13 November 2020

**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 Corp.**
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

**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. Marie Rose M. Magallen-Lirio**
Head - Issuer Compliance and Disclosure Department (ICDD)

**Sir and Mesdames:**

We are herewith submitting the Company's third quarter report for period ended 30 September 2020 (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

| Month | Day | FORM TYPE | Month | Day |
|---|---|---|---|---|
| **12** | **31** | **SEC FORM 17-Q** | **4** | **XX** |

Fiscal Year Ending

Annual Meeting: **Last Friday**

**CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE**
Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

**75**
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 September 2020 |
| 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 | 1,407,977,232.00 |
| PREFERRED | 27,000,000.00 |

Amount of Debt Outstanding as of <u>30 September 2020</u>: Php56,066,084,715.00

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 [ ]

# TABLE OF CONTENT

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**UNAUDITED as of SEPTEMBER 30, 2020**
***(With Comparative Figures as of December 31, 2019***
***(Amounts in Philippine Pesos)***

| | Notes | UNAUDITED September 30, 2020 | AUDITED December 31, 2019 |
|---|---|---|---|
| **A S S E T S** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | P 4,268,336,986 | 9,810,770,115 |
| Trade and other receivables - net | 6 | 15,539,575,041 | 15,973,133,966 |
| Inventories - net | 7 | 5,914,893,278 | 11,679,616,905 |
| Due from related parties - net | 12 | 32,913,767 | 1,986,811 |
| RESTRICTED DEPOSITS | 6 | 55,500,847 | 54,462,326 |
| INPUT VAT - NET | | 2,097,621,780 | 2,905,878,621 |
| Derivative Asset | | 78,063,844 | - |
| Prepayments and other current assets | | 2,426,960,075 | 1,931,536,398 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment - net | 8 | 29,952,550,187 | 27,378,864,900 |
| Right-of-use assets - net | | 1,389,014,489 | 1,142,726,144 |
| Investment properties | | 2,185,477,754 | 1,908,972,835 |
| Intangible assets - net | 9 | 288,435,482 | 310,277,916 |
| Investments in joint ventures | | 1,518,682,738 | 1,432,709,636 |
| Goodwill - net | | 4,632,397,417 | 4,632,397,418 |
| Deferred tax assets - net | | 524,121,335 | 155,781,031 |
| Other non-current assets | | 6,476,156,881 | 7,638,262,244 |
| Total Non-current Assets | | 46,966,836,283 | 44,599,992,124 |
| **TOTAL ASSETS** | | P 77,380,701,901 | P 86,957,377,266 |
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 10 | P 37,815,754,123 | 38,143,058,891 |
| Trade and other payables | | 3,458,638,528 | 11,841,661,093 |
| Derivative financial liabilities | | - | 311,019,650 |
| Lease liabilities | | 185,816,754 | 153,360,799 |
| Income tax payable | | 76,339,225 | 49,872,393 |
| Total Current Liabilities | | 41,536,548,630 | 50,498,972,826 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | | 11,380,841,700 | 11,753,129,172 |
| Lease liabilities | | 1,265,699,960 | 1,096,852,276 |
| Deferred tax liabilities - net | | 804,163,570 | 748,398,599 |
| Other non-current liabilities | | 1,078,830,855 | 937,269,144 |
| Total Non-current Liabilities | | 14,529,536,085 | 14,535,649,191 |
| Total Liabilities | | 56,066,084,715 | 65,034,622,017 |
| **EQUITY** | | | |
| Equity attributable to parent company | | | |
| Capital stock | 13 | 1,121,677,232 | 1,119,904,232 |
| Additional paid-in capital | | 12,056,498,462 | 12,042,788,045 |
| Revaluation reserves | | 792,769,233 | 806,868,975 |
| Retained earnings | | 7,287,294,319 | 7,876,463,627 |
| | | 21,258,239,246 | 21,846,024,879 |
| Non-controlling interest | | 56,377,940 | 76,730,370 |
| Total Equity | | 21,314,617,186 | 21,922,755,249 |
| **TOTAL LIABILITIES AND EQUITY** | | P 77,380,701,901 | P 86,957,377,266 |
| | | | - |

***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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 and 2019**
***UNAUDITED***
***(Amounts in Philippine Pesos)***

| | YTD September | | 3rd Quarter (July - September) | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **REVENUES** | | | | |
| Sale of goods | **P 55,643,051,024** | 72,430,134,877 | **19,980,119,749** | 21,647,273,992 |
| Fuel service and other revenues | **1,024,794,206** | 655,049,339 | **162,248,450** | 293,157,035 |
| Rent income | **107,740,956** | 83,957,779 | **21,715,850** | 28,930,690 |
| | **56,775,586,186** | 73,169,141,995 | **20,164,084,049** | 21,969,361,717 |
| **COST AND EXPENSES** | | | | |
| Cost of sales and services | **51,577,790,616** | 65,873,286,467 | **18,444,010,914** | 20,316,296,573 |
| Selling and administrative expenses | **4,279,913,934** | 4,822,274,377 | **1,376,734,183** | 1,245,923,262 |
| | **55,857,704,550** | 70,695,560,844 | **19,820,745,097** | 21,562,219,835 |
| **OTHER CHARGES (INCOME)** | | | | |
| Finance costs | **1,601,711,743** | 1,779,962,252 | **484,998,385** | 663,932,948 |
| Finance income | **(34,995,561)** | (11,524,647) | **(24,871,028)** | (648,378) |
| Fair value gains on investment properties | - | | - | |
| Equity share in net income of joint ventures | **(45,461,316)** | (19,916,873) | **(33,619,516)** | (3,334,641) |
| Others - net | **(285,731,908)** | (346,316,744) | **(257,228,357)** | (337,538,856) |
| | **1,235,522,958** | 1,402,203,988 | **169,279,484** | 322,411,073 |
| **PROFIT BEFORE TAX** | **(317,641,322)** | 1,071,377,163 | **174,059,468** | 84,730,809 |
| **TAX EXPENSE/(TAX INCOME)** | **(222,188,023)** | 153,077,336 | **(121,788,604)** | 63,257,280 |
| **NET PROFIT** | **(95,453,299)** | P 918,299,827 | **P 295,848,072** | P 21,473,529 |
| **NET PROFIT ATTRIBUTABLE TO:** | | | | |
| Parent company | **(75,100,869)** | P 931,530,741 | **292,696,109** | 27,594,243 |
| Non-controlling interest | **(20,352,430)** | **(13,230,914)** | **3,151,963** | (6,120,714) |
| | **(95,453,299)** | P 918,299,827 | **P 295,848,072** | P 21,473,529 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **Item that will be reclassified subsequently to profit or loss** | | | | |
| Translation adjustment related to a foreign subsidiary | **(14,099,742)** | 19,891,126 | **(28,930,931)** | (12,380,884) |
| **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** | **(14,099,742)** | 19,891,126 | **(28,930,931)** | (12,380,884) |
| **TOTAL COMPREHENSIVE INCOME** | **(109,553,041)** | P 938,190,953 | **P 266,917,141** | P 9,092,645 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | | |
| Parent company | **(89,200,611)** | P 951,421,867 | **P 263,765,178** | P 15,213,359 |
| Non-controlling interest | **(20,352,430)** | (13,230,914) | **3,151,963** | (6,120,714) |
| | **(109,553,041)** | P 938,190,953 | **P 266,917,141** | P 9,092,645 |
| **Basic Earnings per share** | **P (0.42)** | P 0.48 | **P 0.09** | P (0.10) |
| **Diluted Earnings per share** | **P (0.42)** | P 0.48 | **P 0.09** | P (0.10) |

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE NINE-MONTH ENDED SEPTEMBER 30, 2020 AND 2019**
***(Amounts in Philippine Pesos)***

