06 August 2021

**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 second quarter report for period ended 30 June 2021 (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

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

S.E.C. Registration Number

| | | | | | | | | | | | | | | | | | | | | |
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| | | 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)

**MA. CONCEPCION F. DE CLARO**
Contact Person

**(082) 235-8888**
Company Telephone Number

**1 2** | **3 1**
Month | Day
Fiscal Year Ending

**SEC FORM 17Q**
FORM TYPE

**Last Friday**
**April** | **XX**
Month | Day
Annual Meeting

**Certificate of Permit to Offer Securities for Sale**
Secondary License Type, if applicable

Dept. Requiring this Doc

Amended Articles Number/Section

**69**
Total No. of Stockholders

Total Amount of Borrowings
Domestic | Foreign

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To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q, AS AMENDED**

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

| | | |
|---|---|---|
| 1. | For the quarterly period ended: | 30 June 2021 |
| 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 | 1,439,788,232.00 |
| PREFERRED | 14,500,000.00 |

Amount of Debt Outstanding as of 30 June 2021: Php66,946,386,155.00

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 JUNE 30, 2021**
***(With Comparative Figures as of December 31, 2020***
***(Amounts in Philippine Pesos)***

| | Notes | UNAUDITED June 30, 2021 | AUDITED December 31, 2020 |
|---|---|---|---|
| **A S S E T S** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | P 6,323,706,023 | 5,788,390,677 |
| Trade and other receivables - net | 6 | 22,439,813,373 | 17,514,071,043 |
| Inventories - net | 8 | 3,522,374,405 | 4,769,315,701 |
| Due from related parties - net | 13 | 44,181,079 | 30,903,191 |
| RESTRICTED DEPOSITS | 6 | 89,763,323 | - |
| INPUT VAT - NET | | 3,179,349,990 | 2,762,965,882 |
| Prepayments and other current assets | | 2,507,368,929 | 2,536,270,438 |
| Total Current Assets | | 38,106,557,122 | 33,401,916,932 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment - net | 9 | 33,217,503,029 | 32,707,550,060 |
| Right-of-use assets - net | 9 | 740,046,434 | 792,829,159 |
| Investment properties | | 597,538,930 | 595,990,275 |
| Intangible assets - net | 10 | 260,741,888 | 278,730,290 |
| Investments in joint ventures | | 1,750,583,428 | 1,635,399,566 |
| Goodwill - net | | 4,632,397,417 | 4,632,397,417 |
| Deferred tax assets - net | | 352,455,497 | 494,377,468 |
| Other non-current assets | 5 | 8,235,916,578 | 7,795,489,101 |
| Total Non-current Assets | | 49,787,183,201 | 48,932,763,336 |
| **NON-CURRENT ASSET CLASSIFIED AS HELD FOR DISPOSAL** | | 142,057,861 | 197,783,908 |
| **TOTAL ASSETS** | | P 88,035,798,184 | P 82,532,464,176 |
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 10 | P 28,499,803,758 | 29,804,188,527 |
| Trade and other payables | | 16,044,864,423 | 9,107,280,269 |
| Derivative financial liabilities | | 148,191,992 | 623,144,735 |
| Lease liabilities | 12 | 89,943,336 | 135,787,395 |
| Income tax payable | | 49,320,853 | 56,610,267 |
| Total Current Liabilities | | 44,832,124,362 | 39,727,011,193 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 10 | 19,102,208,140 | 18,439,188,606 |
| Lease liabilities | 11 | 826,675,619 | 848,613,622 |
| Deferred tax liabilities - net | | 895,862,855 | 1,053,700,775 |
| Other non-current liabilities | 5 | 1,289,515,179 | 1,302,616,194 |
| Total Non-current Liabilities | | 22,114,261,793 | 21,644,119,197 |
| Total Liabilities | | 66,946,386,155 | 61,371,130,390 |
| **EQUITY** | | | |
| Equity attributable to parent company | | | |
| Capital stock | 14 | 1,454,288,232 | 1,453,477,232 |
| Additional paid-in capital | | 10,865,993,942 | 10,862,198,461 |
| Revaluation reserves | | 1,958,126,425 | 1,992,470,928 |
| Retained earnings | | 6,771,683,779 | 6,815,756,881 |
| | | 21,050,092,378 | 21,123,903,502 |
| Non-controlling interest | | 39,319,653 | 37,430,285 |
| Total Equity | | 21,089,412,031 | 21,161,333,787 |
| **TOTAL LIABILITIES AND EQUITY** | | P 88,035,798,186 | P 82,532,464,177 |

***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 YEAR SIX-MONTH PERIOD JUNE 30, 2021 and 2020**
***UNAUDITED***
***(Amounts in Philippine Pesos)***

| | | YTD January -June | | April to June | |
|---|---|---|---|---|---|
| | Notes | 2021 | 2020 | 2021 | 2020 |
| **REVENUES** | | | | | |
| Sale of goods | 4 | P **67,796,811,158** | 35,662,931,275 | **39,091,924,790** | 14,334,761,119 |
| Fuel service and other revenues | 4 | **667,021,379** | 862,545,756 | **593,598,024** | 336,389,162 |
| Rent income | 4 | **61,469,339** | 86,025,106 | **29,388,496** | 45,954,663 |
| | | **68,525,301,876** | 36,611,502,137 | **39,714,911,310** | 14,717,104,944 |
| **COST AND EXPENSES** | | | | | |
| Cost of sales and services | 5 | **64,720,080,890** | 33,133,779,702 | **37,525,212,901** | 12,826,928,964 |
| Selling and administrative expenses | 5 | **2,742,751,083** | 2,903,179,751 | **1,438,767,058** | 1,341,733,174 |
| | | **67,462,831,973** | 36,036,959,453 | **38,963,979,959** | 14,168,662,138 |
| **OTHER CHARGES (INCOME)** | | | | | |
| Finance costs | | **937,976,807** | 1,116,713,358 | **744,832,758** | 656,798,713 |
| Finance income | | **( 61,605,904 )** | ( 10,124,533 ) | **( 51,056,997 )** | ( 1,292,012 ) |
| Equity share in net income of joint ventures | | **( 26,932,259 )** | ( 11,841,800 ) | **4,126,961** | ( 5,498,712 ) |
| Others - net | | **( 20,107,888 )** | ( 28,503,551 ) | **( 32,200,903 )** | ( 1,963,446 ) |
| | | **829,330,756** | 1,066,243,474 | **665,701,819** | 648,044,543 |
| **PROFIT BEFORE TAX** | | **233,139,147** | ( 491,700,790 ) | **85,229,532** | ( 99,601,737 ) |
| **TAX EXPENSE/(TAX INCOME)** | | **( 19,962,119 )** | ( 100,399,419 ) | **( 46,609,339 )** | ( 94,587,799 ) |
| **NET PROFIT/(LOSS)** | | **253,101,266** | ( 391,301,371 ) | **131,838,871** | ( 5,013,938 ) |
| **NET PROFIT ATTRIBUTABLE TO:** | | | | | |
| Parent company | | **251,211,898** | ( 367,796,977 ) | **130,407,171** | 13,410,383 |
| Non-controlling interest | | **1,889,368** | ( 23,504,394 ) | **1,431,700** | ( 18,424,321 ) |
| | | **253,101,266** | ( 391,301,371 ) | **131,838,871** | ( 5,013,938 ) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | | |
| **Item that will be reclassified subsequently to profit or loss** | | | | | |
| Translation adjustment related to a foreign subsidiar | | **( 34,344,503 )** | 14,831,189 | **( 25,974,108 )** | 39,029,330 |
| **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 | | | | | |
| Revaluation of tankers | | **-** | - | - | - |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **218,756,763** | ( 376,470,182 ) | 105,864,763 | 34,015,392 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | | | |
| Parent company | | **216,867,395** | ( 352,965,788 ) | **104,433,063** | 52,439,713 |
| Non-controlling interest | | **1,889,368** | ( 23,504,394 ) | **1,431,700** | ( 18,424,321 ) |
| | | **218,756,763** | ( 376,470,182 ) | **105,864,763** | 34,015,392 |
| **Basic Earnings per share** | | **(0.03)** | (0.49) | | |
| **Diluted Earnings per share** | | **(0.03)** | (0.49) | | |

