impairment on trade and other receivables amounted to P478.2 million.

The disclosures of the Group on the allowance for impairment of trade and other receivables and the related credit risk are included in Notes 7 and 4.2 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of trade and other receivables, included, but not restricted to:

- obtaining an understanding of the processes used by the Group's management to estimate the allowance for impairment of trade and other receivables;
- performing independent assessment on the aging of the trade and other receivables;
- checking the basis used in determining the main factors in computing the impairment loss on selected trade and other receivables accounts;
- testing the subsequent collections and/or movements of the long-outstanding receivables on selected trade and other receivable accounts; and,
- assessing the reasonableness of the Group's estimates on recoveries.

(c) Business Combination

Description of the Matter

As disclosed in Note 1.4, in 2017, the Group completed the acquisitions of Phoenix LPG Philippines, Inc. (PLPI) and Duta Group for P6,481.1 million and P394.2 million, respectively. The Group has determined these acquisitions to be business combinations for which the purchase price is to be allocated between the identifiable assets and liabilities at their respective fair values.

Following the various acquisitions, the management has determined Goodwill amounting to P3,980.4 million for the PLPI acquisition and Excess of Fair Value of Net Assets Acquired over Acquisition Cost (gain/income) amounting to P650.2 million for the Duta Group acquisition. We, therefore, considered the accounting treatment of the acquisition of these subsidiaries in the consolidated financial statements as a key audit matter due to the significance of the goodwill and gain from these business acquisitions, and due to the nature of transactions which involves significant management's judgments and estimates, especially on the valuation of the fair value of net assets acquired as of the acquisition date.

The Group's disclosure on policies on business combinations is presented in Note 2.12 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- reviewing the relevant minutes of meeting of the Parent Company for the approval of the transaction and executed share purchase agreement;
- examining the cash consideration given and verifying the net assets acquired as of the acquisition date;
- obtaining the valuations prepared by independent appraisers on certain properties;
- assessing the competencies and capabilities of the appraisers;
- testing the reasonableness of the fair values of the identifiable assets and liabilities of PLPI and Duta Group at the acquisition date; and,
- recalculating the consideration, goodwill and gain, and determining the appropriate treatment of the difference between the net assets acquired and considerations given.

(d) Existence and Valuation of Inventories

Description of the Matter

As of December 31, 2017, the Group held P12,970.0 million of fuels, LPG and lubricant inventories, which is 29% of the total consolidated assets of the Group. Given the size of the inventory balance relative to the consolidated total assets of the Group and the estimates and judgments involved in this account, the valuation of inventory required our significant audit attention. As disclosed in Note 2.5, inventories are held at the lower of cost and net realizable value using the moving average method. As of year-end, the valuation of inventory is reviewed by the management and the cost of inventory is reduced where inventory is forecast to be sold below cost. The breakdown of inventory as of December 31, 2017 is disclosed in Note 8 in the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:
- observing inventory counts and performing test of quantities;
- performing test of purchases and test on the moving average cost calculation; and,
- testing the net realizable values of sample inventory items to recent selling prices.

(e) Provision for Losses on Lost LPG Cylinders

Description of the Matter

As a result of the acquisition of PLPI, the Group has acquired LPG cylinders by which the carrying value as of December 31, 2017 amounted to P948.7 million. Bulk of these LPG cylinders are at the dealers' and users' premises and management is not able to physically examine their 100% existence. Due to the lack of means to track their existence on a regular basis, there is a possibility that a portion of the issued LPG cylinders to the market may no longer be existing due to scrappage by third parties and regular wear and tear. However, management estimates provision for losses on lost LPG cylinders based on internal simulations and computations on non-generating LPG cylinders.

Given the significant volume and cost of the LPG cylinders and the estimates and judgments involved in this account, the provision for losses on lost LPG cylinders required our significant audit attention. Based on management's assessment, no provision is provided in 2017, however, the accumulated provision for losses on lost LPG cylinders as of December 31, 2017 amounted to P238.8 million.

The disclosures of the Group on the policy of provision for losses on lost LPG cylinders, key sources of estimation uncertainty and carrying values are disclosed in Notes 2.7, 3.2*(i)* and 11 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:
- understanding the cycle of the Group's LPG inventories sold in LPG cylinders;
- testing the simulation prepared by the management on the possible number of LPG cylinders circulating in the market in respect to the actual generated revenues from the sale of LPG through LPG cylinders and the reasonable turnover of LPG-filled cylinders;
- comparing the results of the simulation to the outstanding number of cylinders issued to the market, based on the Group's records; and,
- performing ocular inspection on a random basis on the available LPG cylinders within the Group's plants and refilling stations.

(f) Goodwill

Description of the Matter

Under the PFRS, the Group is required to annually test the amount of goodwill for impairment or whenever there is an impairment indicator. In 2017, significant goodwill arose when the Group acquired the 100% shares of PLPI. Goodwill is determined as the difference between the acquisition or purchase cost and the fair value of the net assets acquired. This annual impairment test was significant to our audit because the balance of the goodwill amounting to P3,990.7 million as of December 31, 2017 is material to the Group's consolidated financial statements. In addition, management's process is complex and highly judgmental and is based on assumptions.

The Group's disclosures about Goodwill and the policy are included in Notes 14 and 1.4, respectively.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:

- Obtaining managements impairment assessment over the goodwill; and,
- Evaluating the management's cashflow forecasts and the processes by which they are developed, including mathematical accuracy of the underlying calculations.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partner on the 2017 audit resulting in this independent auditors' report is Ramilito L. Nañola.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 6616015, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 15, 2018

PHOENIX
Fuels Life

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein and as enumerated below, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

a) Supplementary schedules required under Annex 68-E of the Securities Regulation Code
b) Map showing the relationship between and among related entities
c) Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017
d) Schedule showing financial soundness indicators

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Domingo T. Uy
Chairman

Dennis A. Uy
President

Joseph John L. Ong
Chief Financial Officer

REPUBLIC OF THE PHLIPPINES)
City of Davao) S.S.

SUBSCRIBED AND SWORN to before me on FEB 15 2018 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Domingo T. Uy	TIN 140-162-193
Dennis A. Uy	TIN 172-020-135
Joseph John L. Ong	TIN 101-116-899

and that they further attest that the same are true and correct.

Doc. No. 517;
Page No. 105;
Book No. 9;
Series of 2018.

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2018
Serial No. 2017-0055-2018
PTR No. 5857637; 01-04-18; D.C.
IBP No. 024531; 01-08-18; D.C.
Roll of Attorneys No. 47836
Km. 7, Lanang, Davao City

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2017	2016
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	**P 1,831,542,441**	P 2,338,780,526
Trade and other receivables - net	7	**7,509,198,377**	8,789,006,059
Inventories - net	8	**12,969,947,045**	2,998,780,146
Due from related parties	27	**518,004,898**	1,506,997,926
Restricted deposits	9	**51,281,559**	50,925,404
Input value-added tax - net		**1,773,091,281**	731,735,790
Prepayments and other current assets	10	**581,435,883**	595,963,599
Total Current Assets		**25,234,501,484**	17,012,189,450
NON-CURRENT ASSETS			
Property, plant and equipment - net	11	**13,400,687,345**	9,002,313,141
Investment properties	15	**1,114,780,281**	-
Intangible assets - net	12	**274,931,452**	275,037,490
Goodwill - net	14	**3,990,666,606**	10,221,849
Deferred tax assets - net	26	**231,866,237**	46,191,775
Other non-current assets	16	**223,467,068**	192,084,216
Total Non-current Assets		**19,236,398,989**	9,525,848,471
TOTAL ASSETS		**P 44,470,900,473**	P 26,538,037,921
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	**P 16,796,874,145**	P 11,262,858,843
Trade and other payables	19	**3,832,668,620**	3,232,652,616
Income tax payable		**17,301,439**	100,283,443
Total Current Liabilities		**20,646,844,204**	14,595,794,902
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	17	**11,374,559,853**	1,921,565,000
Other non-current liabilities	20	**497,806,312**	258,584,286
Total Non-current Liabilities		**11,872,366,165**	2,180,149,286
Total Liabilities		**32,519,210,369**	16,775,944,188
EQUITY	28		
Capital stock		**1,456,538,232**	1,123,097,449
Additional paid-in capital		**5,709,303,309**	5,320,816,182
Revaluation reserves		**(2,306,049)**	(12,148,102)
Other reserves		**(730,361,725)**	(730,361,725)
Accumulated translation adjustment		**(6,065,195)**	-
Retained earnings		**5,524,581,532**	4,060,689,929
Total Equity		**11,951,690,104**	9,762,093,733
TOTAL LIABILITIES AND EQUITY		**P 44,470,900,473**	P 26,538,037,921

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 YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
REVENUES				
Sale of goods	27	**P 44,051,471,509**	P 29,471,907,077	P 28,620,971,473
Fuel service and other revenues	2	**281,941,966**	205,587,559	186,661,739
Rent and storage income	15, 31	**92,626,832**	148,340,733	122,425,059
Charter fees and other charges	2	**-**	624,704,375	562,523,731
Port revenues	2	**-**	126,128,262	105,565,142
Sale of real estate	2	**-**	-	455,692,000
		44,426,040,307	30,576,668,006	30,053,839,144
COST AND EXPENSES				
Cost of sales and services	21	**37,908,797,906**	25,123,949,229	25,268,851,163
Selling and administrative expenses	22	**4,411,742,322**	3,339,789,045	2,724,906,711
		42,320,540,228	28,463,738,274	27,993,757,874
OTHER CHARGES (INCOME)				
Finance costs	23	**855,043,260**	1,019,277,024	968,682,307
Excess of fair value of net assets acquired over acquisition cost	1	**(650,182,327)**	-	-
Finance income	23	**(56,629,280)**	(207,687,618)	(7,553,833)
Equity share in net loss of a joint venture	13	**-**	50,068,966	16,310,368
Others - net	15	**(36,852,747)**	(11,006,428)	(9,069,835)
		111,378,906	850,651,944	968,369,007
PROFIT BEFORE TAX		**1,994,121,173**	1,262,277,788	1,091,712,263
TAX EXPENSE	26	**202,272,019**	169,802,891	185,843,550
NET PROFIT		**P 1,791,849,154**	P 1,092,474,897	P 905,868,713
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation adjustment related to a foreign subsidiary	2	**(6,065,195)**	-	-
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit obligation	24	**14,060,076**	15,360,800	18,116,705
Tax expense	26	**(4,218,023)**	(4,608,240)	(13,304,602)
Revaluation of tankers		**-**	-	202,245,220
		9,842,053	10,752,560	207,057,323
Other Comprehensive Income - net of tax		**3,776,858**	10,752,560	207,057,323
TOTAL COMPREHENSIVE INCOME		**P 1,795,626,012**	P 1,103,227,457	P 1,112,926,036
Basic and Diluted Earnings per share	29	**P 1.16**	P 0.64	P 0.60

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 YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

		Capital Stock										
	Notes	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Common Treasury Stock - At Cost	Total	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Accumulated Translation Adjustment	Retained Earnings	Total Equity
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 -**	**P 4,060,689,929**	**P 9,762,093,733**
Sale of treasury shares	28	-	-	-	440,087,488	440,087,488	367,136,612	-	-	-	-	807,224,100
Cash dividends	28	-	-	-	-	-	-	-	-	-	(331,118,383)	(331,118,383)
Acquisition of shares during the year	28	-	-	-	(109,407,705)	(109,407,705)	-	-	-	-	-	(109,407,705)
Issuance of shares during the year	28	-	-	2,761,000	-	2,761,000	21,350,515	-	-	-	(8,429,034)	15,682,481
Share-based compensation	24	-	-	-	-	-	-	-	-	-	11,589,866	11,589,866
Translation adjustments during the year	2	-	-	-	-	-	-	-	-	(6,065,195)	-	(6,065,195)
Total comprehensive income for the year		-	-	-	-	-	-	9,842,053	-	-	1,791,849,154	1,801,691,207
Balance at December 31, 2017		**P 30,000,000**	**(P 5,000,000)**	**P 1,431,538,232**	**P -**	**P 1,456,538,232**	**P 5,709,303,309**	**(P 2,306,049)**	**(P 730,361,725)**	**(P 6,065,195)**	**P 5,524,581,532**	**P 11,951,690,104**
Balance at January 1, 2016		P 30,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,453,777,232	P 5,320,816,182	P 559,295,266	(P 622,952,239)	P -	P 3,312,425,742	P 10,023,362,183
Deconsolidation of subsidiaries	1	-	-	-	-	-	-	(557,352,943)	(107,409,486)		(65,599,296)	(730,361,725)
Acquisition of shares during the year	28	-	-	-	(330,679,783)	(330,679,783)	-	-	-	-	-	(330,679,783)
Cash dividends	28	-	-	-	-	-	-	-	-	-	(309,212,179)	(309,212,179)
Share-based compensation	24	-	-	-	-	-	-	-	-	-	5,757,780	5,757,780
Total comprehensive income for the year		-	-	-	-	-	-	10,752,560	-	-	1,092,474,897	1,103,227,457
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-	-	(24,842,985)	-	-	24,842,985	-
Balance at December 31, 2016		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 -	P 4,060,689,929	P 9,762,093,733
Balance at January 1, 2015		P 10,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,433,777,232	P 3,367,916,774	P 372,138,419	(P 622,952,239)	P -	P 2,499,345,913	P 7,050,226,099
Issuance of shares for the year	28	20,000,000	-	-	-	20,000,000	1,952,899,408	-	-	-	-	1,972,899,408
Cash dividends	28	-	-	-	-	-	-	-	-	-	(112,689,360)	(112,689,360)
Total comprehensive income for the year		-	-	-	-	-	-	207,057,323	-	-	905,868,713	1,112,926,036
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-	-	(19,900,476)	-	-	19,900,476	-
Balance at December 31, 2015		P 30,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,453,777,232	P 5,320,816,182	P 559,295,266	(P 622,952,239)	P -	P 3,312,425,742	P 10,023,362,183

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 1,994,121,173	P 1,262,277,788	P 1,091,712,263
Adjustments for:				
Depreciation and amortization	22	850,380,505	1,002,088,441	821,733,247
Interest expense on bank loans and other borrowings	23	780,917,196	863,399,371	786,929,274
Excess of fair value of net assets acquired over acquisition cost	1	(650,182,327)	-	-
Impairment losses on trade and other receivables	23	50,335,399	112,986,854	79,208,744
Gain on reversal of impairment losses on investment properties	15	(40,278,281)	-	-
Interest income	23	(18,480,943)	(7,110,105)	(5,540,995)
Employee share options	24	11,589,866	5,757,780	-
Loss on disposal of property, plant and equipment		9,085,746	-	-
Translation adjustment	1	(6,065,195)	-	-
Unrealized foreign exchange currency loss (gain) - net		3,893,468	(171,372,659)	(3,370,552)
Gain on reversal of allowance for inventory obsolescence	8	(3,216,085)	-	-
Impairment losses on non-financial assets		92,823	-	-
Share in net loss of an indirectly-owned joint venture	15	-	50,068,966	16,310,368
Loss on sale of investment in an associate		-	-	2,250,000
Operating profit before working capital changes		2,982,193,345	3,118,096,436	2,789,232,349
Decrease (increase) in trade and other receivables		1,980,678,107	528,697,133	(3,030,720,014)
Decrease (increase) in inventories		11,170,166,814	(370,318,364)	232,214,381
Decrease in land held for sale and land development costs		-	22,667,290	23,496,614
Decrease (increase) in restricted deposits		(356,155)	20,046,803	(565,464)
Increase in input value-added tax - net		(1,041,355,491)	(36,265,532)	(170,627,061)
Decrease (increase) in prepayments and other current assets		(206,291,369)	(637,592,575)	393,229,544
Increase (decrease) in trade and other payables		362,759,847	(288,096,189)	(334,848,958)
Cash generated from (used in) operations		15,247,795,098	2,357,235,002	(98,588,609)
Cash paid for income taxes		(7,345,345)	(4,508,301)	(712,198)
Net Cash From (Used in) Operating Activities		15,240,449,753	2,352,726,701	(99,300,807)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries	1	(6,705,620,931)	-	-
Acquisitions of property, plant and equipment	11	(3,175,635,973)	(2,155,960,542)	(2,704,508,788)
Collections from related parties	27	1,158,519,706	25,000	3,561,445
Advances to related parties	27	(669,526,678)	(944,762,083)	(5,448,932)
Acquisitions of intangible assets	12	(30,021,932)	(203,908,603)	(27,672,355)
Increase in other non-current assets		27,350,919	(15,994,274)	(27,854,741)
Interest received		15,769,301	3,777,233	3,402,894
Proceeds from disposal of property, plant and equipment		14,611,630	2,434,359	4,946,617
Proceeds from disposal of subsidiaries	27	-	2,450,000,000	-
Increase in land held for future development		-	(151,281,172)	(77,592,159)
Additional investment in an indirectly-owned joint venture	13	-	-	(107,250,000)
Net Cash Used in Investing Activities		(9,364,553,958)	(1,015,670,082)	(2,938,416,019)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings		(43,104,708,803)	(19,886,544,848)	(36,164,656,734)
Proceeds from additional interest-bearing loans and borrowings		37,016,647,657	20,684,209,975	39,306,012,177
Proceeds from sale of treasury shares	28	807,224,100	-	-
Interest paid		(741,202,295)	(801,737,593)	(848,790,538)
Payments of cash dividends	28	(331,118,383)	(309,212,179)	(112,689,360)
Acquisition of treasury shares	28	(109,407,705)	(330,679,783)	-
Increase (decrease) in other non-current liabilities		63,749,068	13,900,134	(21,573,921)
Proceeds from issuance of shares of stock	28	15,682,481	-	1,972,899,408
Repayments to related parties		-	-	(17,204,725)
Net Cash From (Used in) Financing Activities		(6,383,133,880)	(630,064,294)	4,113,996,307
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(507,238,085)	706,992,325	1,076,279,481
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,338,780,526	1,631,788,201	555,508,720
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,831,542,441	P 2,338,780,526	P 1,631,788,201

Supplemental Information on Non-cash Investing and Financing Activities:

1) On August 14, 2017, the Parent Company acquired the 100.00% shares of stocks of Duta, Inc. and Subsidiary for the amount of P394.2 million, of which P267.3 million advances of Duta, Inc.'s previous stockholder was novated in favor of the former (see Note 1.4).

2) Interest payments amounting to P19.7 million, P61.7 million and P61.9 million in 2017, 2016 and 2015, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 11.1 and 17.6).

3) Certain hauling and heavy equipment with carrying amount of nil and P3.1 million as of December 31, 2017 and 2016, respectively, are accounted for under finance leases (see Notes 11.2 and 17.4).

4) On November 24, 2016, the Parent Company sold its entire investments in Chelsea Shipping Corp. and Calaca Industrial Seaport Corp. to related parties under common ownership for a total consideration of P3,000.0 million (see Note 1.5). The outstanding receivable from the sale of subsidiaries amounted to P550.0 million, and is presented as part of the Due from Related Parties in the 2016 consolidated statement of financial position (see Notes 27.4 and 27.10). The disposal of the subsidiaries resulted to a recognition of Other Reserves, accounted as the difference between the net asset values of the subsidiaries and consideration received (see Notes 1.5 and 2.12). As of December 31, 2017, the outstanding receivable from the sale of subsidiaries was reclassifed to Non-trade receivable under Trade and Other Receivables account in the 2017 consolidated statement of financial position (see Note 27.4).

See Notes to Consolidated Financial Statements.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

1. GROUP INFORMATION

1.1 Incorporation and Operations

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 41.14% 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 530 operating retail service stations, and a total of eight service stations under construction as of December 31, 2017.

1.2 Subsidiaries, Associate, Joint Venture and their Operations

As of December 31, the Parent Company holds ownership interests in the following entities, which are all incorporated in the Philippines, except for PNX Petroleum Singapore Pte. Ltd., which is incorporated and domiciled in Singapore:

Subsidiaries/ Associate/Joint Venture	Explanatory Notes	Percentage of Ownership 2017	2016
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) [1]	(e)	**100.00%**	-
Duta, Inc. (Duta) [1]	(f)	**100.00%**	-
Kaparangan, Inc. (Kaparangan) [1, 2]	(g)	**100.00%**	-
Calaca Industrial Seaport Corp. (CISC) [7]	(h)	**-**	-
Chelsea Shipping Corp. (CSC) [7]	(i)	**-**	-
Bunkers Manila, Inc. (BMI) [4, 7]	(j)	**-**	-
Michael Inc. (MI) [4, 7]	(k)	**-**	-
PNX – Chelsea Shipping Corp. (PNX – Chelsea) [4, 7]	(l)	**-**	-
Chelsea Ship Management & Marine Services Corp. (CSMMSC) [4, 7]	(m)	**-**	-
Fortis Tugs Corporation (FTC) [4, 7]	(n)	**-**	-
Norse/Phil Marine Services Corp. (NPMSC) [5, 7]	(o)	**-**	-
South Pacific, Inc. (SPI) [6, 7]	(p)	**-**	-

Notes:
1 New subsidiaries
2 Wholly-owned subsidiary of Duta
3 Duta and Kaparangan, collectively known as Duta Group
4 Wholly-owned subsidiaries of CSC
5 Associate of CSC
6 Joint venture of CISC
7 Deconsolidated in 2016 (see Note 1.5)

(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 March 7, 1996 and is engaged in real estate development and is also registered with the Housing and Land Use Regulatory Board under Executive Order No. 648 and was granted to sell parcels of land on CISC's project, the Phoenix Petroleum Industrial Park (the Park). CISC is formerly known as Phoenix Petroterminals & Industrial Park Corp. and was sold to Udenna Development (Udevco) Corporation (UDEVCO) on November 24, 2016.