| | Capital Stock | | | | | | | | | | Total Equity | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | Preferred Treasury Stock - At Cost | Common Stock | Common Treasury Stock - At Cost | Total Capital Stock | Additional Paid-in Capital | Revaluation Reserves | Other Reserves | Accumulated Translation Adjustment | Retained Earnings | Attributable to the Shareholders of Parent Company | Non-controlling Interest | Total Equity |
| Balance at January 1, 2020 | 37,000,000 | (10,000,000) | 1,437,204,232 | (344,300,000) | 1,119,904,232 | 12,042,788,045 | 806,868,975 | - | - | 7,876,463,627 | 21,846,024,879 | 76,730,370 | 21,922,755,249 |
| Cash dividends | | | | | | | | | | (512,486,632) | (512,486,632.00) | | (512,486,632.00) |
| Adjustments for adoption of PFRS 16 | | | | | | | | | | | - | | - |
| Preferred Stock Redemption | | | | | - | | | | | | - | | - |
| Issuance of shares during the year | | | | | - | | | | | | - | | - |
| Employee Share Options | | | | | - | | | | | 3,830,970 | 3,830,969.82 | | 3,830,969.82 |
| Stock Options Exercised | | | 1,773,000 | | 1,773,000.00 | 13,710,417 | | | | (5,412,777) | 10,070,640.27 | | 10,070,640.27 |
| Business combination | | | | | | | | | | | - | | - |
| Translation adjustments during the year | | | | | | | (14,099,742) | | | 14,099,742 | - | | - |
| Transfer to Retained Earnings | | | | | | | | | | - | - | | |
| Total comprehensive income | | | | | | | | | | (89,200,611) | (89,200,611) | (20,352,430) | (109,553,041) |
| for the year | | | | | | | | | | | - | | - |
| Balance at SEPTEMBER 30, 2020 | 37,000,000 | (10,000,000) | 1,438,977,232 | (344,300,000) | 1,121,677,232 | 12,056,498,462 | 792,769,233 | - | - | 7,287,294,320 | 21,258,239,247 | 56,377,940 | 21,314,617,186 |
| **Balance at January 1, 2019** | | | | | | | | | | | | | |
| As previously reported | 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 |
| Ac Adjustment from adoption of PFRS 9 | | | | | | | | | | (218,671,979) | (218,671,979) | | (218,671,979) |
| Re Restatements | | | | | | | | | | | - | | - |
| As restated | | | | | | | | | | | - | | - |
| Cash dividends | | | | | | | | | | (454,198,968) | (454,198,968) | | (454,198,968) |
| Issuance of shares during the year | | | | | | | | | | | - | | - |
| Acquisition of shares during the year | | (500,000) | | | (500,000) | (499,500,000) | | | | | (500,000,000) | | (500,000,000) |
| Share-based compensation | | | 2,698,055 | | 2,698,055 | 20,863,768 | | | | 4,427,906 | 27,989,729 | | 27,989,729 |
| Business combination | | | | | | | | | | (8,236,870) | (8,236,870) | 11,641,883 | 3,405,013 |
| Translation adjustments during the year | | | | | | | | | (19,891,126) | (2,639,194) | (22,530,320) | (13,230,914) | (35,761,234) |
| Total comprehensive income | | | | | | | | | | 951,421,867 | 951,421,867 | | 951,421,867 |
| for the year | | | | | | | | | | | | | - |
| Balance at September 30, 2019 | 32,000,000 | - 10,500,000 | 1,437,002,287 | - 344,300,000 | 1,114,202,287 | 6,755,056,254 | 827,510,428 | - 730,361,725 | 5,037,268 | 7,814,946,723 | 15,786,391,235 | - 38,533,950 | 15,747,857,285 |

**PHOENIX PETROLEUM PHILIPPINES INC. AND SUBSIDIARIES**
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019**
***(Amounts in Philippine Pesos)***

| | 2020 (Unaudited) | 2019 (Unaudited) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit (loss) before tax | (317,641,320) | 1,071,377,163 |
| Adjustments for: | | |
| Gain on revaluation of investment properties | - | - |
| Interest expense | 1,225,418,586 | 1,877,284,036 |
| Depreciation and amortization | 991,788,906 | 1,113,889,394 |
| Unrealized foreign currency exchange losses (gains) - net | 9,495,312 | 42,036,455 |
| Equity share in net loss (income) of joint ventures and an associate | (45,461,316) | (19,916,873) |
| Impairment losses on trade and other receivables | - | - |
| Impairment losses on other non-current assets | - | - |
| Interest income | (34,995,561) | (14,738,383) |
| Employee Share Options | (1,581,807) | 8,236,870 |
| Provisions for lost cylinder | - | - |
| Gain on bargain purchase | - | - |
| Loss (gain) on disposal of property and equipment | - | - |
| Operating profit (loss) before working capital changes | 1,827,022,800 | 4,078,168,662 |
| Decrease (increase) in trade and other receivables | 433,558,925 | 2,089,300,155 |
| Decrease in inventories | 5,764,723,627 | 4,601,718,618 |
| Decrease in Input value-added tax - net | | |
| Decrease (increase) in land held for sale and land development costs | - | |
| Decrease in other current assets | 233,730,799 | (978,245,372) |
| Decrease in trade and other payables | (8,669,241,242) | (4,797,917,712) |
| Cash generated from operations | (410,205,091) | 4,993,024,351 |
| Cash paid for income taxes | (45,408,378) | (53,575,085) |
| Net Cash From Operating Activities | (455,613,469) | 4,939,449,266 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of new subsidiaries | - | (867,650,081) |
| Acquisitions of property, plant and equipment | (4,581,826,419) | (4,982,026,615) |
| Additions to investment properties | (276,669,999) | |
| Decrease in other non-current assets | 1,141,752,932 | (5,713,068,808) |
| Acquisitions through business combinations, net of cash acquired | - | - |
| Advances to related parties | - | - |
| Translation of financial statement of foreign subsidiary | (13,594,661) | (22,530,320) |
| Additional investments in joint ventures | (40,511,786) | (945,584,199) |
| Proceeds from disposal of property and equipment | 803,835,601 | 22,105,209 |
| Interest received | 34,995,561 | 14,738,383 |
| Acquisitions of intangible assets | (12,269,287) | (29,570,547) |
| Net Cash Used in Investing Activities | (2,944,288,058) | (12,523,586,978) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from additional loans and borrowings | 35,279,612,572 | 62,862,457,274 |
| Repayments of interest-bearing loans and borrowings | (35,979,204,812) | (55,089,339,208) |
| Interest paid | (1,225,418,586) | (1,877,284,036) |
| Employee Share Optons | 1,773,000 | 4,427,906 |
| Payments made to related parties | - | - |
| Additional borrowings from related parties | - | - |
| Collections from related parties | - | - |
| Payment of Cash Dividends | (512,486,632) | (454,198,968) |
| Advances to related parties | (30,926,956) | 927,845,168 |
| Acquisition of treasury shares | - | - |
| Increase (decrease) in other non-current liabilities | 310,409,395 | 820,802,272 |
| Deposit for future stock subscription | - | - |
| Decrease in revaluation reserves | - | - |
| Proceeds from issuance for shares of stock | - | - |
| Increase/decrease in APIC | 13,710,417 | (478,636,233) |
| Redemption of Preferred Stock | - | 2,198,055 |
| Proceeds from total return equity swap (TRES) transaction | - | - |
| Net Cash From Financing Activities | (2,142,531,602) | 6,718,272,230 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | (5,542,433,129) | (865,865,482) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 9,810,770,115 | 7,889,708,807 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | P 4,268,336,986 | 7,023,843,325 |

# (UNAUDITED) P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AN D 2019

*(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 41.83% 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 **665** operating retail service stations, and a total of **5** service stations under construction as of September 30, 2020.

### *1.1 Subsidiaries, Joint Ventures and their Operations*

As of September 30, 2020 and December 31,2019, 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 September 30,2020 | December 31,2019 |
|---|---|---|---|
| **Direct interest:** | | | |
| *Subsidiaries* | | | |
| P-F-L Petroleum Management, Inc. (PPMI) | (a) | 100% | 100.00% |
| P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI) | (b) | 100% | 100.00% |
| Subic Petroleum Trading and Transport Phils., Inc. (SPTT) | (c) | 100% | 100.00% |
| PNX Petroleum Singapore Pte. Ltd. (PNX SG) | (d) | 100% | 100.00% |
| Phoenix LPG Philippines, Inc. (PLPI) | (e) | 100% | 100.00% |
| Duta, Inc. [4] | (f) | 100% | 100.00% |
| Philippine FamilyMart CVS, Inc. (PFM) | (g) | 100% | 100.00% |
| PNX Energy International Holdings, Pte. Ltd. (PNX Energy) | (h) | 100% | 100.00% |
| Phoenix Pilipinas Gas and Power, Inc.[1] | (i) | 100% | - |
| Action.Able, Inc.(AAI) | (j) | 74.90% | 74.90% |
| Think.Able Limited (TAL) | (k) | 74.90% | 74.90% |
| Phoenix Road Transport Pilipinas Inc. | (l) | 100% | - |
| *Joint venture* | | | |
| Phoenix Asphalt Philippines, Inc. (PAPI)[3] | (m) | 40.00% | 40.00% |
| **Indirect interest:** | | | |
| Kaparangan, Inc. (Kaparangan)[2, 4] | (n) | 100.00% | 100.00% |
| PNX (Vietnam) Pte. Ltd. (PNX Vietnam)[5] | (o) | 100.00% | 100.00% |
| PT Phoenix Petroleum Indonesia (PNX Indonesia)[7] | (p) | 100.00% | 100.00% |
| Phoenix Gas (Vietnam) Limited Liability Company (PGV LLC)[6] | (q) | 75.00% | 75.00% |
| Galaxi Petroleum Fuel, Inc. (Galaxi)[8] | (r) | 51.00% | 51.00% |
| Phoenix Southern Petroleum Corp. (PSPC)[8] | (s) | 49.00% | 51.00% |
| Top Concord Quality Petroleum Corp. (TCQPC)[8] | (t) | 49.00% | 49.00% |
| CJI Fuels Corp. (CJI)[8] | (u) | 49.00% | 49.00% |
| Firebird Evzon Fuels Corp. (FEFC)[8] | (v) | 49.00% | 49.00% |
| Eastan Prime Development Corporation (EPDC)[8] | (w) | 49.00% | 49.00% |
| Zae Falco Energy Corp. (ZFEC)[8] | (x | 49.00% | 49.00% |
| Tarlac Black Gold Petroleum Corporation[8] | (y) | 49.00% | - |
| Abound Business Ventures Corporation[8] | (z) | 49.00% | - |

Notes:
*1 Newly incorporated subsidiary*
*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*
*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, 2019.

*(i)* Incorporated on March 14, 2019 to engage in, conduct and carry on the business of selling, trading, on wholesale basis, natural gas and liquefied natural gas (LNG).

*(j)* 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 e-commerce 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.

*(k)* Incorporated on May 5, 2014 and is a Hong Kong based company that handles the trademark of AAI.

