

12 November 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

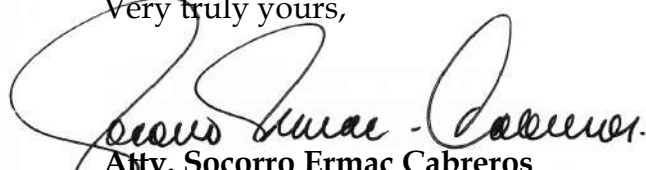
Atty. Marie Rose M. Magallen-Lirio
Head - Issuer Compliance and Disclosure Department (ICDD)

Sir and Mesdames:

We are herewith submitting the Company's third quarter report for period ended 30 September 2021 (SEC FORM 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

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)

SOCORRO ERMAC CABREROS	(082) 235-8888
Contact Person	Company Telephone Number

1 | 2	3 | 1	SEC FORM 17-Q	4	last Friday XX
Month	Day	FORM TYPE	Month	Day
Fiscal Year Ending			Annual Meeting	

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

	N/A
Dept. Requiring this Doc	Amended Articles Number/Section

69	Total Amount of Borrowings	
Total No. of Stockholders		
	Domestic	Foreign

To be accomplished by SEC Personnel Concerned

File Number	LCU
Document I.D.	Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1. For the quarterly period ended: 30 September 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	1,441,562,132.00
PREFERRED	14,500,000.00

Amount of Debt Outstanding as of 30 September 2021: Php65,077,565,542.00

11. Are any or all of the securities listed on the Stock Exchange? Yes [] No []

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

Philippine Stock Exchange
Common Shares
Preferred Shares

12. Check whether the issuer has:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports): Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days: Yes [] No []

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P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
UNAUDITED as of SEPTEMBER 30, 2021
(With Comparative Figures as of December 31, 2020
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>UNAUDITED</u> September 30, 2021	<u>AUDITED</u> December 31, 2020
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	6	P 6,632,881,022	5,788,390,677
Trade and other receivables - net	6	18,098,266,174	17,514,071,043
Inventories - net	8	4,752,920,773	4,769,315,701
Due from related parties - net	13	25,127,698	30,903,191
RESTRICTED DEPOSITS	6	128,779,551	-
INPUT VAT - NET		3,675,927,070	2,762,965,882
Prepayments and other current assets		5,050,309,284	2,536,270,438
Total Current Assets		38,364,211,572	33,401,916,932
NON-CURRENT ASSETS			
Property, plant and equipment - net	9	32,994,898,612	32,707,550,060
Right-of-use assets - net	9	710,589,416	792,829,159
Investment properties		597,538,930	595,990,275
Intangible assets - net	10	249,194,091	278,730,290
Investments in joint ventures		1,757,748,726	1,635,399,566
Goodwill - net		4,632,397,417	4,632,397,417
Deferred tax assets - net		372,347,390	494,377,468
Other non-current assets	5	6,132,055,833	7,795,489,101
Total Non-current Assets		47,446,770,415	48,932,763,336
NON-CURRENT ASSET CLASSIFIED AS HELD FOR DISPOSAL		148,602,469	197,783,908
TOTAL ASSETS		P 85,959,584,456	P 82,532,464,176
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	P 26,579,215,434	29,804,188,527
Trade and other payables		15,809,285,518	9,107,280,269
Derivative financial liabilities		-	623,144,735
Lease liabilities	12	63,017,838	135,787,395
Income tax payable		55,544,498	56,610,267
Total Current Liabilities		42,507,063,288	39,727,011,193
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	19,998,942,119	18,439,188,606
Lease liabilities	12	820,930,365	848,613,622
Deferred tax liabilities - net		482,497,746	1,053,700,775
Other non-current liabilities	5	1,268,132,024	1,302,616,194
Total Non-current Liabilities		22,570,502,254	21,644,119,197
Total Liabilities		65,077,565,542	61,371,130,390
EQUITY			
Equity attributable to parent company			
Capital stock	14	1,456,062,132	1,453,477,232
Additional paid-in capital		10,879,711,318	10,862,198,461
Revaluation reserves		1,966,659,894	1,992,470,928
Retained earnings		6,540,492,164	6,815,756,881
		20,842,925,508	21,123,903,502
Non-controlling interest		39,093,406	37,430,285
Total Equity		20,882,018,914	21,161,333,787
TOTAL LIABILITIES AND EQUITY		P 85,959,584,456	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 NINE-MONTH PERIOD SEPTEMBER 30, 2021 and 2020
UNAUDITED
(Amounts in Philippine Pesos)

	Notes	YTD January -September		July-September	
		2021	2020	2021	2020
REVENUES					
Sale of goods	4	P 101,320,247,732	55,643,051,024	33,523,436,574	19,980,119,749
Fuel service and other revenues	4	1,182,980,983	1,024,794,206	515,959,604	162,248,450
Rent income	4	133,498,105	107,740,956	72,028,766	21,715,850
		<u>102,636,726,820</u>	<u>56,775,586,186</u>	<u>34,111,424,944</u>	<u>20,164,084,049</u>
COST AND EXPENSES					
Cost of sales and services	5	96,962,887,585	51,577,790,616	32,242,806,695	18,444,010,914
Selling and administrative expenses	5	4,035,745,354	4,279,913,934	1,292,994,271	1,376,734,183
		<u>100,998,632,939</u>	<u>55,857,704,550</u>	<u>33,535,800,966</u>	<u>19,820,745,097</u>
OTHER CHARGES (INCOME)					
Finance costs		2,012,343,048	1,601,711,743	1,074,366,241	484,998,385
Finance income	(	48,017,156)	(34,995,561)	13,588,748	(24,871,028)
Equity share in net income of joint ventures	(	19,161,124)	(45,461,316)	7,771,135	(33,619,516)
Others - net	(	41,545,445)	(285,731,908)	(21,437,557)	(257,228,357)
		<u>1,903,619,323</u>	<u>1,235,522,958</u>	<u>1,074,288,567</u>	<u>169,279,484</u>
PROFIT BEFORE TAX	(	265,525,442)	(317,641,322)	(498,664,589)	174,059,468
TAX EXPENSE/(TAX INCOME)	(	435,988,801)	(222,188,023)	(416,026,682)	(121,788,604)
NET PROFIT/(LOSS)		<u>170,463,359</u>	<u>(95,453,299)</u>	<u>(82,637,907)</u>	<u>295,848,072</u>
NET PROFIT ATTRIBUTABLE TO:					
Parent company		168,800,238	(75,100,869)	(82,411,659)	292,696,109
Non-controlling interest		1,663,121	(20,352,430)	(226,248)	3,151,963
		<u>170,463,359</u>	<u>(95,453,299)</u>	<u>(82,637,907)</u>	<u>295,848,072</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will be reclassified subsequently to profit or loss					
Translation adjustment related to a foreign subsidiary	(	25,811,034)	(14,099,742)	8,533,469	(28,930,931)
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>144,652,325</u>	<u>(109,553,041)</u>	<u>(74,104,438)</u>	<u>266,917,141</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Parent company		142,989,204	(89,200,611)	(73,878,191)	263,765,178
Non-controlling interest		1,663,121	(20,352,430)	(226,248)	3,151,963
		<u>144,652,325</u>	<u>(109,553,041)</u>	<u>(74,104,438)</u>	<u>266,917,141</u>
Basic Earnings per share		(P 0.19)	(P 0.42)		
Diluted Earnings per share		(P 0.19)	(P 0.42)		