(i) Incorporated in the Philippines on July 17, 2006 and started commercial operations on January 1, 2007 and is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines. CSC was sold to Chelsea Logistics Holdings, Corp. (CLHC) on November 24, 2016.

(j) Incorporated on March 7, 2000 and is established to serve the growing demand of marine fuel (bunker) of foreign vessels calling on the ports of the Philippines and hauling of marine fuel and petroleum products for major oil companies. BMI is a subsidiary of CSC, which was sold to CLHC on November 24, 2016.

(k) Incorporated on December 26, 1957 and is engaged in the business of acquiring and operating floating equipment for charter or hire and for the conveyance and carriage of goods, wares, and merchandise of every description in the Philippines coastwise traffic without any fixed schedule. MI is also engaged in the trading of fuel oil. On May 6, 2008, the SEC approved the extension of the Company's corporate life of another 50 years. MI is a subsidiary of CSC, which was sold to CLHC on November 24, 2016.

(l) Incorporated on February 2, 2011 and is engaged in the ownership and operation of vessels for domestic trade for the purpose of conveyance or carriage of petroleum products, goods, wares and merchandise of every kind and description. PNX-Chelsea is a subsidiary of CSC, which was sold to CLHC on November 24, 2016.

(m) Incorporated on March 30, 2012 and is engaged in the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels. CSMMSC is a subsidiary of CSC, which was sold to CLHC last November 24, 2016.

(n) Incorporated on April 8, 2013 and is engaged in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbours, and other waterways between the various ports of the Philippines, and acquire by purchase, charter, lease or modes recognized by law of obtaining title to or use of such equipment and properties, real or personal, which may be necessary to achieve such purpose. FTC is a subsidiary of CSC, which was sold to CLHC on November 24, 2016.

(o) Incorporated on January 30, 2013 and is engaged in the business of providing technical ship services and to act as agent, broker, ship handler or representative of foreign/domestic shipping corporations and individuals for the purpose of operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals, and to equip any and all kinds of ships, barges and vessels of every class and description owned by any shipping corporation. In 2015, CSC disposed all of its ownership interest in the associate.

(p) Incorporated on March 27, 2014 and is engaged in bulk or wholesale supply and distribution of LPG and other petroleum products, which also includes importation, storage, and wholesale, refilling thereof and to operate and maintain storage terminals, equipment and transport facilities to be used therein. SPI is an associate of CISC, which was sold to UDEVCO on November 24, 2016.

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
PLPI	–	Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City
Duta	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
Kaparangan	–	15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City

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.

1.4 Business Combinations

On August 14, 2017, the Parent Company finalized the purchase and sale agreements with PDB (Netherlands) B.V., an entity organized under the laws of Netherlands and is an investment holdings Company of PETRONAS Dagangan Berhad (a Malaysia-listed entity), for the acquisition of the 100.00% voting rights of PLPI and Duta Group for P6,481.1 million and P394.2 million, respectively. Aggregate information at the acquisition date are as follows:

	Notes	PLPI	Duta Group
Fair values of assets acquired		P 2,799,236,717	P 1,109,715,306
Fair values of liabilities assumed		298,619,669	65,316,461
Total identifiable net assets		2,500,617,048	1,044,398,845
Total acquisition costs		6,481,061,805	394,216,518
Goodwill	2.12, 14	P 3,980,444,757	
Excess of fair value of net assets acquired over acquisition cost	2.12		P 650,182,327
Cash flow on acquisition:			
Net cash acquired with the subsidiary		P 145,913,428	P 23,743,964
Cash paid		(6,481,061,805)	(394,216,518)
Net cash outflow		(P 6,335,148,377)	(P 370,472,554)

	PLPI	Duta Group
Pre-acquisition income	P 273,205,535	P 6,244,345

The acquisition of PLPI and Duta Group strategically supports the Parent Company's expansion in operation as well as product lines. The total acquisition related costs amounted to P76.7 million.

The excess of the fair value of the nets assets of Duta Group over the acquisition cost amounting to P650.2 million is presented in the 2017 consolidated statement of comprehensive income as Excess of Fair Value of Net Assets Acquired Over Acquisition Cost (see Note 2.12). The real properties of Duta Group, which pertain to investment properties were appraised by an independent appraiser [see Note 3.2*(b)*]. The fair values of the said properties are determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between the knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transactions as at the valuation date.

1.5 Disposal of Investment of Shares of CSC and CISC

On November 24, 2016, the Parent Company sold its entire investments in CSC to CLHC for P2,000.0 million, and in CISC to UDEVCO for P1,000.0 million. CLHC and UDEVCO are related parties under common ownership. Business combinations and disposals that are under common ownership are accounted for under the pooling-of-interest method (see Note 2.12). The account balances of CSC and CISC were deconsolidated in the 2016 consolidated financial statements. The difference between the considerations received and net asset values as of disposal date of CSC and CISC amounting to P730.4 million was recognized and presented as Other Reserves in the 2016 consolidated statement of financial position.

1.6 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2017 (including the comparative consolidated financial statements as of and for the years ended December 31, 2016 and 2015) were authorized for issue by the Parent Company's Board of Directors (BOD) on February 15, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

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

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses

Discussed below are the relevant information about these amendments and improvements.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. 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 statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which includes both cash and non-cash changes are presented in Note 18.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. 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. The application of this amendment has had no impact on the Group's consolidated financial statements.

(b) Effective in 2017 that are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2017 but are not relevant to the Group's financial statements:

Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests classified as held for sale

(c) 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 consolidated financial statements

(i) PAS 40 (Amendments), *Investment Property – Reclassification to and from investment property* (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on the Group's consolidated financial statements.

(ii) 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 is currently assessing the impact on the consolidated financial statements of the Group.

(iii) 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.

Based on an assessment of the Group's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the majority of trade and other receivables to continue to be accounted for at amortized cost. However, a number of other financial assets are likely to be measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest.

- The expected credit loss model will apply to the Group's trade receivables. For other financial assets and trade receivables, the Group will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.

- The Group's equity securities, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.

(iv) 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.

(v) PFRS 15, *Revenue from Contract 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: International Financial Reporting Interpretations Committee (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*. 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.

Based on an assessment and comprehensive study of the Group's revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its significant sources of revenues pertain to the sale of fuel, LPG and other petroleum products.

The fuels, LPG, lubricants and other petroleum products can be sold and used separately. Revenue from the sale of goods shall be recognized at a point in time when the control has been transferred to the customer.

(vi) IFRIC 22, *Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this amendment has no material impact on the Group's consolidated financial statements.

(vii) 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.

(viii) IFRIC 23, *Uncertain over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this new standard in its consolidated financial statements.

(ix) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries (see Note 1) after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries as follows.

Subsidiaries are entities (including structured entities) over which the Parent Company has control. Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill (see Note 14). If the consideration received is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

On the other hand, business combinations arising from transfers or acquisition of interests in entities that are under the common control of the shareholder that controls the Group are normally accounted for under the pooling-of-interests method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognized in the Group's consolidated financial statements at the carrying amounts previously recognized. The difference between the consideration transferred and the net assets of the subsidiary acquired is recognized as Other Reserves as part of the equity (see Notes 2.12 and 2.23).

If the Parent Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, derecognizes the cumulative translation differences recorded in equity, recognizes the fair value of the consideration received and reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities. The difference between the consideration received and the net asset of the subsidiary disposed is recognized as Other Reserves as part of the equity (see Notes 2.12 and 2.23).

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

Currently, the financial assets category relevant to the Group is loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding certain advances to suppliers and advances subject to liquidation), Due from Related Parties, Restricted Deposits, and Refundable Rental Deposits (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Cash and cash equivalents include cash on hand, savings and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Refundable rental deposits are initially recognized at fair value. Interest on the rental deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Income under Other Charges (Income) in the consolidated statement of comprehensive income. The excess of the principal amount of the deposit over its present value is immediately recognized as deferred minimum lease payments (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Meanwhile, rent expense arising from subsequent amortization of deferred minimum lease payments is accounted for using the straight-line method over the lease term and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statement of comprehensive income.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs account in the consolidated statement of profit or loss.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of inventories includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made for, where necessary, for obsolete, slow-moving and defective inventories (see Note 8).

2.6 Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.7 Property, Plant and Equipment

Land is stated at cost less any impairment in value. All other property, plant and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures for repairs and maintenance are charged to expense as incurred (see Note 2.13).

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Tankers	30 years
LPG cylinders	30 years
Buildings, depot, plant and pier facilities	5-25 years
Transportation and other equipment	1-10 years
Vessel equipment	5 years
Gasoline and LPG station equipment	1-5 years
Hauling and heavy equipment	1-5 years
Office furniture and equipment	1-3 years

LPG cylinders, which are circulating and are utilized by customers in their households or business premises, are presented at cost less accumulated depreciation and provision for losses lost LPG cylinders. The Group performs an internal simulation and assessment of the quantity of LPG cylinders circulating and being stored in the market. A provision is provided for lost assets in accordance with the computed quantities. The assessment will be conducted every other year and when the lost LPG cylinders are ascertained, the lost cylinders will be written-off.

Leasehold and land improvements are amortized over the terms of the related leases or the useful lives of the improvements, whichever is shorter.

Hauling and heavy equipment held under finance lease agreements (see Note 2.14) are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.18) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

The residual values, estimated useful lives and method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

These properties are held for lease under operating lease agreements, which comprise land and land improvements, and are carried at cost less amortization and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.16).

The residual values, estimated useful lives and method of amortization of investment properties, except for land, are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers to or from investment properties shall be made when and only when there is a change in use or purpose for such property.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

2.9 Intangible Assets

Intangible assets include acquired computer software licenses and basketball franchise, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. The useful lives of intangible assets are assessed as either finite or indefinite.

Capitalized costs for computer software licenses are amortized on a straight-line basis over the estimated useful lives (ranging from one to ten years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.16.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

The Group assessed the useful life of basketball franchise to be indefinite because this is expected to contribute to net cash flows indefinitely. The basketball franchise is not amortized but is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.10 Financial Liabilities

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

Interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset (see Note 2.18). All other interest related charges are recognized as an expense in the consolidated statement of comprehensive income under the caption Finance Costs.

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

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

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

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-77.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the 2017 consolidated statement of financial position, are reduced for estimated non-returns. The reduction is recognized directly in profit or loss.

Obligations under finance lease (included as part of Interest-bearing Loans and Borrowings) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Notes 2.14 and 31.5).

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

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

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

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting and pooling-of-interest method.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.16).

Negative goodwill which is the excess of the Group's interest in the fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Under the pooling-of-interest method which is applicable for the acquisition and disposal of an entity under common control, similar accounts of the entities are combined on a line-by-line basis except for the equity accounts which were offset with the new shares issued by the new entity in which the difference between the net assets received and the amount of the consideration (shares issued and cash) is accounted for as Other Reserves (see Note 2.23).

2.13 Revenue and Expense Recognition

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

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the specific recognition criteria presented below must also be met before revenue is recognized.

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

(b) *Fuel service and other revenues, port revenues and storage income* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. In addition, this includes revenue arising from port and cargo handling services

(c) *Rent income* – Revenue is recognized on a straight-line basis over the lease term (see Note 2.14).

(d) *Charter fees and other charges* – Revenue, which consists mainly of charter income arising from the charter hire of tankers, is recognized based on the type of charter arrangement entered into, either under a time charter (TC), a continuing voyage charter (CVC), or a bareboat agreement (BB) [see Note 3.1*(e)*]. Under a TC and BB, revenue is recognized based on the terms of the contract, with the distinction that in a BB, no administration or technical maintenance is included as part of the agreement. Under a CVC, revenue is recognized upon completion of the voyage; however, appropriate accrual of revenue is made at the end of the reporting period.

(e) *Sale of real estate* – Revenue on sale of real estate is recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership of the land have passed to the buyer and the amount of revenue can be measured reliably. Revenue is also recognized when a downpayment of at least 25.00% has been collected.

(f) *Interest income*– Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Cost and expenses are recognized in the profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.18).

The cost of real estate sold, if any, before the completion of the development is determined based on the actual costs incurred to date, which include the cost of land plus estimated costs to complete the project development. The estimated expenditures for the development of sold real estate, as determined by project engineers, are charged to Cost of Sales and Services in the consolidated statement of comprehensive income with a corresponding credit to Liability for Land Development presented under the Trade and Other Payables account in the consolidated statement of financial position, which is already deconsolidated in 2016 as a result of sale of CISC (see Note 1.5).

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are included in the Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.15 Foreign Currency Transactions and Translations

(a) *Transactions and Balances*

Except for PNX SG, which uses the Singapore Dollars as its functional currency, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(b) Translation of Financial Statements of a Foreign Subsidiary

The operating results and financial position of a foreign subsidiary (i.e. PNX SG), which are measured using the Singapore Dollar, its functional currency, are translated to Philippine pesos, to the Group's functional currency as follows:

i. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

ii. Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

iii. All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account (see Note 2.23).

On consolidation, exchange differences arising from the translation of the net investment in PNX SG is recognized under Translation Adjustment Related to a Foreign Subsidiary in the 2017 consolidated statement of comprehensive income. When a foreign operation is partially disposed or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

The translation of the consolidated financial statements into Philippine peso should not be construed as a representation that the Singapore Dollar amounts could be converted into Philippine Peso amounts at the translation rates or at any other rates of exchange.

2.16 Impairment of Non-financial Assets

The Group's property, plant and equipment, intangible assets, goodwill and other non-financial assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill and franchise that are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The cash-generating units or groups of cash-generating units are identified according to operating segment.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss, except impairment loss on goodwill (see Note 2.12), is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.17 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and a defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets, if any, for funding the defined benefit plan have been acquired. Plan assets, if any, may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Profit-sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.18 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.19 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets, if any, are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities, the carrying amount of such properties is presumed to be recovered entirely through sale, unless the presumption is rebutted, that is when the land held for sale and development costs are held within the business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.20 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.21 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Parent Company's BOD and management committee responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 30, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.
In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.23 Equity

Preferred and common stock represents the nominal value of shares that have been issued.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise of gains and losses arising from the revaluation of the Group's tankers and from the remeasurements of post-employment defined benefit obligation, net of applicable taxes.

Other reserves in 2016 pertain to the difference between the Parent Company's consideration received and the disposed net assets of CSC and CISC (see Note 1.5). Other reserves in 2015 pertain to the difference between the Parent Company's cost of investment and the acquired net assets of CSC accounted for under the pooling-of-interest method (see Notes 2.3 and 2.12).

Accumulated translation adjustment pertains to translation adjustments resulting from the translation of foreign-currency denominated financial statements of a certain foreign subsidiary into the Group's functional and presentation currency [see Note 2.15*(b)*].

Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

2.24 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to common shareholders by the weighted average number of common shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares, if any.

2.25 Share-based Payments

The Parent Company grants share options to qualified employees of the Parent Company eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any.

The share-based remuneration, if any, is recognized as an expense in profit or loss and the corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital.

2.26 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement, either as a lessor or a lessee, as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Certain hauling and heavy equipment are acquired and accounted for under finance lease.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 31.

(c) Determination of Qualifying Assets on Borrowing Costs

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Determining if an asset is a qualifying asset will depend on the circumstances and requires the use of judgment in each case. In making judgment, the management takes into account its intention when it determines whether the asset is a qualifying asset and considers the facts and circumstances and uses its judgment to determine whether an asset takes a substantial period of time to get ready for its intended use or sale. Based on the facts and circumstances affecting the Group's qualifying asset, the management concludes that the Group's retail station, depot facilities, tankers and land held for sale and development costs are qualifying assets as the management assesses that it takes substantial period of time for the completion of those assets.

(d) Distinction between Investment Properties and Owner-Managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity.

Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(e) Revenue Recognition for Charter Fee Arrangements

In determining the appropriate method to use in recognizing the Group's revenue from TC, CVC and BB, management considers the following criteria: (1) whether the fulfilment of the arrangement is dependent on the use of a specific vessel; and, (2) whether the arrangement conveys a right to use the vessel. Management determined that if both criteria are met, the revenue should be recognized using the straight-line method over the term of the contract (see Note 2.13). Otherwise, revenue will be recognized based on contract terms when substantial agreed tasks have been rendered.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Impairment of Trade and Other Receivables and Due from Related Parties

Adequate amount of allowance for impairment is provided for specific and group of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers and the related party, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7. The carrying value of due from related parties is shown in Note 27.4. The Group has determined that no impairment loss on Due from Related Parties should be recognized in 2017, 2016 and 2015.

(b) Determination of Net Realizable Value of Inventories

In determining the net realizable values of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Future realization of the carrying amounts of inventories, as presented in Note 8, is affected by price changes and action from competitors. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial reporting period.

(c) Estimation of Useful Lives of Property, Plant and Equipment, Intangible Assets and Investment Properties

The Group estimates the useful lives of property, plant and equipment, intangible assets and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property, plant and equipment and intangible assets are analyzed in Notes 11 and 12, respectively. The carrying amount of investment properties is disclosed in Note 15. Based on management's assessment as of December 31, 2017 and 2016, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Fair Value Measurement of Tankers

The Group's tankers, which is previously presented as part of the Property, Plant and Equipment account, are carried at revalued amount at the end of the reporting period. In determining the fair values of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies.

For tankers with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of the Group's tankers. The tankers are among the assets deconsolidated in 2016.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2017 and 2016 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2017 and 2016 is disclosed in Note 26.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 24.3.

(g) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2017, 2016 and 2015.

(h) Fair Value Measurements of Business Combinations

On initial recognition in a business combination using the purchase method of accounting, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates and obtains assistance from third party valuation specialists on the acquired investment properties (see Note 1.4). Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(i) Provision for Losses on Lost LPG Cylinders

Management estimates provision for losses on lost LPG cylinders based on the quantities computed from its internal simulations and computations. The estimated quantities do not represent the exact quantities of the LPG cylinders but they are assessed based on management's assumptions and historical loss experience representing the management's best estimate of the quantities of lost cylinders. Management will arrange for the appraisal by an external expert to take place every other year to obtain confidence in the estimate of the provision amount.

Management has assessed that no provision for losses on lost LPG cylinders is required to be recognized in 2017.

4. 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.

4.1 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 (U.S.$). The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). Further, in 2016, the Group has several U.S. dollar loans from certain banks, which were used to finance its capital expenditures (see Note 17). The Group also holds U.S. and Singapore 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:

	2017		2016
	U.S. Dollar	**Singapore Dollar**	U.S. Dollar
Financial assets	**P 1,260,407,888**	**P 317,739**	P 5,678,959,607
Financial liabilities	**(1,566,782,434)**	**-**	(350,848,259)
Net exposure	**(P 306,374,546)**	**P 317,739**	P 5,328,111,348

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. and Singapore 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 12 months at a 99.00% confidence level.

	2017		2016
	U.S. Dollar	**Singapore Dollar**	U.S. Dollar
Reasonably possible change in rate	**10.77%**	**16.88%**	12.93%
Effect in profit before tax	**(P 32,996,539)**	**P 53,635**	P 688,924,797
Effect in equity after tax	**(23,097,577)**	**37,544**	482,247,358

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, 2017 and 2016, 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 (see Notes 6 and 17). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-0.47% and +/-0.54% in 2017 and 2016, respectively, for Philippine Peso and +/-0.50% and nil in 2017 and 2016, respectively, for Singapore dollar. Short-term money placements and time deposits are tested on a reasonably possible change of +/-0.90% in 2017. Banks loans subject to variable interest rates are tested on a reasonably possible change of +/-0.30% and +/-0.32% for Philippine peso and nil and +/-0.25% for U.S. dollar in 2017 and 2016, respectively. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 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 +/-P94.5 million and +/-P45.0 million for the year ended December 31, 2017 and 2016, respectively, and equity after tax by +/-P66.2 million and +/-P31.5 million for the year ended December 31, 2017 and 2016, 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.