*(l)* Incorporated on January 1, 2020 and is engage to carry business in organizing, administering, running and supervising of services-oriented companies such petroleum service stations.

*(m)* 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.

*(n)* Incorporated on January 21, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing land.

*(o)* 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 as of December 31, 2019.

*(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 as of December 31, 2019.

*(q)* Formerly known as Origin LPG (Vietnam) Limited Liability Company, was incorporated and licensed to conduct business under the laws of Vietnam on August 6, 2008 to engage in wholesale of solid, liquid, gas fuels and other related products.

*(r)* 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.

*(s)* Incorporated on July 5, 2018 to operate petroleum service stations in areas within Southern Luzon under the Parent Company's name and brand.

*(t)* Incorporated on July 15, 2019 to operate petroleum service stations in areas of Cotabato.

*(u)* Incorporated on July 31, 2019 to operate petroleum service stations in areas of Iloilo.

*(v)* Incorporated on August 28, 2019 to operate petroleum service stations in areas of South Luzon.

*(w)* Incorporated on August 28, 2019 to operate petroleum service stations in areas of Metro Manila.

*(x)* Incorporated on November 6, 2019 to operate petroleum service stations in Northern part and other of Luzon.

*(y)* Incorporated on February 20, 2020 to operate petroleum service stations in Tarlac.

*(z)* Incorporated on June 10, 2020 to operate petroleum service stations in Zambales.

### *1.2 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 | – | Room 203 Greenwoods Park, Central Business District, Subic Bay Freeport Zone, Zambales |
| PNX SG, PNX Energy and 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 |
| PGV LLC | – | No. 456 Phan Xich Long Street, Ward 2, Phu Nhuan District, Ho Chi Minh City, Vietnam |

### *1.3 Business Combinations*

a) On February 21, 2019, the Group, through PNX Vietnam, a subsidiary of PNX Energy, completed its acquisition of 51.00% and 24.00% interest in PGV LLC from Origin Energy Holdings PTY LTD and Cong Ty TNHH Cong Nghiep, respectively. The acquisition of a total of 75.00% interest in PGV LLC resulted in a goodwill of P103.1 million (see Note 15), as the total consideration paid of P682.8 million exceeded the fair value of the acquired interest. The acquisition is in line with the Group's expansion in high margin businesses such as gas and in the region's fastest growing markets like Vietnam.

b) 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. This acquisition marks the Group's foray into the underpenetrated convenience store retailing market in the Philippines, while broadening its portfolio of retail offers and synergizing with the affiliates within the Group and its Parent.

c) 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 digital payment platform.The acquisition supports the Group's digital transformation as well as the expansion of the portfolio's retail offers.

d) 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.

   The excess of the fair value of the net 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).

e) The Parent Company acquired 100.00% of voting rights of SPTT, 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.

There were no contingent consideration arrangements for all of the above acquisitions.

Aggregate information of the entitites at the acquisition date are as follows:

| | | Entities Acquired | | |
|---|---|---|---|---|
| | | **2019** | 2018 | |
| | Reference | PGV LLC | PFM | AAI Group |
| Fair value of assets acquired and liabilities assumed | | | | |
| Cash and cash equivalents | | P 53,887,074 | P 21,601,695 | P 5,009,121 |
| Trade and other receivables | (i) | 76,894,099 | 22,534,222 | 1,110,622 |
| Inventories | | 17,777,095 | 80,744,545 | 772,585 |
| Prepayments and other current assets | | 15,380,510 | 158,786,825 | 3,384,490 |
| Property, plant and equipment | (ii) | 714,233,170 | 369,603,000 | 537,357 |
| Intangible asset | | - | 21,476,320 | - |
| Other non-current assets | | 127,184,991 | 46,832,211 | 344,712 |
| Total assets | | 1,005,356,939 | 721,578,818 | 11,158,887 |
| Trade and other payables | | 120,611,380 | 642,639,484 | 94,208,594 |
| Short-term loans and borrowings | | 240,855,843 | - | - |
| Other non-current liabilities | | 64,177,091 | - | - |
| Total liabilities | | 425,644,314 | 642,639,484 | 94,208,594 |
| Total identifiable net assets (liabilities) | | 579,712,625 | 78,939,334 | ( 83,049,707 ) |
| Fair value of cash consideration transferred | | 682,820,389 | 352,070,202 | 71,995,652 |
| Goodwill | | P 103,107,764 | P273,130,868 | P155,045,359 |
| Excess of fair value of net assets acquired over cash consideration transferred | | n/a | n/a | n/a |
| Cash consideration settled in cash | | P682,820,389 | P352,070,202 | P 71,995,652 |
| Less: Cash and cash equivalents acquired | | 53,887,074 | 21,601,695 | 5,009,122 |
| Net Cash Flow of Acquisition | | P628,933,315 | P330,468,507 | P 66,986,530 |

| | | | | |
|---|---|---|---|---|
| Acquisition costs charged to expenses | | P 1,458,944 | P 6,440,651 | P 1,738,116 |
| Pre-acquisition income | (iii) | ( 7,821,881) | - | 1,628,790 |
| Revenue contribution | | 1,472,189,346 | 1,307,944,277 | 34,957,821 |
| Net profit (loss) contribution | | ( 43,127,051) | ( 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 property, plant and equipment of PGV LLC and PFM were appraised by an independent appraiser [see Note 3.2*(i)*]. 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 2020 and 2019 consolidated statements of comprehensive income are presented net of the pre-acquisition income of the entities acquired.

### *1.2 Approval of Interim Condensed Consolidated Financial Statements*

The interim condensed consolidated financial statements (unaudited) of the Group as of and for the nine months ended **September 30, 2020**, including the comparative consolidated financial information as of December 31, 2019 and for the nine months ended September 30, 2019, were authorized for issue by the Parent Company's Board of Directors (BOD) on **November 12, 2020**.

## 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, 2019.

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

These interim condensed consolidated financial statements for the nine months ended September 30, 2020 and 2019 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, 2019.

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:

| | | |
|---|---|---|
| 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 |
| PFRS 16 (Amendments) | : | Leases – Covid-19 Related Rent Concessions |
| | | |
| 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.

*Effective in 2020*

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management adopted the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these have significant impact on the Group's consolidated financial statements:

These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(i) PAS 1 (Amendments), *Presentation of Financial Statements and PAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include: (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. The accounting policies are determined as still appropriate under the revised framework revised framework from January 1, 2020.

(iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, Business Combinations, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(iv) PFRS 16 (Amendments), *Leases – Covid-19 Related Rent Concessions.* The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification.

**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 P 143.06 million as part of the depreciation and an interest expense of P 60.16 million as part of the finance cost were recorded during the nine months of 2020.

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 P 542.84 million was recognized as rent expense for short term leases during the nine months of the year.

**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 are 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, 2019, 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 nine months ended September 30, 2020 and as of December 31, 2019, 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 (in thousands).

| | Nine months to September 30, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Sale of Goods | | Fuel Service & Other Revenue | | | | | |
| | Trading | | Depot and Logistics | | Real Estate | | Total | |
| ***Primary Geographical Markets*** | | | | | | | | |
| **Philippines** | **P** | 34,671,153 | **P** | 1,128,351 | **P** | 4,184 | **P** | 35,803,688 |
| **Singapore** | | 18,087,365 | | | | | | 18,087,365 |
| **Vietnam** | | 2,884,533 | | | | | | 2,884,533 |
| | **P** | 55,643,051 | **P** | 1,128,351 | **P** | 4,184 | **P** | 56,775,586 |
| ***Major goods/service lines*** | | | | | | | | |
| **Fuels** | **P** | 47,789,680 | **P** | | **P** | | **P** | 47,789,680 |
| **LPG** | | 6,983,761 | | | | | | 6,983,761 |
| **Merchandise** | | 539,121 | | | | | | 539,121 |
| **Lubricants** | | 288,583 | | | | | | 288,583 |
| **Terminalling/hauling** | | - | | 49,512 | | | | 49,512 |
| **Rentals** | | - | | 103,557 | | 4,184 | | 107,741 |
| **POS Device** | | 41,905 | | | | | | 41,905 |
| **Others** | | - | | 975,282 | | | | 975,282 |

| | | | | |
|---|---|---|---|---|
| | **P 55,643,051** | **P 1,128,351** | **P 4,184** | **P 56,775,586** |

| | Nine months to September 30, 2019 | | | |
|---|---|---|---|---|
| | **Sale of Goods** | **Fuel Service & Other Revenue** | | |
| | **Trading** | **Depot and Logistics** | **Real Estate** | **Total** |
| *Primary Geographical Markets* | | | | |
| Philippines | P 53,515,009 | P 737,763 | P 954 | P 54,253,726 |
| Singapore | 17,671,330 | - | | 17,671,330 |
| Vietnam | 1,243,796 | - | - | 1,244,086 |
| | P 72,430,135 | P 737,763 | P 954 | P 73,169,142 |
| ***Major goods/service lines*** | | | | |
| **Fuels** | P 68,333,020 | P | P | P 68,333,020 |
| **LPG** | 3,471,627 | | | 3,471,627 |
| **Merchandise** | 87,893 | | | 87,893 |
| **Lubricants** | 446,641 | | | 446,641 |
| **Terminalling/hauling** | | 163,089 | | 783,053 |
| **Rentals** | | 80,399 | 954 | 954 |
| **POS Device** | 90,954 | | | 90,954 |
| **Others** | | 494,275 | | |
| | **P 72,430,135** | **P 737,763** | **P 954** | **P 73,169,142** |