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 NINE-MONTH PERIOD SEPTEMBER 30, 2021 and 2020
(Amounts in Philippine Pesos)

	Capital Stock					Additional Paid-in Capital	Revaluation Reserves	Retained Earnings	Total Equity Attributable to the Shareholders of Parent Company	Non-controlling Interest	Total Equity
	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Common Treasury Stock - At Cost	Total Capital Stock						
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								(441,750,023)	(441,750,023)		(441,750,023)
Employee Share Options					-			3,100,595	3,100,595		3,100,595
Stock Options Exercised			2,584,900		2,584,900	17,512,856		(5,415,524)	14,682,232		14,682,232
Business combination									-		-
Translation adjustments during the year							(25,811,034)		(25,811,034)		(25,811,036)
Transfer to Retained Earnings									-		-
Total comprehensive income for the year							-	168,800,238	168,800,238	1,663,121	170,463,359
Balance at September 30, 2021	24,500,000	(10,000,000)	1,441,562,132	-	1,456,062,132	10,879,711,317	1,966,659,894	6,540,492,167	20,842,925,510	39,093,406	20,882,018,914
Balance at January 1, 2020	37,000,000	(10,000,000)	1,437,204,232	(344,300,000)	1,119,904,232	12,042,788,045	806,868,975	7,876,463,627	21,846,024,879	76,730,370	21,922,755,249
Cash dividends								(512,486,632)	(512,486,632)		(512,486,632)
Issuance of shares during the year									-		-
Acquisition of shares during the year					-				-		-
Stock Options Exercised			1,773,000		1,773,000.00	13,710,417		(5,412,777)	10,070,640		10,070,640
Employee Share Options								3,830,970	3,830,970		3,830,970
Transfer to Retained Earnings									-		-
Translation adjustments during the year							(14,099,742)	14,099,742	-		-
Total comprehensive income for the year								(89,200,611)	(89,200,611)	(20,352,430)	(109,553,041)
Balance at September 30, 2020	37,000,000	(10,000,000)	1,438,977,232	(344,300,000)	1,121,677,232	12,056,498,462	792,769,233	7,287,294,320	21,258,239,247	56,377,940	21,314,617,186

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

	2021	2020
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	(265,525,440)	(317,641,320)
Adjustments for:		
Gain on revaluation of investment properties	-	-
Interest expense	1,669,582,254	1,225,418,586
Depreciation and amortization	984,547,942	991,788,906
Unrealized foreign currency exchange losses (gains) - net	170,562,085	9,495,312
Equity share in net loss (income) of joint ventures and an associate	(19,161,124)	(45,461,316)
Impairment losses on trade and other receivables	172,485	-
Impairment losses on other non-current assets	-	-
Interest income	(87,116,714)	(34,995,561)
Employee Share Options	(2,314,929)	(1,581,807)
Operating profit (loss) before working capital changes	2,450,746,559	1,827,022,800
Decrease (increase) in trade and other receivables	(584,367,616)	433,558,925
Decrease in inventories	16,394,928	5,764,723,627
Decrease in Input value-added tax - net	-	-
Decrease (increase) in land held for sale and land development costs	-	-
Increase in other current assets	(1,191,418,114)	233,730,799
Decrease in trade and other payables	5,883,781,739	(8,669,241,242)
Cash generated from operations	6,575,137,496	(410,205,091)
Cash paid for income taxes	(62,502,786)	(45,408,378)
Net Cash From Operating Activities	<u>6,512,634,710</u>	<u>(455,613,469)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of new subsidiaries	-	-
Acquisitions of property, plant and equipment	(1,207,768,862)	(4,581,826,419)
Additions to investment properties	(1,548,655)	(276,669,999)
Increase in other non-current assets	(754,934,803)	1,141,752,932
Acquisitions through business combinations, net of cash acquired	-	-
Translation of financial statement of foreign subsidiary	31,226,329	(13,594,661)
Dividend Share Income from JV	-	-
Additional investments in joint ventures	-	(40,511,786)
Proceeds from disposal of property and equipment	21,978,124	803,835,601
Interest received	87,116,714	34,995,561
Proceeds from disposal of intangibles	-	-
Acquisitions of intangible assets	(5,556,143)	(12,269,287)
Net Cash Used in Investing Activities	<u>(1,829,487,296)</u>	<u>(2,944,288,058)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from additional loans and borrowings	39,097,861,590	35,279,612,572
Repayments of interest-bearing loans and borrowings	(40,763,081,170)	(35,979,204,812)
Interest paid	(1,669,582,254)	(1,225,418,586)
Employee Share Options	2,584,900	1,773,000
Payments made to related parties	-	-
Additional borrowings from related parties	-	-
Collections from related parties	-	-
Payment of Cash Dividends	(441,750,023)	(512,486,632)
Advances to related parties	5,775,493	(30,926,956)
Sale of treasury shares	-	-
Increase (decrease) in other non-current liabilities	(62,167,427)	310,409,395
Deposit for future stock subscription	-	-
Decrease in revaluation reserves	(25,811,034)	-
Proceeds from issuance for shares of stock	-	-
Increase/decrease in APIC	17,512,857	13,710,417
Redemption of Preferred Stock	-	-
Proceeds from total return equity swap (TRES) transaction	-	-
Net Cash From Financing Activities	<u>(3,838,657,068)</u>	<u>(2,142,531,602)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	844,490,346	(5,542,433,129)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,788,390,677</u>	<u>9,810,770,115</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>P 6,632,881,023</u>	<u>P 4,268,336,986</u>