4.2 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.

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 summarized below.

	Notes	**2017**	2016
Cash and cash equivalents	6	**P 1,831,542,441**	P 2,338,780,526
Trade and other receivables – net*	7	**6,843,698,948**	8,039,947,280
Due from related parties	27.4	**518,004,898**	1,506,997,926
Restricted deposits	9	**51,281,559**	50,925,404
Refundable rental deposits	16	**182,480,300**	140,817,250
		P 9,427,008,146	P12,077,468,386

**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 Corp. up to a maximum coverage of P0.5 million for every depositor per banking institution.

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

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.

	2017	2016
Not more than one month	**P 577,035,340**	P 2,337,949,143
More than one month but not more than two months	**681,732,537**	57,804,099
More than two months but not more than six months	**1,475,835,606**	83,468,815
More than six months but not more than one year	**579,628,183**	902,428,898
More than one year	**455,810,155**	5,249,731,017
	P 3,770,041,821	P 8,631,381,972

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.

4.3 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.

As of December 31, 2017, 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
	P 20,823,734,468	**P 770,678,974**	**P 10,179,991,192**	**P 2,548,508,765**

This compares to the maturity of the Group's financial liabilities as of December 31, 2016 as presented below.

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
Interest-bearing loans and borrowings	P 10,386,388,575	P 2,826,900,125	P 2,528,962,920
Trade and other payables (excluding tax-related payables)	3,152,398,546	-	-
Security deposits	-	-	219,790,571
	P 13,538,787,121	P 2,826,900,125	P 2,748,753,491

The contractual maturities of the financial liabilities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

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.

		2017				2016			
	Notes		**Carrying Values**		**Fair Values**		Carrying Values		Fair Values
Financial Assets									
Loans and receivables:									
Cash and cash equivalents	6	**P**	**1,831,542,441**	**P**	**1,831,542,441**	P	2,338,780,526	P	2,338,780,526
Trade and other receivables-net*	7		**6,843,698,948**		**6,843,698,948**		8,039,947,280		8,039,947,280
Due from related parties	27.4		**518,004,898**		**518,004,898**		1,506,997,926		1,506,997,926
Restricted deposits	9		**51,281,559**		**51,281,559**		50,925,404		50,925,404
Refundable rental deposits	16		**182,480,300**		**182,480,300**		140,817,250		140,817,250
		P	**9,427,008,146**	**P**	**9,427,008,146**	P	12,077,468,386	P	12,077,468,386
Financial Liabilities									
Financial liabilities at amortized cost:									
Interest-bearing loans and borrowings	17	**P**	**28,171,433,998**	**P**	**28,171,433,998**	P	13,184,423,843	P	13,184,423,843
Trade and other payables**	19		**3,730,046,488**		**3,730,046,488**		3,152,398,546		3,152,398,546
Security deposits	20		**245,488,541**		**245,488,541**		219,790,571		219,790,571
Customers' cylinder deposits	20		**196,380,513**		**196,380,513**		-		-
Cash bond deposits	20		**33,492,002**		**33,492,002**		-		-
		P	**32,376,841,542**	**P**	**32,376,841,542**	P	16,556,612,960	P	16,556,612,960

* *Excluding certain advances to suppliers and advances subject to liquidation*
** *Excluding tax-related payables*

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- 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 Financial Instruments Measurement at Fair Value

There are no financial assets and financial liabilities that are measured at fair value as of December 31, 2017 and 2016.

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 consolidated statements of financial position but for which fair value is disclosed.

	Notes	2017 Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P1,831,542,441	P -	P -	P 1,831,542,441
Trade and other receivables - net	7	-	-	6,843,698,948	6,843,698,948
Due from related parties	27.4	-	-	518,004,898	518,004,898
Restricted deposits	9	51,281,559	-	-	51,281,559
Refundable rental deposits	16	-	-	182,480,300	182,480,300
		P1,882,824,000	**P -**	**P 7,544,184,146**	**P 9,427,008,146**
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	P -	P -	P28,171,433,998	P 28,171,433,998
Trade and other payables	19	-	-	3,730,046,488	3,730,046,488
Security deposits	20	-	-	245,488,541	245,488,541
Customers' cylinder deposits	20	-	-	196,380,513	196,380,513
Cash bond deposits	20			33,492,002	33,492,002
		P -	**P -**	**P32,376,841,542**	**P 32,376,841,542**

	Notes	2016 Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P2,338,780,526	P -	P -	P 2,338,780,526
Trade and other receivables - net	7	-	-	8,039,947,280	8,039,947,280
Due from related parties	27.4	-	-	1,506,997,926	1,506,997,926
Restricted deposits	9	50,925,404	-	-	50,925,404
Refundable rental deposits	16	-	-	140,817,250	140,817,250
		P2,389,705,930	P -	P 9,687,762,456	P 12,077,468,386
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	17	P -	P -	P 13,184,423,843	P 13,184,423,843
Trade and other payables	19	-	-	3,152,398,546	3,152,398,546
Security deposits	20	-	-	219,790,571	219,790,571
		P -	P -	P 16,556,612,960	P16,556,612,960

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.

5.5 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	December 31, 2017					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off		Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 6,843,698,948	P -	P 6,843,698,948	P -	(P 278,980,543)	P 6,564,718,405
Restricted deposits	51,281,559	-	51,281,559	(51,281,559)	-	-
Total	**P 6,894,980,507**	**P -**	**P 6,894,980,507**	**(P 51,281,559)**	**(P 278,980,543)**	**P 6,564,718,405**

	December 31, 2016					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off		Financial instruments	Cash collateral received	Net amount
Trade and other receivables	P 8,098,928,922	(P 58,981,642)	P 8,039,947,280	P -	(P 219,790,571)	P 7,820,156,709
Restricted deposits	50,925,404	-	50,925,404	(50,925,404)	-	-
Total	P 8,149,854,326	(P 58,981,642)	P 8,090,872,684	(P 50,925,404)	(P 219,790,571)	P 7,820,156,709

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	December 31, 2017					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 28,171,433,998	P -	P 28,171,433,998	(P 51,281,559)	P -	P 28,120,152,440
Security deposits	245,488,541	-	245,488,541	-	(245,488,541)	-
Cash bond deposits	33,492,002	-	33,492,002	-	(33,492,002)	-
Total	**P 28,450,414,541**	**P -**	**P 28,450,414,541**	**(P 51,281,559)**	**(P 278,980,543)**	**P 28,120,152,440**

	December 31, 2016					
	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Cash collateral received	Net amount
Interest-bearing loans and borrowings	P 13,184,423,843	P -	P 13,184,423,843	(P 50,925,404)	P -	P 13,133,498,439
Trade and other payables	3,182,159,260	(29,760,714)	3,152,398,546	-	-	3,152,398,546
Security deposits	219,790,571	-	219,790,571	-	(219,790,571)	-
Total	P 16,586,373,674	(P 29,760,714)	P 16,556,612,960	(P 50,925,404)	(P 219,790,571)	P 16,285,896,985

For financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements presented above, each agreement between the Group and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2017	2016
Cash in banks	**P 1,549,265,669**	P 2,330,247,063
Cash on hand	**412,846**	8,458,713
Revolving fund	**11,527,561**	74,750
Short-term placements	**270,336,365**	-
	P 1,831,542,441	P 2,338,780,526

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 2.50% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 1.00% per annum in all years presented. Interest income earned amounted to P15.7 million, P3.9 million and P2.8 million in 2017, 2016 and 2015, respectively, and is included as part of Finance income under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.2).

The balances of cash in banks as of December 31, 2017 and 2016 exclude restricted time deposits totalling to P51.3 million and P50.9 million, respectively, which are shown as Restricted Deposits account (see Note 9) and restricted time deposits under Other Non-current Assets (see Note 16) in the consolidated statements of financial position. Such amounts are not available for the general use of the Group under the loan agreement (see Note 17).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2017	2016
Trade receivables:			
Third parties		**P 5,241,341,414**	P 2,513,174,190
Related parties	27.1	**955,539,554**	157,624,601
		6,196,880,968	2,670,798,791
Advances to suppliers:			
Third parties		**219,626,441**	5,571,866,972
Related parties	27.2	**424,838,624**	438,294,800
		644,465,065	6,010,161,772
Non-trade receivables			
Third parties		**517,507,971**	325,483,131
Related parties	27.4, 27.7	**586,598,808**	88,737,836
		1,104,106,779	414,220,967
Advances subject to liquidation		**21,034,364**	29,633,211
Other receivables		**20,864,877**	3,240,165
		7,987,352,053	9,128,054,906
Allowance for impairment		**(478,153,676)**	(339,048,847)
		P 7,509,198,377	P 8,789,006,059

Trade and other receivables generally do not bear any interest. All receivables are subject to credit risk exposure (see Note 4.2).

PLPI entered into deferred payment agreement (DPA) with customers that are unable to pay their due and outstanding payable to PLPI. PLPI agreed to collect, inclusive of interest, through instalments as stated in the terms and conditions of the agreement. As of December 31, 2017, the balance of receivables under DPA amounted to P28.3 million and is presented as part of Trade Receivables – Third Parties in the Trade and Other Receivables account in the 2017 statement of financial position. There are no non-current trade receivables as of the said cut-off.

The parties have agreed to enter into the DPA for the full and final settlement of the debt subject to the following terms and conditions:

i) Customer promises to pay PLPI through monthly instalment payment and by way of post-dated checks;

ii) The customer shall undertake to make full and final settlement of the remaining outstanding amount of the debt in the event that the customer obtain any financial assistance from any banks and/or financial institutions to finance its business operation. The entire remaining outstanding amount of the debt shall become immediately due without further demand, formal or informal advice in the event any of the monthly instalments are not received by the PLPI on or before the due date;

iii) Should PLPI be compelled to institute extra-judicial foreclosure of the collateral and/or judicial actions to foreclose or collect unpaid amounts, the customer shall be liable for the costs and fees incurred by PLPI in the preparation, monitoring and enforcement of the DPA, as well as costs and fees incurred by the PLPI on account filing and prosecution and enforcement of any judicial foreclosures, extra-judicial foreclosures, and collection suits; and,

iv) The customer further agrees that in the event it fails to pay any of the monthly instalments, then PLPI shall be at liberty to recover the same through the process of court, in which event all costs and expenses incurred by the PLPI including the legal costs on a solicitor and client basis shall be solely borne by them.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade and other receivables, which are due from customers, were found to be impaired; hence, adequate amount of allowance for impairment has been recorded as of December 31, 2017 and 2016.

Impairment losses amounting to P50.3 million, P113.0 million and P79.2 million in 2017, 2016 and 2015, respectively, are presented as part of Finance Costs under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 23.1). Recovery of bad debts are presented as part of Others under Other Income (Charges) in the consolidated statements of comprehensive income.

A reconciliation of the allowance for impairment at the beginning and end of 2017 and 2016 is shown below.

	Notes	**2017**	2016
Balance at beginning of year		**P 339,048,847**	P 358,488,027
Business combination	1.4	**138,498,702**	-
Impairment loss for the year	23.1	**46,167,713**	112,986,854
Written-off during the year		**(44,844,753)**	(17,669,476)
Recovery of bad debts		**(716,833)**	(74,741)
Disposals due to deconsolidation		**-**	(114,681,817)
Balance at end of year		**P 478,153,676**	P 339,048,847

In 2017, the Group directly written off past due accounts amounting to P4.1 million, which is also presented as part of Impairment losses on trade and other receivables under Finance Costs (see Note 23.1).

8. INVENTORIES

The breakdown of inventories are as follows:

	2017	2016
At cost:		
Fuels	**P 12,571,587,151**	P 2,662,777,903
LPG	**124,305,656**	-
Others	**2,185,536**	72,864
	12,698,078,343	2,662,850,767
At net realizable value –		
Lubricants	**271,868,702**	335,929,379
	P12,969,947,045	P 2,998,780,146

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P5,139.1 million and P2,223.9 million as of December 31, 2017 and 2016, 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 (see Note 17.1).

There were no inventory write-down in 2017 and 2016. Certain lubricants are stated at net realizable value as acquired from the business combination in 2017 (see Note 1.4). Presented below is the breakdown of lubricants to derive at the net realizable value in 2017.

Cost	P 274,673,603
Allowance for inventory write-down	(6,020,986)
Recoveries	3,216,085
	P 271,868,702

An analysis of the cost of inventories included in the cost of fuels and lubricants sold in each year is presented in Note 21.1.

9. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various banking credit facilities covered by hold-out agreements (see Notes 6 and 17.1) amounting to P51.3 million and P50.9 million as of December 31, 2017 and 2016, respectively. As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities by the Group are used for the purpose of purchasing fuel and lubricant supplies. Interest rates for this type of deposit range from 0.80% to 0.88% per annum for December 31, 2017 and 2016. Interest income earned from restricted deposits amounted to P0.1 million, P0.7 million, P0.6 million in 2017, 2016 and 2015, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

10. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of December 31, 2017 and 2016 is shown below.

	Note	**2017**	2016
Creditable withholding tax		**P 122,773,907**	P 245,287,284
Prepayments	27.3	**299,066,139**	225,823,002
Supplies		**159,214,128**	124,853,313
Others		**381,709**	-
		P 581,435,883	P 595,963,599

11. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2017 and 2016 are shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
December 31, 2017												
Cost	P 7,938,264,335	P 280,550,323	P 4,307,161,317	P 1,725,126,080	P 174,830,660	P 723,956,478	P 60,325,908	P -	P -	P 2,431,765,273	P 761,915,936	P 18,403,896,310
Accumulated depreciation, amortization, and impairment	(1,853,643,912)	(172,228,961)	(1,547,282,631)	(776,460,696)	(106,213,403)	(491,547,359)	(55,832,003)	-	-	-	-	(5,003,208,965)
Net carrying amount	**P 6,084,620,423**	**P 108,321,362**	**P 2,759,878,686**	**P 948,665,384**	**P 68,617,257**	**P 232,409,119**	**P 4,493,905**	**P -**	**P -**	**P 2,431,765,273**	**P 761,915,936**	**P 13,400,687,345**
December 31, 2016												
Cost	P 4,634,286,358	P 294,381,659	P 3,115,535,438	P -	P 105,444,580	P 652,099,361	P 38,154,152	P -	P -	P 1,696,586,766	P 1,081,354,000	P 11,617,842,314
Accumulated depreciation and amortization	(1,135,333,357)	(89,335,859)	(857,037,528)	-	(84,301,661)	(411,366,616)	(38,154,152)	-	-	-	-	(2,615,529,173)
Net carrying amount	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P -	P -	P 1,696,586,766	P 1,081,354,000	P 9,002,313,141
January 1, 2016												
Cost	P 4,163,838,819	P 148,718,098	P 2,379,895,263	P -	P 92,824,177	P 599,610,911	P 46,944,514	P 5,085,134,597	P 335,436,389	P 1,138,498,896	P 1,727,856,115	P 15,718,757,779
Accumulated depreciation And amortization	(945,023,733)	(55,127,432)	(575,008,715)	(-)	(74,896,989)	(348,317,991)	(33,254,229)	(715,593,100)	(128,532,272)	-	-	(2,875,754,461)
Net carrying amount	P 3,218,815,086	P 93,590,666	P 1,804,886,548	P -	P 17,927,188	P 251,292,920	P 13,690,285	P 4,369,541,497	P 206,904,117	P 1,138,498,896	P 1,727,856,115	P 12,843,003,318

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016 of property, plant and equipment is shown below.

	Buildings, Depot, Plant and Pier Facilities	Leasehold and Land Improvements	Gasoline and LPG Station Equipment	LPG Cylinders	Office Furniture and Equipment	Hauling and Heavy Equipment	Transportation and Other Equipment	Tankers	Vessel Equipment	Land	Construction in Progress	Total
Balance at January 1, 2017 net of accumulated depreciation and amortization	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P -	P -	P 1,696,586,766	P 1,081,354,000	P 9,002,313,141
Business combination - cost (see Note 1.4)	1,475,209,901	-	494,487,528	1,665,092,760	20,693,043	-	18,814,376	-	-	-	4,753,049	3,679,050,657
Business combination - accumulated depreciation and provision for loss on lost cylinders (see Note 1.4)	(507,141,325)	-	(333,104,296)	(757,139,740)	(16,551,492)	-	(18,125,459)	-	-	-	-	(1,632,062,312)
Additions	915,256	6,799,404	5,402,980	74,504,679	57,390,498	103,659,961	4,227,327	-	-	735,178,507	2,207,257,158	3,195,335,770
Transfers	1,827,852,820	(19,666,168)	723,567,010	(521,536)	-	-	-	-	-	-	(2,531,232,126)	-
Cost of asset disposed	-	(964,572)	(31,831,639)	(13,949,823)	(8,697,461)	(31,802,844)	(869,947)	-	-	-	(216,145)	(88,332,431)
Accumulated depreciation of asset disposed	-	964,572	23,068,476	4,610,559	8,567,528	26,568,472	855,448	-	-	-	-	64,635,055
Depreciation and amortization charges for the year	(211,169,230)	(83,857,674)	(380,209,283)	(23,931,515)	(13,927,778)	(106,749,215)	(407,840)	-	-	-	-	(820,252,535)
Balance at December 31, 2017 net of accumulated depreciation and amortization	**P 6,084,620,423**	**P 108,321,362**	**P 2,759,878,686**	**P 948,665,384**	**P 68,617,257**	**P 232,409,119**	**P 4,493,905**	**P -**	**P -**	**P 2,431,765,273**	**P 761,915,936**	**P 13,400,687,345**
Balance at January 1, 2016 net of accumulated depreciation and amortization	P 3,218,815,086	P 93,590,666	P 1,804,886,548	P -	P 17,927,188	P 251,292,920	P 13,690,285	P 4,369,541,497	P 206,904,117	P 1,138,498,896	P 1,727,856,115	P 12,843,003,318
Disposals due to deconsolidation	(662,970,883)	-	-	-	(3,851,001)	(105,795,073)	(8,790,362)	(4,067,209,810)	(134,043,964)	-	(69,203,987)	(5,051,865,080)
Additions	-	-	-	-	17,559,953	182,364,854	-	-	-	558,087,870	1,459,609,643	2,217,622,320
Transfers	1,136,052,311	146,861,297	737,570,774	-	-	-	-	-	-	-	(2,036,907,771)	(16,423,389)
Cost of asset disposed	-	(1,197,736)	(1,385,484)	-	(1,088,549)	(24,080,144)	-	-	-	-	-	(27,751,913)
Accumulated depreciation of asset disposed	-	1,197,736	382,420	-	1,063,055	22,674,343	-	-	-	-	-	25,317,554
Depreciation and amortization charges for the year	(190,309,624)	(35,406,163)	(282,411,233)	-	(10,467,727)	(85,722,968)	(4,899,923)	(302,331,687)	(72,860,153)	-	-	(984,409,478)
Reclassifications/adjustments	(2,633,889)	-	(545,115)	-	-	(1,187)	-	-	-	-	-	(3,180,191)
Balance at December 31, 2016 net of accumulated depreciation and amortization	P 3,498,953,001	P 205,045,800	P 2,258,497,910	P -	P 21,142,919	P 240,732,745	P -	P -	P -	P 1,696,586,766	P 1,081,354,000	P 9,002,313,141

11.1 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P19.7 million, P61.7 million and P61.9 million as of December 31, 2017, 2016 and 2015, respectively (see Note 17.6), representing the actual borrowing costs incurred on loans obtained to fund the construction of depot facilities and retail stations. The average capitalization rate used was 8.50% both in 2017 and 2016.

11.2 Finance Lease

The carrying amount of hauling and heavy equipment held under finance lease amounted to nil and P3.1 million as of December 31, 2017 and 2016, respectively (see Note 17.4).

11.3 Depreciation and Amortization

The Group retired in its books fully-depreciated transportation equipment with a total cost of P24.9 million and P43.1 million in 2017 and 2016, respectively. As of December 2017 and 2016, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P1,044.8 million and P463.7 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2017**	2016	2015
Cost of sales and services	21.1, 21.2	**P 23,964,493**	P 402,281,752	P 246,379,404
Selling and administrative expenses		**796,288,042**	582,127,726	439,696,459
	22	**P 820,252,535**	P 984,409,478	P 686,075,863

In 2016, computer software licenses amounting to P16.4 million, which were previously recorded as part of property, plant and equipment, were transferred to intangible assets (see Note 12).

12. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2017 and 2016 are shown below and in the next page.