## 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 September 30, 2020, 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 nine months ended September 30, 2020 and September 30, 2019 and certain asset and liability information regarding segments as at September 30, 2020 and December 31, 2019 (amounts in thousands).

| | Trading | | Depost & Logistics | | Real Estate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **September 30, 2020** | September 30, 2019 | **September 30, 2020** | September 30, 2019 | **September 30, 2020** | September 30, 2019 | **September 30, 2020** | September 30, 2019 |
| **TOTAL REVENUES** | **(Unaudited)** | (Unaudited) | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Sales to external customers | **55,643,051** | 72,327,880 | **1,128,351** | 738,053 | **4,184** | 954 | **56,775,586** | 73,066,887 |
| Intersegment Sales | **17,566,120** | | **303,143** | 89,894 | **19,710** | 12,361 | **17,888,973** | 102,255 |
| | **73,209,171** | 72,327,880 | **1,431,494** | 827,947 | **23,894** | 13,315 | **74,664,559** | 73,169,142 |
| **COST AND OTHER OPEX** | | | | | | | | |
| Cost of Sales and services | **72,487,734** | 68,907,882 | **41,163** | 672,221 | **7,391** | 1,569 | **72,536,289** | 69,581,672 |
| excluding depreciation and amortization | | | | | | | **-** | - |
| Depreciation and amortization | **793,517** | 982,637 | **164,500** | 131,252 | **165** | | **958,182** | 1,113,889 |
| | **73,281,251** | 69,890,519 | **205,663** | 803,473 | **7,556** | 1,569 | **73,494,471** | 70,695,561 |
| **SEGMENT OPERTAING PROFIT (LOSS)** | **- 72,081** | 2,437,361 | **1,225,831** | 24,474 | **16,338** | 11,746 | **1,170,088** | 2,473,581 |

| | Trading | | Depost & Logistics | | Real Estate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 |
| | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) |
| **ASSETS & LIABILITIES** | | | | | | | | |
| Segment Assets | 91,749,945 | 99,840,747 | 443,088 | **567,205** | 2,108,664 | 1,421,142 | 94,301,697 | 101,829,094 |
| Segment Liabilities | 65,943,884 | 73,370,565 | 416,632 | **416,632** | 1,416,428 | 1,312,806 | 67,776,944 | 75,100,003 |

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).

| | **September 30 2020 (Unaudited)** | September 30 2019 (Unaudited) |
|---|---|---|
| **Revenues** | | |
| Total segment revenues | **P 74,664,559** | P 102,149,261 |
| Elimination of intersegment revenues | **( 17,888,973)** | ( 28,980,119) |
| Revenues as reported in profit or loss | **P 56,775,586** | P 73,169,142 |
| **Profit or loss** | | |
| Segment operating profit | **P 1,170,088** | P 2,473,581 |
| Other unallocated income | | |
| Other unallocated expense | **-** | |
| Operating profit as reported in profit or loss | **1,170,088** | 2,473,581 |
| Finance costs | **( 1,601,712)** | ( 1,779,962) |
| Finance income | **113,982** | 377,758 |
| Profit/(Loss) before tax as reported in profit or loss | **(P 317,641)** | P 1,071,376 |

| | **September 30 2020 (Unaudited)** | December 31 2019 (Audited) |
|---|---|---|
| **Assets** | | |
| Segment assets | **P 94,301,697** | P 101,829,094 |
| Right-of-use assets- net | **1,389,014** | 1,142,726 |
| Deferred tax assets – net | **524,121** | 155,781 |
| Elimination of intercompany accounts | **( 18,834,131)** | ( 16,170,224) |
| Total assets reported in the consolidated statements of financial position | **P 77,380,702** | P 86,957,377 |
| **Liabilities** | | |
| Segment liabilities | **P** 67,776,944 | P 75,100,003 |
| Lease Liability | 1,451,517 | 1,096,852 |
| Deferred tax liabilities – net | 804,164 | 748,399 |
| Elimination of intercompany accounts | ( **13,966,540)** | (11,910,632) |
| Total liabilities as reported in the consolidated statements of financial position | **P 56,066,085** | P 65,034,622 |

## 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.

| | September 30, 2020 (Unaudited) | | December 31, 2019 (Unaudited) | |
|---|---|---|---|---|
| ***Financial Assets*** | **Carrying Values** | **Fair Values** | **Carrying Values** | **Fair Values** |
| Cash and cash equivalents | P 4,268,336,986 | P 4,268,336,986 | P 9,810,770,115 | P 9,810,770,115 |
| Trade and other receivables - net * | 12,496,482,476 | 12,496,482,476 | 15,617,098,103 | 15,617,098,103 |
| Due from related parties | 32,913,767 | 32,913,767 | 1,986,811 | 1,986,811 |
| Construction Bond*** | 6,668,380 | 6,668,380 | 6,727,753 | 6,727,753 |
| Restricted deposits | 55,500,847 | 55,500,847 | 54,462,326 | 54,462,326 |
| Refundable deposits | 687,586,984 | 687,586,984 | 323,634,283 | 323,634,283 |
| | **P 17,547,489,440** | **P 17,547,489,440** | **P 25,814,679,391** | **P 25,814,679,391** |
| ***Financial Liabilities*** | | | | |
| Financial liabilities at FVTPL - | | | | |
| Derivative financial liability | P - | P - | P 311,019,650 | P 311,019,650 |
| Finacial liabilities at amortized cost | | - | | |
| Interest -bearing loans and borrowings | 49,196,595,823 | 49,196,595,823 | 49,896,188,062 | 48,324,629,062 |
| Trade and other payables** | 3,304,632,346 | 3,304,632,346 | 11,537,688,607 | 11,537,688,607 |
| Lease liabilities | 1,451,516,714 | 1,451,516,714 | 1,250,213,075 | 1,250,213,075 |
| Customers' cylinder deposits | 631,130,810 | 631,130,810 | 440,803,046 | 440,803,046 |
| Security deposits | 81,897,488 | 81,897,488 | 100,979,556 | 100,979,556 |
| Cash bond deposits | 278,722,647 | 278,722,647 | 306,311,395 | 306,311,395 |
| | **P 54,944,495,828** | **P 54,944,495,828** | **P 63,843,203,391** | **P 62,271,644,391** |

* *Excludes certain advances to suppliers and advances subject to liquidation*
** *Excludes tax-related payables*
*** *Included as part of Other Non-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.

| | September 30, 2020 (Unaudited) | | | |
|---|---|---|---|---|
| ***Financial Assets*** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents | P 4,268,336,986 | P | P | P 4,268,336,986 |
| Trade and other receivables - net * | | | 12,496,482,476 | 12,496,482,476 |
| Due from related parties | | | 32,913,767 | 32,913,767 |
| Construction Bond*** | | | 6,668,380 | 6,668,380 |
| Restricted deposits | 55,500,847 | | | 55,500,847 |
| Refundable deposits | | | 687,586,984 | 687,586,984 |
| | **P 4,323,837,833** | **P -** | **P 13,223,651,607** | **P 17,547,489,440** |
| ***Financial Liabilities*** | | | | |
| Financial liabilities at FVTPL - | | | | |
| Derivative financial liability | P | P | P - | P - |
| Finacial liabilities at amortized cost | | | | - |
| Interest -bearing loans and borrowings | | | 49,196,595,823 | 49,196,595,823 |
| Trade and other payables** | | | 3,304,632,346 | 3,304,632,346 |
| Lease liabilities | | | 1,451,516,714 | 1,451,516,714 |
| Customers' cylinder deposits | | | 631,130,810 | 631,130,810 |
| Security deposits | | | 81,897,488 | 81,897,488 |
| Cash bond deposits | | | 278,722,647 | 278,722,647 |
| | **P -** | **P -** | **P 54,944,495,828** | **P 54,944,495,828** |

| | December 31, 2019 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| *Financial Assets* | | | | |
| *At amortized cost:* | | | | |
| Cash and cash equivalents | P 9,810,770,115 | P - | P - | P 9,810,770,115 |
| Trade and other receivables - net | - | - | 15,617,098,103 | 15,617,098,103 |
| Due from related parties | - | - | 1,986,811 | 1,986,811 |
| Construction bond | | | 6,727,753 | 6,727,753 |
| Refundable deposits | - | - | 323,634,283 | 323,634,283 |
| | P 9,865,232,441 | P - | P 15,949,446,950 | P 25,814,679,391 |
| *Financial Liabilities* | | | | |
| *Financial liabilities at amortized cost:* | | | | |
| Interest-bearing loans and borrowings | P - | P - | P 48,324,629,062 | P 48,324,629,062 |
| Trade and other payables | - | - | 11,537,688,607 | 11,537,688,607 |
| Lease liability | | | 1,250,213,075 | 1,250,213,075 |
| Cash bond deposits | | | 306,311,395 | 306,311,395 |
| Customers' cylinder deposits | | | 440,803,046 | 440,803,046 |
| Security deposits | - | - | 100,979,556 | 100,979,556 |
| | P - | P - | P 61,960,624,741 | P 61,960,624,741 |