**(UNAUDITED) P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
SELECTED NOTES TO INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 40.85% 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 685 operating retail service stations, and a total of 10 service stations under construction as of September 30, 2021.

1.2 Subsidiaries, Joint Ventures and their Operations

As of September 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:

<u>Subsidiaries/Joint Venture</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>	
		<u>2021</u>	<u>2020</u>
Direct interest:			
<i><u>Subsidiaries</u></i>			
P-F-L Petroleum Management, Inc. (PPMI)	(a)	100.00%	100.00%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	(b)	100.00%	100.00%
Subic Petroleum Trading and Transport 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%	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	
		2021	2020
Direct interest:			
<u>Joint venture</u>			
Phoenix Asphalt Philippines, Inc. (PAPI) ³	(m)	40.00%	40.00%
Indirect interest:			
<u>Subsidiaries</u>			
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%
<u>Joint ventures</u>			
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%	49.00%
About Business Ventures Corporation ⁸	(z)	49.00%	49.00%
F1rstEnergy Corp. (FEC) ⁸	(aa)	49.00%	49.00%
Phoenix Northern Mindanao Corp. (PNMC) ⁸	(bb)	49.00%	49.00%
JV Hauling and Trucking Corp. (JHTC) ⁹	(cc)	49.00%	49.00%
Royal Fuel Joint Transporter Inc. (RFJTI) ⁹	(dd)	49.00%	49.00%
NGT Ventures Incorporated (NGTVI) ¹⁰	(ee)	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 November 26, 2020 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 and objects insofar as maybe allowed by applicable laws and rules and regulations, including without limitation, to invest, own, or hold interests in similar business.

- (ee) Incorporated on January 29, 2021 to buy, refill and sell Liquefied Petroleum Gas (LPG) and various kinds of 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 Duta and Kaparangan	–	350 Orchard Road, #17-05/06 Shaw House, Singapore
PFM	–	15 th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City
AAI	–	4 th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila
TAL	–	2 nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City
PAPI and PSPC	–	Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong
PNX Indonesia	–	25 th Floor Fort Legend Tower, 3 rd Avenue Fort corner 31 st Street, Bonifacio Global City, Taguig City
Galaxi PGV LLC	–	The Prominence Office Tower, 12 th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera, Indonesia
JHTC	–	1846 FB Harrison Street Pasay City
NGTVI	–	No. 456 Phan Xich Long Street, Ward 2, Phu Nhuan District, Ho Chi Minh City, Vietnam
	–	Pookni Banal, San Pascual, Batangas
	–	Purok 1 Alasas City of San Fernando (CAPITAL) Pampanga, Phils.

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:

	Reference	Entities Acquired		
		2019	2018	
		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 a low of US\$20.37 per barrel before recovering to US\$51.10 per barrel by end of 2020. As vaccines were discovered and global immunization programs are rolled out starting 2021, economies started to re-open driving the recovery in the demand and prices of oil, which reached US\$71.62 per barrel by September 2021.
- Regional and local developments within the industry and credit markets tightened access to liquidity and hampered sales, particularly in the first half of 2020. Meanwhile, the sharp recovery in oil prices 2021 has resulted in the significant increase in working capital requirements of the Company;
- The restrictions in mobility due to the nationwide lockdown and community quarantines resulted in substantial drop in fuel sales by 25% in the full year 2020. Sales to road, marine, and air transport sectors were particularly affected. These sectors remained challenged for the most part of 2021 due to intermittent lockdowns following the surges in COVID-19 infections;
- Changing consumer behavior in response to the pandemic resulted in a surge in LPG demand as people shift to home cooking from dining out, with 31% year-on-year increase in LPG sales in 2020. Demand continued to be robust throughout 2021.

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 is on a two-week on, two-week off rotation. The HSE (Health, Safety, and Environment) Group, along with the Leadership, monitors and looks after the physical and mental wellbeing of the employees. Vaccination of employees also became a priority, with about 85% of the Company's workforce fully vaccinated and about 99% receiving at least one dose of the vaccine to date.
- Diversified its revenue base and income streams by tapping new business-to-business (B2B) markets in fuel and introducing a new product into the LPG portfolio. As a result, volume of the commercial and other B2B segments is now back to pre-pandemic levels.

- Rolled out neighborhood and small format stores with multiple offers catering to various customer missions such as the FamilyMart Express and the Phoenix Block. This is in response to the customers' restricted mobility that resulted in fewer store visits and bigger basket sizes.
- Preserved resources by actively managing working capital to maximize liquidity. This included deploying a just-in-time inventory strategy that minimized losses at the height of the pandemic. In addition, the Company continues to benefit from the structural changes implemented even prior to the pandemic, such as the rationalization of supply chain, which contributes to operating efficiency, and hence, lower operating expenses per liter sold.
- Launched its proprietary app, Limitless, as the pillar of its future e-commerce sales channel that will complement its existing business-to-consumer (B2C) and business-to-business (B2B) markets.

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 nine months ended September 30, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the nine months ended September 30, 2020, were authorized for issue by the Parent Company's Board of Directors (BOD) on November 11, 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 nine months ended September 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 2021 but not Adopted Early*

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2021, 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 83.14 million as part of the depreciation and an interest expense of P 54.25 million as part of the finance cost were recorded during the nine 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 395.64 million was recognized as rent expense for short term leases during the nine months of the year.