	Basketball Franchise	**Computer Software Licenses**	**Software Development Costs**	**Others**	**Total**
December 31, 2017					
Cost	P 176,861,660	P 195,704,242	P 9,638,891	P 1,262,393	P 383,467,186
Accumulated Amortization	-	(101,417,010)	(7,118,724)	-	(108,535,734)
Net carrying amount	**P 176,861,660**	**P 94,287,232**	**P 2,520,167**	**P 1,262,393**	**P 274,931,452**

	Basketball Franchise	Computer Software Licenses	Software Development Costs	Others	Total
December 31, 2016					
Cost	P 176,861,660	P 166,374,580	P 9,275,320	P 933,694	P 353,445,254
Accumulated Amortization	-	(72,935,492)	(5,472,272)	-	(78,407,764)
Net carrying amount	P 176,861,660	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490
January 1, 2016					
Cost	P -	P 127,553,120	P 5,560,142	P -	P 133,113,262
Accumulated amortization	-	(58,015,880)	(2,712,921)	-	(60,728,801)
Net carrying amount	P -	P 69,537,240	P 2,847,221	P -	P 72,384,461

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2017 and 2016 are shown below.

	Basketball Franchise	Computer Software Licenses	Software Development Costs	Others	Total
Balance at January 1, 2017, net of accumulated amortization	P 176,861,660	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490
Additions		29,329,662	363,571	328,699	30,021,932
Amortization expense for the year	-	(28,481,518)	(1,646,452)	-	(30,127,970)
Balance at December 31, 2017, net of accumulated amortization	**P 176,861,660**	**P 94,287,232**	**P 2,520,167**	**P 1,262,393**	**P 274,931,452**
Balance at January 1, 2016, net of accumulated amortization	P -	P 69,537,240	P 2,847,221	P -	P 72,384,461
Additions	176,861,660	22,398,071	3,715,178	933,694	203,908,603
Transfers from property, plant and equipment	-	16,423,389	-	-	16,423,389
Amortization expense for the year	-	(14,919,612)	(2,759,351)	-	(17,678,963)
Balance at December 1, 2016, net of accumulated amortization	P 176,861,660	P 93,439,088	P 3,803,048	P 933,694	P 275,037,490

The amount of amortization is presented as part of selling and administrative expenses in the consolidated statements of comprehensive income (see Note 22).

In 2016, computer software licenses amounting to P16.4 million were transferred from various property, plant and equipment (see Note 11).

13. INVESTMENT IN A JOINT VENTURE

In 2015, CISC entered into a joint venture agreement with 168 Gas Corp. and Seaport Offshore Inc. to establish a joint venture Group that shall operate a terminal and storage facility in the Park for LPG and LPG-related products. The joint venture Group, SPI was incorporated and registered with the SEC on March 27, 2014.

Under the joint venture agreement, SPI has an authorized and outstanding capital stock of P175.0 million with par value of P1.00 per share, which was subsequently increased to P700.0 million. As of December 31, 2015, CISC owns 175.0 million shares, 50.00% of the outstanding capital stock, but does not have significant influence on the entity. Total investment in a joint venture as of December 31, 2015 amounted to P175.0 million, of which, P67.8 million was advanced in 2014. The equity share in the net loss of SPI amounting to P50.1 million and P16.3 million in 2016 and 2015, respectively, is presented under Other Charges (Income) in the consolidated statements of comprehensive income.

Under the agreement, the joint venture has no restrictions as to transfer of funds in the form of cash dividends, or to repay loans or advances made by SPI. This account was derecognized as a result of deconsolidation of CISC in 2016 (see Note 1.5).

14. GOODWILL

Goodwill represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition and relates mainly to business synergy for economies of scale and scope. The movements of this account as of December 31 are as follows:

	Note	**2017**	2016
Balance at beginning of year – net of allowance on impairment loss		**P 10,221,849**	P 84,516,663
Additions due to business combinations	1.4	**3,980,444,757**	-
Disposals due to deconsolidation		**-**	(74,294,814)
Balance at end of year		**P3,990,666,606**	P 10,221,849

In 2013, the Parent Company has assessed that the goodwill pertaining with PGMI is impaired; hence, full impairment loss amounting to P1.3 million was recognized. There are no impairment losses recognized in 2017 and 2016. Based on management's assessment, the carrying amounts of the Goodwill as of both years are fully recoverable.

15. INVESTMENT PROPERTIES

The Group's investment properties were acquired through business combinations (see Note 1.4) and consist of several parcels of land and lot improvements, which are held for investment purposes only. Rental income from investment properties amounted to P1.1 million in 2017 and is presented as part of Rent and Storage Income in the 2017 consolidated statement of comprehensive income. Real estate tax on investment properties amounting to P0.2 million was recognized as a related expense in 2017 and is presented as part of Taxes and Licenses under Selling and Administrative Expenses in the 2017 consolidated statement of comprehensive income (see Note 22).

The carrying amount of the investment properties totalled to P1,114.8 million in 2017 as a result of the acquisition of Duta Group. As a result of the increase in the appraisal values, the Group recognized in 2017 a gain on reversal of impairment amounting to P40.3 million, which was previously recognized before the business combination (see Note 1.4). Such is presented as part of Others under the Other Charges (Income) in the 2017 consolidated statement of comprehensive income.

Had the Group's investment properties been carried using the cost model, the carrying amount would have been P338.4 million as of December 31, 2017. The Group's investment properties were last revalued on October 2, 2017.

16. OTHER NON-CURRENT ASSETS

The composition of this account as of December 31 are shown below.

	Notes	**2017**	2016
Refundable rental deposits	27.3	**P 182,480,300**	P 140,817,250
Deferred minimum lease payments		**39,079,505**	37,913,977
Other prepayments		**-**	7,000,000
Others		**1,907,263**	6,352,989
		P 223,467,068	P 192,084,216

Refundable rental deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The fair values on initial recognition of the lease deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P2.7 million in 2017, P2.6 million in 2016 and P2.1 million in 2015 and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 23.2).

The excess of the principal amount of the rental deposit over its present value is recognized in the consolidated statements of financial position as Deferred Minimum Lease Payments. Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P2.7 million, P2.4 million and P2.4 million in 2017, 2016 and 2015, respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

17. INTEREST-BEARING LOANS AND BORROWINGS

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

	2017	2016
Current:		
Liabilities under LC and TR	**P 5,139,141,223**	P 2,163,936,859
Term loans	**11,657,732,922**	7,989,944,730
Liabilities under short-term commercial papers	**-**	1,107,711,982
Obligations under finance lease	**-**	1,265,272
	16,796,874,145	11,262,858,843
Non-current –		
Term loans	**11,374,559,853**	1,921,565,000
	P28,171,433,998	P13,184,423,843

17.1 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 (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 3.97% and 4.04% per annum in 2017 and 2016, respectively.

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits, inventories and surety of certain stockholders (see Notes 6, 9 and 27.5).

17.2 Term Loans

The breakdown of the outstanding balances of the term loans per creditor as at December 31 are as follows:

	Explanatory Notes	Term	Interest Rates	Outstanding Balance 2017	Outstanding Balance 2016
BDO Unibank, Inc. (BDO)					
i. Term Loan Agreement	*(a)*	7 years	4.02%	**P 5,799,559,853**	P -
ii. Notes Facility Agreement	*(b), (c)*	1.5 months to 5 years	3.75% - 4.94%	**4,600,000,000**	1,500,000,000
				10,399,559,853	1,500,000,000
Philippine National Bank (PNB)					
i. Notes Payable	*(c)*	2 months to 3 years	3.75% - 4.80%	**2,150,000,000**	1,000,000,000
ii. Term Loan Agreement	*(d)*	5 years	6.21%	**325,000,000**	425,000,000
				2,475,000,000	1,425,000,000
Multinational Investment Bancorporation (MIB)					
i. Notes Payable	*(c)*	3 to 7 months	3.00% - 4.50%	**2,385,732,922**	-
ii. Medium-term loan	*(e)*	2 to 3 months	4.00%	**-**	1,800,000,000
				2,385,732,922	1,800,000,000
Land Bank of the Philippines (LBP)					
i. Term Loan Agreement	*(f)*	5 years	4.00%	**1,000,000,000**	**-**
ii. Notes Payable	*(c)*	2 to 3 months	3.75% - 4.04%	**900,000,000**	**-**
				1,900,000,000	-
Development Bank of the Philippines (DBP) – Notes Payable	*(c)*	2 to 3 months	2.71% - 3.53%	**1,200,000,000**	600,000,000
Rizal Commercial Banking Corporation	*(c)*	2 to 3 months	3.75%	**1,000,000,000**	-
Robinsons Bank Corporation (RBC)					
i. Notes Payable	*(b), (c)*	2 to 6 months	3.75% - 4.04%	**625,000,000**	400,000,000
ii. Term Loan Agreement	*(g)*	5 to 7 years	5.50 - 8.06%	**347,000,000**	447,500,000
				972,000,000	847,500,000
Philippine Veterans Bank (PVB)	*(c)*	1 month	3.50%	**600,000,000**	500,000,000
Bank of Commerce	*(c)*	3 months	3.50%	**500,000,000**	-
United Coconut Planters Bank	*(c)*	3 months	4.50%	**500,000,000**	200,000,000
Asia United Bank (AUB)	*(c)*	3 months	3.75%	**400,000,000**	-
Pentacapital Investment Corporation	*(c)*	3 months	5%	**400,000,000**	**-**
Union Bank of the Philippines (UBP)	*(c)*	2 months	3.50%-4.00%	**300,000,000**	-
China Banking Corporation (CBC) and Pentacapital	*(h)*	3 months to 7 years	3.25% - 7.75%	**-**	1,445,318,730
Philippine Business Bank (PBB)	*(c)*	3 months to 1 year	4.00%	**-**	1,000,000,000
Maybank International, Ltd.	*(b), (i)*	5 years	6.81% - 7.74%	**-**	348,691,000
Philippine Bank of Communication (PBCOMM)	*(c)*	3 months to 1year	4.25% - 4.50%	**-**	200,000,000
Maybank Philippines, Inc.	*(f)*	3 months to 5 years	3.50%-5.50%	**-**	45,000,000
				P 23,032,292,775	P 9,911,509,730

(a) TLA with BDO

On August 18, 2016, the Parent Company signed with BDO a five-year term loan amounting to P1,000.0 million to be used for capital expenditures and general corporate purposes. The loan was approved on a clean basis and is subject to a floating interest rate based on one year PDSTR-2 plus margin with a floor of 4.00%. Interest rate is repriceable and payable quarterly in arrears. The principal, meanwhile, is payable upon maturity.

Further, the Parent Company obtained a clean short-term loan from BDO on November 21, 2016 amounting to P500.0 million. The said loan was fully settled in 2017.

In 2017, the Parent Company obtained a seven-year term loan amounting to P6,000.0 million to finance the 100.00% acquisition of PLPI, including the refinancing of the deposit, and Duta, Inc. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month PDST-R2 rate and 150 basis points divided by 0.99, or 4% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher. The interest rate shall be repriced at the start of the ninth quarter up to the final repayment date based on the higher of sum of the prevailing three-month PDST-R2 and 150 basis points divided by 0.95, or 4% divided by 0.95 per annum, whichever is higher. The principal loan is payable quarterly in 28 installments. The first 27 installments shall be for the amount of P165.0 million quarterly while the last installment shall be P1,545.0 million.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1, and debt coverage ratio of at least 1.5.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenants.

(b) Notes Facility Agreement

In 2011, the Parent Company availed of a P750.0 million clean loan under the notes facility agreement entered into with BDO, Maybank International, Ltd. and RBC. The long-term loan amounting to P700.0 million with interest rate of 7.40% annually is payable on August 24, 2016 and the remaining P50.0 million with interest rate of 7.70% is payable on August 23, 2018.

On August 16, 2017, the Parent Company paid P0.5 million of the principal of the RBC loan. As of December 31, 2017, the balance of the RBC loan amounted to P47.0 million.

(c) Notes Payable

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 3.00% to 4.50% per annum and normally has a tenor of less than a year. Some of these loans are clean and unsecured. Certain loans are guaranteed by certain stockholders through surety agreement with the Banks (see Note 27.5).

The total outstanding balance of the various promissory notes as of December 31, 2017 and 2016 are P14,560.7 million and P2,900.0 million, respectively.

(d) TLA with PNB

On January 29, 2016, the Parent Company signed with PNB a five-year term clean loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 6.21% and is payable in twenty quarterly installments. As of December 31, 2017 and 2016, the outstanding principal balance amounted to P325.0 million and P425.0 million, respectively.

(e) Medium-Term Loan with MIB

On October 7, 2015, the Parent Company signed with MIB, in behalf of BDO Private Bank, a clean medium-term loan amounting to P500.0 million with a tenor of 548 days. The loan proceeds were used for working capital requirements. The loan is subject to a fixed annual interest rate of 4.25% and has matured on April 7, 2017.

In various dates in 2016, the Parent Company signed with MIB, in behalf of BDO Private Bank and Metropolitan Bank & Trust Corp., a clean short-term loan totaling to P1,800.0 million. The loan proceeds were used for working capital requirements. Such is subject to a fixed annual interest rate of 4.00% and has matured and was paid on various dates until April 7, 2017.

(f) TLA with LBP

On November 3, 2017, the Parent Company signed with LBP a three-year term clean loan amounting to P1,000.0 million to partially finance the permanent working capital requirements of the Parent Company. The loan is subject to a floating rate of 4.00% per annum. Interest is payable semi-annually in arrears and the principal is payable in equal semi-annual amortization starting at the end of the first semester. As of December 31, 2017, the outstanding principal balance amounted to P1,000.0 million.

(g) TLA with RBC

On October 9, 2015, the Parent Company signed with RBC a five-year clean term loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 5.50% and is payable in twenty equal quarterly installments. As of December 31, 2017 and 2016, the outstanding balance amounted to P347.0 million and P447.5 million, respectively.

(h) Notes Facility Agreement with CBC and Pentacapital

On November 8, 2012, the Parent Company entered into a notes facility agreement with CBC and Pentacapital totaling P2,500.0 million. The loan is subject to a fixed annual interest rate of 7.80%, which is payable in twenty quarterly payments. The net proceeds of the loan were used by the Group for the roll-out of the retails stations, for debt financing, for capital expenditures and for other general corporate purposes.

The Parent Company has paid the amount of P1,445.3 million on November 10, 2017. There is no outstanding balance of the note facility as of December 31, 2017.

By virtue of the notes facility agreement, the Parent Company affirms that it shall maintain the listing of its common shares with PSE and shall not declare or pay any dividends to stockholders (other than dividends payable solely in shares of its capital stock) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes facility agreement are current and updated.

Minimum financial ratios to maintain are as follows: (i) debt-to-equity ratio not to exceed 3:1; (ii) current ratio not to fall below 1:1 and (iii) debt service coverage ratio (DSCR) not to be less than 1.5:1.

The discounted balance of the principal of the note as of December 31, 2017 and 2016 amounted to nil and P1,445.3 million, respectively.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenant requirements.

(i) TLA with Maybank International, Ltd.

On November 20, 2012, the Parent Company entered into a TLA amounting to US$24.0 million with Maybank International, Ltd. to fund various capital expenditures. The total amount of the loan is broken down into US$14.0 million (tranche 1), which is due in five years and US$10.0 million (tranche 2) with a term of three years.

The loan is subject to interest computed at one-year LIBOR plus applicable margin of 4.20% per annum, or cost of funds plus a margin of 2.00% per annum, whichever is higher. Interest payments are to be serviced quarterly in arrears. Maybank International, Ltd. reserves the right to vary, at its absolute discretion from time to time, such rate of interest, which variation may take place by varying the LIBOR or the margin or spread above the LIBOR, or both.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

Moreover, Maybank International, Ltd. has the right of first refusal and right to match any fund raising exercise that may be required to refinance the U.S. dollar-denominated term facility either via follow-on offering of the Parent Company's shares or a syndicated term loan.

The balance of the principal of the loan amounted to nil and P264.1 million, translated into Philippine Peso using the closing rate as of December 31, 2016.

On April 29, 2015, the Parent Company entered into another TLA amounting to US$10.0 million with Maybank International Labuan Branch to fund various capital expenditures. As of December 31, 2017 and 2016, the loan stood at nil and US$7.0 million or P348.6 million, respectively, using the closing rate as of reporting period. This loan was fully settled on January 31, 2017.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenants.

(j) TLA with Maybank Philippines

On July 18, 2012, the Parent Company signed with Maybank Philippines a five-year clean term loan amounting to P300.0 million to be used exclusively for capital expenditure and permanent working capital. The loan is subject to annual interest rate of 6.00% and is payable in twenty equal quarterly installments.

In connection with the TLA, all existing and future advances to the Parent Company by its stockholders or related parties are subordinated to the loan. The Parent Company agrees that any and all of its obligations relative to the TLA shall be settled first before any of its financial obligations to such shareholders' and related parties' advances are paid.

The TLA also requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

The outstanding balance of the loan as of December 31, 2017 and 2016 amounted to nil and P45.0 million, respectively.

As of December 31, 2017 and 2016, the Parent Company has complied with its debt covenants.

17.3 Liabilities under Short-term Commercial Papers

The outstanding balance of the STCP as of December 31, 2016 is P1,108.2 million. The same was fully settled by the Group on January 4, 2017. The Parent Company used the net proceeds to partly finance the regular importation of finished petroleum products through various banks.

There are no outstanding liabilities under STCP as of December 31, 2017.

17.4 Obligations under Finance Lease

The finance lease liability has an effective interest rate of 5.10%, which is equal to the rate implicit in the lease contract (see Note 31.5). Lease payments are made on a monthly basis.

As of December 31, 2017 and 2016, the balance of finance lease liability is nil and P1.3 million, respectively.

17.5 Credit Line

The Parent Company has an available credit line under LC/TR of P8,902.3 million and P11,797.0 million and as of December 31, 2017 and 2016, respectively. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit lines are mostly granted on a clean basis while some of the credit lines are partially secured by the Joint Several Signatures of certain stockholders.

17.6 Interest Expense

Interest expense for 2017, 2016 and 2015 are presented as part of Finance Costs in the consolidated statements of comprehensive income amounted to P780.9 million, P863.4 million and P786.9 million (see Note 23.1), respectively, net of the capitalized borrowing cost of P19.7 million, P61.7 million and P61.9 million as of December 31, 2017, 2016 and 2015, respectively (see Note 11.1).

18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Liabilities under LC and TR (see Note 17)	Term Loans (see Note 17)	Liabilities under STCP (see Note 17)	Obligations under finance lease (see Note 17)	Other Non-current Liabilities (see Note 20)	Total
Balance as of January 1, 2017	P 2,163,936,859	P 9,911,509,730	P 1,107,711,982	P 1,265,272	P 258,584,286	P 13,443,008,129
Cash flows from financing activities						
Additional borrowings	-	35,895,647,657	1,121,000,000	-	-	37,016,647,657
Repayment of borrowings and TR	(18,099,859,838)	(22,776,136,983)	(2,228,711,982)	-	-	(43,104,708,803)
Non-cash financing activities						
Availment of LC and TR	21,075,064,202	-	-	-	-	21,075,064,202
Business combination	-	-	-	-	182,614,490	182,614,490
Increase in non-current liability	-	-	-	-	63,749,068	63,749,068
Interest expense from security deposits	-	-	-	-	6,341,824	6,341,824
Return on plan assets (excluding amounts included in net interest expense	-	-	-	-	3,399,323	3,399,323
Actuarial gain arising from changes in:						
Financial assumptions	-	-	-	-	(12,276,998)	(12,276,998)
Experience Adjustments	-	-	-	-	(5,001,689)	(5,001,689)
Demographic Adjustments	-	-	-	-	(355,175)	(355,175)
Interest amortization on finance lease obligation	-	-	-	(1,265,272)	-	(1,265,272)
Amortization of unrecorded discount	-	1,272,371	-	-	-	1,272,371
Interest expense from post-employment defined benefit obligation	-	-	-	-	576,720	576,720
Changes in the effect asset ceiling	-	-	-	-	174,463	174,463
Balance as of December 31, 2017	**P 5,139,141,223**	**P 23,032,292,775**	**P -**	**P -**	**P 497,806,312**	**P 28,669,240,310**

19. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2017	2016
Trade payables:			
Third parties		**P 3,092,973,317**	P 2,324,782,388
Related parties	27.2, 27.3	**20,995,548**	460,662,159
		3,113,968,865	2,785,444,547
Accrued expenses	27.3	**439,067,334**	256,953,308
Advances from customers		**108,796,437**	49,732,927
Retention payable		**78,959,503**	99,701,792
Non-trade payables		**13,344,313**	1,982,691
Others		**78,532,168**	38,837,351
		P 3,832,668,620	P 3,232,652,616

Trade payables are non-interest bearing and are generally settled within 30 to 90 days.

Accrued expenses mostly pertain to payables to various contractors for the construction of retail stations that remain unpaid at the end of the year. In addition, this comprises amounts to be paid in relation to charter hire cost, repairs and maintenance, interest expense arising from loans and professional fees.

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group.