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:

| | September 30, 2020 (Unaudited) | | |
|---|---|---|---|
| | U.S. Dollar | Singapore Dollar | Vietnamese Dong |
| **Financial assets** | **P 5,650,102,713** | **P 10,306,789** | **P 280,648,875** |
| **Financial liabilities** | **( 6,315,774,634)** | **( - )** | **( 526,034,826)** |
| **Net exposure** | **(P 665,671,921)** | **P 10,306,789** | **(P 245,385,951)** |

| | December 31, 2019 (Audited) | | |
|---|---|---|---|
| | U.S. Dollar | Singapore Dollar | Vietnamese Dong |
| Financial assets | P 6,205,264,630 | P 5,988,698 | P 165,720,486 |
| Financial liabilities | ( 15,874,853,970) | | (470,584,602 |
| Net exposure | (P 9,669,589,340) | P 5,988,698 | (P 304,864,116) |

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 9 and 12 months, respectively, at a 99% confidence level.

| | **September 30, 2020 (Unaudited)** | | |
|---|---|---|---|
| | **U.S. Dollar** | **Singapore Dollar** | **Vietnamese Dong** |
| **Reasonably possible change in rate** | **7.27%** | **17.37%** | **22.02%** |
| **Effect in profit before tax** | **(P 48,417,349 )** | **P 1,790,596** | **(P 54,031,761)** |
| **Effect in equity after tax** | **( 33,892,144 )** | **1,253,417** | **(P 37,822,233)** |

| | December 31, 2019 (Audited) | | |
|---|---|---|---|
| | U.S. Dollar | Singapore Dollar | Vietnamese Dong |
| Reasonably possible change in rate | 12.93% | 21.49% | 13.28% |
| Effect in profit before tax | (P 1,250,277,902) | (P 1,286,971 ) | (P 40,485,955) |
| Effect in equity after tax | ( 875,194,531) | 900,880 | (P 28,340,168) |

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 September 30, 2020 and 2019, 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 September 30, 2020 and December 31, 2019 follows:

| | **Sept. 30,2020** | Dec. 31, 2019 |
|---|---|---|
| Standby letter of credits | **P 383,258,026** | P 590,461,106 |
| Cash bond | **278,722,647** | 261,881,695 |
| Real estate mortgage | **74,192,730** | 74,192,730 |
| | **P 736,173,403** | P 926,535,531 |

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.

| | **Sept. 30, 2020** | Dec. 31, 2019 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| Cash and cash equivalents | **P 4,268,336,986** | P 9,810,770,115 |
| Trade and other receivables – net* | **15,539,575,041** | 15,617,098,103 |
| Due from related parties | **32,913,767** | 1,986,811 |
| Construction Deposit** | **6,668,380** | 6,727,753 |
| Restricted deposits | **55,500,847** | 54,462,326 |
| Refundable deposits | **687,586,984** | 323,634,283 |
| | **P 20,590,582,005** | P 25,814,679,391 |

**excluding certain advances to suppliers and advances subject to liquidation*
***included as part of Others Non- 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 succeeding page.

<table>
<tr><th rowspan="2">Phoenix Risk Rating (PRR)</th><th colspan="2">Description (PRR)</th><th rowspan="2">Equivalent S&P Rating</th><th colspan="2">S&P PD (%)</th></tr>
<tr><th>Financial and Business Profiles</th><th>Other Information</th><th>2019</th><th>2018</th></tr>
<tr><td>PRR 3A</td><td>Counterparties with both very strong financial and business profiles. Lowest risk of default in the scale.</td><td rowspan="3">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.</td><td>BBB</td><td>0.13 – 0.56</td><td>0.14 – 0.61</td></tr>
<tr><td>PRR 2A</td><td>Counterparties with strong financial profile and very strong business profile or vice versa.</td><td>BBB</td><td>0.13 – 0.56</td><td>0.14 – 0.61</td></tr>
<tr><td>PRR 1A</td><td>Counterparties with a strong to adequate financial profile and very strong to adequate business profile.</td><td>BBB</td><td>0.13 – 0.56</td><td>0.14 – 0.61</td></tr>
<tr><td>PRR 3B</td><td>Counterparties with a sustainable financial profile and adequate business profile.</td><td rowspan="2">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.</td><td>BB</td><td>0.57 – 1.73</td><td>0.63 – 1.90</td></tr>
<tr><td>PRR 2B</td><td>Counterparties with an average financial profile and sustainable business profile.</td><td>BB</td><td>0.57-1.73</td><td>0.63 – 1.90</td></tr>
</table>

| | | | | | |
|---|---|---|---|---|---|
| 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 | **3.04 – 6.36** | 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. | B<br>CCC/C | **3.04 – 6.36** | 17.97 – 22.33 |
| PRR 2C | Counterparties with a weak financial profile and adequate business profile. | | B<br>CCC/C | **3.04 – 6.36** | 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** | 100 |
| PRR D | Counterparties with a weak financial profile and average business profile. | | D | **100** | 100 |
| PRR F | Counterparties with both weak financial profile and business profiles. | | D | **100** | 100 |

A reconciliation of the closing loss allowance for trade and other receivables and due from related parties as at September 30, 2020 and December 31, 2019 to the opening loss allowance is presented below

| | Trade and Other Receivables | Due from Related Parties |
|---|---|---|
| Credit Loss allowance at January 1, 2020 | P 655,639,182 | P 86,816 |
| Decrease/Increase in credit loss allowance during the year | - | - |
| Write-offs | ( 2,108,053) | - |
| Recoveries | - | - |
| Credit loss allowance at September 30, 2020 | **P 653,531,129** | **P 86,816** |

| | Trade and Other Receivables | Due from Related Parties |
|---|---|---|
| Balance at beginning of year, As previously reported | P 634,396,128 | P 1,908,282 |
| Business Combination | 2,006,443 | |
| Decrease in credit loss allowance during the year | 29,852,136 | (1,821,466) |
| Write-offs | ( 6,853,066) | - |
| Recoveries | ( 3,762,459) | - |
| Credit loss allowance at December 31, 2019 | **P 655,639,182** | **P 86,816** |

The credit loss allowance provided as of September 30, 2020 and December 31, 2019 are 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 | 0.13 – 0.56 | **P 5,927,361,924** | **P 11,701,424** |
| PRR 2A | BBB | 0.13 – 0.56 | **993,833,923** | **1,562,717** |
| PRR 1A | BBB | 0.13 – 0.56 | **2,934,649,883** | **8,014,488** |
| PRR 3B | BB | 0.57 – 1.73 | **2,504,670,300** | **13,179,051** |
| PRR 2B | BB | 0.57 – 1.73 | **769,745,228** | **3,916,005** |
| PRR 1B | B | 0.57 – 1.73 | **1,778,924,061** | **10,477,726** |
| PRR 3C | B | 3.04 – 6.36 | **574,105,409** | **22,086,150** |
| PRR 2C | B | 3.04 – 6.36 | **211,818,047** | **7,073,111** |
| PRR 1C/D/F | D | 100 | **577,628,510** | **577,628,510** |
| | | | **P16,272,737,285** | **P 655,639,182** |

Due From Related Parties

| PRR | S&P Rating | PD Rate Range | Estimated Gross Carrying Amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3B | BB | 0.57 – 1.73 | **P 2,073,627** | **P 86,816** |

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.

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

**September 30, 2020 (Unaudited)**

| | |
|---|---|
| Not more than one month | 366,254,432 |
| More than one month but not more than 2 months | 62,640,933 |
| More than two months but not more than 6 months | 998,862,835 |
| More than six months but not more than 1 year | 1,102,244,479 |
| More than one year | 1,792,653,017 |
| | **4,322,655,696** |

### *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 September 30, 2020 (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 34,209,691,553 | P 3,606,062,570 | P 11,380,841,700 | P |
| Trade and other payables (excluding tax-related payables) | 2,841,158,037 | 113,150,497 | 349,452,765 | 871,046 |
| Security deposits | - | - | 81,897,488 | - |
| Customers' cylinder deposits | - | - | - | 631,130,811 |
| Cash bond | 11,554,385 | 10,989,262 | 145,666,038 | 110,512,960 |
| | **P** 37,062,403,975 | **P** 3,730,202,329 | **P** 11,957,857,991 | P 742,514,817 |

As of December 31, 2019 (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 30,450,279,323 | P 9,886,118,390 | P 11,301,955,802 | P 4,925,525,000 |

| | | | | |
|---|---|---|---|---|
| Trade and other payables (excluding tax-related payables) | 793,247,218 | 10,744,441,389 | - | - |
| Derivative financial Liabilities | 311,019,650 | - | - | - |
| Security deposits | - | - | 100,979,556 | - |
| Customers' cylinder deposits | - | - | - | 440,803,046 |
| Cash bond | - | - | 247,905,839 | 58,405,556 |
| | **P 31,554,546,191** | **P20,630,559,779** | **P11,650,841,197** | **P 504,133,602** |

## 7. INVENTORIES

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

| | **September 30, 2020 (Unaudited)** | **December 31, 2019** (Audited) |
|---|---|---|
| At cost: | | |
| Fuels and by-products | **P 5,335,535,102** | P 11,007,891,911 |
| Lubricants | **143,955,607** | 302,533,668 |
| Merchandise | **160,052,384** | 192,832,067 |
| LPG | **177,974,471** | 62,167,181 |
| Others | **97,375,714** | 114,192,078 |
| | **P 5,914,893,278** | P 11,679,616,905 |

Inventories with carrying amount of P 11,732 million and P 4,554.20 million as of September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019.