The Group as a lessor

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

Finance leases

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

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

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

Operating leases

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

The Group as a lessor

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

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 or 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 nine months ended September 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 thousand)

		Nine Months September 30, 2021				
		Sale of Goods	Fuel Service & Other Revenue			
		Trading	Depot and Logistics	Real Estate	Total	
Primary Geographical Markets						
Philippines	P	51,699,274	P	1,310,561	P	53,015,753
Singapore		46,834,696		-		46,834,696
Vietnam		2,786,278				2,786,278
	<u>P</u>	<u>101,320,248</u>	<u>P</u>	<u>1,310,561</u>	<u>P</u>	<u>102,636,727</u>
Major goods/service lines						
Fuels	P	91,819,598	P		P	91,819,598
LPG		8,852,833				8,852,833
Merchandise		282,009				282,009
Lubricants		351,827				351,827
Terminaling/hauling		-		17,765		17,765
Rentals		-		127,580	5,918	133,498
POS Device		13,980				13,980
Others		-		1,165,216		1,165,216
	<u>P</u>	<u>101,320,248</u>	<u>P</u>	<u>1,310,561</u>	<u>P</u>	<u>102,636,727</u>
		Nine Months September 30, 2020				
		Sale of Goods	Fuel Service & Other Revenue			
		Trading	Depot and Logistics	Real Estate	Total	
Primary Geographical Markets						
Philippines	P	34,671,153	P	1,128,351	P	35,803,688
Singapore		18,087,365		-		18,087,365
Vietnam		2,884,533				2,884,533
	<u>P</u>	<u>55,643,051</u>	<u>P</u>	<u>1,128,351</u>	<u>P</u>	<u>56,775,586</u>
Major goods/service lines						
Fuels	P	47,789,680	P		P	47,789,680
LPG		6,983,761				6,983,761
Merchandise		539,121				539,121
Lubricants		288,583				288,583
Terminaling/hauling				49,512		49,512
Rentals				103,557	4,184	107,741
POS Device		41,905				41,905
Others				975,282		975,282
	<u>P</u>	<u>55,643,050</u>	<u>P</u>	<u>1,128,351</u>	<u>P</u>	<u>56,775,585</u>

5. SEGMENT INFORMATION

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

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

As of September 30, 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 nine months ended September 30, 2021 and September 30, 2020 and certain asset and liability information regarding segments as at September 30, 2021 and December 31, 2020 (amounts in thousands).

	Trading		Depot & Logistics		Real Estate		Total	
	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021	Sept. 30, 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
TOTAL REVENUES								
Sales to external customers	101,320,248	55,643,051	1,310,561	1,128,351	5,918	4,184	102,636,727	56,775,586
Intersegment Sales	13,215,765	17,566,120	179	303,143	19,104	19,710	13,235,048	17,888,973
	114,536,013	73,209,171	1,310,740	1,431,494	25,022	23,894	115,871,775	74,664,559
COST AND OTHER OPEX								
Cost of Sales and services excluding depreciation and amortization	113,240,825	72,487,734	6,326	41,163	1,982	7,391	75,570,359	72,536,288
Depreciation and amortization	778,937	793,517	205,611	164,500	-	165	984,548	958,182
	114,019,762	73,281,251	211,937	205,663	1,982	7,556	114,233,681	73,494,470
SEGMENT OPERATING PROFIT (LOSS)	516,251	-	1,098,803	1,225,831	23,039	16,338	1,638,094	1,170,089

	Trading		Depot & Logistics		Real Estate		Total	
	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2021	Dec.31, 2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
ASSETS & LIABILITIES								
Segment Assets	75,070,000	93,589,655	6,363,210	3,005,150	4,526,374	4,642,999	85,959,584	101,237,804
Segment Liabilities	61,224,663	70,220,127	2,396,149	2,396,149	1,456,754	4,511,459	65,077,566	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).

		<u>September 30, 2021</u>		<u>September 30, 2020</u>
Revenues				
Total segment revenues	P	115,871,775	P	74,664,559
Elimination of Intersegment revenues		(13,235,048)		(17,888,973)
Revenue as reported	P	<u>102,636,727</u>	P	<u>56,775,586</u>
in profit and loss				
Profit or loss				
Segment Operating profit	P	1,638,094	P	1,170,088
Other Unallocated income		-		-
Other Unallocated expense		-		-
Operating profit as reported		<u>1,638,094</u>		<u>1,170,088</u>
in profit and loss				
Finance costs		(2,012,343)		(1,601,712)
Finance income		<u>108,724</u>		<u>113,982</u>
Profit before tax as reported in profit or loss	P	<u>(265,525)</u>	P	<u>(317,642)</u>
		<u>September 30, 2021</u>		<u>December 31, 2020</u>
Assets				
Segment Assets	P	105,758,337	P	101,237,804
Right -of-use assets-net		710,589		792,829
Deferred tax assets-net		372,347		494,377
Elimination of Intercompany accounts		(20,881,689)		(19,992,546)
Total Assets reported in the consolidated Statement of Financial Position	P	<u>85,959,584</u>	P	<u>82,532,464</u>
Liabilities				
Segment Liabilities		78,196,814		77,127,735
Lease Liability		883,948		984,401
Deferred tax Liabilities - net		482,498		1,053,701
Elimination of Intercompany accounts		(14,485,694)		(17,794,707)
Total Liabilities as reported in the consolidated	P	<u>65,077,566</u>	P	<u>61,371,130</u>

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.