20. OTHER NON-CURRENT LIABILITIES

This account consists of:

	Note	2017	2016
Security deposits		**P 245,488,541**	P 219,790,571
Customers' cylinder deposits		**196,380,513**	-
Cash bond		**33,492,002**	-
Unearned rent		**20,724,633**	18,003,921
Post-employment defined benefit obligation	24.3	**1,720,623**	20,789,794
		P 497,806,312	P 258,584,286

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P6.3 million, P11.7 million and P4.8 million in 2017, 2016 and 2015, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 23.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statements of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P6.4 million, P8.1 million and P5.9 million as of December 31, 2017, 2016 and 2015, respectively, and is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

Customers' cylinder deposits represent the net amounts received for LPG cylinders loaned out to various dealers/customers. These deposits are non-interest bearing and refunded to the dealers upon return of the cylinders. This account is amongst the assumed liabilities as a result of business combination with PLPI (see Note 1.4). In 2017, there were no refunds made to the dealers. The composition of this account in 2017 are as follows:

Deposits for cylinders	P 248,173,086
Less: Amortization of cylinder deposits	(51,792,573)
Deposits for cylinders	**P 196,380,513**

Cash bond deposits consists of cash received from PLPI dealers upon entering dealership agreement. This serves as a bond or security in case a dealer defaults from payment. The deposit will be returned to the dealer upon termination of the agreement.

21. COST OF SALES AND SERVICES

This account is composed of the following as of December 31:

	Notes	**2017**	2016	2015
Cost of fuels and lubricants sold	21.1	**P 36,814,878,142**	P 23,914,378,824	P 23,980,285,783
Cost of LPG	21.1	**1,093,919,764**	-	-
Cost of services	21.2	**-**	1,209,570,405	1,125,034,323
Cost of real estate sold	22	**-**	-	163,531,057
	22	**P 37,908,797,906**	P 25,123,949,229	P 25,268,851,163

21.1 Cost of Fuels, LPG and Lubricants Sold

The cost of fuels and lubricants sold are broken down as follows:

	Notes	2017	2016	2015
Inventories at beginning of year		**P 2,998,780,146**	P 2,638,614,688	P 2,870,829,069
Net purchases during the year		**47,778,391,525**	24,274,544,282	23,748,071,402
Business combination	1.4	**63,146,150**	-	-
Overhead costs	11.3	**38,427,130**	-	-
Goods available for sale		**50,878,744,951**	26,913,158,970	26,618,900,471
Inventories at end of year	8	**(12,969,947,045)**	(2,998,780,146)	(2,638,614,688)
		P 37,908,797,906	P 23,914,378,824	P 23,980,285,783

21.2 Cost of Services

There are no cost of services as of December 31, 2017. The details of cost of services as of December 31, 2016 and 2015 follows:

	Notes	2016	2015
Charter hire fees		P 219,480,628	P 343,889,275
Depreciation and amortization	11.3, 12	402,281,752	340,311,738
Salaries and employee benefits		223,104,624	110,723,141
Bunkering		128,272,479	95,822,033
Port expenses		69,045,193	59,642,363
Repairs and maintenance		47,398,625	62,261,852
Insurance		41,880,302	38,754,243
Taxes and licenses		18,061,125	17,855,083
Outside services		6,060,643	16,253,168
Service fees		5,228,607	27,706,457
Security services		2,650,929	3,147,040
Fuel, gas and lubricants		148,605	232,507
Professional fees		-	-
Others		45,956,893	8,435,423
		P 1,209,570,405	P 1,125,034,323

22. COSTS AND EXPENSES BY NATURE

The details of the Group's costs and expenses by nature are shown below.

	Notes	**2017**	2016	2015
Cost of inventories sold		**P 37,870,370,774**	P 23,914,378,824	P 23,980,915,783
Depreciation and amortization	11, 12	**850,380,505**	1,002,088,441	821,733,247
Freight and trucking charges		**667,780,304**	594,195,277	584,007,627
Rent	16, 27.3, 31.3	**654,110,277**	638,617,179	526,618,286
Taxes and licenses	15	**581,832,247**	336,339,378	184,277,952
Salaries and employee benefits	24.1	**438,875,069**	549,545,236	407,249,233
Advertising and promotions		**267,197,963**	85,071,762	84,319,851
Rebates		**258,688,946**	125,710,056	125,006,776
Service fees		**134,022,166**	88,540,285	124,781,797
Repairs and maintenance		**90,491,317**	118,676,191	125,914,426
Security fees		**82,623,951**	69,578,620	72,585,144
Utilities		**73,874,917**	60,577,393	61,064,494
Travel and transportation		**58,361,503**	50,971,497	39,522,659
Professional fees		**53,176,668**	107,609,032	39,967,826
Fuel, oil and lubricants		**50,194,019**	27,084,236	25,663,464
Insurance		**40,957,246**	71,213,196	83,349,159
Office supplies		**16,634,489**	12,914,083	10,843,835
Sales incentives		**13,481,660**	17,120,040	5,371,974
Representation		**9,814,799**	16,204,648	9,873,984
Deficiency taxes		**5,295,972**	81,276,439	6,335,281
Outside services		**2,881,506**	7,753,440	17,358,889
Charter hire fees	31.6	**-**	152,635,025	342,164,745
Bunkering		**-**	126,954,879	45,456,098
Port expenses		**-**	40,173,775	44,900,055
Cost of real estate sold	21	**-**	-	163,531,057
Miscellaneous	27.11	**99,493,930**	168,509,342	60,944,232
		P 42,320,540,228	P 28,463,738,274	P 27,993,757,874

The expenses are classified in the consolidated statements of comprehensive income as follows:

	Note	**2017**	2016	2015
Cost of sales and services	21	**P 37,908,797,906**	P 25,123,949,229	P 25,268,851,163
Selling and administrative expenses		**4,411,742,322**	3,339,789,045	2,724,906,711
		P 42,320,540,228	P 28,463,738,274	P 27,993,757,874

23. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

23.1 Finance Costs

	Notes	2017	2016	2015
Interest expense on bank loans and other borrowings	17.6	**P 780,917,196**	P 863,399,371	P 786,929,274
Impairment losses on trade and other receivables	7	**50,335,399**	112,986,854	79,208,744
Bank charges		**16,779,298**	18,828,373	11,184,239
Interest expense from security deposits	20	**6,341,824**	11,680,584	4,849,042
Interest expense from post-employment defined benefit obligation – net	24.3	**576,720**	1,678,468	3,665,593
Foreign currency exchange losses – net		**92,823**	-	37,827,699
Interest expense on advances from locators		**-**	-	33,555,541
Day-one loss on installment contract receivable		**-**	-	10,197,054
Others		**-**	10,703,374	1,265,121
		P 855,043,260	P 1,019,277,024	P 968,682,307

23.2 Finance Income

	Notes	2017	2016	2015
Foreign currency exchange gains – net		**P 38,148,337**	P 200,196,556	P -
Interest income from cash in banks	6	**15,662,627**	3,874,299	2,826,295
Interest income on amortization of rental deposits	16	**2,711,436**	2,566,528	2,138,101
Interest income from restricted deposits	9	**106,880**	669,278	576,599
Interest income from overdue trade receivables		**-**	380,957	-
Interest income from amortization of instalment contract receivable		**-**	-	2,012,838
		P 56,629,280	P 207,687,618	P 7,553,833

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2017	2016	2015
Short-term benefits:				
Salaries and wages		**P 323,104,897**	P 434,209,853	P 341,168,526
Employee welfare and other benefits		**63,959,232**	76,840,351	25,657,077
13th month pay and bonuses		**30,893,578**	23,944,763	29,114,952
Employee share options	24.2	**11,589,866**	5,757,780	-
Post-employment defined benefit	24.3	**9,327,496**	8,792,489	11,308,678
	22	**P 438,875,069**	P 549,545,236	P 407,219,233

24.2 Employee Share Option Plan (ESOP)

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 2.20% 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 2017 and 2016 consolidated statements of comprehensive income amounted to P11.6 million and P5.8 million, respectively, while the corresponding credit to Retained Earnings of the same amount are presented under the Equity section of the 2017 and 2016 consolidated statements of financial position.

24.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group has maintained a partially funded, tax-qualified, noncontributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. Normal retirement benefit is an amount equivalent to 75.00% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2017 and 2016.

The amounts of post-employment defined benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 20) in the consolidated statements of financial position, are determined as follow:

	2017	2016
Present value of obligation	**P 123,569,725**	P 59,336,376
Fair value of plan assets	**(121,849,102)**	(38,546,582)
	P 1,720,623	P 20,789,794

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	2017	2016
Balance at beginning of year	**P 59,336,376**	P 74,572,352
Business combination	**75,111,933**	-
Current service cost	**9,327,496**	8,792,489
Remeasurements:		
Actuarial gains arising from:		
Changes in financial assumptions	**(12,276,998)**	(3,020,965)
Experience adjustments	**(5,001,689)**	(10,503,287)
Changes in demographic assumptions	**(355,175)**	-
Benefits paid from:		
Plan assets	**(7,100,000)**	(1,425,865)
Book reserves	**(5,453,559)**	-
Settlement loss	**3,582,092**	-
Interest expense	**6,399,249**	3,053,348
Effect of deconsolidation	**-**	(12,131,696)
Balance at end of year	**P 123,569,725**	P 59,336,376

The movements in the fair value of plan assets are presented below.

	2017	2016
Balance at beginning of year	**P 86,148,347**	P 26,752,146
Contributions to the plan	**41,209,772**	15,863,865
Benefits paid from plan assets	**(7,100,000)**	(1,425,865)
Interest income	**5,164,769**	1,374,880
Return (loss)on plan assets (excluding amounts included in net interest)	**(3,399,323)**	1,836,547
Effect of the asset ceiling	**(174,463)**	-
Effect of deconsolidation	**-**	(5,854,991)
Balance at end of year	**P 121,849,102**	P 38,546,582

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2017	2016
Cash and cash equivalents	**P 17,335,228**	P 3,271,309
Quoted equity securities:		
Holding	**6,115,830**	4,994,451
Property	**3,199,153**	3,108,791
Construction	**2,966,310**	2,984,892
Telecommunications	**2,226,695**	2,298,766
Manufacturing (Preferred)	**1,831,803**	1,875,068
	16,339,791	15,261,968
Government bonds	**44,335,183**	-
Unit investment trust funds (UITF)	**27,611,035**	10,606,898
Unit Corporate Bonds	**16,227,865**	8,925,579
Unit STCP	**-**	480,828
	P 121,849,102	P 38,546,582

The fair value of the above investments are determined based on quoted market prices in active markets (classified as Level 1 in the fair value hierarchy). Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	2017	2016	2015
Reported in profit or loss:				
Current service cost	24.1	**P 9,327,496**	P 8,792,489	P 11,308,678
Settlement loss		**3,582,092**	-	-
Net interest expense	23.1	**576,720**	1,678,468	3,665,593
		P 13,486,308	P 10,470,957	P 14,974,271
Reported in other comprehensive income:				
Actuarial gains or Losses arising from changes in:				
Experience adjustments		**(P 5,001,689)**	(P 10,503,288)	P 25,371,878
Financial assumptions		**(12,276,998)**	(3,020,965)	(37,016,344)
Demographic assumptions		**(355,175)**	-	-
Effect of asset ceiling		**174,463**	-	-
Return on plan assets (excluding amounts included in net interest expense)		**3,399,323**	(1,836,547)	(6,472,239)
		(P 14,060,076)	(P 15,360,800)	(P 18,116,705)

Current service cost is presented as part of salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22).

The net interest expense is included as part of Finance Costs under the Other Charges (Income) (see Note 23.1).

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2017	2016	2015
Discount rates	**5.70% to 5.82%**	5.38%	4.89% to 5.20%
Expected rate of salary increases	**5.00% to 6.00%**	5.00%	5.00% to 8.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 for both males and females is 25.7 and 20.9 for the Parent Company and PLPI, respectively.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, quoted equity securities and UITF.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31:

	2017		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+/- 1.00%**	**(P 13,204,709)**	**P 15,537,569**
Salary increase rate	**+/- 1.00%**	**14,128,498**	**(12,313,513)**

	2016		
	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.00%	(P 5,517,594)	P 6,416,720
Salary increase rate	+/- 1.00%	6,190,908	(5,439,575)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. A large portion of the plan assets as of December 31, 2017 and 2016 is allocated to market gains and losses and accrued receivables.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2017, the plan is underfunded by P1.5 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make contribution of P10.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan within ten years as of December 31 follows:

	2017	2016
Within one year	**P 5,296,457**	P 2,128,954
More than one year to five years	**23,841,856**	23,512,544
More than five years to ten years	**81,961,568**	57,097,009
	P 111,099,881	P 82,738,507

The weighted average duration of the defined benefit obligation at the end of the reporting period is ten years.

25. REGISTRATION WITH THE BOARD OF INVESTMENTS

25.1 BOI Registration as New Industry Participant – Batangas Depot

The Parent Company was registered with the Board of Investments (BOI) on February 26, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 8479, *Downstream Oil Industry Deregulation Act*, for its storage tanks in Calaca, Batangas. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company is also entitled to certain tax and non-tax incentives as follows:

(a) Income tax holiday (ITH) for five years from February 26, 2010, without extension or bonus year from the date of registration;

(b) Additional deduction from taxable income of 50.00% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to number of workers set by the board of not more than US$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with the ITH;

(c) The Parent Company may qualify to import capital requirement, spare parts and accessories at zero percent (0%) from the date of registration up to June 16, 2011 pursuant to the Executive Order No. 528 and its implementing rules and regulations.

Special transport equipment such as but not limited to tanks, trucks/lorries may be imported with incentives subject to land transportation operation requirements;

(d) Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment;

(e) Importation of consigned equipment for a period of five years from the date of registration, subject to posting of a re-export bond; and,

(f) Other non-fiscal incentives, which may be applicable.

The ITH incentive for Calaca, Batangas Terminal expired last February 26, 2015.

25.2 BOI Registration as New Industry Participant – Zamboanga Depot

The Parent Company was also registered with the BOI on November 25, 2010 as a new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating to Zamboanga Depot is also entitled to certain tax and non-tax incentives as also mentioned in Note 25.1. The ITH will expire five years from November 25, 2010.

The ITH incentive for Zamboanga Depot expired last November 25, 2015.

25.3 BOI Registration for the New Investment in Downstream Oil Industry Activities – Davao Expansion

On May 14, 2010, the Parent Company was registered with the BOI for the new investment in downstream oil industry activities under RA 8479 for the additional two storage tanks for petroleum products with storage capacity of 7.4 million liters in Davao depot. Under its registration, the Parent Company shall be entitled to avail of the incentives as cited previously. However, ITH for five years from May 14, 2010 is subjected to the base figure of 148.2 million liters representing the Parent Company's highest attained sales volume of its existing depot facilities (in Davao Depot) prior to the filling of application for registration of new investment.

The ITH incentive for Davao Expansion expired last May 14, 2015.

25.4 BOI Registration for New Investment – Bacolod Storage Terminal

On May 10, 2012, the Parent Companywas registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Bacolod City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating to Bacolod storage terminal is also entitled to certain tax and non-tax incentives as also mentioned previously.

The ITH incentive for Bacolod Storage Terminal expired last May 10, 2017.

25.5 BOI Registration for New Investment – Cagayan De Oro City Storage Terminal

On May 10, 2012, the Parent Company was registered with the BOI as a new industry participant with new investment in storage, marketing and distribution and bulk marketing of petroleum products under RA 8479 for its storage terminal in Cagayan de Oro City. Under its registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Parent Company's transaction relating Cagayan de Oro City storage terminal is also entitled to certain tax and non-tax incentives as also mentioned previously.

The ITH for Cagayan de Oro City Storage expired last May 10, 2017.

25.6 BOI Registration for MT Chelsea Thelma and MT Chelsea Cherylyn

On November 23, 2011 and December 10, 2008, CSC had registered its activity for MT Chelsea Thelma and MT Chelsea Cherylyn, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987 as a new operator of domestic/interisland shipping on a pioneer status. As a registered entity, CSC is entitled to tax and non-tax incentives which include a six-year ITH. For MT Chelsea Cherylyn, the related tax incentives started in April 2009. Meanwhile, the tax incentive for MT Chelsea Thelma started in November 2011. ITH incentives shall be limited only to the revenues generated by the registered project.

25.7 BOI Registration for MT Chelsea Denise II and MT Chelsea Donatela

On March 12, 2015 and September 3, 2013, the CSC had registered its activity for MT Chelsea Denise II and MT Chelsea Donatela, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as a new operator of domestic/inter-island shipping on a pioneer status. As a registered entity, CSC is entitled to tax and non-tax incentives which include a six-year ITH. For MT Chelsea Donatela, the related tax incentives started in January 2014. Meanwhile, the tax incentive for MT Chelsea Denise II started in November 2015. ITH incentives shall be limited only to the revenues generated by the registered project.

25.8 BOI Registration for New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu

On March 7, 2013, the PLPI has registered with the BOI under Registration No. 2013-060 for its new investment for the construction of New LPG Import Terminal and Lubricant Storage Facilities in Naga City, Cebu. PLPI's Naga Plant Site is entitled to avail the incentives, which include, among others, ITH for a period of five years without extension from March 2014 or date of registration whichever is earlier but in case earlier than the date of registration.

25.9 BOI Registration for New Investment in Tayud, Consolacion, Cebu Oil Depot

On September 19, 2017, the Parent Company has registered with BOI under Registration No. 2017-267 its new project for the Bulk Marketing of Petroleum Products in Tayud, Consolacion, Cebu Oil Depot with 16.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Cebu Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from September 2017 or date of registration whichever is earlier but in case earlier than the date of registration.

25.10 BOI Registration for New Investment in Calapan, Oriental Mindoro Oil Depot

On October 12, 2017, the Parent Company has registered with BOI under Registration No. 2017-287 its new project for the Bulk Marketing of Petroleum Products in Calapan, Oriental Mindoro Oil Depot with 5.0 million liters combined capacity of two (2) storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Calapan, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five (5) years without extension from October 2017 or date of registration whichever is earlier but in case earlier than the date of registration.

25.11 BOI Registration for New Investment in Villanueva, Misamis Oriental Oil Depot

On November 24, 2017, the Parent Company has registered with BOI under Registration No. 2017-320 its new project for the Bulk Marketing of Petroleum Products in Villanueva, Oriental Mindoro Oil Depot with 49.7 million liters combined capacity of six (6) storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Villanueva, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five (5) years without extension from November 2017 or date of registration whichever is earlier but in case earlier than the date of registration.

25.12 BOI Registration for New Investment in Calaca, Batangas Oil Depot

On December 22, 2017, the Parent Company has registered with BOI under Registration No. 2017-353 its new project for the Bulk Marketing of Petroleum Products in Calapan, Batangas Oil Depot with 78.3 million liters combined capacity of seven (7) storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five (5) years without extension from January 2018 or date of registration whichever is earlier but in case earlier than the date of registration.