***See Notes to Consolidated Financial Statements.***

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR YEAR SIX-MONTH PERIOD JUNE 30, 2021 and 2020**
***(Amounts in Philippine Pesos)***

| | Capital Stock | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | Preferred Treasury Stock - At Cost | Common Stock | Common Treasury Stock - At Cost | Total Capital Stock | Additional Paid-in Capital | Revaluation Reserves | Retained Earnings | Total Equity Attributable to the Shareholders of Parent Company | Non-controlling Interest | Total Equity |
| Balance at January 1, 2021 | **24,500,000** | **(10,000,000)** | **1,438,977,232** | | **1,453,477,232** | **10,862,198,461** | **1,992,470,928** | **6,815,756,881** | **21,123,903,502** | **37,430,285** | **21,161,333,787** |
| Cash dividends | | | | | | | | **(295,285,000)** | **(295,285,000.00)** | | **(295,285,000.00)** |
| Adjustments for adoption of PFRS 16 | | | | | | | | | **-** | | **-** |
| Preferred Stock Redemption | | | | | **-** | | | | **-** | | **-** |
| Issuance of shares during the year | | | | | **-** | | | | **-** | | **-** |
| Sale of Treasury Shares | | | | | **-** | | | | **-** | | **-** |
| Employee Share Options | | | | | **-** | | | | **-** | | **-** |
| Stock Options Exercised | | | **811,000** | | **811,000.00** | **3,795,481** | | | **4,606,481.00** | | **4,606,481.00** |
| Business combination | | | | | | | | | **-** | | **-** |
| Translation adjustments during the year | | | | | | | **(34,344,503)** | | **(34,344,503)** | | **(34,344,503)** |
| Transfer to Retained Earnings | | | | | | | | | **-** | | |
| Total comprehensive income | | | | | | | **-** | **251,211,898** | **251,211,898** | **1,889,368** | **253,101,266** |
| for the year | | | | | | | | | **-** | | **-** |
| Balance at JUNE 30, 2021 | **24,500,000** | **(10,000,000)** | **1,439,788,232** | **-** | **1,454,288,232** | **10,865,993,942** | **1,958,126,425** | **6,771,683,779** | **21,050,092,378** | **39,319,653** | **21,089,412,031** |
| | | | | | | | | | | | |
| **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 | | | | | | | | (341,631,632) | (341,631,632.00) | | (341,631,632.00) |
| Issuance of shares during the year | | | | | | | | | - | | - |
| Acquisition of shares during the year | | | | | - | | | | - | | - |
| Share-based compensation | | | | | - | | | | - | | - |
| Business combination | | | | | | | | | - | | |
| Transfer to Retained Earnings | | | | | | | | - | - | | |
| Translation adjustments during the year | | | | | | | 14,831,189 | | 14,831,189.00 | | 14,831,189.00 |
| Total comprehensive income | | | | | | | | (352,965,788) | (352,965,788.00) | (23,504,394.00) | (376,470,182.00) |
| for the year | | | | | | | | | - | | - |
| Balance at June 30, 2020 | **37,000,000** | **- 10,000,000** | **1,437,204,232** | **- 344,300,000** | **1,119,904,232** | **12,042,788,045** | **821,700,164** | **7,181,866,207** | **21,166,258,648** | **53,225,976** | **21,219,484,624** |

**PHOENIX PETROLEUM PHILIPPINES INC. AND SUBSIDIARIES**
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR YEAR SIX-MONTH PERIOD JUNE 30, 2021 and 2020**
***(Amounts in Philippine Pesos)***

| | 2021 (Unaudited) | 2020 (Unaudited) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit (loss) before tax | 233,139,149 | (491,700,790) |
| Adjustments for: | | |
| Gain on revaluation of investment properties | - | - |
| Interest expense | 908,017,069 | 749,872,139 |
| Depreciation and amortization | 644,917,988 | 641,138,703 |
| Unrealized foreign currency exchange losses (gains) - net | 113,023 | 22,428,478 |
| Equity share in net loss (income) of joint ventures and an associate | ( 26,932,259 ) | (11,841,800) |
| Impairment losses on trade and other receivables | 44,906,194 | - |
| Impairment losses on other non-current assets | - | - |
| Interest income | ( 64,171,776 ) | (3,983,905) |
| Operating profit (loss) before working capital changes | 1,739,989,388 | 905,912,825 |
| Decrease (increase) in trade and other receivables | ( 4,970,648,524 ) | (1,993,768,737) |
| Decrease in inventories | 1,246,941,293 | 4,572,750,775 |
| Decrease in other current assets | ( 477,245,922 ) | 208,322,762 |
| Decrease in trade and other payables | 6,429,103,627 | ( 8,360,066,291 ) |
| Cash generated from operations | 3,968,139,862 | ( 4,666,848,666 ) |
| Cash paid for income taxes | ( 15,672,542 ) | (25,849,580) |
| Net Cash From Operating Activities | 3,952,467,320 | ( 4,692,698,246 ) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of new subsidiaries | - | - |
| Acquisitions of property, plant and equipment | ( 1,084,101,941 ) | (2,354,732,170) |
| Additions to investment properties | ( 1,548,655 ) | (276,669,999) |
| Decrease in other non-current assets | ( 384,701,430 ) | 1,841,757,145 |
| Acquisitions through business combinations, net of cash acquired | - | - |
| Translation of financial statement of foreign subsidiary | | 15,071,101 |
| Dividend Share Income from JV | ( 73,251,603 ) | - |
| Additional investments in joint ventures | ( 15,000,000 ) | (19,238,357) |
| Proceeds from disposal of property and equipment | 16,494,968 | 1,270,694,928 |
| Interest received | 64,171,776 | 3,983,905 |
| Proceeds from disposal of intangibles | 158,541 | - |
| Acquisitions of intangible assets | ( 5,685,783 ) | ( 2,833,140 ) |
| Net Cash Used in Investing Activities | ( 1,483,464,127 ) | 478,033,413 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from additional loans and borrowings | 26,790,375,481 | 24,535,840,369 |
| Repayments of interest-bearing loans and borrowings | ( 27,431,740,716 ) | (24,606,237,348) |
| Interest paid | ( 908,017,069 ) | (749,872,139) |
| Employee Share Optons | 811,000 | |
| Payment of Cash Dividends | ( 295,285,000 ) | (341,631,632) |
| Advances to related parties | ( 13,277,888 ) | (49,190,019) |
| Sale of treasury shares | - | - |
| Increase (decrease) in other non-current liabilities | ( 35,039,018 ) | 266,873,382 |
| Deposit for future stock subscription | - | - |
| Decrease in revaluation reserves | ( 45,310,118 ) | - |
| Proceeds from issuance for shares of stock | - | - |
| Increase/decrease in APIC | 3,795,481 | - |
| Redemption of Preferred Stock | - | - |
| Proceeds from total return equity swap (TRES) transaction | - | - |
| Net Cash From Financing Activities | ( 1,933,687,847 ) | ( 944,217,387 ) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 535,315,346 | ( 5,158,882,220 ) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 5,788,390,677 | 9,810,770,115 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | P 6,323,706,023 | P 4,651,887,895 |

**(UNAUDITED) P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**SELECTED NOTES TO INTERIM CONDENSED**
**CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**
***(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 40.91% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), a company organized in the Philippines.

The Parent Company 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 680 operating retail service stations, and a total of 9 service stations under construction as of June 30, 2021.

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

As of June 30, 2021, the Parent Company holds ownership interests in the following entities, presented below and in the succeeding page, which are all incorporated and domiciled in the Philippines or otherwise stated:

| Subsidiaries/Joint Venture | Explanatory Notes | Percentage of Ownership 2020 | 2019 |
|---|---|---|---|
| **Direct interest:** | | | |
| *Subsidiaries* | | | |
| P-F-L Petroleum Management, Inc. (PPMI) | (a) | **100.00%** | 100.00% |
| P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI) | (b) | **100.00%** | 100.00% |
| Subic Petroleum Trading and Transport Phils., Inc. (SPTT) | (c) | **100.00%** | 100.00% |
| PNX Petroleum Singapore Pte. Ltd. (PNX SG) | (d) | **100.00%** | 100.00% |
| Phoenix LPG Philippines, Inc. (PLPI) | (e) | **100.00%** | 100.00% |
| Duta, Inc.(Duta)[4] | (f) | **100.00%** | 100.00% |
| Philippine FamilyMart CVS, Inc. (PFM) | (g) | **100.00%** | 100.00% |

| | | | |
|---|---|---|---|
| PNX Energy International Holdings, Pte. Ltd. (PNX Energy) | (h) | **100.00%** | 100.00% |
| Phoenix Pilipinas Gas and Power, Inc. | (i) | **100.00%** | 100.00% |
| Phoenix Road Transport Pilipinas, Inc. (PNXRT)[1] | (j) | **100.00%** | - |
| Action.Able, Inc.(AAI) | (k) | **74.90%** | 74.90% |
| Think.Able Limited (TAL) | (l) | **74.90%** | 74.90% |

| Subsidiaries/Joint Venture | Explanatory Notes | Percentage of Ownership **2020** | 2019 |
|---|---|---|---|
| **Direct interest:** | | | |
| *Joint venture* | | | |
| Phoenix Asphalt Philippines, Inc. (PAPI)[3] | (m) | **40.00%** | 40.00% |
| **Indirect interest:** | | | |
| *Subsidiaries* | | | |
| 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% |
| *Joint ventures* | | | |
| Galaxi Petroleum Fuel, Inc. (Galaxi)[8] | (r) | **51.00%** | 51.00% |
| Phoenix Southern Petroleum Corp. (PSPC)[8] | (s) | **49.00%** | 49.00% |
| 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%** | - |
| F1rstEnergy Corp. (FEC)[8] | (aa) | **49.00%** | - |
| Phoenix Northern Mindanao Corp. (PNMC)[8] | (bb) | **49.00%** | - |
| JV Hauling and Trucking Corp. (JHTC)[9] | (cc) | **49.00%** | - |
| NGT Ventures Incorporated (NGTVI)[10] | (dd) | **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*
*9 Joint venture of PNXRT*
*10 Joint venture of PLPI*

*(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 February 19, 2020 to engage in and carry on the business of organizing, managing, administering, running, and supervising the operations and marketing of various kinds of services-oriented companies, such as petroleum service stations, hauling companies and such other companies desirous of strengthening and establishing their operation process, except management of funds, securities and portfolio of similar assets in managed entities.

*(k)* Incorporated on May 6, 2015 to engage in the business of selling, leasing or distributing electronic devices to distributors, merchants or retailers for the purpose of digital marketing and/or ecommerce and to engage in the business of providing an outline digital network for the purpose of digital marketing and/or e-commerce accessible through electronic devices.

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

*(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, 2020.

*(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, 2020.

*(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 areas of Luzon.

*(y)* Incorporated on February 20, 2020 to buy and sell on retail basis, refined petroleum, LPG, and various kinds of products; to operate, manage, and carry out gasoline retail stations and such other services necessary to the business; and to operate convenience stores and such other non-fuel related businesses that may complement that business.