	September 30, 2021 (Unaudited)				December 31, 2020 (Audited)				
		Carrying Values		Fair Values		Carrying Values		Fair Values	
Financial Assets									
Cash and cash equivalents	P	6,632,881,022	P	6,632,881,022	P	5,788,390,677	P	5,788,390,677	
Trade and other receivables - net *		17,432,497,810		17,432,497,810		16,395,538,422		16,395,538,422	
Due from related parties		25,127,698		25,127,698		30,903,191		30,903,191	
Construction Bond***		6,777,664		6,777,664		6,749,664		6,749,664	
Restricted deposits		128,779,551		128,779,551		-		-	
Security Deposits		749,295,986		749,295,986		869,781,137		869,781,137	
Refundable rental deposits		150,997,771		150,997,771		276,351,471		276,351,471	
	P	25,126,357,502	P	25,126,357,502	P	23,367,714,562	P	23,367,714,562	
Financial Liabilities									
Derivative financial liability	P	-	P	-	P	623,144,735	P	623,144,735	
Interest -bearing loans and borrowings		46,578,157,553		46,578,157,553		48,243,377,133		48,243,377,133	
Trade and other payables**		15,736,519,668		15,736,519,668		8,622,910,796		8,622,910,796	
Lease liabilities		883,948,203		883,948,203		984,401,017		984,401,017	
Customers' cylinder deposits		747,298,907		747,298,907		783,055,495		783,055,495	
Security deposits		123,683,877		123,683,877		106,408,896		106,408,896	
Cash bond deposits		248,594,213		248,594,213		268,980,068		268,980,068	
	P	64,318,202,421	P	64,318,202,421	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	September 30, 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	P 6,632,881,022	P	P	P 6,632,881,022
Trade and other receivables - net *			17,432,497,810	17,432,497,810
Due from related parties			25,127,698	25,127,698
Construction Bond***			6,777,664	6,777,664
Restricted deposits	128,779,551			128,779,551
Security Deposits			749,295,986	749,295,986
Refundable deposits			150,997,771	150,997,771
	P 6,761,660,573	P -	P 18,364,696,929	P 25,126,357,502
Financial Liabilities				
<i>Financial liabilities at amortized cost</i>				
Interest -bearing loans and borrowings			46,578,157,553	46,578,157,553
Trade and other payables**			15,736,519,668	15,736,519,668
Lease liabilities			883,948,203	883,948,203
Customers' cylinder deposits			747,298,907	747,298,907
Security deposits			123,683,877	123,683,877
Cash bond deposits			248,594,213	248,594,213
	P -	P -	P 64,318,202,421	P 64,318,202,421

Financial Assets	December 31, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
<i>Loans and receivables:</i>				
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				
<i>Financial liabilities at amortized cost:</i>				
Interest-bearing loans and other borrowings	P -	P -	P 44,526,826,768	P 44,526,826,768
Trade and other payables	-	-	8,622,910,796	8,622,910,796
Lease liabilities	-	-	851,573,489	851,573,489
Customers' cylinder deposits	-	-	646,165,125	646,165,125
Security deposits	-	-	94,053,854	94,053,854
Cash bond deposits	-	-	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.

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

	<u>September 30, 2021 (Unaudited)</u>		
	<u>U.S. Dollar</u>	<u>Singapore Dollar</u>	<u>Vietnamese Dong</u>
Financial assets	P 9,115,528,139	P 6,966,375	P 456,780,356
Financial liabilities	(14,265,025,628)	(21,437)	(87,675,165)
Net exposure	<u>(P 5,149,497,489)</u>	<u>P 6,944,938</u>	<u>(P) 369,105,191</u>
	<u>December 31, 2020 (Audited)</u>		
	<u>U.S. Dollar</u>	<u>Singapore Dollar</u>	<u>Vietnamese Dong</u>
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	<u>(P 1,116,798,932)</u>	<u>P 9,134,522</u>	<u>P 8,273,327</u>

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 6 and 12 months, respectively, at a 99% confidence level.

	September 30, 2021 (Unaudited)		
	U.S. Dollar	Singapore Dollar	Vietnamese Dong
Reasonably possible change in rate	3.116%	4.701%	4.427%
Effect in profit before tax	(P 160,455,155)	P 326,485	P 16,340,959
Effect in equity after tax	(120,341,636)	244,864	P 12,255,719

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Standby letter of credits	P 397,709,344	P 545,400,443
Retail Stations	503,338,928	440,925,755
Cash bond	248,594,213	268,980,068
Real estate mortgage	<u>74,192,730</u>	<u>74,192,730</u>
	<u>P 1,223,835,215</u>	<u>P 1,329,498,996</u>

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.

	<u>September 30, 2021</u> <u>(Unaudited)</u>	<u>December 31, 2020</u> <u>(Audited)</u>
Cash and cash equivalents	6,632,881,022	5,788,390,677
Trade and other receivables - net *	17,432,497,810	16,395,538,422
Due from related parties	25,127,698	30,903,191
Construction Deposit**	6,777,664	6,749,664
Restricted Deposit	128,779,551	-
Security Deposits	749,295,986	869,781,137
Refundable rental deposits	<u>150,997,771</u>	<u>276,351,471</u>
	<u><u>25,126,357,502</u></u>	<u><u>23,367,714,562</u></u>

*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 September 30, 2021 and December 31, 2020 to the opening loss allowance is presented below

	<u>Trade and Other Receivables</u>	<u>Due from Related Parties</u>
Credit Loss allowance at January 1, 2021	P 734,384,427	P 784,984
Decrease/Increase in credit loss allowance during the year	(98,611,449)	(363,735)
Write-offs	(1,885,576)	
	<u>-</u>	<u>-</u>
Credit loss allowance at Sept. 30, 2021	<u>P 633,887,402</u>	<u>P 421,249</u>

	<u>Trade and Other Receivables</u>	<u>Due from Related Part</u>
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	<u>(35,449,811)</u>	<u>-</u>
Credit loss allowance at December 31, 2020	<u>P 734,384,427</u>	<u>P 784,984</u>