## 8. PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE ASSETS

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

| | September 30, | | December 31, |
|---|---|---|---|
| | **2020 (Unaudited)** | 2019 (Unaudited) | 2019 (Audited) |
| Balance at beginning of period | **P 28,521,591,044** | P 18,715,994,505 | P 18,715,994,505 |
| Business combination – net | - | 215,698,587 | 952,310,893 |
| Additions | **4,087,751,867** | 4,982,026,614 | 8,953,090,343 |
| Revaluation Increments | | | 145,379,972 |
| Transfers | | | (85,967,754) |
| PFRS 16 Leases (Right to Use recognition) | **494,074,552** | 1,075,556,520 | 1,142,726,144 |
| Disposals – net | **(803,835,601)** | (22,105,209) | (84,088,919) |
| Depreciation and amortization | **(958,017,186)** | (1,061,895,743) | (1,196,907,445) |
| Balance at end of the period | **P 31,341,564,676** | P 23,927,275,275 | P 28,521,591,044 |

## 9. INTANGIBLE ASSETS

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

| | September 30, 2020 (Unaudited) | September 30, 2019 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|---|
| Balance at beginning of period | **P 310,277,916** | P 328,054,350 | P 328,054,350 |
| Additions | **12,269,286.78** | 29,570,547 | 43,332,685 |
| Transfers from PPE | | | 962,754 |
| Amortization expense for the period | **( 33,606,640)** | ( 51,468,590) | ( 61,534,643) |
| Reclassification/adjustment | **( 505,081 )** | | ( 537,230) |
| Balance at end of the period | **P 288,435,482** | P 306,156,307 | P 310,277,916 |

## 10. INTEREST-BEARING LOANS AND BORROWINGS

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

| | **September 30, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Current: | | |
| Liabilities under LC and TR | **P11,732,368,579** | P 6,206,767,833 |
| Short-term loans | **20,180,641,413** | 23,901,759,985 |
| Current portion of long term loans | - | 1,843,333,333 |
| Liabilities under short-term commercial papers | **5,902,764,130** | 6,191,197,740 |
| | **37,815,754,122** | 38,143,058,891 |
| Non-current: | | |
| Term loans | **11,380,841,700** | 11,753,129,172 |
| | **P 49,196,595,823** | P49,896,188,063 |

### *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 5.775% **%** and 6.125% per annum as of September 30, 2020 and December 31, 2019, respectively.

### *10.2 Borrowings and Repayments*

The Group has term loan with outstanding balance as of September 30, 2020 of P 37,464 million. The loans bear interest ranging from 3.800% to 8.115% and is repayable in various dates until 2025. Term loans refer to all interest-bearing loans repayable both within the short-term and lone-term periods.

As of September 30, 2020, repayments of term loans amounting to P 28.746 million were made in line with previously disclosed repayment terms.

## 11. LEASE LIABILITIES

Lease liabilities are presented in the Condensed Interim Financial Statement as follows:

| | |
|---|---|
| **Current** | 185,816,754 |
| **Non-Current** | 1,265,699,960 |
| **Total** | **1,451,516,714** |

Additional Information on lease liabilities are broken down as follows:

| | Land | Vessel | Office | Warehouse | Store Premises | TOTAL |
|---|---|---|---|---|---|---|
| Lease Liabilities | 744,999,386 | 431,768,341 | 35,774,337 | 51,533,976 | 187,440,649 | 1,451,516,714 |

As of September 30, 2020, the Group is not committed to leases which has not commenced.

A total of P 60.163 million finance cost was recognized related to the lease liabilities.

## 12. 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.

Summary of the Group's transactions with its related parties for the periods ended September 30, 2020 and 2019 and the related outstanding balances as of September 30, 2020 and December 31, 2019 is presented below.

| | **Amount of Transactions** | | **Outstanding Balance** | |
|---|---|---|---|---|
| **Related Party Category** | **September 30, 2020 (Unaudited)** | September 30, 2019 (Unaudited) | **September 30, 2020 (Unaudited** | December 31 2019 (Audited) |
| **Other related parties under common Ownership** | | | | |
| Sale of subsidiaries | - | | | P 500,000,000 |
| Sale of goods | **P 891,333,838** | P 1,390,675,384 | **2,574,556,022** | 4,207,636,773 |
| Sale of service | **334,131,800** | 108,505 | **1,666, 229,360** | 714,935,482 |
| Purchases of services | | | | |
| Purchase of goods | | | | 34,074,046 |
| Advances to suppliers | **141,601,247** | 576,199,647 | **1,886,037,918** | 30,811,857 |
| Management fees | **-** | | | 86,614,907 |
| Rentals | **53,488,760** | 73,542 | **47,803,848** | |
| Advances for option to purchase properties | **-** | - | **2,364,361,471** | 2,500,000,000 |
| Due from related parties | | - | | 1,986,811 |
| Due to related parties | **-** | - | **-** | - |
| Donations | **-** | - | **-** | - |
| **Udenna Corporation** | | | | |
| Advances to suppliers | **947,211** | 500,000,000 | **1,617,743,499** | 1,651,621,799 |
| Lease liability | | | | 167,656,447 |

| | | | | |
|---|---|---|---|---|
| Rentals | **6,969,211** | | | |
| Sale of goods | **283,592** | | **92,035** | |
| Sale of Services | **525,180,215** | - | **1,085,302,038** | 497,082,768 |
| **Associate** | | | | |
| Technical ship Services | - | - | **-** | - |
| **Key management personnel** | | | | |
| Salaries and employee benefits | **155,399,630** | 163,605,856 | - | - |

### *12.1 Sale of Goods*

The Group sells products to certain related parties under common ownership. Goods are sold on the basis of the price lists in force with non-related parties.

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand.

No impairment loss was recognized for the nine months ended September 30, 2020 and 2019 based on management's assessment.

### *12.2 Purchases of Goods and Services*

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

In addition, the Group advances certain amount to certain related parties for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of the nine months ended September 30, 2020.

### *12.3 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.

# 13. EQUITY

## *13.1 Capital Stock*

Capital stock consists of:

| | Shares | | | Amount | | |
|---|---|---|---|---|---|---|
| | For the nine months Ended September 30, (Unaudited) | | For the year ended December 31, 2019 (Audited) | For the nine months ended September 30, (Unaudited) | | For the year ended December 31, 2019 (Audited) |
| | **2020** | 2019 | | **2020** | 2019 | |
| 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 | **27,000,000** | 22,000,000 | 32,000,000 | **P 27,000,000** | P 22,000,000 | P 30,000,000 |
| Issuance during the year | | - | 7,000,000 | - | | 7,000,000 |
| Redemption | | - | ( 2,000,000) | **-** | - | ( 2,000,000) |
| Balance at end of year | **27,000,000** | 22,000,000 | 37,000,000 | **27,000,000** | 22,000,000 | 37,000,000 |
| Treasury shares | **( -)** | ( ) | ( 10,000,000) | **( -)** | ( ) | ( 10,000,000) |
| Issued and outstanding | **27,000,000** | 22,000,000 | 27,000,000 | **P 27,000,000** | P 22,000,000 | P 27,000,000 |
| 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 | **1,406,204,232** | 1,403,304,232 | 1,434,304,232 | **P 1,092,904,232** | P1,090,004,232 | P 1,434,304,232 |
| Issuance during the year | **1,773,000** | 2,572,000 | 2,900,000 | **1,773,000** | 2,698,055 | 2,900,000 |
| Balance at end of year | **1,407,977,232** | 1,405,876,,232 | 1,437,204,232 | 1,094,677,232 | 1,092,702,287 | 1,437,204,232 |
| Treasury shares | **-** | | ( 31,000,000) | **-** | | ( 344,300,00) |
| Issued and outstanding | **1,407,977,232** | 1,405,876,232 | 1,406,204,232 | P 1,094,677,232 | P1,092,702,287 | P 1,092,904,232 |
| | | | | **P 1,121,677,232** | P1,109,702,287 | P 1,119,904,232 |

## *13.2 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 P 3.830 million and 8.900 share-based executive compensation are recognized in September 2020 and December 2019, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in the consolidated statements of comprehensive income, respectively, with a corresponding credit to Retained Earnings account.

### *13.3 Cash Dividends*

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

| | **2020** | 2019 |
|---|---|---|
| Common shares | **P -** | P 210,495,635 |
| Preferred shares | **512,565,000** | 243,703,333 |
| | **P 512,565,000** | P 454,198,968 |

### *13.4 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.

### *13.5 Earnings Per Share*

EPS were computed as follows:

| | For the nine months ended Septembe (Unaudited) 2020 | 2019 | For the year ended December 31, 2019 (Audited) |
|---|---|---|---|
| *a)* Net profit pertaining to common shares | **P (587,665,869)** | P 674,496,495 | P 853,982,096 |
| *b)* Net profit attributable to common shares and potential common shares | **(587,665,869)** | 674,496,495 | 853,982,096 |
| *c)* Weighted average number of outstanding common shares | **1,405,180,377** | 1,405,876,232 | 1,404,437,174 |
| *d)* Weighted average number of outstanding common and potential common shares | **1,406,356,132** | 1,405,876,232 | 1,405,612,929 |
| Basic EPS (a/c) | **P (0.42)** | P 0.48 | P 0.61 |
| Diluted EPS (b/d) | **P (0.42)** | P 0.48 | P 0.61 |

## 14. COMMITMENTS AND CONTINGENCIES

As of September 30, 2020 and December 31, 2019, the Group has commitments of more than P **1,000.0** 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 plans to expand further its petroleum retail service stations and carry out its investments in its subsidiaries to put up depot and terminalling facilities in strategic locations and complete its chain of logistical support to strengthen its foothold in the industry.