*(z)* Incorporated on June 10, 2020 to buy and sell on retail basis, refined petroleum, LPG, and various kinds of products; to operate, manage, and carry out gasoline retail stations and such other services necessary to the business; and to operate convenience stores and such other non-fuel related businesses that may complement that business.

*(aa)* Incorporated on July 10, 2019 to buy and sell, on a retail basis, refined petroleum, LPG, and various kinds of products; , manage, and carry out gasoline retail stations and such other services necessary to the business; and to operate convenience stores and such other non-fuel related businesses that may complement that business, in the areas of Cebu.

*(bb)* Incorporated on July 15, 2019 to buy and sell, on a retail basis, refined petroleum, LPG, and various kinds of products; , manage, and carry out gasoline retail stations and such other services necessary to the business; and to operate convenience stores and such other non-fuel related businesses that may complement that business, in the areas of Northern Mindanao.

*(cc)* Incorporated on November 21, 2019 to engage in the business of hauling services including but not limited to fuel products; to do and perform such other acts as necessary or incidental to the accomplishment of the foregoing corporate business.

*(dd)* Incorporated on January 29, 2021 to buy, refill and sell Liquified Petroleum Gas (LPG) and various kinds pf products; to operate, manage, and carry-out LPG refilling plants.

### *1.3 Other Corporate Information*

The registered office and principal place of business of the existing subsidiaries and joint ventures, except those presented 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 |
| Duta and 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 |
| JHTC | – | Pookni Banal, San Pascual, Batangas |
| NGTVI | _ | Purok 1 Alasas City of San Fernando, Pampanga |

### *1.4 Business Combinations*

a) On February 21, 2019, the Group, through PNX Vietnam, a subsidiary of PNX Energy, acquired 51.00% and 24.00% interest in PGV LLC from Origin Energy Holdings PTY LTD and Cong Ty TNHH Cong Nghiep, respectively. The acquisition resulted in 75.00% equity ownership interest of the Group over PGV LLC and recognition of goodwill amounting to P213.6 million (see Note 15) for a total consideration of P682.8 million. The acquisition is part of the growth and expansion footprint of the Group not only in the Philippines but also within the region. The Group expects the acquisition to result in synergies in terms of network related to solid, liquid, gas fuels and other related products.

   Goodwill amounting to P213.6 million is primarily related to growth expectations, expected future profitability and business synergies. Goodwill has been allocated to the trading segment and is not expected to be deductible for tax purposes.

b) On January 11, 2018, the Parent Company has signed a deed of absolute sale and concluded the acquisition of the 100.00% equity ownership interest in PFM from its previous shareholders, namely: SIAL CVS Retailers, Inc., FamilyMart Co. Ltd. and ITOCHU Corporation, for P352.1 million. The objective of the acquisition is to broaden Group's portfolio of retail offers.

   The goodwill recognized related to the acquisition amounting to P273.1 million is related to growth expectations and expected future profitability. Goodwill has been allocated to the trading segment and is not expected to be deductible for tax purposes.

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"). The Parent Company acquired 74.90% equity ownership interest in AAI Group for total consideration of P72.0 million.

AAI and TAL are the owners of Pos!ble.net, a two-and-a-half-year-old digital payment-platform. The acquisition supports business operations of the Parent Company, aside from synergies on its retail network development, for its various fuel products as well as the business operations of PFM.

The acquisition has resulted to recognition of goodwill amounting to P155.0 million and is related to growth expectations and expected future profitability. Goodwill has been allocated to the trading segment and is not expected to be deductible for tax purposes.

There were no contingent consideration arrangements for all of the above acquisitions. There were also no business combinations after December 31, 2020 but before the issuance of the consolidated financial statements.

Aggregate information of the entities acquired in 2019 and 2018 are as follows:

| | | Entities Acquired | | |
|---|---|---|---|---|
| | | **2019** | 2018 | |
| | Reference | PGV LLC 75.00% | PFM 100.00% | AAI Group 74.90% |
| Fair value of assets acquired and liabilities assumed | | | | |
| Cash and cash equivalents | | P 71,849,432 | P 21,601,695 | P 6,687,746 |
| Trade and other receivables | (i) | 102,525,465 | 22,534,222 | 1,482,807 |
| Inventories | | 23,702,793 | 80,744,545 | 1,031,489 |
| Prepayments and other current assets | | 20,507,347 | 158,786,825 | 4,518,678 |
| Property, plant and equipment | (ii) | 952,310,893 | 369,603,000 | 537,357 |
| Intangible asset | | - | 21,476,320 | - |
| Other non-current assets | | 169,579,990 | 46,832,213 | 640,304 |
| Total assets | | 1,340,475,920 | 721,578,820 | 14,898,381 |
| Trade and other payables | | 197,630,783 | 642,639,484 | 125,779,164 |
| Short-term loans and borrowings | | 321,141,124 | - | - |
| Deferred tax liabilities | | 110,446,823 | | |
| Other non-current liabilities | | 85,569,455 | - | - |
| Total liabilities | | 714,788,185 | 642,639,484 | 125,779,164 |
| Total identifiable net assets (liabilities) | | 625,687,735 | 78,939,336 | ( 110,880,783) |
| Fair value of cash consideration transferred | | 682,820,388 | 352,070,202 | 71,995,652 |
| Share of non-controlling interests | | 156,421,934 | - | ( 27,831,076) |
| | | 839,242,322 | 352,070,202 | 44,164,576 |
| Goodwill | | P 213,554,587 | P 273,130,866 | P 155,045,359 |
| Excess of fair value of net assets acquired over cash consideration transferred | | n/a | n/a | n/a |
| Cash consideration settled in cash | | P 682,820,388 | P 352,070,202 | P 71,995,652 |
| Cash and cash equivalents acquired | | 71,849,432 | 21,601,695 | 6,687,746 |
| Less: Share of non-controlling interests | | 17,962,358 | - | 1,678,624 |
| | | 53,887,074 | 21,601,695 | 5,009,122 |
| Net Cash Flow of Acquisition | | P 628,933,314 | P 330,468,507 | P 66,986,530 |
| Acquisition costs charged to expenses | | P 1,458,944 | P 6,440,651 | P 1,738,116 |
| Pre-acquisition income (loss) | (iii) | ( 7,821,881) | - | 1,628,790 |
| Revenue contribution | | 1,472,189,346 | 1,307,944,277 | 34,957,821 |
| Net 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, 2019 and 2018 consolidated statements of comprehensive income are presented net of the pre-acquisition income of the entities acquired.

### *1.5 Impact of COVID-19 Pandemic on the Group's Business*

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

The following are the impact of the COVID-19 pandemic to the Group's business:

- The massive and sudden drop in global oil demand due to the pandemic resulted in volatile oil prices in the first half of 2020, with the average Dubai benchmark crude prices declining by as much 68% in April 2020 to P1,015 per barrel from P3,254 per barrel in January 2020. With discovery of vaccines and nationwide vaccination programs in the fourth quarter of 2020, global oil demand and prices started to recover. The average Dubai benchmark crude price stood at P71.57 per barrel in June 2021.

- Regional and local developments within the industry and credit markets tightened access to liquidity and hampered sales in 2020. While liquidity has improved as the Company implemented actions to strengthen its financial position, it has yet to return to its optimal level;

- The restrictions in mobility due to the nationwide lockdown and community quarantines resulted in substantial drop in fuel sales, particularly in the second quarter of 2020. As of the first half of 2021, sales to road, marine, and air transport sectors remain challenged, while retail fuel sales have yet to reach pre-COVID levels;

- Changing consumer behavior in response to the pandemic resulted in a surge in LPG sales as people shift to home cooking from dining out, with year-on-year increase in LPG sales.

In response to this matter, the Group has taken the following actions:

- Secured the safety and health of the organization by placing most of its workforce on a work-from-home (WFH) arrangement, while the staff at terminal and depot operations are on a two-week on, two-week off rotation. The HSE (Health, Safety, and Environment) Group, along with the Leadership, monitor and look after the physical and mental wellbeing of the employees. The Company also offers free and voluntary COVID vaccinations to employees nationwide. As of June 30, 2021,similar working arrangements for its workforce apply. Further, more than half of its employees have received at least one shot of the vaccine.

- Ensured business continuity and welfare of customers, partners, and consumers by operating business-as-usual. Through the efforts of PNX SG, the Group was assured of security of fuel and LPG supply. Business continuity plans were immediately mobilized and communicated to customers and other stakeholders. Supply delivery for both commercial and retail customers continued in compliance with government and company protocols. These extended to service stations to ensure the safety and welfare of staff and motorists.

- Preserved resources by managing importations and maintaining significantly lower level of inventories, which allowed the Group to minimize losses from falling prices and abrupt slowdown in demand. The Group likewise scaled back its operating expenses and capital expenditures spending, while benefiting from the structural cost actions implemented years prior, which included streamlining supply chains and rationalization of road transport operations.

- Rationalization of the Group's workforce by 12% in 2020 in order to mitigate the impact of the pandemic and adapt to changes in the market conditions and operating environment.

- Accelerated digital transformation in response to the evolving customer needs under the 'new normal', including the rollout of cashless payments at certain stations and PFM stores and online ordering and delivery for LPG, as well as the launch of the LIMITLESS, a lifestyle rewards program enjoyed through a free downloadable mobile application.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

### *1.6 Approval of Interim Consolidated Financial Statements*

The consolidated financial statements of the Group as of and for the six months ended June 30, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the six months ended June 30, 2020, were authorized for issue by the Parent Company's Board of Directors (BOD) on **August 3,2021**.