26. TAXES

The components of tax expenses reported in the consolidated profit or loss and in the consolidated other comprehensive income follow:

	2017	2016	2015
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30.00% and 17.00%	**P 262,725,051**	P 195,720,139	P 172,469,409
Final tax at 20.00% and 7.50%	**3,157,079**	1,928,511	712,198
Minimum corporate income tax (MCIT) at 2.00%	**1,657,937**	3,214,611	6,093,000
	267,540,067	200,863,261	179,274,607
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(65,268,048)**	(31,060,370)	6,568,943
	P 202,272,019	P 169,802,891	P 185,843,550
Reported in other comprehensive income:			
Deferred tax expense relating to origination and reversal of temporary differences	**P 4,218,023**	P 4,608,240	P 13,304,602

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated profit or loss is as follows:

	2017	2016	2015
Tax on pretax profit at 30.00% and 17%	**P 598,236,352**	P 378,683,336	P 327,513,679
Adjustment for income subjected to lower income tax rates	**(186,606,000)**	(982,323)	(356,902)
Tax effects of:			
Adjustment for income and expenses under ITH	**(190,713,945)**	(212,788,085)	(158,876,440)
Reversal of deferred tax liability (DTL) on 2016 unrealized forex gain, realized in 2017	**(83,181,314)**	-	-
Non-deductible expenses	**62,995,167**	69,479,619	14,333,891
Reversal of MCIT	**3,157,282**	3,051,968	88,177
Reversal of net operating loss carry over (NOLCO)	**2,761,014**	179,839	4,320,436
Non-taxable income	**(2,732,284)**	(3,205,464)	(1,245,283)
Share benefit expense on on exercised stock options	**(2,528,710)**	-	-
Derecognition of previously recognized deferred tax assets (DTA)	**884,457**	4,759,159	65,992
Recognition of previously unrecognized DTA on impairment losses	**-**	(69,375,158)	-
Tax expense reported in consolidated profit or loss	**P 202,272,019**	P 169,802,891	P 185,843,550

The net deferred tax assets and liabilities as of December 31, 2017 and 2016 pertain to the following:

	Consolidated Statements of Financial Position		Effects of Business Combination	Consolidated Statements of Comprehensive Income					
				Profit or Loss			Other Comprehensive Income (Loss)		
	2017	2016	2017	2017	2016	2015	2017	2016	2015
Deferred tax assets:									
Impairment losses on trade and other receivables	P 135,499,033	P 101,709,658	P 37,745,041	(P 3,955,666)	P 93,522,541	P 713,140	P -	P -	P -
Provision for losses on lost cylinders	71,627,356	-	71,627,356	-	-	-	-	-	-
NOLCO	15,291,370	11,174,605	-	4,116,765	4,808,625	(25,034,417)	-	-	-
Unamortized past service cost	7,730,775	-	6,130,225	1,600,550	-	(25,855)	-	-	-
MCIT	6,620,729	7,658,613	-	(1,037,884)	(1,248,706)	5,791,267	-	-	-
Post-employment benefit obligation	3,110,141	6,236,938	7,097,383	(6,006,157)	(618,401)	9,514,862	(4,218,023)	(4,608,240)	(5,435,012)
Unrealized foreign currency loss – net	1,849,446	-	739,064	1,110,382	-	-	-	-	-
Accrued rent expense	-	2,593,275	-	(2,593,275)	1,776,960	(65,992)	-	-	-
Others	841,470	-	1,883,341	(1,041,871)	-	(5,410,097)	-	-	-
	242,570,320	129,373,089	125,222,410	(7,807,156)	98,241,019	(14,517,092)	(4,218,023)	(4,608,240)	(5,435,012)
Deferred tax liabilities:									
Accrued rent income	(10,704,083)	-	(597,973)	(10,106,110)	-	-	-	-	-
Unrealized foreign currency gains – net	-	(83,181,314)	-	83,181,314	(67,180,649)	68,738	-	-	-
Revaluation reserves of tankers	-	-	-	-	-	7,559,066	-	-	-
Capitalized borrowing cost	-	-	-	-	-	320,345	-	-	-
	(10,704,083)	(83,181,314)	(597,973)	73,075,204	(67,180,649)	7,948,149	-	-	-
Net deferred tax asset	P 231,866,237	P 46,191,775	P 124,624,437						
Net deferred tax income (expense)				P 65,268,048	P 31,060,370	(P 6,568,943)	(P 4,218,023)	(P 4,608,240)	(P 5,435,012)

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

Taxable Years	Original Amount	Tax Effect	Valid Until
2017	P 25,917,269	P 7,775,181	2020
2016	23,172,463	6,951,739	2019
2015	1,881,501	564,450	2018
	P 50,971,233	P 15,291,370	

The Group is subject to the MCIT, which is computed at 2.00% of gross income net of allowable deductions, as defined under the tax regulations or RCIT, whichever is higher. PGMI's RCIT was higher than MCIT in 2016 while in the current year, MCIT was higher than RCIT for the years 2017 and 2015, respectively. MCIT was higher than RCIT for all the years presented for PPMI and SPTT, respectively.

The amounts of MCIT and the applicable years that are valid and deductible from future regular income tax payable are shown below.

Taxable Years	Normal Income Tax	MCIT	Excess of MCIT over Income Tax	Tax Effect	Valid Until
2017	P -	P 1,657,937	P 1,657,937	P 1,657,937	2020
2016	-	2,266,676	2,266,676	2,266,676	2019
2015	-	2,696,116	2,696,116	2,696,116	2018
	P	P 6,620,729	P 6,620,729	P 6,620,729	

In 2017, 2016 and 2015, the Group claimed itemized deductions in computing for its income tax due.

27. 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 as of December 31, 2017, 2016 and 2015 is presented in the next page.

Related Party Category*	Notes	Amount of Transactions 2017	2016	2015	Outstanding Balance 2017	2016
Other related parties under common ownership						
Sale of subsidiaries	1.5, 7,27.10	**P -**	P 3,000,000,000	P -	**P 500,000,000**	P 550,000,000
Sale of goods*	7, 27.1	**2,038,584,803**	120,662,536	22,168,571	**955,539,554**	157,624,601
Purchases of services*	19, 27.2	**115,202,871**	72,601,698	4,566,971	**20,995,548**	457,557,815
Advances to suppliers*	27.2	**-**	(438,294,800)	(24,800)	**-**	-
Management fees	7, 27.7	**(2,139,028)**	24,255,000	-	**86,598,808**	88,737,836
Rentals	19, 27.3	**41,194,056**	74,840,032	73,702,144	**2,740,627**	3,104,344
Due from related parties*	27.4	**(988,966,628)**	-	1,887,086	**518,004,898**	1,506,977,926
Donations	27.11	**-**	-	**100,000**	**-**	-
Udenna Corporation						
Advances to suppliers	7, 27.2	**13,456,176**	438,294,800	378,294,800	**424,838,624**	438,294,800
Rentals	19, 27.3	**1,101,775**	9,616,314	7,654,678	**710,545**	621,000
Joint Venture - SPI						
Sale of real estate	7, 27.7	**-**	-	402,192,000	**-**	-
Port revenues	7, 27.7	**-**	-	1,473,920	**-**	-
Key management personnel						
Salaries and employee benefits	27.8	**80,182,994**	66,518,009	63,672,431	-	-

**As a result of the deconsolidation of CISC and CSC (see Note 1.5), these formerly wholly-owned subsidiaries fall under related party under common ownership in 2016.*

27.1 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. Revenues arising from these transactions are presented as part of Sale of Goods in the consolidated statements of comprehensive income. The outstanding receivables from sales of goods to other related parties are presented as part of Trade Receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2017, 2016 and 2015 based on management's assessment.

27.2 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. Total purchase of goods and services from related parties is presented as part of Cost of Sales in the consolidated statements of comprehensive income and the related outstanding payables for goods purchased and services obtained are presented as part of trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

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. The outstanding balances are presented as part of advances to suppliers under Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of December 31, 2017 and 2016.

27.3 Rentals

The Group has the following lease agreements with the following related parties under common ownership:

a. Udenna Corporation – of which total rent expense incurred in the years 2017, 2016 and 2015 amounted to P1.1 million, P9.6 million and P7.7 million, respectively. The outstanding rental payable amounting to P0.7 million and P0.6 million in 2017 and 2016, respectively, is presented as part of trade payables under Trade and Other Payables in the consolidated statements of financial position (see Note 19).

b. UDEVCO – of which total rent expense in the years 2017, 2016 and 2015 amounted to P6.3 million, P48.3 million and P57.4 million, respectively. Prepaid rent amounted to P1.3 million in 2017 and nil in 2016 (see Note 10). Rental deposit for the lease amounted to P6.5 million and P7.7 million as of December 31, 2017 and 2016, respectively, is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

c. Valueleases, Inc. (VLI) – of which total rent expense in the years 2017, 2016 and 2015 amounted to P34.9 million, P25.7 million and P16.3 million, respectively. Prepaid rent amounted to P17.8 million in 2017 and nil in 2016 (see Note 10). Refundable rental deposits amounted to P15.0 million and P11.6 million as of December 31, 2017 and 2016, respectively, and is presented as part of refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 16).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 22) and the related outstanding rent payables for UDEVCO and VLI are presented as part of Trade Payables while the outstanding rent payable to Udenna Corporation is presented as part of Accrued Expenses, both under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

27.4 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.

As of December 31, 2017 and 2016, the outstanding receivable from related parties are shown as Due From Related Parties in the consolidated statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year. Interest income earned on the Parent Company's advances to CISC amounted to nil in 2017, P5.0 million in 2016 and nil in 2015. However, the income and cost are eliminated in the 2016 consolidated statement of comprehensive income.

The breakdown of the Due from Related Parties as of December 31 is as follows:

	Note	2017	2016
CISC		**P 496,819,699**	P 942,812,571
CLHC	27.10	-	500,000,000
UDEVCO	27.10	-	50,000,000
P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI)		**20,236,382**	13,256,329
CSC		**948,817**	929,026
		P 518,004,898	P 1,506,997,926

The movement of due from related parties as of December 31 is as follows:

	Notes	2017	2016
Balance at beginning of year		**P 1,506,997,926**	P 12,260,843
Collections		**(1,158,519,706)**	(25,000)
Reclassification	7, 27.10	**(500,000,000)**	-
Additions	27.10	**669,526,678**	1,494,762,083
Balance at end of year		**P 518,004,898**	P 1,506,997,926

No impairment loss is recognized in 2017, 2016 and 2015 related to the advances to related parties.

27.5 Loan Collateral

(a) Certain properties and a surety of a stockholder secured certain bank loans, notes payable and liabilities under LCs and TRs (see Notes 17.1, 17.2 and 17.5). The disposition of CSC resulted to the deconsolidation of the related liabilities.

(b) The TLA with DBP, OLSA with BDO and PBComm, loan agreement with RBC and certain banks loans of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks see Note 9). Certain receivables and tankers owned by the Group and were also used as security on particular loans (see Note 7).

27.6 Transactions with SPI

In 2015, the Group sold real estate to SPI amounting to P402.2 million and is presented as part of the Sale of Real Estate account in the 2015 consolidated statement of comprehensive income. The related outstanding receivable amounting to P309.9 million is presented as part of Installment Contract Receivable under Trade and Other Receivables in the 2015 consolidated statement of financial position. Port revenues were also generated from SPI amounting to P1.5 million and is presented as part of Port Revenues account in the 2015 consolidated statement of comprehensive income.

The outstanding receivables from SPI are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2015 based on management's assessment. This account was derecognized as a result of the deconsolidation (see Note 1.5).

27.7 Management Fees

The Parent Company's non-trade receivables include receivable from CISC representing management fees for the services rendered by the Parent Company to CISC when the latter is still a wholly-owned subsidiary by the former. Under the Management Contract entered into by the Parent Company and CISC, the former will manage CISC:

(a) to secure and maintain a strong market position for CISC in the real estate industry;
(b) sustain the long-term profitability of CISC; and,
(c) develop a core of competent and effective management professionals in CISC.

In return, CISC will pay a certain amount of management fee annually. Previous to the deconsolidation, the outstanding balance pertaining to the management fees were being eliminated in the consolidated financial statements. Total receivable from CISC is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7).

The management has determined that there are no impairment losses required to be recognized as of December 31, 2017 and 2016.

27.8 Key Management Compensations

The compensation of key management personnel are broken down as follows:

	2017	2016	2015
Salaries and wages	**P 59,621,546**	P 53,164,063	P 51,522,286
Honoraria and allowances	**6,242,372**	5,566,274	5,362,224
13th month pay and bonuses	**5,488,660**	7,384,629	6,479,132
Share-based payment	**5,207,284**	-	-
Post-employment benefits	**3,623,132**	403,043	308,789
	P 80,182,994	P 66,518,009	P 63,672,431

27.9 Retirement Plan

The Group's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and composition of the plan assets as of December 31, 2017 and 2016 is shown in Note 24.3. As of December 31, 2017 and 2016, the retirement plan has no investment in shares of stocks of the Parent Company.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The details of the contributions of the Group and the benefits paid out by the plan are presented in Note 24.3.

27.10 Sale of Subsidiaries

In 2016, the Parent Company disposed its equity share in CSC to CLC, and in CISC to UDEVCO. Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total of P500.0 million and P550.0 million is still receivable in 2017 and 2016, respectively. The outstanding receivables arising from the sale of subsidiaries is presented as part of Non-trade receivables under Trade and Other Receivables in the 2017 consolidated statement of financial position and Due from related parties account in 2016 in the 2016 consolidated statements of financial position (see Notes 7 and 27.4).

27.11 Others

The Group granted P0.1 million donations to Udenna Foundation, Inc. in 2015. These are presented as part of miscellaneous under the Selling and Administrative expenses account in the consolidated statements of comprehensive income (see Note 22).

28. EQUITY

28.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2017	2016	2015	**2017**	2016	2015
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	**50,000,000**	50,000,000	50,000,000	**P 50,000,000**	P 50,000,000	P 50,000,000
Issued:						
Balance at beginning of year	**30,000,000**	30,000,000	10,000,000	**P 30,000,000**	P 30,000,000	P 10,000,000
Issuance during the year	**-**	-	20,000,000	**-**	-	20,000,000
Balance at end of year	**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	**25,000,000**	25,000,000	25,000,000	**P 25,000,000**	P 25,000,000	P 25,000,000
Common – P1 par value						
Authorized:	**2,500,000,000**	2,500,000,000	2,500,000,000	**P2,500,000,000**	P2,500,000,000	P 2,500,000,000
Issued:						
Balance at beginning of year	**1,428,777,232**	1,428,777,232	1,428,777,232	**P 1,428,777,232**	P1,428,777,232	P 1,428,777,232
Issuance during the year	**2,761,000**	-	-	**2,761,000**	-	-
Balance at end of year	**1,431,538,232**	1,428,777,232	1,428,777,232	**1,431,538,232**	1,428,777,232	1,428,777,232
Treasury shares	**-**	(54,393,300)	-	**-**	(330,679,783)	-
Issued and outstanding	**1,431,538,232**	1,374,383,932	1,428,777,232	**P 1,431,538,232**	P1,098,097,449	P 1,428,777,232
				P 1,456,538,232	P1,123,097,449	P 1,453,777,232

On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and P50.0 million preferred shares with par value of P1 per share to P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

In 2016, the Parent Company's BOD approved the buy-back share program of PNX (common) shares of up to P450.0 million. In various dates in 2016, the Parent Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

In 2017, the Parent Company purchased 15.8 million of its shares with corresponding total cost of P109.4 million. Subsequently, the Parent Company sold all of its treasury shares amounting to P440.1 million. The total consideration received on November 6, 2017 for the sale of treasury shares amounted to P807.2 million which resulted to an additional paid-in capital of P367.1 million (see Note 28.4).

The preferred shares shall have the following features:

(a) Non-convertible into common shares;

(b) Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;

(c) No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The BOD shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,

(d) The preferred shares shall be redeemable at the Parent Company's option under such terms as the BOD may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

Moreover, preferred shares have the following features among others as provided in the subscription agreement;

(a) Dividends on the preferred shares shall have a fixed rate of 11.50% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

(b) Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a "Dividend Payment Date"). The dividends onthe Preferred Shares shall be calculated on a 30/360 day basis and shall bepaid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

(c) The preferred shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company's BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a long-term debt to equity ratio of 1:1 throughout the life of the preferred shares.

On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 and re-issued the same amount and features of preferred shares except for the rate, which was reduced to 8.25% per annum.

On December 18, 2015, the Parent Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3rd tranche). The preferred shares' offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B (see Note 28.2).

The 3rd tranche of preferred shares have the same features with the 1st and 2nd tranche of preferred shares except for the following:

(a)	Dividend rates:	PNX3A PNX3B	7.43% per annum 8.11% per annum
(b)	Dividend payment dates:	Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company's BOD.	
(c)	Debt-to-equity ratio:	The Parent Company shall maintain a debt-to-equity ratio of 3:1 throughout the life of these preferred shares.	

28.2 Listing with PSE

On July 11, 2007, the Parent Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80.

The Parent Company' successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 28.1).

The market prices of the shares as of December 31 are as follows:

		2017		2016		2015
PNX (Common)	**P**	**12.88**	P	5.63	P	3.85
PNX 3A (Preferred)		**103.70**		105.00		103.50
PNX 3B (Preferred)		**108.80**		115.00		106.50

28.3 Track Registration of Shares

The number of shareholders as of December 31 are as follows:

	2017	2016	2015
Common	**60**	66	66
Preferred			
a) First tranche	**-**	-	-
b) Second tranche	**1**	1	1
c) PNX 3A	**5**	5	2
d) PNX 3B	**4**	4	2

In accordance with Securities Regulation Commission Rule 68, as amended, Annex 68-D; presented below is a summary of the Parent Company's track record of registration of securities.

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value		Date of Approval	Issued and Outstanding
Registered, not listed	Common	10,000,000	P 1	Par value	1/11/2004	2,500,000
			1	Issue price		
Registered, not listed	Common	40,000,000	1	Par value	1/12/2006	25,000,000
			1	Issue price		
Registered, not listed	Common	50,000,000	1	Par value	8/7/2006	13,500,000
			1	Issue price		
Registered, not listed	Common	300,000,000	1	Par value	12/29/2006	75,000,000
			1	Issue price		
Initial public offering	Common		1	Par value	7/11/2007	29,000,000
			9.80	Issue price		
30% stock dividends	Common		1	Par value	8/6/2008	43,000,198
40% stock dividends	Common		1	Par value	8/3/2009	73,660,476
Placement SSS	Common		1	Par value	11/13/2009	7,500,000
			5.60	Issue price		
Increase	Common	350,000,000	1		9/7/2010	
Increase	Preferred	50,000,000	1		9/7/2010	
40% stock dividends	Common		1		10/20/2010	107,664,266
30% stock dividends	Common		1		5/6/2011	113,047,475
Increase	Common	1,750,000,000	1		4/23/2012	
50% stock dividends	Common		1		4/26/2012	244,936,203
CSC Acquisitions	Common		1	Par value	9/6/2012	171,250,798
			1.01	Issue price		
Placements	Common		1	Par value	3/11/2013	130,000,000
			9.40	Issue price		
30% stock dividends	Common		1		6/10/2013	329,717,816
Payment for PPHI subscription	Common		1	Par value	10/8/2013	63,000,000
			5.10	Issue price		
Issuance	Preferred		1	Par value	9/21/2010	5,000,000
			100	Issue price		
Redeemed treasury shares	Treasury Shares		1		12/20/2013	(5,000,000)
Issuance	Preferred		1	Par value	12/20/2013	5,000,000
Issuance	Preferred		1	Par value	12/18/2015	20,000,000
			100	Issue price		
Redeemed treasury shares	Common		1		5/31/2016	(500,000)
Redeemed treasury shares	Common		1		6/13/2016	(500,000)
Redeemed treasury shares	Common		1		6/21/2016	(500,000)
Redeemed treasury shares	Common		1		6/23/2016	(1,100,000)
Redeemed treasury shares	Common		1		6/27/2016	(250,000)
Redeemed treasury shares	Common		1		6/28/2016	(500,000)
Redeemed treasury shares	Common		1		6/30/2016	(900,000)
Redeemed treasury shares	Common		1		7/1/2016	(897,700)
Redeemed treasury shares	Common		1		7/4/2016	(1,900)
Redeemed treasury shares	Common		1		7/5/2016	(498,900)
Redeemed treasury shares	Common		1		7/7/2016	(228,400)
Redeemed treasury shares	Common		1		7/8/2016	(2,650,000)
Redeemed treasury shares	Common		1		7/11/2016	(4,001,700)
Redeemed treasury shares	Common		1		7/12/2016	(2,000,000)
Redeemed treasury shares	Common		1		7/14/2016	(3,000,000)
(Amounts carried forward)		**2,550,000,000**				**P1,436,248,632**

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		2,550,000,000			P1,436,248,632
Redeemed treasury shares	Common		1	7/15/2016	(3,600,700)
Redeemed treasury shares	Common		1	7/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	7/22/2016	(500,000)
Redeemed treasury shares	Common		1	8/1/2016	(150,000)
Redeemed treasury shares	Common		1	8/2/2016	(203,600)
Redeemed treasury shares	Common		1	8/5/2016	(500,000)
Redeemed treasury shares	Common		1	8/11/2016	(200,000)
Redeemed treasury shares	Common		1	8/12/2016	(500,000)
Redeemed treasury shares	Common		1	8/18/2016	(500,000)
Redeemed treasury shares	Common		1	8/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/23/2016	(200,000)
Redeemed treasury shares	Common		1	8/26/2016	(500,000)
Redeemed treasury shares	Common		1	8/30/2016	(1,000,000)
Redeemed treasury shares	Common		1	8/31/2016	(287,300)
Redeemed treasury shares	Common		1	9/1/2016	(700,000)
Redeemed treasury shares	Common		1	9/2/2016	(760,000)
Redeemed treasury shares	Common		1	9/6/2016	(500,000)
Redeemed treasury shares	Common		1	9/7/2016	(200,000)
Redeemed treasury shares	Common		1	9/8/2016	(298,800)
Redeemed treasury shares	Common		1	9/9/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/13/2016	(500,000)
Redeemed treasury shares	Common		1	9/19/2016	(1,000,000)
Redeemed treasury shares	Common		1	9/20/2016	(300,000)
Redeemed treasury shares	Common		1	9/21/2016	(600,000)
Redeemed treasury shares	Common		1	9/23/2016	(200,000)
Redeemed treasury shares	Common		1	9/26/2016	(100,000)
Redeemed treasury shares	Common		1	9/27/2016	(386,600)
Redeemed treasury shares	Common		1	9/28/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/3/2016	(1,029,000)
Redeemed treasury shares	Common		1	10/4/2016	(700,000)
Redeemed treasury shares	Common		1	10/5/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/6/2016	(600,000)
Redeemed treasury shares	Common		1	10/7/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/10/2016	(650,000)
Redeemed treasury shares	Common		1	10/12/2016	(500,000)
Redeemed treasury shares	Common		1	10/13/2016	(1,000,000)
Redeemed treasury shares	Common		1	10/17/2016	(500,000)
Redeemed treasury shares	Common		1	10/20/2016	(500,000)
Redeemed treasury shares	Common		1	10/21/2016	(500,000)
Redeemed treasury shares	Common		1	10/24/2016	(500,000)
Redeemed treasury shares	Common		1	10/26/2016	(850,000)
Redeemed treasury shares	Common		1	10/27/2016	(500,000)
Redeemed treasury shares	Common		1	11/2/2016	(500,000)
Redeemed treasury shares	Common		1	11/7/2016	(300,000)
Redeemed treasury shares	Common		1	11/9/2016	(300,000)
Redeemed treasury shares	Common		1	11/10/2016	(100,000)
Redeemed treasury shares	Common		1	11/16/2016	(100,000)
Redeemed treasury shares	Common		1	11/17/2016	(300,000)
Redeemed treasury shares	Common		1	12/8/2016	(198,700)
Redeemed treasury shares	Common		1	12/9/2016	(700,000)
Amounts carried forward)		2,550,000,000			P1,406,233,932