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

September 30, 2021

Trade and Other Receivables				
<u>PRR</u>	<u>S&P Rating</u>	<u>Loss Rate Range</u>	<u>Estimated Gross Carrying amount at Default</u>	<u>Credit Loss Allowance</u>
PRR 3A	BBB	0.11 – 0.47	396,695,639	351,000
PRR 2A	BBB	0.11 – 0.47	123,563,037	182,335
PRR 1A	BBB	0.11 – 0.47	4,635,753,466	15,926,928
PRR 3B	BB	0.54 – 1.58	1,916,813,072	15,205,661
PRR 2B	BB	0.54 – 1.58	400,028,118	2,207,456
PRR 1B	B	3.06 – 6.42	2,137,249,685	109,638,849
PRR 3C	B	3.06 – 6.42	1,129,781,472	26,126,613
PRR 2C	B	3.06 – 6.42	66,807,581	2,091,933
PRR 1C/D/F	CCC/C	100	602,769,591	517,156,626
			<u>11,409,461,661</u>	<u>633,887,402</u>

Due From Related Parties

<u>PRR</u>	<u>S&P Rating</u>	<u>Loss Rate Range</u>	<u>Estimated Gross Carrying Amount at Default</u>	<u>Credit Loss Allowance</u>
PRR 3B	BB	0.62 – 2.86	P 28,703,256	P 8,898
PRR 2B	BB	0.62 – 2.86	6,180,712	33,375
PRR 1B	B	3.12 – 8.85	2,550,449	78,044
PRR 3C	B	3.12 – 8.85	14,481,981	300,93
			<u>P 51,916,398</u>	<u>P 421,249</u>

December 31, 2020

Trade and Other Receivables

<u>PRR</u>	<u>S&P Rating</u>	<u>Loss Rate Range</u>	<u>Estimated Gross Carrying Amount at Default</u>	<u>Credit Loss Allowance</u>
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
			<u>P 17,129,922,849</u>	<u>P 734,384,427</u>

Due From Related Parties

<u>PRR</u>	<u>S&P Rating</u>	<u>Loss Rate Range</u>	<u>Estimated Gross Carrying Amount at Default</u>	<u>Credit Loss Allowance</u>
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
			<u>P 31,688,175</u>	<u>P 784,984</u>

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

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

September 30, 2021 (Unaudited)

Not more than one month	701,649,201
More than one month but not more than 2 months	66,933,874
More than two months but not more than 6 months	984,027,758
More than six months but not more than 1 year	1,269,458,430
More than one year	5,370,178,947
	<u>8,392,248,209</u>

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 September 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 26,324,697,434	P 254,518,000	P 14,719,666,307	P 5,279,275,812
Trade and other payables (excluding tax-related payables)	1,555,656,222	14,180,863,446	-	-
Derivative financial liabilities	-	-	-	-
Security deposits	-	-	123,683,877	-
Customers' cylinder deposits	-	-	-	747,298,907
Cash bond	-	-	189,207,329	59,386,884
	<u>P 27,880,353,656</u>	<u>P 14,435,381,446</u>	<u>P 15,032,557,513</u>	<u>P 6,085,961,603</u>

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
	<u>P 27,605,091,723</u>	<u>P 12,832,669,162</u>	<u>P 15,975,151,165</u>	<u>P 6,514,970,558</u>

8. INVENTORIES

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At cost:		
Fuels and by-products	P 4,314,546,738	P 4,264,665,744
Lubricants	89,271,351	110,721,939
Merchandise	18,749,366	110,568,113
LPG	282,204,327	207,277,882
Others	48,148,991	76,082,023
	<u>P 4,752,920,773</u>	<u>P 4,769,315,701</u>

Inventories with carrying amount of P 4,597.00 million and P 4,363.00 million as of September 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 September 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.

	<u>September 30,</u>		<u>December 31,</u>
	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
Additions	1,209,266,812	4,087,751,867	4,622,402,414
Revaluation Increments	-		1,194,480,257
Transfers	-		(197,783,908)
Disposals	(21,978,125)	(803,835,601)	(811,603,248)
Write-off	(79,543)	-	
PFRS 16 Leases (Right of Use Recognition)	-	494,074,552	
Depreciation	(949,103,376)	(958,017,186)	(1,315,962,944)
Translation /Adjustment	(32,996,956)	-	(110,869,931)
Provision for loss cylinders	-		(42,528,021)
Balance at the end of the period	<u>33,705,488,031</u>	<u>31,341,564,676</u>	<u>33,500,379,219</u>

10. INTANGIBLE ASSETS

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

	Sep-30		December 31,
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
Bal. at Beg Period, Jan. 1, 2021	278,730,291	310,277,916	310,277,916
Additions	5,556,143	12,269,287	14,529,820
Disposals	(158,542)		
Amortization Expense at the period	(35,444,567)	(33,606,640)	(45,464,424)
Translation Adjustment	510,768	(505,081)	(613,022)
Balance at the end of the period	<u>249,194,093</u>	<u>288,435,482</u>	<u>278,730,290</u>

11. INTEREST-BEARING LOANS AND BORROWINGS

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

	September 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
Current:		
Liabilities under LC and TR	P 7,063,682,324	P 12,136,837,643
Short-term loans	18,687,199,777	14,080,311,649
Current portion of long term loans	828,333,333	619,670,732
Liabilities under short-term commercial papers	<u>-</u>	<u>2,967,368,503</u>
	26,579,215,434	29,804,188,527
Non-current:		
Term loans	<u>19,998,942,119</u>	<u>18,439,188,606</u>
	P 46,578,157,553	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 **6.409%** and 6.028% per annum as of September 30, 2021 and December 31, 2020, respectively

11.2 Borrowings and Repayments

The Group has term loan with outstanding balance as of September 30, 2021 P 28,525.60 million. The loans bearing interest ranging from 4.997% to 7.750% and is repayable in various dates until 2025. Term loans refer to all interest-bearing loans repayable both within the short-term and long-term periods.

As of September 30, 2021, repayments of term loans amounting to P 38,195.21million 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	63,017,838
Non-Current	820,930,365
Total	<u><u>883,948,202</u></u>

Additional Information on lease liabilities are broken down as follows:

	<u>Land</u>	<u>Office</u>	<u>Store Premises</u>	<u>TOTAL</u>
Lease Liabilities	963,769,588	29,371,458	68,862,976	883,948,202

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

A total of P 54.25 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 September 30, 2021 and 2020 and the related outstanding balances as of September 30, 2021 and December 31, 2020 is presented below.