## 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, 2020.

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

These interim condensed consolidated financial statements for the six months ended June 30, 2021 and 2020 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, 2020.

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*

*(a) Effective in 2020 that are Relevant to the Group*

The Group adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

| | | |
|---|---|---|
| Conceptual Framework | : | Revised Conceptual Framework for Financial Reporting |
| PAS 1 and PAS 8 (Amendments) | : | Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material |
| PFRS 3 (Amendments) | : | Business Combinations – Definition of a Business |

| | | |
|---|---|---|
| PFRS 7 and PFRS 9 (Amendments) | : | Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform |
| PFRS 16 (Amendments) | : | Leases – COVID-19-Related Rent Concessions |

Discussed below are the relevant information about these amendments.

(i) *Revised Conceptual Framework for Financial Reporting.* 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. The application of the revised conceptual framework had no significant impact on the Group's consolidated financial statements.

(ii) 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. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business.* The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*. The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(v) The Company elected to adopt early PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions*, which is effective for annual reporting periods beginning on or after June 30, 2020. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The Group applied this practical expedient to leases involving its land where stations are built. As a result, the Group recognized P6.9 million to reflect changes in lease payments that arose from rent concessions, which is presented as part of Selling and Administrative Expenses in the consolidated statement of comprehensive income for the year ended December 31, 2020.

*(b) Effective Subsequent to 2020 but not Adopted Early*

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group. None of these are expected to have significant impact on the Group's consolidated financial statements.

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements, and PAS 28 (Amendments), Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 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.

**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 34.96 million as part of the depreciation and an interest expense of P 36.15 million as part of the finance cost were recorded during the six months of 2021.

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 258.66 million was recognized as rent expense for short term leases during the six 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.

### *2.3 Financial Instruments*

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

*(a) Financial Assets*

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

*(i) Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The financial assets are classified into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Currently, the financial assets category relevant to the Group is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses (ECL).

The Group's financial assets measured at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding advances to suppliers, advances subject to liquidation and other receivables), Due from Related Parties, Restricted Deposits, Security deposits and Refundable rental deposits (presented as part of Prepayments and Other Current Assets and Other Non-Current Assets in the consolidated statement of financial position).

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

Refundable rental deposits are initially recognized at fair value. Interest on the rental deposits arising from subsequent amortization is accounted for using the effective interest method and is presented as part of Finance Income under Other Charges (Income) in the consolidated statement of comprehensive income. The excess of the principal amount of the deposit over its present value is immediately recognized as deferred minimum lease payments (presented as part of Other Non-Current Assets in the consolidated statement of financial position). Meanwhile, rent expense arising from subsequent amortization of deferred minimum lease payments is accounted for using the straight-line method over the lease term and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statement of comprehensive income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of comprehensive income as part of Other Charges (Income).

*(ii) Impairment of Financial Assets*

At the end of the reporting period, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

For trade and other receivables, and due from related parties, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12 months after the end of the reporting period.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

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

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

*(iii) Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

*(b) Financial Liabilities*

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (excluding tax-related payables), derivative financial liabilities, 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, except for 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) which are capitalized as part of the cost of such asset (see Note 2.18).

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. These 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. 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.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognized in profit of loss. Derivative financial assets are set off against derivative financial liabilities and the net financial instruments are presented as either Derivative Financial Assets or Derivative Financial Liabilities in the consolidated statement of financial position (see Note 5.6).

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

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-79.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the consolidated statements of financial position, are reduced for estimated non-returns. Estimated non-returns are determined through amortization of the balance over the estimated useful life of cylinders and/or estimated proportion of the provision for lost cylinders. The reduction is recognized directly in the consolidated statement of comprehensive income as part of Fuel Service and Other Revenues.

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

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

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

*(c) Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

### *2.4 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, 2020.

The Group performed its annual impairment test of goodwill and other intangible assets with indefinite useful life at year end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that for the six months ended June 30, 2021 and as of December 31, 2020, 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)

| | Six Months June 30, 2021 | | | |
|---|---|---|---|---|
| | **Sale of Goods** | **Fuel Service & Other Revenue** | | |
| | **Trading** | **Depot and Logistics** | **Real Estate** | **Total** |
| ***Primary Geographical Markets*** | | | | |
| **Philippines** | P 33,236,764 | P 724,249 | P 4,242 | P 33,965,255 |
| **Singapore** | 32,878,233 | - | | 32,878,233 |
| **Vietnam** | 1,681,814 | | | 1,681,814 |
| | P 67,796,811 | P 724,249 | P 4,242 | P 68,525,302 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ***Major goods/service lines*** | | | | | | | | |
| **Fuels** | P | 61,888,206 | P | | P | | P | 61,888,206 |
| **LPG** | | 5,433,486 | | | | | | 5,433,486 |
| **Merchandise** | | 205,628 | | | | | | 205,628 |
| **Lubricants** | | 257,815 | | | | | | 257,815 |
| **Terminalling/hauling** | | - | | 10,156 | | | | 10,156 |
| **Rentals** | | - | | 57,227 | | 4,242 | | 61,469 |
| **POS Device** | | 11,675 | | | | | | 11,675 |
| **Others** | | - | | 656,865 | | | | 656,865 |
| | **P** | **67,796,811** | **P** | **724,249** | **P** | **4,242** | **P** | **68,525,302** |

| | Six Months June 30, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Sale of Goods | | Fuel Service & Other Revenue | | | | | |
| | Trading | | Depot and Logistics | | Real Estate | | Total | |
| ***Primary Geographical Markets*** | | | | | | | | |
| **Philippines** | P | 24,213,757 | P | 945,883 | P | 2,688 | P | 25,162,328 |
| **Singapore** | | 9,542,750 | | - | | | | 9,542,750 |
| **Vietnam** | | 1,906,424 | | | | | | 1,906,424 |
| | P | 35,662,931 | P | 945,883 | P | 2,688 | P | 36,611,502 |
| ***Major goods/service lines*** | | | | | | | | |
| **Fuels** | P | 30,331,200 | P | | P | | P | 30,331,200 |
| **LPG** | | 4,717,601 | | | | | | 4,717,601 |
| **Merchandise** | | 397,195 | | | | | | 397,195 |
| **Lubricants** | | 190,756 | | | | | | 190,756 |
| **Terminalling/hauling** | | | | 43,614 | | | | 43,614 |
| **Rentals** | | | | 83,337 | | 2,688 | | 86,025 |
| **POS Device** | | 26,180.00 | | | | | | 26,180 |
| **Others** | | | | 818,931 | | | | 818,931 |
| | **P** | **35,662,932** | **P** | **945,882** | **P** | **2,688** | **P** | **36,611,502** |

## 5. SEGMENT INFORMATION

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

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

As of June 30, 2021, there have been no change from prior periods in the measurement methods used to determine operating segments and reported segment revenues, expenses and performance.

The succeeding tables present revenue and profit information regarding segments for the six months ended June 30, 2021 and June 30, 2020 and certain asset and liability information regarding segments as at June 30, 2021and December 31, 2020 (amounts in thousands).

| | Trading | | Depot & Logistics | | Real Estate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **June 30, 2021** | June 30, 2020 | **June 30, 2021** | June 30, 2020 | **June 30, 2021** | June 30, 2020 | **June 30, 2021** | June 30, 2020 |
| **TOTAL REVENUES** | **(Unaudited)** | (Unaudited) | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Sales to external customers | **67,796,811** | 35,662,931 | **724,249** | 945,883 | **4,242** | 2,688 | **68,525,302** | 36,611,502 |
| Intersegment Sales | **8,739,828** | 13,683,110 | **179** | 201,499 | **12,439** | 13,192 | **8,752,445** | 13,897,801 |
| | **76,536,639** | 49,346,041 | **724,427** | 1,147,382 | **16,681** | 15,880 | **77,277,747** | 50,509,303 |
| **COST AND OTHER OPEX** | | | | | | | | |
| Cost of Sales and services excluding depreciation and amortization | **75,562,051** | 49,280,519 | **6,326** | 5,948 | **1,982** | 7,154 | **75,570,359** | 49,293,621 |
| | | | | | | | **-** | - |
| Depreciation and amortization | **513,627** | 519,519 | **131,291** | 121,455 | **-** | 165 | **644,918** | 641,139 |
| | **76,075,678** | 49,800,038 | **137,617** | 127,403 | **1,982** | 7,319 | **76,215,277** | 49,934,760 |
| **SEGMENT OPERATING PROFIT (LOSS)** | **460,961** | - 453,997 | **586,810** | 1,019,979 | **14,699** | 8,561 | **1,062,470** | 574,543 |

| | Trading | | Depot & Logistics | | Real Estate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **June 30, 2021 (Unaudited)** | December 31, 2020 (Audited) | **June 30, 2021 (Unaudited)** | December 31, 2020 (Audited) | **June 30, 2021 (Unaudited)** | December 31, 2020 (Audited) | **June 30, 2021 (Unaudited)** | December 31, 2020 (Audited) |
| **ASSETS & LIABILITIES** | | | | | | | | |
| Segment Assets | **77,113,941** | 93,589,655 | **6,379,791** | 3,005,150 | **4,542,066** | 4,642,999 | **88,035,798** | 101,237,804 |
| Segment Liabilities | **63,072,466** | 70,220,127 | **2,396,149** | 2,396,149 | **1,477,771** | 4,511,459 | **66,946,386** | 77,127,735 |