As of September 30, 2020, and December 31, 2019, the Parent Company has unused approved LCs amounting to P5,836.0 million and P12,620.2 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.

## 15. EVENTS AFTER THE REPORTING PERIOD

In October 2020, PNX SG recognized a P21.3 million forward contract settlement gains in relation to the fair value loss on derivative financial instrument recognized for the month of September 2020 amounting to P7.5 million. This pertains to the purchases and sale transaction of PNX SG to third parties for LPG.

## 16. 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**

The COVID-19 pandemic has severely impacted the global economy. Measures have been taken to contain the pandemic, including restrictions in travel, nationwide quarantines, social distancing, and closures of non-essential services. These have not only resulted in disruptions in supply chain and production activities of businesses but also reduction in demand and spending that reached across all sectors and industries.

In the latter part of the first quarter of 2020, these actions, which included a Philippine-wide "Enhanced Community Quarantine (ECQ)", began to materially affect our operations and our end markets. Though our LPG business remains resilient and thriving, demand for fuel slowed as the ECQ constrained travel and other industrial activities. Travel-related sectors such as aviation, marine transport, and commercial road transport were particularly impacted.

As the ECQ took hold in the second quarter, demand significantly slowed down particularly in April. This was evident in the sharp decline in retail and commercial volume during the month as a nationwide lockdown was imposed. By July, the government started easing the restrictions under General Community Quarantine, allowing for the reopening of businesses and public transportation while continuing to limit general movements. As a result, demand across the board started to recover halfway through the second quarter and throughout the third quarter.

The Company has adjusted businesses practices and operations to the changing market conditions, including a work-from-home arrangement for most of its staff for the remainder of 2020. With operational and governance systems it has put in place, the Company continues to monitor the health and well-being of our employees nationwide and operate business as usual. Cost and liquidity measures remain to ensure proper management of working capital and other funding requirements.

While the Company cannot quantify the duration or the specific impact the pandemic and its containment measures will have on the business, as well as the pace of the recovery across our end markets, we believe that we are well positioned to navigate the downturn and for the eventual upturn.

Comparable discussion on Material Changes in Results of Operations for the Period Ended September 30, 2020 vs. September 30, 2019.

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

The Group's **Revenues** during the first nine months of 2020 were lower by 22.4% at ₱56.776 billion compared to the ₱73.169 billion generated in the same period of 2019. With the year to date Dubai crude (benchmark crude of Asian refineries) average declining 35.5% to US$41.28/ bbl from US$64.02/bbl the previous year, average selling prices of products year-on-year similarly decreased. This was partly offset by the 23.4% growth in higher volume sold during the period to 2,890 million liters from 2,343 million liters.

The Company's trading business, PNX Petroleum Singapore (PNX SG), and its LPG business in Vietnam, Phoenix Gas Vietnam (PGV), grew its combined volume by 135.8% during the period and drove overall volume growth. PGV was fully consolidated in March 2020.

In terms of products, LPG volume surged 80.1% year-on-year on robust demand in both the Philippine and Vietnam markets.

**Cost of Sales and Services** decreased by 21.7% to ₱51.578 billion in 2020 from ₱65.908 billion in the in 2019 principally attributable to the drop in petroleum prices.

**Gross Margin** decreased by 28.8% to ₱5.198 billion on lower prices of petroleum products as well as the decrease in the domestic volume sold.

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

Meanwhile, the Company's **Selling and Administrative Expenses** declined by 11.2% to ₱4.280 billion from ₱4.822 billion the prior year. With the Company's decision to preserve its resources amidst increasing economic uncertainty brought about by the COVID-19 pandemic, cost optimizations initiatives were implemented at the start of the second quarter and carried over to the following quarters. These include reductions in marketing and non-essential spending. The Company has likewise implemented structural cost reductions prior to the pandemic such as rationalization of supply chains of certain business units.

On the other hand, **Net Non-operating Charges** were lower by 11.9% at ₱1.236 billion from ₱1.402 billion in the same period of 2019. This was on account of the 11.4% decline in Net Finance Cost at ₱1.567 billion, the 128.3% increase in the equity share in the JV income to ₱0.045 billion, and the 17.5% decrease in other income to ₱0.285 billion.

### Operating, Net and Comprehensive Incomes

The first nine months 2020 **Operating Income** was lower by 62.9% at ₱0.918 billion compared to prior year's ₱2.474 billion. The decline was mainly driven by lower gross margin and was partly reduced by the decrease in selling and administrative expenses.

The **Net Loss Before Tax** declined by 129.6% to ₱0.318 billion during the period vis-à-vis the prior year's Net Income Before Tax of ₱1.037 billion. The Net Loss After Tax reached ₱0.095 billion year-to-date. This was 111.0% lower compared to prior year's Net Income After Tax of ₱0.918 billion.

Meanwhile, the Company recorded a ₱0.014 billion translation adjustment loss related to PNX SG's operations, 170.9% lower than the ₱0.020 billion gain recorded in the same period of 2019. As such, **Comprehensive Loss** declined by 111.7% to ₱0.110 billion from the ₱0.938 billion in Comprehensive Income reported in 2019.

### Financial Condition

*(As of September 30, 2020 versus December 31, 2019)*

Consolidated resources as of September 30, 2020 were lower by 11.0% to ₱77.381 billion from ₱86.957 billion as of December 31, 2019. This was mainly due to the decrease in Liability and in Equity of ₱8.969 billion and ₱0.608 billion, respectively.

**Cash and Cash Equivalents** decreased by 56.5% to ₱4.268 billion from ₱9.811 billion mainly due to the settlement of borrowings and lower cash from operations as the COVID-19 pandemic containment measures hampered collections and sales starting March 2020.

**Trade and Other Receivables** decreased by 2.7% to ₱15.540 billion from ₱15.973 billion as a result of lower selling prices coupled with stronger collection efforts.

**Inventory** was 39.2% lower at ₱5.915 billion from ₱11.678 billion due to the year-to-date decline in the global prices of petroleum products. In addition, inventory levels were promptly reduced to match projected market demand.

**Due from related parties** increased to ₱0.003 billion as the Company extended support to its JVs in light of the COVID-19 pandemic and the ECQ.

**Input VAT** declined by 27.8% to ₱2.098 billion from ₱2.906 billion as the value of purchases decreased.

**Prepayment and other current assets** increased by 25.6% to ₱2.427 billion from ₱1.932 billion. This was related to an Option to Purchase agreement that became current in the first quarter.

**Non –Current Assets** increased by 5.3% at ₱46.967 billion. The increase came from the increase in Deferred Tax Assets of the Subsidiary which incurred losses during the period, Investment in Joint Ventures, Investment Properties acquired and Right-of-Use Assets arising from the long-term leases. Property, Plant and Equipment likewise increase mostly related to capex incurred in the first quarter prior to the pandemic.

**Interest-bearing Loans and Borrowings**, both current and non-current, decreased by 1.4% to ₱49.196 billion from ₱49.896 billion as the Company settled certain maturing loans.

**Trade and Other Payables** decreased by 70.8% to ₱3.458 billion from ₱11.841 billion driven by the timing and value of inventory purchases as well as the controlled expenditures.

**Lease Liabilities,** both current and non-current, increased by 16.1% to ₱1.452 billion from ₱1.250 billion due to the new leases concluded during the period.

**Total Stockholders' Equity** decreased by 2.8% to ₱21.315 billion from ₱21.923 billion on account of the net loss realized during the period, which reduced retained earnings by 7.5% to ₱7.287 billion; the ₱0.512 billion in dividends paid out to Preferred shareholders; and the net movement in the revaluation coming from the other comprehensive income.

**Key Performance Indicators and Relevant Ratios**

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

| | **September 30, 2020** | **December 31, 2019** |
|---|---|---|
| | | |
| Current Ratio[1] | 0.73x : 1x | 0.84x : 1x |
| Debt to Equity Ratio[2] | 2.63x : 1x | 2.97x : 1x |
| Interest-Bearing Debt to Equity[3] | 2.31x : 1x | 2.28x : 1x |
| Net Book Value per Share[4] | ₱8.91 | ₱9.36 |
| Earnings per Share[5] | (₱0.42) | ₱0.61 |

*Notes: Formula are based on Philippine Accounting Standards*
*1 - Total current assets divided by current liabilities*
*2 – Total Liabilities divided by Total stockholder's equity*
*3 - Interest Bearing Debt divided by Total stockholder's equity*
*4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding*
*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, Debt to Equity Ratio, and Interest bearing Debt to Equity Ratio) and the Group's ability to maximize the value of its stockholders' investment in the Group (Net Book Value Per Share and Earnings Per Share). Likewise, these ratios are used to compare the Group's performance with similar companies.

The net loss incurred year to date impacted the Interest Bearing Debt to Equity ratio, as well as the net book value per share and earnings per share. Current ratio was likewise affected by the ECQ which resulted in extended collections. Meanwhile, Debt to Equity Ratio improved as borrowings declined.

**Material (5% or more) Changes to the Group's Balance Sheet as of September 30, 2020 vs. December 31, 2019**

56% decrease in Cash and Cash Equivalents
Settlement of matured debts, lower sales, and slower collections as a result of the ECQ.

49% decrease in Inventory
Driven by the decline in global prices of petroleum products and tighter inventory management.

1,557% increase in Due from Related Party
Advances made to PAPI, PGV and the Phoenix Foundation for their working capital needs during the COVID-19 pandemic.