	<u>Amount of Transactions</u>		<u>Outstanding Balance</u>	
	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Other related parties under common ownership				
Sale of goods	5,645,029,730	891,333,838	3,639,941,723	4,253,248,292
Purchase of goods	5,249,100		-	92,101,075
Purchase of services	257,682,527		7,958,228	176,891,916
Advances to suppliers	45,553,573.36	141,601,247	1,473,006,881	1,582,453,308
Rentals	16,514,853	53,488,760	-	20,821,805
Due from related parties	8,465,063		16,242,127	31,020,717
Sale of subsidiaries	-		-	500,000,000
Sale of services	353,908,150	334,131,800	2,212,615,734	1,729,184,128
Other Income	129,569,389		145,117,716	
Purchase of land	-		-	-
Advances for option to purchase properties	-		2,364,361,471	2,364,361,471
Ultimate Parent				
Sale of goods	498,290	283,592	314,156	137,551
Advances to suppliers	-	947,211	1,772,337,639	1,751,337,639
Rentals	4,516,704	6,969,211	(1,443,825.01)	776,442
Sale of services	412,710,866	525,180,215	1,724,533,757	1,551,337,801
Key Management Personnel				
Salaries & Employee Benefits	139,553,091	155,399,630	-	-

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 nine months ended September 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 nine months ended September 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 nine months Ended September 30, (Unaudited)	2020	For the year ended December 31, 2020 (Audited)	For the nine months ended September 30, (Unaudited)	2020	For the year ended December 31, 2020 (Audited)
Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value						
Authorized:	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>P 50,000,000</u>	<u>P 50,000,000</u>	<u>P 50,000,000</u>
Issued:						
Balance at beginning of year	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	<u>24,500,000</u>	<u>37,000,000</u>	<u>24,500,000</u>	<u>24,500,000</u>	<u>37,000,000</u>	<u>24,500,000</u>
Treasury shares	<u>(10,000,000)</u>	<u>(10,000,000)</u>	<u>(10,000,000)</u>	<u>(10,000,000)</u>	<u>(10,000,000)</u>	<u>(10,000,000)</u>
Issued and outstanding	<u>14,500,000</u>	<u>27,000,000</u>	<u>14,500,000</u>	<u>P 14,500,000</u>	<u>P 27,000,000</u>	<u>P 14,500,000</u>
Common – P1 par value						
Authorized:	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>P2,500,000,000</u>	<u>P2,500,000,000</u>	<u>P2,500,000,000</u>
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	<u>2,584,900</u>	<u>1,773,000</u>	<u>1,773,000</u>	<u>2,584,900</u>	<u>1,773,000</u>	<u>1,773,000</u>
Balance at end of year	<u>1,441,562,132</u>	<u>1,438,977,232</u>	<u>1,438,977,232</u>	<u>1,441,562,132</u>	<u>1,438,977,232</u>	<u>1,438,977,232</u>

Treasury shares						
Balance at beginning of year	-	(31,000,000)	(31,000,000)	-	(344,300,000)	(344,300,000)
Sale of Treasury Shares	-	-	<u>31,000,000</u>	-	-	<u>344,300,000</u>
Balance at end of year		(31,000,000)	-	-	(344,300,000)	-
Issued and outstanding	<u>1,441,562,932</u>	<u>1,407,977,232</u>	<u>1,438,977,232</u>	<u>P 1,441,562,932</u>	<u>P 1,094,677,232</u>	<u>P 1,438,977,232</u>
				<u>P1,456,062,132</u>	<u>P1,121,677,232</u>	<u>P1,453,477,232</u>

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 3.10 and 7.66 million share-based executive compensation are recognized in September 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 nine months ended September 30 (unaudited) are as follows:

	<u>2021</u>	<u>2020</u>
Common shares	P -	P -
Preferred shares	<u>441,750,023</u>	<u>170,776,632</u>
	<u>P 441,750,023</u>	<u>P 170,776,632</u>

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 nine months ended September, 30 (Unaudited)		For the year ended December 31, 2020 (Audited)
	2021	2020	
a) Net profit pertaining to common shares	(P 272,949,785)	(P 587,665,869)	(P 488,940,386)
b) Net profit attributable to common shares and potential common shares	(272,949,785)	(587,665,869)	(488,940,386)
c) Weighted average number of outstanding common shares	1,439,611,786	1,405,180,377	1,438,191,470
d) Weighted average number of outstanding common and potential common shares	1,439,611,786	1,406,356,132	1,438,191,470
Basic EPS (a/c)	(P 0.19)	(P 0.42)	(P 0.34)
Diluted EPS (b/d)	(P 01.9)	(P 0.42)	(P 0.34)

15. COMMITMENTS AND CONTINGENCIES

As of September 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 September 30, 2021, and December 31, 2020, the Parent Company has unused approved LCs amounting to P 913.00 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

There were no events after the reporting period that had a material effect on the financial condition or results of operations of the Group.

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 COVID-19 pandemic continued to have a lasting impact on global economies moving into 2021. While progress has been made in developing vaccines and rolling out vaccination programs worldwide, uncertainties remain amidst the emergence of a second wave of COVID infections and delays in local vaccinations.

In the latter part of the first quarter of 2021, the National Capital Region and the provinces of Bulacan, Laguna, Cavite, and Rizal, were placed back under “Enhanced Community Quarantine (ECQ)” and subsequently “Modified Enhanced Community Quarantine (MECQ)”, hampering the recovery of our operations and end markets in those regions. However, the LPG business continues to thrive and the Commercial business is picking up as the rest of the Philippines are placed under more relaxed quarantine restrictions. Travel-related sectors such as aviation, marine transport, and commercial road transport remain challenged.

By the second half of the second quarter until the early third quarter, quarantine restrictions were eased back under the General Community Quarantine (GCQ), with increased passenger capacity in public transport as well as other non-essential activities. However, this was short-lived as the government reverted to ECQ by August following the new surge in COVID infections. Meanwhile, as COVID cases reached a new high by mid-September, vaccinations nationwide ramped up.