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

| | | June 30, 2021 | | June 30, 2020 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Total segment revenues | P | **77,277,747** | P | 50,509,303 |
| Elimination of Intersegment revenues | | **( 8,752,445 )** | | (13,897,801) |
| Revenue as reported in profit and loss | P | **68,525,302** | P | 36,611,502 |
| **Profit or loss** | | | | |
| Segment Operating profit | P | **1,062,470** | P | 574,543 |
| Other Unallocated income | | **-** | | |
| Other Unallocated expense | | **-** | | |
| Operating profit as reported in profit and loss | | **1,062,470** | | 574,543 |
| Finance costs | | **( 937,977 )** | | (1,116,713) |
| Finance income | | **108,646** | | 50,470 |
| **Profit before tax as reported in profit or loss** | **P** | **233,139** | P | (491,700) |

| | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Segment Assets | P | **107,194,581** | P | 101,237,804 |
| Right -of-use assets-net | | **740,046** | | 792,829 |
| Deferred tax assets-net | | **352,455** | | 494,377 |
| Elimination of Intercompany accounts | | **( 20,251,285 )** | | (19,992,546) |
| **Total Assets reported in the consolidated Statement of Financial Position** | **P** | **88,035,798** | **P** | **82,532,464** |
| **Liabilities** | | | | |
| Segment Liabilities | | **78,996,634** | | 77,127,735 |
| Lease Liability | | **916,619** | | 984,401 |
| Deferred tax Liabilities - net | | **895,863** | | 1,053,701 |
| Elimination of Intercompany accounts | | **( 13,862,730 )** | | (17,794,707) |
| **Total Liabilities as reported in the consolidated statements of financial position** | **P** | **66,946,386** | **P** | **61,371,130** |

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

### *6.1 Carrying Amounts and Fair Values by Category*

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

| | June 30, 2021 (Unaudited) | | | | December 31, 2020 (Audited) | | | |
|---|---|---|---|---|---|---|---|---|
| ***Financial Assets*** | Carrying Values | | Fair Values | | Carrying Values | | Fair Values | |
| Cash and cash equivalents | P | 6,323,706,023 | P | 6,323,706,023 | P | 5,788,390,677 | P | 5,788,390,677 |
| Trade and other receivables - net * | | 22,075,174,159 | | 22,075,174,159 | | 16,395,538,422 | | 16,395,538,422 |
| Due from related parties | | 44,181,079 | | 44,181,079 | | 30,903,191 | | 30,903,191 |
| Construction Bond*** | | 6,749,664 | | 6,749,664 | | 6,749,664 | | 6,749,664 |
| Restricted deposits | | 89,763,323 | | 89,763,323 | | - | | - |
| Security Deposits | | 367,430,157 | | 367,430,157 | | 869,781,137 | | 869,781,137 |
| Refundable rental deposits | | 148,777,472 | | 148,777,472 | | 276,351,471 | | 276,351,471 |
| | **P** | **29,055,781,877** | **P** | **29,055,781,877** | **P** | **23,367,714,562** | **P** | **23,367,714,562** |
| ***Financial Liabilities*** | | | | | | | | |
| Derivative financial liability | P | 148,191,992 | P | 148,191,992 | P | 623,144,735 | P | 623,144,735 |
| | | | | - | | | | - |
| Interest -bearing loans and borrowings | | 47,602,011,898 | | 47,602,011,898 | | 48,243,377,133 | | 48,243,377,133 |
| Trade and other payables** | | 15,951,739,973 | | 15,951,739,973 | | 8,622,910,796 | | 8,622,910,796 |
| Lease liabilities | | 916,618,955 | | 916,618,955 | | 984,401,017 | | 984,401,017 |
| Customers' cylinder deposits | | 773,314,857 | | 773,314,857 | | 783,055,495 | | 783,055,495 |
| Security deposits | | 114,715,815 | | 114,715,815 | | 106,408,896 | | 106,408,896 |
| Cash bond deposits | | 254,881,263 | | 254,881,263 | | 268,980,068 | | 268,980,068 |
| | **P** | **65,761,474,753** | **P** | **65,761,474,753** | **P** | **59,632,278,140** | **P** | **59,632,278,140** |

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

### 6.2 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.

### 6.3 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.

### 6.4 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.

| Financial Assets | | June 30, 2021 (Unaudited) Level 1 | | Level 2 | | Level 3 | | Total |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | P | 6,323,706,023 | P | | P | | P | 6,323,706,023 |
| Trade and other receivables - net * | | | | | | 22,075,174,159 | | 22,075,174,159 |
| Due from related parties | | | | | | 44,181,079 | | 44,181,079 |
| Construction Bond*** | | | | | | 6,749,664 | | 6,749,664 |
| Restricted deposits | | 89,763,323 | | | | | | 89,763,323 |
| Security Deposits | | | | | | 367,430,157 | | 367,430,157 |
| Refundable deposits | | | | | | 148,777,472 | | 148,777,472 |
| | **P** | **6,413,469,346** | **P** | **-** | **P** | **22,642,312,531** | **P** | **29,055,781,877** |
| ***Financial Liabilities*** | | | | | | | | |
| Financial liabilities at amortized cost | | | | | | | | |
| Derivative financial liability | P | | P | | P | 148,191,992 | P | 148,191,992 |
| Interest -bearing loans and borrowings | | | | | | 47,602,011,898 | | 47,602,011,898 |
| Trade and other payables** | | | | | | 15,951,739,973 | | 15,951,739,973 |
| Lease liabilities | | | | | | 916,618,955 | | 916,618,955 |
| Customers' cylinder deposits | | | | | | 773,314,857 | | 773,314,857 |
| Security deposits | | | | | | 114,715,815 | | 114,715,815 |
| Cash bond deposits | | | | | | 254,881,263 | | 254,881,263 |
| | **P** | **-** | **P** | **-** | **P** | **65,761,474,753** | **P** | **65,761,474,753** |

| | | December 31, 2020 (Audited) Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| ***Financial Assets*** | | | | | |
| *Loans and receivables:* | | | | | |
| Cash and cash equivalents | | P 5,788,390,677 | P - | P - | P 5,788,390,677 |
| Trade and other receivables | | - | - | 16,395,538,422 | 16,395,538,422 |
| Due from related parties | | - | - | 30,903,191 | 30,903,191 |
| Construction bond | | - | - | 6,749,664 | 6,749,664 |
| Security deposits | | - | - | 869,781,137 | 869,781,137 |
| | | **P 5,788,390,677** | **P -** | **P 17,579,323,885** | **P 23,367,714,562** |
| ***Financial Liabilities*** | | | | | |
| *Financial liabilities at amortized cost:* | | | | | |
| Interest-bearing loans and other borrowings | | P - | P - | P 44,526,826,768 | P 44,526,826,768 |
| Trade and other payables | 21 | - | - | 8,622,910,796 | 8,622,910,796 |
| Lease liabilities | 12 | - | - | 851,573,489 | 851,573,489 |
| Customers' cylinder deposits | 23 | - | - | 646,165,125 | 646,165,125 |
| Security deposits | 23 | - | - | 94,053,854 | 94,053,854 |
| Cash bond deposits | 23 | - | - | 234,227,853 | 234,227,853 |
| | | **P -** | **P -** | **P 54,975,757,885** | **P 54,975,757,885** |

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.

## 7. 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 6. 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.

### *7.1 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 and the company may hedge its FX exposure to match product pricing.

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

| | **June 30, 2021 (Unaudited)** | | |
|---|---|---|---|
| | **U.S. Dollar** | **Singapore Dollar** | **Vietnamese Dong** |
| **Financial assets** | **P 10,197,176,955** | **P 3,467,064** | **P 301,451,644** |
| **Financial liabilities** | **( 12,225,603,889)** | **( - )** | **( 753,347,875)** |
| **Net exposure** | **(P 2,028,426,934)** | **P 3,467,064** | **(P 451,896,231)** |

| | December 31, 2020 (Audited) | | |
|---|---|---|---|
| | U.S. Dollar | Singapore Dollar | Vietnamese Dong |
| Financial assets | P 7,115,806,079 | P 9,134,522 | P 281,165,717 |
| Financial liabilities | ( 8,232,605,011 ) | - | (272,892,390) |
| Net exposure | (P 1,116,798,932) | P 9,134,522 | P 8,273,327 |

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

| | June 30, 2021 (Unaudited) | | |
|---|---|---|---|
| | **U.S. Dollar** | **Singapore Dollar** | **Vietnamese Dong** |
| **Reasonably possible change in rate** | **1.84%** | **3.37%** | **3.25%** |
| **Effect in profit before tax** | **(P 37,255,354 )** | **P 361,357** | **(P 14,711,374)** |
| **Effect in equity after tax** | **( 26,078,748 )** | **252,950** | **(P 10,297,962)** |

| | December 31, 2020 (Audited) | | |
|---|---|---|---|
| | U.S. Dollar | Singapore Dollar | Vietnamese Dong |
| Reasonably possible change in rate | 9.51% | 26.57% | 10.41% |
| Effect in profit before tax | (P 106,207,578) | P 2,427,043 | P 861,253 |
| Effect in equity after tax | ( 74,345,305) | 1,698,930 | P 602,877 |

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

*(b) Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually made at fixed rates. As of June 30, 2021, and 2020, 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.

### *7.2 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 the performance of customers and other counterparties, identified either individually or by group, and incorporates their credit checking, historical performance, and financial information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Estimate of the fair value of collateral held against trade and other receivables as of June 30, 2021 and December 31, 2020 follows:

| | June 30,2021 | Dec. 31, 2020 |
|---|---|---|
| Standby letter of credits | P **415,217,433** | P 545,400,443 |
| Retail Stations | **503,338,928** | 440,925,755 |
| Cash bond | **254,881,263** | 268,980,068 |
| Real estate mortgage | **74,192,730** | 74,192,730 |
| | **P 1,247,630,354** | **P 1,329,498,996** |

Retail stations held as collateral relate to disposed retail stations to certain JVs in 2020. Based on the agreement of the parties, the Group's management has the discretion to reclaim the unpaid sold retail stations in the event that JVs are unable to pay the outstanding balances.