Transaction	Type of Stock Common or Preferred	No. of Shares Registered	Issue/Offer Price and Par Value	Date of Approval	Issued and Outstanding
(Amounts brought forward)		2,550,000,000			P1,406,233,932
Redeemed treasury shares	Common		1	12/19/2016	(500,000)
Redeemed treasury shares	Common		1	12/20/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/21/2016	(1,000,000)
Redeemed treasury shares	Common		1	12/22/2016	(500,000)
Redeemed treasury shares	Common		1	12/23/2016	(3,000,000)
Redeemed treasury shares	Common		1	12/27/2016	(513,100)
Redeemed treasury shares	Common		1	12/28/2016	(336,900)
Redeemed treasury shares	Common		1	1/4/2017	(300,000)
Redeemed treasury shares	Common		1	1/5/2017	(18,800)
Redeemed treasury shares	Common		1	1/5/2017	(209,200)
Redeemed treasury shares	Common		1	1/9/2017	(111,800)
Redeemed treasury shares	Common		1	1/9/2017	(88,200)
Redeemed treasury shares	Common		1	1/10/2017	(200,000)
Redeemed treasury shares	Common		1	1/10/2017	(300,000)
Redeemed treasury shares	Common		1	1/12/2017	(500,000)
Redeemed treasury shares	Common		1	1/6/2017	(93,800)
Redeemed treasury shares	Common		1	1/6/2017	(206,200)
Redeemed treasury shares	Common		1	1/12/2017	(10,000)
Redeemed treasury shares	Common		1	1/12/2017	(125,500)
Redeemed treasury shares	Common		1	1/12/2017	(14,500)
Redeemed treasury shares	Common		1	1/13/2017	(200,000)
Redeemed treasury shares	Common		1	1/11/2017	(999,000)
Redeemed treasury shares	Common		1	1/11/2017	(107,000)
Redeemed treasury shares	Common		1	1/11/2017	(193,000)
Redeemed treasury shares	Common		1	1/16/2017	(286,000)
Redeemed treasury shares	Common		1	1/17/2017	(200,000)
Redeemed treasury shares	Common		1	1/23/2017	(300,000)
Redeemed treasury shares	Common		1	1/24/2017	(500,000)
Redeemed treasury shares	Common		1	1/25/2017	(500,000)
Redeemed treasury shares	Common		1	1/27/2017	(1,000,000)
Redeemed treasury shares	Common		1	1/31/2017	(300,000)
Redeemed treasury shares	Common		1	2/2/2017	(500,000)
Redeemed treasury shares	Common		1	2/6/2017	(500,000)
Redeemed treasury shares	Common		1	2/16/2017	(800,000)
Redeemed treasury shares	Common		1	2/23/2017	(750,000)
Redeemed treasury shares	Common		1	2/24/2017	(500,000)
Redeemed treasury shares	Common		1	2/27/2017	(300,000)
Redeemed treasury shares	Common		1	3/21/2017	(500,000)
Redeemed treasury shares	Common		1	3/23/2017	(187,100)
Redeemed treasury shares	Common		1	3/27/2017	(500,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(1,000,000)
Redeemed treasury shares	Common		1	3/31/2017	(500,000)
Redeemed treasury shares	Common		1	4/12/2017	(500,000)
Redeemed treasury shares	Common		1	4/18/2017	(500,000)
Redeemed treasury shares	Common		1	5/3/2017	(1,000,000)
Issuance	Common		1	7/1/2017	2,160,000
Issuance	Common		1	7/1/2017	601,000
Sale of treasury shares	Common		1	11/6/2017	70,193,400
Total		2,550,000,000			P1,456,538,232

28.4 Additional Paid-in Capital

In 2017, the Parent Company redeemed 70.2 million of its treasury shares at a total cost of P807.2 million. Premiums received in excess of the cost of treasury shares amounting to P367.1 million were recorded under Additional Paid-in Capital account in the 2017 consolidated statement of financial position (see Note 28.1).

In addition, the Parent Company issued 2.8 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P12.9 million (see Note 28.1 and 28.7). The fair value of stock options exercised during the year which was previously recorded as part of Retained Earnings in 2016 was reclassified to Additional Paid-in Capital account in the 2017 consolidated statement of financial position (see Note 28.6). The total amount reclassified from Retained Earnings amounted to P8.4 million which is computed at P3.05 per stock option.

In 2015, the Parent Company issued 20.0 million of its preferred shares at P100.0 per share. Premiums received in excess of the par value during the public offering amounting to P1,952.9 million were recorded under Additional Paid-in Capital account in the 2015 consolidated statement of financial position.

In 2013, the Parent Company issued 130.0 million of its common shares at P9.40 per share and 63.0 million common shares at P5.10 per share. The excess of the par value for such subscriptions amounting to P1,350.3 million was recorded as part of Additional Paid-in Capital account in the 2013 consolidated statement of changes in equity. In addition, direct cost of the share issuances amounting to P34.1 million was deducted from the Additional Paid-in Capital account.

In 2012, the Parent Company issued 171.3 million shares in favor of UMRC in relation to the share-for-share swap acquisition of CSC. The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

28.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	Property, Plant and Equipment	Defined Benefit Obligation	Total
Balance as of January 1, 2017	P -	(P 12,148,102)	(P 12,148,102)
Remeasurements of defined post-employment obligation	-	14,060,076	14,060,076
Tax expense	-	(4,218,023)	(4,218,023)
Balance as of December 31, 2017	**P -**	**(P 2,306,049)**	**(P 2,306,049)**
Balance as of January 1, 2016	P 582,398,558	(P 23,103,292)	P 559,295,266
Remeasurements of defined post-employment obligation	-	15,360,800	15,360,800
Transfers to retained earnings as an effect of the deconsolidation	(557,555,573)	202,630	(557,352,943)
Depreciation transfer to retained earnings – revalued tankers	(24,842,985)	-	(24,842,985)
Tax expense	-	(4,608,240)	(4,608,240)
Balance as of December 31, 2016	P -	(P 12,148,102)	(P 12,148,102)

28.6 Retained Earnings

On January 25, 2017, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 1 centavo per share totalling to P136.2 million, record date of March 30, 2017. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2017. No stock dividends were declared and distributed in 2017.

On March 18, 2016, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 8 centavos per share totalling to P114.3 million, record date of April 5, 2016. A total of P194.9 million cash dividends were also declared and distributed to 2nd and 3rd tranche preferred stockholders in 2016. No stock dividends were declared and distributed in 2016.

On March 4, 2015, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 5 centavos per share totaling to P71.5 million, record date as of March 18, 2015. A total of P41.2 million cash dividends were also declared and distributed to 2nd tranche preferred stockholders in 2015. No stock dividends were declared and distributed in 2015.

On January 29, 2014, the BOD approved the declaration and payment of common share cash dividend of 10 centavos per share totaling to P142.9 million to stockholders of record as of March 17, 2014. In addition, total cash dividends declared and distributed to 2nd tranche preferred stockholders amounted to P41.2 million in 2014. No stock dividends were declared and distributed in 2014.

28.7 ESOP

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

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

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

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

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

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

A total of P11.6 million and P5.8 million share-based executive compensation is recognized in 2017 and 2016, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in 2017 and 2016 consolidated statements of comprehensive income, respectively, with a corresponding credit to Retained Earnings account (see Note 28.6).

28.8 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and,
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2017	2016
Total liabilities	**P 32,519,210,369**	P 16,775,944,188
Total equity	**11,951,690,104**	9,762,093,733
Debt-to-equity ratio	**2.7 : 1.0**	1.72 : 1.0

The increase of the total assets and liabilities in 2017 is due to the business combinations, wherein the Group acquired the assets and assumed the liabilities of the new subsidiaries acquired, as well as increase in interest-bearing loans and borrowings utilized for the acquisition. The increase in equity is the net effect business combination and the net profit in 2017 less the cash dividend declared and paid during the period for common shares.

The Group's internal goal in capital management is to maintain a debt-to-equity structure ratio not in excess of 2.7 to 1. All externally imposed key ratios have been complied with in all the years presented, otherwise, bank waivers had been obtained (see Note 17).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

29. EARNINGS PER SHARE

EPS were computed as follows:

	2017	2016	2015
a) Net profit pertaining to common shares	**P1,596,939,154**	P 902,592,062	P 861,146,033
b) Net profit attributable to common shares and potential common shares	**1,791,849,154**	902,592,062	861,146,033
c) Weighted average number of outstanding common shares	**1,372,487,454**	1,410,964,421	1,428,777,232
d) Weighted average number of outstanding common and potential common shares	**1,377,270,489**	1,414,736,438	1,428,777,232
Basic EPS (a/c)	**P 1.16**	P 0.64	P 0.60
Diluted EPS (b/d)	**P 1.16**	P 0.64	P 0.60

The potential dilutive common shares totalling 4,783,035 and 3,772,017 shares in relation to the unexercised share warrants were considered in the computation of diluted EPS in 2017 and 2016. There are no potential dilutive shares in 2015.

30. SEGMENT REPORTING

30.1 Business Segments

In identifying its operating segments, management generally follows the Group's product and service lines, which represent the main products and services provided by the Group, namely fuels and lubricant sales (trading segment), depot and logistics services, shipping and cargo services and real estate sales. These are also the bases of the Group in reporting its primary segment information.

(a) Trading segment is engaged in marketing, merchandising, purchasing, selling, dealing, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), adhesives, glues, bonding agents, epoxy resins, lubricants and other products.

(b) Depot and logistics services segment is engaged in operating of oil depots, storage facilities and provides logistics services to various entities.

(c) Shipping and cargo services segment is engaged in hauling of petroleum products, operation of inter-island going vessels for domestic trade, chartering in and out any such vessels and providing complete marine services, either as principal or agent to ship owners, operators and managers.

(d) Real estate segment is involved in real estate development, management and operations.

30.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, and other assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, and other liabilities. Segment assets and liabilities do not include deferred tax assets or liabilities.

30.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between segments and between geographical segments. Such sales and purchases are eliminated upon combination.

The tables presented in the succeeding page present revenue and profit information regarding business segments of the Group for the years ended December 31, 2017 and 2016 and certain asset and liability information regarding industry segments as of December 31, 2017, 2016 and 2015 (in thousands).

	Trading			Depot and Logistics			Shipping and Cargo Services			Real Estate			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
TOTAL REVENUES															
Sales to external customers	P 43,955,424	P 29,468,451	P 28,723,892	P 469,557	P 480,057	P 180,273	P -	P 628,160	P 556,576	P 1,059	P -	P 593,098	P 44,426,040	P 30,576,668	P 30,053,839
Intersegment sales	4,180,373	681,402	2,457,071	-	53,126	-	-	893,299	954,180	22,338	-	27,747	4,202,711	1,627,827	3,438,998
Total revenues	48,135,797	30,149,853	31,180,963	469,557	533,183	180,273	-	1,521,459	1,510,756	23,397	-	620,845	48,628,751	32,204,495	33,492,837
COSTS AND OTHER OPERATING EXPENSES															
Cost of sales and services excluding depreciation and amortization	45,211,276	27,803,118	29,289,175	437,631	350,437	169,360	-	935,922	907,624	23,964	-	259,345	45,672,871	29,089,477	30,625,504
Depreciation and amortization	841,340	576,126	364,440	9,040	45,912	113,146	-	380,050	317,677	-	-	26,470	850,380	1,002,088	821,733
	46,052,616	28,379,244	29,653,615	446,671	396,349	282,506	-	1,315,972	1,225,301	23,964	-	285,815	46,523,251	30,091,565	31,447,237
SEGMENT OPERATING PROFIT (LOSS)	P 2,083,181	P 1,770,609	P 1,527,348	P 22,886	P 136,834	(P 102,233)	P -	P 205,487	P 285,455	(P 567)	P -	P 335,030	P 2,105,500	P 2,112,930	P 2,045,600
ASSETS AND LIABILITIES															
Segment assets	P 47,968,156	P 26,341,954		P 493,812	P 315,121		P -	P -		P 411,922	P -		P 48,873,890	P 26,657,074	
Segment liabilities	33,730,458	16,702,349		363,152	195,875		-	-		324,150	-		34,417,760	16,898,224	

30.4 Reconciliations

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

	2017	2016	2015
Revenues			
Total segment revenues	**P 48,628,751**	P 32,204,495	P 33,492,837
Elimination of intersegment revenues	**(4,202,711)**	(1,627,827)	(3,438,998)
Revenues as reported in profit or loss	**P 44,426,040**	P 30,576,668	P 30,053,839
Profit or loss			
Segment operating profit	**P 2,105,500**	P 2,112,930	P 2,045,600
Other unallocated income	**687,035**	11,006	16,311
Other unallocated expense	**-**	(50,069)	(9,070)
Operating profit as reported in profit or loss	**2,792,535**	2,073,867	2,052,841
Finance costs	**(855,043)**	(1,019,277)	(968,682)
Finance income	**56,629**	207,688	7,554
Profit before tax as reported in profit or loss	**P 1,994,121**	P 1,262,278	P 1,091,713
Assets			
Segment assets	**P 48,642,024**	P 26,610,882	
Deferred tax asset – net	**231,866**	46,192	
Elimination of intercompany accounts	**(4,402,990)**	(119,036)	
Total assets reported in the consolidated statements of financial position	**P 44,470,900**	P 26,538,038	
Liabilities			
Segment liabilities	**P 34,417,760**	P 16,898,224	
Elimination of intercompany accounts	**(1,898,550)**	(122,280)	
Total liabilities as reported in the consolidated statements of financial position	**P 32,519,210**	P 16,775,944	

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital Commitments

As of December 31, 2017, the Group has commitments of more than P2,000.0 million 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 530 operating retail service stations as of December 31, 2017. An additional of eight retail service stations are under various stages of completion as of December 31, 2017.

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.

31.2 Unused LCs

As of December 31, 2017 and December 31, 2016, the Parent Company has unused LCs amounting to P8,652.3 million and P10,660.0 million, respectively.

31.3 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases. The leases have terms ranging from 5 to 15 years, with renewal options, and include annual escalation rates ranging from 3.00% to 10.00%. The future minimum rentals payable under these cancelable operating leases are presented as follows:

	2017	2016
Within one year	**P 371,674,361**	P 477,468,634
After one year but not more than five years	**1,187,252,691**	1,760,293,260
More than five years	**1,554,982,467**	1,679,047,783
	P 3,113,909,519	P 3,916,809,677

Total rent expense for the years 2017, 2016 and 2015 amounted to P654.1 million, P638.6 million and P526.6 million, respectively (see Note 22).

31.4 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from 1 to 5 years, with renewal options, and include annual escalation rates ranging from 5.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below.

	2017	2016
Within one year	**P 87,237,539**	P 87,312,939
After one year but not more than five years	**138,482,193**	192,179,372
More than five years	**23,917,284**	27,359,104
	P 249,637,016	P 306,851,415

Rent income in 2017, 2016 and 2015 amounting to P 91.6 million, P97.3 million and P94.5 million, respectively, is presented as part of Rent and Storage Income in the consolidated statements of comprehensive income.

31.5 Finance Lease Commitments – Group as Lessee

The Group is a lessee under several finance lease covering certain hauling trucks with a lease term of 2 to 5 years. The leases provide options to purchase the transportation equipment at the end of the lease terms. Future minimum lease payments (MLP) under the finance leases together with the present value (PV) of the net minimum lease payments (NMLP) is as follows:

	2017		2016	
	Future MLP	**PV of NMLP**	Future MLP	PV of NMLP
Within one year	**P -**	**P -**	P 1,291,875	P 1,265,272
After one year but not more than five years	**-**	**-**	-	-
			1,291,875	1,265,272
Amounts representing finance charges	**-**	**-**	(26,603)	-
Present value of MLP	**P -**	**P -**	P 1,265,272	P 1,265,272

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings in the consolidated statements of financial position (see Note 17.4).

31.6 Charter Agreements

In 2015, the Group has existing commitments to charterers under TC, CVC, and BB agreements for the use of its tankers in transporting oil products for a fixed period. Also associated with these charter agreements is the obligation to keep the Group's tankers in good working condition and compliant with all the shipping regulations as required by the Maritime Industry Authority.

31.7 Purchase of LPG cylinders

During the year, PLPI placed an order with a third party to acquire additional LPG cylinders, to augment its current operations and re-establish its market in the Luzon areas. Contractual commitments resulting from such orders amounting to around P1.0 billion and it is payable in 2018. PLPI does not have any other material purchase commitments as at December 31, 2017.

31.8 Lawsuits

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and results of operations.

(a) In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. On October 24, 2016, the Group received the decision of the Court of Appeals denying the Petition for Certiorari dated October 27, 2014. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

A Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated 25 July 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN. On July 23, 2015, the Group received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the SC, seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the CA. On October 12, 2016, the Court denied the Petition for Certiorari and further denied petitioner's Motion for Reconsideration on January 25, 2017.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the Supreme Court (SC), Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the SC's issuance on the resolution directing the Group to file Comment to the Petition for Review.

(b) A qualified theft case was filed against former crew of M/T Chelsea Denise Rodrigo Yana, et al on June 29, 2015 with the RTC Branch 15 for taking and misappropriation of substantial portion of the Group's cargo consisting of 23,500.9 Liters of diesel worth P754,353 on June 26, 2015 at the Davao Terminal. On January 20, 2017, the Court grants (1) Prosecution's Motion for Reconsideration that the testimony of Joel Sularte shall remain as part of the records of the case; and (2) application of the accused to post bail amounting to P100,000. On February 8, 2017, a Motion for Partial Reconsideration of the Court's order was filed by the Group seeking the reversal of the approval of the application of the accused to post bail.

(c) Several grave coercion complaints were filed against Norman Navarro, et al., along with the BOD of the Group (including Dennis Uy and Cherylyn Uy) for the closure of five Phoenix Fuel Stations namely, Phoenix Bankerohan, Cabaguio, Boulevard, Acacia and Ponciano Stations. On July 19 and 27, 2016, complaint was dismissed for Acacia, Ponciano and Bankerohan Stations as respondent's action could not be considered unlawful or illegal. On December 29, 2017, the Petition for Review was dismissed in a Joint Resolution issued by the Regional Director Janet Grace Fabrero.

(d) Six separate cases of libel against the BOD of the Group and the Editors of newspapers as the alleged authors/originators for an alleged libelous Notice posted in the Mindanao Daily Mirror/ Sunstar Davao and other local newspapers. On July 19, 2017, all cases and Motion for Reconsideration were dismissed in a resolution dated June 19, 2017.

(e) Several cases of Grave Coercion, Robbery and Libel were filed against the Sales Team of South Mindanao and other officers, including all the members of the BOD except for Domingo T. Uy, Paul G. Dominguez and Carolina Inez Angela S. Reyes, in relation to the Parent Company's closure and take-over of six Phoenix Fuel Stations in Davao City. To date, the cases have been dismissed by the City Prosecutor's office of Davao City.

(f) The Parent Company's Independent Director, Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments. The case has been dismissed by the Sandiganbayan, Fourth Division, Quezon City in a Resolution dated March 2, 2017.

Other court cases typical and customary in the course of the business operations of the Group such as those, among others, involving collection, qualified theft and reckless imprudence have been filed by and against the Group by and against its employees and/or third parties.

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2017 and 2016, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

32. EVENTS AFTER THE BALANCE SHEET DATE

32.1 Acquisition of a New Subsidiary

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.