28% decrease in Input Vat Net
Due to the lower tax base value of the recent importations as global oil prices declined during the period.

26% Increase in Prepayments and other current assets
Due to a certain option to purchase agreement which was not renewed or negotiated during the period, thus has become due and demandable.

9% increase in Property, Plant and Equipment
Due to the capitalizable maintenance and expansions initiated and awarded early in 2020.

22% increase in Right of Use Asset
Due to new lease agreements entered into during the period, particularly in the first quarter, net of the depreciation for the period.

14% increase in Investment Properties
Due to acquisitions made during the year.

7% decrease in Intangible Assets
Due to regular amortization.

6% increase in Investments in Joint Ventures
Due to the newly formed Joint Ventures concluded during the year.

236% increase in Net Deferred Tax Asset and Liabilities
Due to the increase in Deferred Tax Asset coming from the estimated tax income and expense from the taxable income / loss of the subsidiaries.

71% decrease in Trade Payables
Due to lower inventory purchase level and value as global oil prices declined during the period

218% decrease in Derivative Financial Liabilities
Related to the favorable forward contracts entered into by PNX SG

16% increase in Lease Liabilities
Due to the new leases entered into during the period

15% increase in Other Non-Current Liabilities

Due to the additional customer security deposits received during the period

8% decrease in Retained Earnings
Driven by the net loss after tax, net of the preferred dividends declared and distributed, during the period.

27% decrease in Non Controlling Interests
Due to losses incurred by non-wholly owned subsidiaries such as Action.Able.

**Material (5% or more) changes to the Group's Income Statement as of September 30, 2020 vs. September 30, 2019**

23% decrease in Sale of Goods
Due to the lower global petroleum prices year-on-year.

56% increase in fuel service and other revenue
Due to higher revenues from non-fuel related businesses.

22% decrease in Cost of Sales and Services
Due to lower global petroleum prices year-on-year and tempered by the increase in excise tax rates on petroleum products.

11% decrease in Selling and Admin Expenses
Due to the Company's efforts to preserve resources in response to the COVID-19 pandemic and the resulting economic uncertainties.

12% decrease in Other Charges / (Income)
Due to the lower Finance Costs net of the Finance Income and Other Income and the higher Equity Share in the Net Income of the Joint Ventures.

245% decrease in Tax Expense
Due to the losses incurred during the period.

There are no other material changes in the Group's financial position (5% or more) and conditions 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 virtual annual stockholders' meeting last May 29, 2020, Friday, at the Phoenix Corporate Headquarters in Davao City via remote communications or live streaming.

2. The Board of Directors has declared cash dividends for the Company's preferred share for the third quarter of 2020 as follows:

| Shares | Record Date | Payment Date | Interest Rate Per Annum |
|---|---|---|---|
| PNX3A | Aug. 24, 2020 | Sept. 18, 2020 | 7.427% |
| PNX3B | Aug. 24, 2020 | Sept. 18, 2020 | 8.1078% |
| PNX4 | Aug. 18, 2020 | Aug. 20, 2020 | 7.5673% |

3. In 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 ₱10.00 billion with a three year validity period. On December 27, 2018 it listed and raised a total of ₱7.00 billion in two tranches: Series A-1 amounting to ₱3.50 billion with a discount rate of 7.0937% and is due in 180 days, and Series A-2 amounting to ₱3.50 billion 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 ₱3.50 billion under Series B of the Commercial Paper Program. Series B shall have a tenor of 360 days. On August 5, 2019, the company listed Series B of its Commercial Paper Program with a tenor of 360 days discounted rate of 7.00% and was fully subscribed for the amount of ₱3.00 billion. On November 29, 2019, the company filed notice with the SEC to list its STCP Series C and this was listed on December 11, 2019 with a total subscription value of ₱3.00 billion and a discount rate of 4.6657%. On December 21, 2019 the company redeemed Series A-2 of its STCP in the amount of ₱ 3.50 billion. On July 30, 2020, the Company redeemed Series B of the STCP in the amount of ₱3.50 billion .

4. On August 03, 2020, the Company filed with the Securities and Exchange Commission (SEC) for the registration of commercial papers with an aggregate principal amount of up to ₱7.00 billion, including the offer and listing of commercial papers with an aggregate principal amount of up to ₱2.00 billion with an oversubscription of ₱1.50 billion. On August 26, 2020 the company listed its STCP Series D with a total subscription value of P 3.086 billion and a discount rate of 5.00%. STCP Series D shall mature on July 24, 2021.

The use of Proceeds of the STCP Series D are reported as follows:

**ANNEX 68-I: SCHEDULE FOR LISTED COMPANIES WITH RECENT OFFERING OF SECURITIES TO THE PUBLIC**

**PHOENIX PETROLEUM PHILIPPINES, INC.**

For the Period Ended September 30, 2020

**Gross and Net Proceeds as Disclosed on the Final Prospectus**

| | |
|---|---|
| Gross | Php 3,333,333,333 |
| Net | Php 3,280,015,570 |

**Actual Gross and Net Proceeds**

| | |
|---|---|
| Gross | Php 3,082,680,000 |
| Net | Php 2,949,493,738 |

**Each expenditure item where the proceeds were used:**

**Importation of inventory**

| Month of Importation | Final Settlement Price (Converted to Php) | Bill of Lading Date |
|---|---|---|
| July | 143,989,464.72 | 7/15/2020 |
| July | 167,987,708.84 | 7/15/2020 |
| July | 111,102,456.60 | 7/13/2020 |
| July | 38,885,859.81 | 7/13/2020 |
| July | 187,879,654.63 | 7/19/2020 |
| July | 79,038,024.58 | 7/19/2020 |
| July | 145,884,062.94 | 7/7/2020 |
| August | 226,253,994.20 | 8/10/2020 |
| August | 100,640,180.80 | 8/10/2020 |
| August | 89,858,212.80 | 8/10/2020 |
| August | 127,162,005.19 | 8/1/2020 |
| August | 138,463,787.33 | 8/1/2020 |
| August | 86,087,354.51 | 8/12/2020 |
| August | 36,578,315.64 | 8/12/2020 |
| August | 199,291,090.95 | 8/7/2020 |
| August | 25,390,317.51 | 8/7/2020 |
| August | 184,013,046.21 | 8/12/2020 |
| August | 107,260,364.92 | 8/30/2020 |

| | | |
|---|---|---|
| August | 77,290,535.65 | 8/30/2020 |
| August | 222,732,760.00 | 8/30/2020 |
| August | 217,959,262.83 | 8/30/2020 |
| August | 231,128,247.99 | 8/30/2020 |
| September | 4,111,334.64 | 9/7/2020 |
| September | 146,389,758.38 | 9/21/2020 |
| **Total** | **2,949,493,738.73** | |

**Balance of the proceeds as of end of reporting period**

Balance: - 0 -

5. On 15 August, 2019 the Company's Board of Directors approved the partial redemption of 500,000 preferred shares valued at ₱1,000.00 per share, which was a portion of the 2,000,000 preferred shares issued, via private placement, to RCBC Capital Corporation. The issuance was an exempt transaction under Section 10(k) of R.A. No. 8799 otherwise known as the Securities Regulations Code (SRC).

6. On August, 29, 2019 the Company filed with the Securities and Exchange Commission its intent to list up to ₱7.00 billion in Preferred Shares through the Philippine Stock Exchange. To be designated as PNX4 upon approval by both the SEC and PSE, the Company shall price the offer at ₱1,000 per share.

7. On September 26, 2019 the SEC resolved in its meeting to render effective the registration of up to Seven Million (7,000,000) Preferred Shares consisting of a Five Million (5,000,000) share base offer, with an oversubscription option of up to Two Million (2,000,000) shares, at an offer price of PHP 1,000 per share, subject to the fulfilment of the required submissions.

8. On 06 November 2019, the Company's Board of Directors approved and ratified the full and final redemption of 1,500,000 Preferred Shares issued via private placement to RCBC Capital Corporation at ₱1,000 per share. The issuance was an exempt transaction under Section 10(k) of R.A. No. 8799 otherwise known as the Securities Regulations Code.

9. On October 9, 2019, the Philippine Stock Exchange issued its Notice of Approval for the Follow-on offer of PNX4 Preferred Shares with a primary offering of 5,000,000 shares and an oversubscription of 2,000,000 shares at a value of ₱1,000 per share.

10. On October 21, 2019, the SEC has ordered the effectivity of the Registration Statement and consequently issued the Permit to Sell the Company's Series 4 Preferred Shares Offering of up to 7,000,000,000 shares at ₱1,000.00 per share – base offering of 5,000,000 preferred shares with oversubscription of 2,000,000 preferred shares.

    The Offer Shares have the following features, rights and privileges:
    - The Offer had 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 is at ₱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 the 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.

    The Series 4 Preferred Share Offering was listed with the Philippine Stock Exchange on November 07, 2019 under PNX4.

11. On 06 November 2019, the Company's Board of Directors approved and ratified the full and final redemption of 1,500,000 Preferred Shares issued via private placement to RCBC Capital Corporation at ₱1,000 per share. The issuance was an exempt transaction under Section 10(k) of R.A. No. 8799 otherwise known as the Securities Regulations Code.

12. 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.

13. 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.

14. 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:

**HENRY ALBERT R. FADULLON**
President and Chief Executive Officer

**MA. CONCEPCION DE CLARO**
Chief Finance Officer

**JONAREST Z. SIBOG**
Controller