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

| | June 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| Cash and cash equivalents | 6,323,706,023 | 5,788,390,677 |
| Trade and other receivables - net * | 22,075,174,159 | 16,395,538,422 |
| Due from related parties | 44,181,079 | 30,903,191 |
| Construction Deposit** | 6,749,664 | 6,749,664 |
| Restricted Deposit | 89,763,323 | - |
| Security Deposits | 367,430,157 | 869,781,137 |
| Refundable rental deposits | 148,777,472 | 276,351,471 |
| | **29,055,781,877** | 23,367,714,562 |

**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 and restricted deposits are 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 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all Trade and Other Receivables and Due from Related Parties. The Group's trade and other receivables and due from related parties are assessed individually or on a per customer basis.

The Group computes expected losses 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 loss rate. 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.

| Phoenix Risk Rating (PRR) | Description | | Equivalent S&P Rating | S&P Loss Rate (%) | |
|---|---|---|---|---|---|
| | Financial and Business Profiles | Other Information | | **2020** | 2019 |
| PRR 3A | Counterparties with both very strong financial and business profiles. Lowest risk of default in the scale. | These counterparties do not have a greater-than-normal risk. The track record of the client in terms of profit is very good and exhibits highest quality under virtually all economic conditions. Probability of default is quite low and it bears some degree of stability and substance. However, client may be susceptible to cyclical changes and more concentration of business risk, by product or by market. | BBB | **0.21 – 0.60** | 0.13 – 0.56 |
| PRR 2A | Counterparties with strong financial profile and very strong business profile or vice versa. | | BBB | **0.21 – 0.60** | 0.13 – 0.56 |
| PRR 1A | Counterparties with a strong to adequate financial profile and very strong to adequate business profile. | | BBB | **0.21 – 0.60** | 0.13 – 0.56 |
| PRR 3B | Counterparties with a sustainable financial profile and adequate business profile. | Counterparties whose risk elements are sufficiently pronounced to withstand normal business cycles but any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. | BB | **0.62 – 2.86** | 0.57 – 1.73 |
| PRR 2B | Counterparties with an average financial profile and sustainable business profile. | | BB | **0.62 – 2.86** | 0.57-1.73 |
| 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 | **3.12 – 8.85** | 3.04 – 6.36 |
| 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 | **3.12 – 8.85** | 3.04 – 6.36 |
| PRR 2C | Counterparties with a weak financial profile and adequate business profile. | | B | **3.12 – 8.85** | 3.04 – 6.36 |
| 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. | CCC/C | **100** | 100 |
| PRR D | Counterparties with a weak financial profile and average business profile. | | CCC/C | **100** | 100 |
| PRR F | Counterparties with both weak financial profile and business profiles. | | CCC/C | **100** | 100 |

A reconciliation of the closing loss allowance for trade and other receivables and due from related parties as at June 30, 2021 and December 31, 2020 to the opening loss allowance is presented below:

| | Trade and Other Receivables | Due from Related Parties |
|---|---|---|
| Credit Loss allowance at January 1, 2021 | P **734,384,427** | P 784,984 |
| Decrease/Increase in credit loss allowance during the year | **44,906,194** | - |
| Write-offs | **( 1,885,576 )** | |
| | - | - |
| Credit loss allowance at June 30, 2021 | **P 777,405,045** | **P 784,984** |

| | Trade and Other Receivables | Due from Related Part |
|---|---|---|
| Balance at beginning of year, As previously reported | P 655,639,182 | P 86,816 |
| Business Combination | | |
| Decrease in credit loss allowance during the year | 116,875,572 | 698,168 |
| Write-offs | ( 2,680,516) | - |
| Recoveries | ( 35,449,811) | - |
| Credit loss allowance at December 31, 2020 | **P 734,384,427** | **P 784,984** |

The credit loss allowance provided as of June 30, 2021 and December 31, 2020 are as follows:

**June 30, 2021**

**Trade and Other Receivables**

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3A | BBB | 0.11 – 0.47 | **380,014,418** | **335,264** |
| PRR 2A | BBB | 0.11 – 0.47 | **156,886,322** | **251,688** |
| PRR 1A | BBB | 0.11 – 0.47 | **4,433,411,787** | **14,922,869** |
| PRR 3B | BB | 0.54 – 1.58 | **2,190,862,851** | **16,765,311** |
| PRR 2B | BB | 0.54 – 1.58 | **873,455,052** | **4,638,546** |
| PRR 1B | B | 3.06 – 6.42 | **2,036,101,120** | **106,309,995** |
| PRR 3C | B | 3.06 – 6.42 | **1,210,812,807** | **28,008,006** |
| PRR 2C | B | 3.06 – 6.42 | **120,838,404** | **3,239,793** |
| PRR 1C/D/F | CCC/C | 100 | **602,996,487** | **602,933,573** |
| | | | **12,005,379,248** | **777,405,045** |

**Due From Related Parties**

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying Amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3B | BB | 0.62 – 2.86 | **P 3,989,936** | **P 24,668** |
| PRR 2B | BB | 0.62 – 2.86 | **9,285,680** | **76,561** |
| PRR 1B | B | 3.12 – 8.85 | **3,429,751** | **113,656** |
| PRR 3C | B | 3.12 – 8.85 | **14,982,808** | **570,099** |
| | | | **P 31,688,175** | **P 784,984** |

**December 31, 2020**

Trade and Other Receivables

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying Amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3A | BBB | 0.21 – 0.60 | **P 6,271,502,269** | **P 13,058,294** |
| PRR 2A | BBB | 0.21 – 0.60 | **502,545,006** | **1,044,352** |
| PRR 1A | BBB | 0.21 – 0.60 | **4,871,255,773** | **16,051,676** |
| PRR 3B | BB | 0.62 – 2.86 | **1,715,070,724** | **13,418,494** |
| PRR 2B | BB | 0.62 – 2.86 | **503,799,467** | **3,125,800** |
| PRR 1B | B | 3.12 – 8.85 | **1,978,386,374** | **72,621,327** |
| PRR 3C | B | 3.12 – 8.85 | **639,540,386** | **21,239,570** |
| PRR 2C | B | 3.12 – 8.85 | **40,854,880** | **1,509,402** |
| PRR 1C/D/F | CCC/C | 100 | **606,967,970** | **592,315,512** |
| | | | **P 17,129,922,849** | **P 734,384,427** |

Due From Related Parties

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying Amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3B | BB | 0.62 – 2.86 | **P 3,989,936** | **P 24,668** |
| PRR 2B | BB | 0.62 – 2.86 | **9,285,680** | **76,561** |
| PRR 1B | B | 3.12 – 8.85 | **3,429,751** | **113,656** |
| PRR 3C | B | 3.12 – 8.85 | **14,982,808** | **570,099** |
| | | | **P 31,688,175** | **P 784,984** |

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.

| | **June 30, 2021 (Unaudited)** |
|---|---|
| Not more than one month | 577,051,690 |
| More than one month but not more than 2 months | 214,888,726 |
| More than two months but not more than 6 months | 1,010,493,774 |
| More than six months but not more than 1 year | 1,620,184,201 |
| More than one year | 4,822,848,478 |
| | **8,245,466,869** |

### 7.3 Liquidity Risk

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

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

This compares to the maturity of the Group's financial liabilities as of June 30, 2021 (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 27,540,337,895 | P 959,465,864 | P 13,826,258,928 | P 5,275,949,212 |
| Trade and other payables (excluding tax-related payables) | 1,435,656,598 | 14,516,083,375 | - | |
| Derivative financial liabilities | 148,191,992 | - | - | |
| Security deposits | - | - | 114,715,815 | - |
| Customers' cylinder deposits | - | - | - | 773,314,857 |
| Cash bond | - | | 195,494,379 | 59,386,884 |
| | **P 29,124,186,485** | **P 15,475,549,239** | **P 14,136,469,122** | **P 6,108,650,953** |

As of December 31, 2020 (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 26,209,383,807 | P 4,982,321,547 | P 15,659,129,105 | P 5,672,528,179 |
| Tre and other payables (excluding tax-related payables) | 772,563,181 | 7,850,347,615 | - | - |
| Derivative financial liabilities | 623,144,735 | - | - | - |
| Security deposits | - | - | 106,428,876 | - |
| Customers' cylinder deposits | - | - | - | 783,055,495 |
| Cash bond deposits | - | - | 209,593,184 | 59,386,884 |
| | **P 27,605,091,723** | **P 12,832,669,162** | **P 15,975,151,165** | **P 6,514,970,558** |

## 8. INVENTORIES

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

| | June 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|---|---|
| At cost: | | |
| Fuels and by-products | **P 3,047,543,842** | P 4,264,665,744 |
| Lubricants | **109,489,794** | 110,721,939 |
| Merchandise | **23,291,210** | 110,568,113 |
| LPG | **293,133,930** | 207,277,882 |
| Others | **48,915,628** | 76,082,023 |
| | **P 3,522,374,404** | P 4,769,315,701 |

Inventories with carrying amount of **P3.048** million and P 4,363.00 million as of June 30, 2021 and December 31, 2020, respectively, have been released to the Group in trust for by the bank.