32.2 Joint Venture Agreement

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 will be 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.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 2 0 7 2 8 3

Company Name

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

Principal Office (No./Street/Barangay/City/Town/Province)

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	S E C	N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(082) 235-8888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
60	Any day in March	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MR. JOSEPH JOHN L. ONG	jojo.ong@phoenixfuels.ph	(082) 235-8888	

Contact Person's Address

Stella Hizon Reyes Road, Bo. Pampanga, Davao City

Note 1: *In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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

PHOENIX
Fuels Life

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein and as enumerated below, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

a) Supplementary schedules required under Annex 68-E of the Securities Regulation Code
b) Map showing the relationship between and among related entities
c) Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017
d) Schedule showing financial soundness indicators

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

2018 FEB 19 A8 :31

Domingo T. Uy
Chairman

Dennis A. Uy
President

Joseph John L. Ong
Chief Financial Officer

REPUBLIC OF THE PHLIPPINES)
City of Davao) S.S.

SUBSCRIBED AND SWORN to before me on FEB 15 2018 in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

Name	**Competent Evidence of Identity**
Domingo T. Uy	TIN 140-162-193
Dennis A. Uy	TIN 172-020-135
Joseph John L. Ong	TIN 101-116-899

and that they further attest that the same are true and correct.

Doc. No. 516;
Page No. 105;
Book No. 91;
Series of 2018.

KENNETH L. DABI NOTARY PUBLIC Roll No. 47866 Davao City, Philippines

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2018
Serial No. 2017-4055-2018
PTR No. 6887637; 01-04-18; D.C.
IBP No. 024561; 01-08-18; D.C.
Roll of Attorneys No. 47866
Km. 7, Lanang, Davao City

9883 '18 FEB 19 A8:3

P&A
Grant Thornton
An instinct for growth™

Report of Independent Certified Public Accountants to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

The Board of Directors and Stockholders
P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the year ended December 31, 2017, on which we have rendered our report dated February 15, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68 (as amended), and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 6616015, January 3, 2018, Makati City
SEC Group A Accreditation
Partner – No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 15, 2018

'18 FEB 19 A8:33

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
LIST OF SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2017

Schedule	*Description*	*Page*
A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts of Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Intangible Assets - Other assets	4
E	Long-Term Debt	5
F	Indebtedness to Related Parties (Long-term loans from related Companies)	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	6
I	Reconciliation of Retained Earnings Available for Dividend Declaration	7
J	Mapping of the Organization Structure	8
K	Schedule of Philippine Financial Reporting Standards	9 - 13

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule A - Financial Assets
DECEMBER 31, 2017

Description	*Carrying Value*		*Fair Value*	
Loans and receivables:				
Cash and cash equivalents	P	1,831,542,441	P	1,831,542,441
Trade and other receivables - net[1]		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
	P	**9,427,008,146**	**P**	**9,427,008,146**

Notes:

1) Trade and other receivables excludes certain advances from suppliers and advances subject to liquidation.
2) There are no other financial assets applicable to the group, except for loans and receivables.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2017

Name and Designation of debtor		*Balance at beginning of period*		*Additions*		*Amounts collected*		*Reclassification*		*Ending Balance* *Current*		*Non-current*		*Balance at end of period*
Calaca Industrial Seaport Corporation	P	942,812,571	P	662,319,699	P	1,108,312,571	P	-	P	496,819,699	P	-	P	496,819,699
P-H-O-E-N-I-XPhilippines Foundation, Inc.		13,256,329		7,187,188		207,135		-		20,236,382		-		20,236,382
Chelsea Shipping Corporation		929,026		19,791		-		-		948,817		-		948,817
Chelsea Logistics Holdings Corp.		500,000,000		-		-		500,000,000		-		-		-
Udenna Development (UDEVCO) Corporation		50,000,000		-		50,000,000		-		-		-		-
	P	**1,506,997,926**	**P**	**669,526,678**	**P**	**1,158,519,706**	**P**	**500,000,000**	**P**	**518,004,898**	**P**	**-**	**P**	**518,004,898**

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P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule C - Amounts of Receivable from Related Parties
which are Eliminated during Consolidation of Financial Statements
DECEMBER 31, 2017

Creditor	Name and designation of debtor	Balance at beginning of period	Business Combination	Additions	Amounts Collected	Set-off and Adjustments	Current	Non- Current	Balance at end of period
P-H-O-E-N-I-X Petroleum Philippines, Inc. *Advances to subsidiaries/parent*	P-H-O-E-N-I-X Global Mercantile, Inc.	P 1,185,008	P -	P 92,000	P -	P -	P 1,277,008	P -	P 1,277,008
	PFL Petroleum Management, Inc.	52,968,464	-	218,000	-	-	53,186,464	-	53,186,464
	Subic Petroleum Trading and Transport	(7,749,082)	-	1,769,918,270	1,164,298,616	-	597,870,572	-	597,870,572
	Phoenix Singapore, PTE Ltd.		-	47,996,716	-	-	47,996,716	-	47,996,716
	DUTA, Inc.	-	267,349,103	-	-	-	267,349,103	-	267,349,103
		P 46,404,390	**P 267,349,103**	**P 1,818,224,986**	**P 1,164,298,616**	**P -**	**P 967,679,863**	**P -**	**P 967,679,863**
P-H-O-E-N-I-X Petroleum Philippines, Inc. *Trade and Other Receivables*	P-H-O-E-N-I-X Global Mercantile, Inc.	P -	P -	P 7,721,015	P 177,985	P -	P 7,543,030	P -	P 7,543,030
	PFL Petroleum Management, Inc.	38,608,134	-	18,700,088	6,291,831	-	51,016,391	-	51,016,391
	Phoenix LPG Philippines, Inc.	-	-	107,841,464	14,443,053	-	93,398,411	-	93,398,411
		P 38,608,134	**P -**	**P 134,262,567**	**P 20,912,869**	**P -**	**P 151,957,832**	**P -**	**P 151,957,832**
Subic Petroleum Trading & Transport Phils., Inc.	P-H-O-E-N-I-X Petroleum Philippines, Inc. *(Trade Receivables)*	P -	P -	P 119,024	P -	P -	P 119,024	P -	P 119,024
		P -	**P -**	**P 119,024**	**P -**	**P -**	**P 119,024**	**P -**	**P 119,024**
Phoenix LPG Philippines, Inc. *Advances to subsidiaries/parent*	P-H-O-E-N-I-X Petroleum Philippines, Inc.	P -	P 8,229,284	P 7,857	P -	P 8,237,141	P -	P -	P -
	DUTA, Inc.	-	47,315,123	521,212	10,936,335	146,195	36,753,805	-	36,753,805
	Kaparangan, Inc.	-	14,520,958	62,128	422,128	215,523	13,945,435	-	13,945,435
		P -	**P 70,065,365**	**P 591,197**	**P 11,358,463**	**P 8,598,859**	**P 50,699,240**	**P -**	**P 50,699,240**
DUTA, Inc.	Phoenix LPG Philippines, Inc. *(Lease Receivable)*	P -	P -	P 12,677,635	P -	P -	P 12,677,635	P -	P 12,677,635
		P -	**P -**	**P 12,677,635**	**P -**	**P -**	**P 12,677,635**	**P -**	**P 12,677,635**

Terms and conditions:
All receivables/payables are unsecured, non interest bearing, collectible/payable on demand and generally settled in cash.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
DECEMBER 31, 2017

Description	*Beginning balance*	*Additions at cost*	*Deductions*		*Other changes additions (deductions)*	*Ending balance*
			Charged to cost and expenses	*Charged to other accounts*		
Other Non-Current assets						
Goodwill	P 10,221,849	P 3,980,444,757	P -	P -	P -	P 3,990,666,606
Basketball franchise	176,861,660	-	-	-	-	176,861,660
Computer software licenses	93,439,088	29,329,660	28,481,518	-	-	94,287,230
Software cost	3,803,048	363,571	1,646,452	-	-	2,520,167
Others	933,694	328,699	-	-	-	1,262,393
TOTAL	**P 285,259,339**	**P 4,010,466,687**	**P 30,127,970**	**P -**	**P -**	**P 4,265,598,056**

Explanation:

Addition to goodwill was due to the acquisition of PLPI; and,
Charged to cost and expenses under Computer Software Licenses was due to amortizations of Intangible Assets.

P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries
Schedule E - Long-Term Debt
DECEMBER 31, 2017

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*	*Terms*
Installment, notes and loans payable				
Peso-denominated				
BDO Unibank, Inc.	P 1,000,000,000	P -	P 1,000,000,000	Interest rate of 4.0179%, five year term, maturing on, August 18, 2021
Robinsons Bank Corporation	500,000,000	100,000,000	200,000,000	Interest rate of 5.79%, five-year term, maturing on October 9, 2020
Philippine National Bank	500,000,000	100,000,000	225,000,000	term, maturing on January 2, 2021
BDO Unibank, Inc.	6,000,000,000	-	5,799,559,853	Interest rate of 4.0404%, seven-year term, maturing on August 7, 2024
Land Bank of the Philippines	1,000,000,000	-	1,000,000,000	Interest rate of 4.00%, three-year term, maturing on November 3, 2020
Asia United Bank	400,000,000	400,000,000	-	Interest rate of 3.75%, maturing on January 22, 2018
Bank of Commerce	500,000,000	500,000,000	-	Interest rate of 3.50%, maturing on March 27, 2018
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 4.21%, maturing on November 10, 2022
BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000	Interest rate of 4.91%, maturing on November 10, 2022
BDO Unibank, Inc.	500,000,000	500,000,000	-	Interest rate of 3.75%, maturing on March 13, 2018
BDO Unibank, Inc.	1,100,000,000	1,100,000,000	-	Interest rate of 4.00%, maturing on April 19, 2018
Development Bank of the Philippines	1,000,000,000	1,000,000,000	-	Interest rate of 2.71%, maturing on March 20, 2018
Development Bank of the Philippines	200,000,000	200,000,000	-	Interest rate of 3.53%, maturing on February 13, 2018
Land Bank of the Philippines	500,000,000	500,000,000	-	Interest rate of 3.50%, maturing on February 27, 2018
Land Bank of the Philippines	200,000,000	200,000,000	-	Interest rate of 3.50%, maturing on February 27, 2018
Land Bank of the Philippines	200,000,000	200,000,000	-	Interest rate of 4.04%, maturing on March 2, 2018
Philippine National Bank	1,000,000,000	-	950,000,000	Interest rate of 4.80%, maturing on April 3, 2020
Philippine National Bank	1,000,000,000	1,000,000,000	-	Interest rate of 3.75%, maturing on January 2, 2018
Philippine National Bank	200,000,000	200,000,000		Interest rate of 4.25%, maturing on February 28, 2018
Philippine Veterans Bank	600,000,000	600,000,000		Interest rate of 3.50%, maturing on January 12, 2018
Rizal Commercial Banking Corporation	400,000,000	400,000,000		Interest rate of 3.75%, maturing on January 27, 2018
Rizal Commercial Banking Corporation	600,000,000	600,000,000	-	Interest rate of 3.75%, maturing on March 15, 2018
Robinsons Bank Corporation	200,000,000	200,000,000		Interest rate of 3.75%, maturing on January 19, 2018
Robinsons Bank Corporation	100,000,000	100,000,000		Interest rate of 3.75%, maturing on January 22, 2018
Robinsons Bank Corporation	325,000,000	325,000,000		Interest rate of 3.75%, maturing on January 26, 2018
United Coconut Planters Bank	500,000,000	500,000,000		Interest rate of 4.50%, maturing on March 19, 2018
Union Bank of the Philippines	100,000,000	100,000,000		Interest rate of 4.00%, maturing on February 13, 2018
Union Bank of the Philippines	200,000,000	200,000,000		Interest rate of 3.50%, maturing on January 19, 2018
Multinational Investment Bancorporation	2,385,732,922	2,185,732,922	200,000,000	Interest rates from 3.00% to 4.50%, maturing on various dates
Penta Capital Investment Corporation	400,000,000	400,000,000	-	Interest rate of 5.00%, maturing on March 21, 2018
Robinsons Bank Corporation	50,000,000	47,000,000	-	Interest rate of 7.70%, seven-year term, maturing on August 23, 2018
Total Installment, notes and loans payable	23,660,732,922	11,657,732,922	11,374,559,853	
TOTAL	**P 23,660,732,922**	**P 11,657,732,922**	**P 11,374,559,853**	

P-H-O-E-N-I-X Petroleum Philippines, Inc.
Schedule H - Capital Stock
December 31, 2017

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, coversion and other rights	Number of shares held by Related parties	Directors, officers and employees	Others
Preferred shares - P1 par value						
Non-voting, non-participating,						
non-convertible into common shares						
Issued and outstanding - 25,000,000	50,000,000	25,000,000	-	-	-	25,000,000
Common shares - P1 par value						
Issued and outstanding - 1,374,383,932	2,500,000,000	1,431,538,232	-	83,475,787	6,001,110	1,342,061,335

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P-H-O-E-N-I-X Petroleum Philippines, Inc.
Stella Hizon Reyes Road, Barrio Pampanga, Davao City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2017

UNAPPROPRIATED RETAINED EARNINGS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING			P	2,398,853,957
Net Profit based on the audited Statement of Comprehensive Income	P	1,023,117,873		
Less: Non-actual/unrealized income net of tax				
Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument		8,794,918		
Add: Non-actual losses				
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents		2,674,083		
Other unrealized loss or adjustment to retained earnings as a result of day one loss on financial instrument		9,038,610		
Subtotal		11,712,693		
Net income actually earned during the period		1,026,035,648		1,026,035,648
Add/Less:				
Dividend declarations during the period:				
Common shares cash dividends	(	136,208,383)		
Preferred shares cash dividends	(	194,910,000)	(	331,118,383)
Treasury shares				-
UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING			P	3,093,771,222

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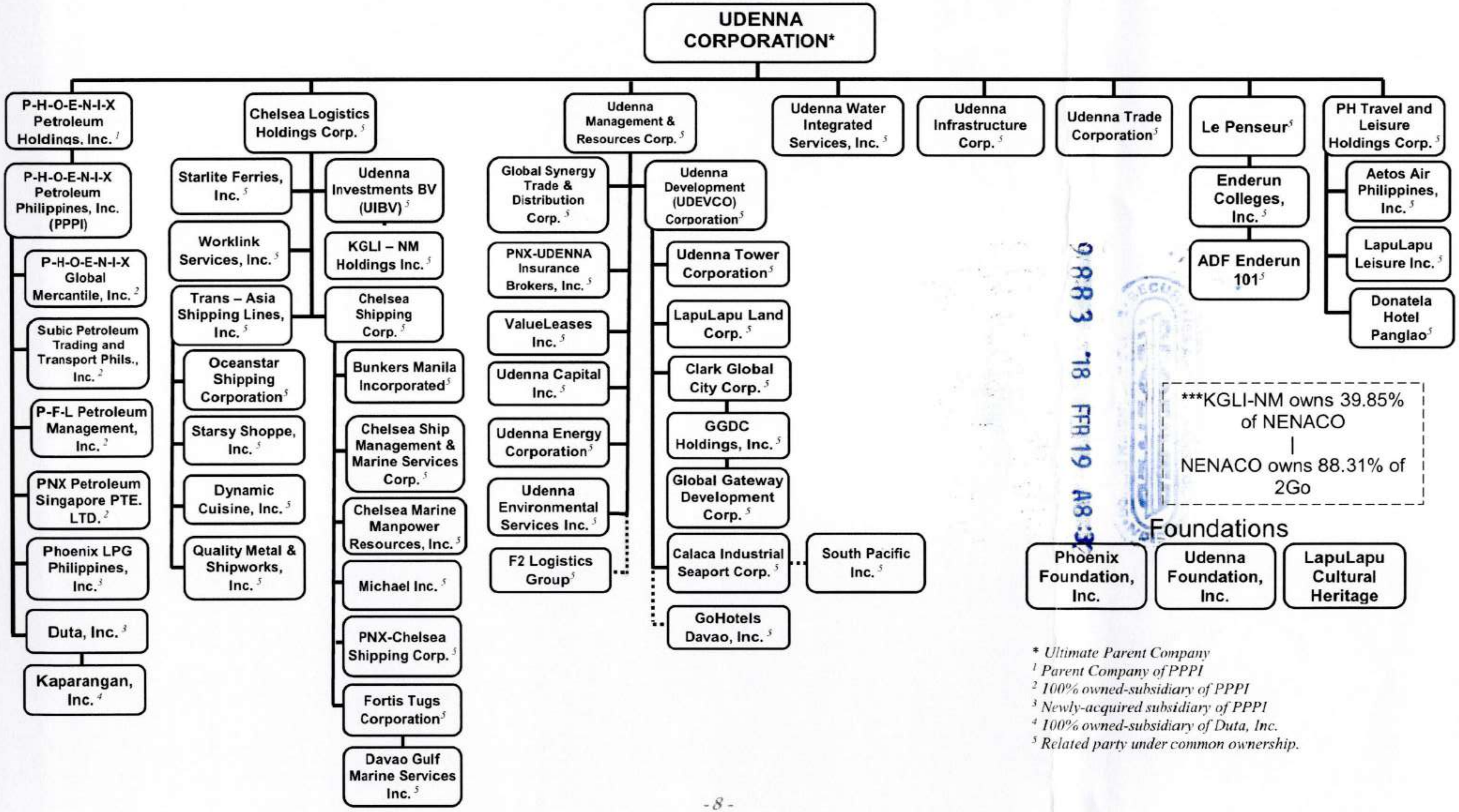
P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
SCHEDULE J – MAPPING OF THE ORGANIZATIONAL STRUCTURE
DECEMBER 31, 2017



* *Ultimate Parent Company*
[1] *Parent Company of PPPI*
[2] *100% owned-subsidiary of PPPI*
[3] *Newly-acquired subsidiary of PPPI*
[4] *100% owned-subsidiary of Duta, Inc.*
[5] *Related party under common ownership.*

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

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* *(effective January 1, 2019)*	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts (effective January 1, 2018)*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* *(effective January 1, 2019)*			✓

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts* *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss *(effective January 1, 2018)*			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture *(effective January 1, 2019)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property* (*effective January 1, 2018*)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration (*effective January 1, 2018*)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments (effective *January 1, 2019*)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

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

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC and Subsidiaries** for the year ended **December 31, 2017.**

In discharging this responsibility, I hereby declare that I, **Jonarest Z. Sibog,** am the **Controller**, of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC and Subsidiaries** and was hired to perform this service.

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of Punongbayan and Arraullo who/which is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.

15 February 2018, Davao City Philippines.

JONAREST Z. SIBOG CPA,MBA
Affiant

SUBSCRIBED AND SWORN TO before me on FEB 15 2018 in Davao City, Philippines. Affiant has confirmed her identity by presenting her competent evidence of identity which is her PRC License with No. 0131121, issued on March 31, 2016 in Davao City, Philippines containing her photo and signature and that she further attests that the same is true and correct.

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Series of 2018

ATTY. KENNETH L. DABI
Notary Public for Davao City
Expires on December 31, 2018
Serial No. 2017-0055-2018
PTR No. 8887637; 01-04-18; D.C.
IBP No. 024561; 01-08-18; D.C.
Roll of Attorneys No. 47866
Km. 7, Lanang, Davao City

ISSUER

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
Stella Hizon Reyes Road
Bo. Pampanga, Lanang
Davao City, Philippines

RECEIVING AGENT
STOCK TRANSFER AND DIVIDEND PAYING AGENT

BDO UNIBANK, INC.
15F, South Tower
BDO Corporate Center, 7899 Makati Avenue
Makati City, Philippines

LEGAL ADVISERS

To the Issuer

PUYAT JACINTO & SANTOS
10th Floor 8 Rockwell corner Plaza Drives
Rockwell Center, Hidalgo
Makati City, Philippines

To the Joint Lead Underwriters

PICAZO BUYCO TAN FIDER & SANTOS
Penthouse, Liberty Center
104 H.V. dela Costa St., Salcedo Village
Makati City, Philippines

INDEPENDENT AUDITORS OF THE ISSUER

PUNONGBAYAN & ARAULLO
19th & 20th Floor, Tower 1
The Enterprise Center 6766 Ayala Ave
Makati City, Philippines

SOLE ISSUE MANAGER AND SOLE BOOKRUNNER

CHINA BANK CAPITAL CORPORATION
28th Floor BDO Equitable Tower
8751 Paseo de Roxas
Makati City, Philippines

JOINT LEAD UNDERWRITERS

CHINA BANK CAPITAL CORPORATION
28th Floor BDO Equitable Tower
8751 Paseo de Roxas
Makati City, Philippines

PNB CAPITAL AND INVESTMENT CORPORATION
9/F PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City, Metro Manila, Philippines