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

There was no Inventory write-down in June 30, 2021 and December 31, 2020

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

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

| | June 30, | | December 31, |
|---|---|---|---|
| | **2021 (Unaudited)** | **2020 (Unaudited)** | 2020 (Audited) |
| Bal. at Beg Period, Jan. 1, 2021 | **33,500,379,219** | **28,521,591,044** | 30,162,244,600 |
| Business Combination Net | **1,076,387,579** | **-** | |
| Additions | **-** | **2,354,732,170** | 4,622,402,414 |
| Revaluation Increments | **-** | **-** | 1,194,480,257 |
| Transfers | **-** | **-** | ( 197,783,908 ) |
| Disposals | **( 79,543 )** | **( 1,270,694,928 )** | ( 811,603,248 ) |
| Depreciation | **( 613,389,206 )** | **( 619,075,639 )** | ( 1,315,962,944 ) |
| Translation /Adjustment | **10,767,221** | **-** | ( 110,869,931 ) |
| Provision for loss cylinders | **-** | **-** | ( 42,528,021 ) |
| Balance at the end of the period | **33,974,065,270** | **28,986,552,647** | 33,500,379,219 |

## 10. INTANGIBLE ASSETS

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

| | June 30, | | December 31, |
|---|---|---|---|
| | **2021 (Unaudited)** | **2020 (Unaudited)** | 2020 (Audited) |
| Bal. at Beg Period, Jan. 1, 2021 | **278,730,291** | **310,277,916** | 310,277,916 |
| Additions | **5,685,783** | **2,833,139** | 14,529,820 |
| Disposals | **- 158,542** | **-** | |
| Amortization Expense at the period | **( 23,714,038 )** | **( 21,897,984 )** | ( 45,464,424 ) |
| Translation Adjustment | **198,394** | **( 239,911 )** | ( 613,022 ) |
| Balance at the end of the period | **260,741,888** | **290,973,160** | 278,730,290 |

## 11. INTEREST-BEARING LOANS AND BORROWINGS

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

| | **June 30, 2021 (Unaudited)** | December 31, 2020 (Audited) |
|---|---|---|
| Current: | | |
| Liabilities under LC and TR | **P 12,065,650,245** | P 12,136,837,643 |
| Short-term loans | **12,690,134,293** | 14,080,311,649 |
| Current portion of long term loans | **675,333,333** | 619,670,732 |
| Liabilities under short-term commercial papers | **3,068,685,886** | 2,967,368,503 |
| | **28,499,803,757** | 29,804,188,527 |
| Non-current: | | |
| Term loans | **19,102,208,141** | 18,439,188,606 |
| | **P 47,602,011,898** | P 48,243,377,133 |

### *11.1 Liabilities under Letters of Credits and Trust Receipts*

The Group avails of LC and TR lines with local banks to finance its purchases of inventories. These short-term trust receipts bear interests based on prevailing market interest rates at an average of **6.569%** and 6.028% per annum as of June 30, 2021 and December 31, 2020, respectively

### *11.2 Borrowings and Repayments*

The Group has term loan with outstanding balance as of June 30, 2021 P 29,794.48 million. The loans bear interest ranging from 4.211% to 7.750% and are 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 June 30, 2021, repayments of term loans amounting to P 25,412.34 million were made in line with previously disclosed repayment terms.

## 12. LEASE LIABILITIES

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

| | |
|---|---|
| **Current** | 89,943,336 |
| **Non-Current** | 826,675,619 |
| **Total** | **916,618,955** |

Additional Information on lease liabilities are broken down as follows:

| | **Land** | **Vessel** | **Office** | **Store Premises** | **TOTAL** |
|---|---|---|---|---|---|
| Lease Liabilities | 787,937,481 | 27,025,003 | 23,876,494 | 77,779,676 | **916,618,654** |

As of June 30, 2021, the Group is not committed to leases which has not commenced.

A total of P 36.15 million finance cost was recognized related to the lease liabilities.

## 13. 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 June 30, 2021 and 2020 and the related outstanding balances as of June 30, 2021 and December 31, 2020 is presented below.

| | Amount of Transactions | | Outstanding Balance | |
|---|---|---|---|---|
| | June 30, 2021 (Unaudited) | June 30, 2020 (Unaudited) | June 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
| **Other related parties under common ownership** | | | | |
| Sale of goods | 3,788,318,862 | 2,687,840,425 | 3,679,017,819 | 4,253,248,292 |
| Purchase of goods | 5,249,100 | 259,492,886 | - | 92,101,075 |
| Purchase of services | 187,923,544 | - | 18,259,558 | 176,891,916 |
| Advances to suppliers | 50,223,995 | | 1,490,177,303 | 1,582,453,308 |
| Rentals | 16,514,853 | 40,319,062 | - | 20,821,805 |
| Due from related parties | 4,641,120 | 49,190,019 | 25,641,535 | 31,020,717 |
| Sale of subsidiaries | - | - | - | 500,000,000 |
| Sale of services | 225,925,139 | 219,214,930 | 2,073,228,237 | 1,729,184,128 |
| Other Income | 120,000,000 | | 134,400,000 | |
| Purchase of land | - | - | - | - |
| Advances for option to purchase properties | - | - | 2,364,361,471 | 2,364,361,471 |
| **Ultimate Parent** | | | | |
| Sale of goods | 274,126 | - | 192,312 | 137,551 |
| Advances to suppliers | - | | 1,751,337,639 | 1,751,337,639 |
| Rentals | 4,516,704 | 4,505,555 | 4,079,937.96 | 776,442 |
| Sale of services | 200,646,851 | 350,174,623 | 1,487,574,236 | 1,551,337,801 |
| **Key Management Personnel** | | | | |
| Salaries & Employee Benefits | 126,988,242 | 103,160,297 | | |

### *13.1 Sale of Goods*

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

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

No impairment loss was recognized for the three months ended June 30, 2021 and 2020 based on management's assessment.

### *13.2 Purchases of Goods and Services*

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

In addition, the Group advances certain amount to certain related parties for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of the three months ended June 30, 2021.

### *13.3 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.

## 14. EQUITY

### *14.1 Capital Stock*

Capital stock consists of:

| | Shares | | | Amount | | |
|---|---|---|---|---|---|---|
| | For the six months Ended June 30, (Unaudited) | | For the year ended December 31, 2020 (Audited) | For the six months ended June 30, (Unaudited) | | For the year ended December 31, 2020 (Audited) |
| | **2021** | 2020 | | **2021** | 2020 | |
| 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 | **24,500,000** | 37,000,000 | 37,000,000 | **P 24,500,000** | P 37,000,000 | P 37,000,000 |
| Issuance during the year | | - | | | - | |
| Redemption | | - | ( 12,500,000) | **-** | - | ( 12,500,000) |
| Balance at end of year | **24,500,000** | 37,000,000 | 24,500,000 | **24,500,000** | 37,000,000 | 24,500,000 |
| Treasury shares | **( 10,000,000)** | ( 10,000,000) | ( 10,000,000) | **( 10,000,000)** | ( 10,000,000) | ( 10,000,000) |
| Issued and outstanding | **14,500,000** | 27,000,000 | 14,500,000 | **P 14,500,000** | P 27,000,000 | P 14,500,000 |
| | | | | | | |
| Common – P1 par value | | | | | | |
| Authorized: | **2,500,000,000** | 2,500,000,000 | 2,500,000,000 | **P2,500,000,000** | P2,500,000,000 | P2,500,000,000 |
| Issued: | | | | | | |
| Balance at beginning of year | **1,438,977,232** | 1,437,204,232 | 1,437,204,232 | **P1,438,977,232** | P1,437,204,232 | P1,437,204,232 |
| Issuance during the year | **811,000** | | 1,773,000 | **811,000** | - | 1,773,000 |
| Balance at end of year | **1,439,788,232** | 1,437,204,232 | 1,438,977,232 | 1,439,788,232 | 1,437,204,232 | 1,438,977,232 |
| Treasury shares | | | | | | |
| Balance at beginning of year | - | (31,000,000) | (31,000,000) | - | (344,300,000) | ( 344,300,000) |
| Sale of Treasury Shares | - | - | 31,000,000 | - | - | 44,300,000 |
| Balance at end of year | | (31,000,000) | - | - | (344,300,000) | - |
| Issued and outstanding | **1,439,788,232** | 1,406,204,232 | 1,438,977,232 | P 1,439,788,232 | P1,092,904,232 | P 1,438,977,232 |
| | | | | **P1,454,288,232** | P1,119,904,232 | P1,453,477,232 |

### *14.2 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 **nil** and 7.7 million share-based executive compensation are recognized in June 2021 and December 2020, 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.

### *14.3 Cash Dividends*

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

| | **2021** | 2020 |
|---|---|---|
| Common shares | **P -** | P - |
| Preferred shares | 295,285,000 | 170,776,632 |
| | **P 295,285,000** | P 170,776,632 |

### *14.4 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.

### *14.5 Earnings Per Share*

EPS were computed as follows:

| | For the six months ended June, 30 (Unaudited) 2021 | 2020 | For the year ended December 31, 2020 (Audited) |
|---|---|---|---|
| *a)* Net profit pertaining to common shares | **(P 44,073,102)** | (P 694,597,420) | (P 488,940,386) |
| *b)* Net profit attributable to common shares and potential common shares | **( 44,073,102 )** | ( 694,597,420) | ( 488,940,386) |
| *c)* Weighted average number of outstanding common shares | **1,439,368,290** | 1,404,437,174 | 1,438,191,470 |
| *d)* Weighted average number of outstanding common and potential common shares | **1,439,368,290** | 1,404,437,174 | 1,438,191,470 |
| Basic EPS (a/c) | **(P .03)** | (P .49 ) | (P .34) |
| Diluted EPS (b/d) | **(P .03)** | (P .49) | (P .34) |

## 15. COMMITMENTS AND CONTINGENCIES

As of June 30, 2021 and December 31, 2020, the Group has commitments of more than P 800.0 million and P 6,000.0 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 June 30, 2021, and December 31, 2020, the Parent Company has unused approved LCs amounting to **P 4,783.25** million and P5,694.20 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.

## 16. EVENTS AFTER THE REPORTING PERIOD

On July 26, 2021, the Company settled Commercial Papers (CP) Series D amounting to P3.083 billion. The CP Series D were issued on August 26, 2020 and were listed on the Philippine Dealing Exchange (PDEX).

## 17. 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 impact of the COVID-19 pandemic continues to endure in 2021 amidst progress in vaccine development and rollout of vaccination programs worldwide. While global oil prices have completely recovered from their year-ago levels due to the demand recovery in key markets such as China, the slower-than-expected local vaccinations, the emergence of a second wave of COVID infections, and the rising threat of new COVID variants have raised uncertainties anew.

In the first half of 2021, major regions in the Philippines were again placed under varying degrees of community quarantines restricting mobility and activities and setting back the recovery of operations and demand from end markets, particularly retail and travel-related sectors in commercial. In spite of this, growth has returned in select sectors and industries, including manufacturing and trading, while LPG demand remains resilient. These positive trends are likewise evident in our overseas trading in Singapore and to an extent our LPG operations in Vietnam.

The Company continues to assess market conditions as it evolves and has taken actions to strengthen its financial position and adjust to the changing operating environment. While the Company cannot quantify the impact of the pandemic, as well as the responses of the government and businesses on our operations and our end markets, we believe we are well positioned to navigate the downturn and build for the eventual upturn.

Comparable discussion on Material Changes in Results of Operations for the Period Ended June 30, 2021 vs. June 30, 2020.

**Revenues, Cost of Sales and Gross Margins**
The Group's **Revenues** during the 1st half of 2021 were higher by 87.2% at ₱68.525 billion compared to the ₱36.612 billion generated in the same period of 2020. This was mainly due to the 37.1% increase in total volume sold for the comparative periods (2021: 2,580 million liters vs. 2020: 1,882 million liters). Volume from overseas subsidiaries grew by 47.7%, while the domestic business increased by 24.5%. Meanwhile, the average price of petroleum products was higher as a result of the 56.2% increase in the price of Dubai crude (benchmark crude of Asian refineries) average (YTD June 2021 vs 2020: US$63.47/ bbl. vs. US$40.64/ bbl).

**Cost of Sales and Services** increased by 95.3%, from ₱33.134 billion in the 1st half of 2020 to ₱64.72 billion in 2021, principally attributable to the increase in volume and fuel prices.

As a result, **Gross Margin** increased by 9.4% or ₱0.33 billion to ₱3.805 billion .

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

Meanwhile, the company's **Selling and Administrative Expenses** amounted to ₱2.743 billion, 5.5% lower than the ₱2.903 billion level for the same period in 2020. The decrease resulted from operational efficiencies arising from the streamlining efforts the Company implemented over the years, including the rationalization of supply chain and capital expenditure across its various businesses.

On the other hand, the **Net Non-operating Charges** amounting to ₱0.829 billion was ₱0.227 billion less than the ₱1.066 billion incurred in the same period of 2020. The 22.2% decline was driven by the ₱0.179 billion decrease in Finance Costs as the Company reduced borrowings with high financing costs resulting in lower average debt levels year-on-year, during the period. The other Non-operating charges amounted to ₱0.109 million, which was 115% higher from the prior year.

**Operating, Net and Comprehensive Incomes**

The 1st half 2021 Operating Income of ₱1.062 billion rose by 84.9%, or ₱0.488 billion, from the prior year's ₱0.575 billion on the back of ₱0.327 billion increase in gross profit and the ₱0.160 billion decrease in selling and administrative expenses.

The Net Income Before Tax reached ₱0.233 billion during the period, which was a reversal from the prior year's Net Loss Before Tax of ₱0.492 billion.

Meanwhile, the Company recorded a ₱0.343 billion translation adjustment loss related to PNX SG's operations, which was 331.6% lower than the ₱0.014 billion gain recorded in the same period of 2020. As such, Comprehensive Income of ₱0.219 billion was 158.1% better than the ₱0.376 billion Comprehensive Loss reported in the 1st half of 2020.

**Financial Condition**
*(As of June 30, 2021 versus December 31, 2020)*

**Consolidated resources** as of June 30, 2021 stood at ₱88.036 billion, 6.67% higher than ₱82.532 billion level as of December 31, 2020.

**Cash and Cash Equivalents** increased by 9.25% from ₱5.788 billion on December 31, 2020 to ₱6.324 billion as of June 30, 2021 on account of higher inventory turnover rate, which reduced days inventory, as well as increased trade accounts receivable collection rate.

**Trade and Other Receivables** increased by 28.12% from ₱17.514 billion as of December 31, 2020 to ₱22.440 billion as of June 30, 2021 as sales revenues increased.

**Inventory** was lower by 26.2% at ₱3.522 billion as of June 30, 2021 from ₱4.769 billion as of December 31, 2019 driven by the continued strategic and active inventory management of the group.

**Interest-bearing Loans and Borrowings,** both current and non-current of ₱47.602 billion as of June 30, 2021 decreased by 1.33% from ₱48.243 billion as of December 31, 2020 as the shorter cash cycle days reduced loan levels.

**Trade and Other Payables** increased by 76.18% from ₱9.107 billion as of December 31, 2020 to ₱16.045 billion as of June 30, 2021 related to the timing as well as the higher value and volume of purchases, including products.

**Lease Liabilities both current and non-current** amounting to ₱0.917 billion as of June 30, 2021 is 7.39% lower than the ₱0.984 billion as of December 31, 2020 as certain lease contracts were cancelled towards the end of 2020.

**Total Stockholders' Equity** decreased by 0.34% to ₱21.089 billion as of June 30, 2021 from ₱21.124 billion as of December 31, 2020 as the ₱0.295 payment of dividends on Preferred shares reduced retained earnings and as revaluation reserves coming from the other comprehensive income declined by 0.65%.

**Key Performance Indicators and Relevant Ratios**

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

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Debt to Equity Interest-Bearing[1] | 2.26x : 1x | 2.28x : 1x |
| Net Book Value per Share[2] | ₱9.33 | ₱9.37 |
| Earnings per Share[3] | ₱(0.03) | ₱(0.34) |

*Notes: Formula are based on Philippine Accounting Standards*
*1 - Interest Bearing Debts divided by Total Stockholder's Equity*
*2 - Total Stockholder's Equity (net of Preferred) divided by the total number of shares issued and outstanding*
*3 - Period or Year Net income after tax divided by weighted average number of outstanding common shares*

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

**Material (5% or more) Changes to the Group's Balance Sheet as of June 30, 2021 vs. December 31, 2020**

9% increase in Cash and Cash Equivalents
Due to the higher turnover and collection rate.

28% increase in Trade and Other Receivables
Due to the higher sales revenues.

26% decrease in Inventory
Due to the higher inventory turnover ratio resulting in lower days supply.

43% increase in Due from Related Party
Due to advances made to certain JVs to fund working capital.

15% increase in Input Vat Net
Due to the increased tax base value of recent importations compared to the prior year average resulting from higher sales volume.

6% decrease in Intangible Assets - Net
Due to amortizations that are regular and periodic in nature.

7% increase in Investment in Joint Ventures
Due to the completion of a LPG JV Agreement during the period.

29% decrease in Deferred Tax Asset
Due to the income recorded by certain domestic subsidiaries this year.

28% decrease in Non-Current Asset Held for Sale
Due to certain related transactions consummated during the period.

76% increase in Trade Payables
Due to the higher sales volume and oil prices during the period.

7% decrease in Lease Liabilities
Due to cancellation of certain lease contracts towards the end of 2020.

76% decrease in Derivative Financial Liabilities
Due to the decline in the forward contracts entered into by PNX SG.

7% decrease in Income Tax Payable
Due to the impact of the creditable withholding taxes applied and higher net income during the period.

**Material (5% or more)changes to the Group's Income Statement as of June 30, 2021 vs. June 30, 2020**

87% increase in revenues
Due to the 37% increase in volume and the 56% increase in global petroleum prices versus the same period of last year.

23% decrease in fuel service and other revenue
Due to the impact of the pandemic especially on the limited airline activities the group is servicing.

95% increase in Cost of Sales and Services
Due to the higher sales volume as well as the higher global prices comparing the same periods.

6% decrease in Selling and Admin Expenses
Due to the continued efforts in implementing lean and efficient operations.

22% Net decrease in Other income/(charges)
Due to reduced Interest-bearing loans and lower average interest rates versus the same period.

80% decrease in Tax Benefit
Due to certain domestic subsidiaries starting to recover and reporting income or lower losses as compared to the first half of 2020.

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 April 30, 2021, at the Phoenix Corporate Headquarters in Davao City via remote communications or live streaming.

2. The Board of Directors declared cash dividends for the Company's preferred shares for the first half of 2021 as follows:

| Shares | Record Date | Payment Date | Interest Rate Per Annum |
|---|---|---|---|
| PNX3B | February 22, 2021 | March 18, 2021 | 8.1078% |
| PNX4 | February 22,2021 | February 26, 2021 | 7.5673% |
| PNX3B | June 15, 2021 | June 18, 2021 | 8.1078% |
| PNX4 | May 21, 2021 | May 24, 2021 | 7.5673% |
| PNX4 | Aug. 17, 2021 | August 20, 2021 | 7.5673% |

3. As of June 30, 2021, there are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result, in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity issues. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

4. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.

5. There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Parent Company.

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

**SIGNATURES**

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

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

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

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

**JONAREST Z. SIBOG**
VP for Controllership