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

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

Revenues, Cost of Sales and Gross Margins

The Group’s **Revenues** during the nine months of 2021 were higher by 80.8% at ₱102.637 billion compared to the ₱56.776 billion generated in the same period of 2020. This was mainly due to the 33.4% increase in total volume sold for the comparative periods (2021: 3,871 million liters vs. 2020: 2,902 million liters). Volume from overseas subsidiaries grew 36.9%, while the domestic business increased by 28.8%. Meanwhile, the average price of petroleum products was higher as a result of the 59.7% increase in the price of Dubai crude (benchmark crude of Asian refineries) average (YTD September 2021 vs 2020: US\$66.11/ bbl. vs. US\$40.40/ bbl).

Cost of Sales and Services increased by 88.0%, from ₱51.578 billion during the nine months of 2020 to ₱96.963 billion in 2021, principally attributable to the increase in volume and fuel prices.

As a result, **Gross Margin** increased by 9.2% or ₱0.476 billion.

Operating Expenses, Non-operating Expenses, Recurring Income

Meanwhile, the company’s **Selling and Administrative Expenses** amounted to ₱4.036 billion, 5.7% lower than the ₱4.280 billion level. 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 expenditures across its various businesses.

On the other hand, **Net Non-operating Charges** of ₱1.904 billion was ₱0.668 billion more than the ₱1.236 billion incurred in the same period of 2020. The 54.1% increase was driven by the ₱0.411 billion increase in the Finance Cost as forex losses were incurred resulting from Peso depreciation from □ 48.18 in 2nd quarter to □ 50.11 in the 3rd quarter of 2021. The average interest rate was 6.15% in 2021 compared to 5.663% in the same period 2020 coupled with the increased working capital requirement also caused the increase.

Operating, Net and Comprehensive Incomes

The nine months of 2021 Operating Income amounting to ₱1.638 billion increased by 78.5% (₱0.720 billion) from the prior year's ₱0.918 billion, mainly because of the increase in gross margin (₱0.476 billion) and decrease in selling and administrative expenses (₱0.244 billion).

The Net Income After Tax of ₱0.170 billion during the period reversed by 278.6% (₱0.266 billion) vis-à-vis the prior year's Net Loss After Tax of ₱0.095 billion.

Meanwhile, the Company recorded a (₱0.026 billion) translation adjustment loss related to PNX SG's operations, 83.1% higher than the ₱0.014 billion loss recorded in the same period of 2020. As such, Comprehensive Income of ₱0.145 billion was 67.5% better than the ₱0.110 billion Comprehensive Loss reported in the same period of 2020.

Financial Condition

(As of September 30, 2021 versus December 31, 2020)

Consolidated resources as of September 30, 2021 stood at ₱85.960 billion, 4.15% higher than ₱82.532 billion level as of December 31, 2020.

Cash and Cash Equivalents increased by 14.59% (from ₱5.788 billion in December 31, 2020 to ₱6.633 billion as of September 30, 2021) mainly due to shorter cash cycle days of 34 days in 2021 versus 109 days in the same period of 2020.

Trade and Other Receivables increased by 3.34% (from ₱17.514 billion as of December 31, 2020 to ₱18.098 billion as of September 30, 2021) along with the increase in sales and more efficient collection rate.

Inventory was 0.34% lower at ₱4.753 billion as of September 30, 2021 than the ₱4.769 billion as of December 31, 2020, driven by the strategic inventory management executed which enabled the company to manage the impact of changes in volatility in the prices of petroleum products.

Interest-bearing Loans and Borrowings, both current and non-current of ₱46.578 billion as of September 30, 2021 decreased by 3.45% from ₱49.196 billion as of December 31, 2020, with the reduction in cash cycle days, loan level was also decreased.

Trade and Other Payables increased by 73.59% from ₱9.107 billion as of December 31, 2020 to ₱15.809 billion as of September 30, 2021, related to the timing and value of purchases.

Lease Liabilities both current and non-current amounting to ₱0.884 billion as of September 30, 2021 is 10.20% lower than the ₱0.984 billion as of December 31, 2020, as certain lease contracts were cancelled towards the year-end of 2020.

Total Stockholders' Equity decreased to ₱20.882 billion as of September 30, 2021 from ₱21.124 billion as of December 31, 2020, (by 1.32%). The decrease is due to the 4.04% reduction in retained earnings which came from the ₱0.442 payment of dividends on Preferred shares, and the 1.30% net reduction in the revaluation reserves coming from the other comprehensive income.

Key Performance Indicators and Relevant Ratios

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Debt to Equity Interest-Bearing ¹	2.23x : 1x	2.28x : 1x
Net Book Value per Share ²	₱9.27	₱9.37
Earnings per Share ³	₱(0.19)	₱(0.34)

Notes: Formula are based on Philippine Accounting Standards

1 - Interest Bearing Debts divided by Total Stockholders Equity

2 - Total Stockholders 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 (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 September 30, 2021 vs. December 31, 2020

15% increase in Cash and Cash Equivalents

Due to the higher turn-over and collection rate

19% decrease in Due from Related Party

Advances made to certain JVs were converted to equity.

33% increase in Input Vat Net

Due to the increased tax base value of the recent importations along with increase in zero-rated sales.

6% increase in Prepayment and Other Assets

Due to some advances to suppliers for certain purchases and prepaid taxes.

10% decrease in Right to Use Assets - Net
Result of periodic amortization only.

11% decrease in Intangible Assets - Net
Result of periodic amortization only.

7% increase in Investment in Joint Ventures
Completion of the JV Agreement with NGT Ventures, Inc.

25% decrease in Deferred Tax Asset
As certain domestic subsidiaries are starting to record income this year.

9% decrease in Non-Current Asset Held for Sale
Certain related transactions were already consummated.

74% increase in Trade Payables
In relation to the inventory purchases level and value net of intercompany transactions, the increase of which is attributable to the global oil prices movement during the period

54% decrease in Lease Liabilities
Result of the periodic amortization

100% decrease in Derivative Financial Liabilities
Related to the forward contracts entered into by PNX SG were funded accordingly

54% decrease in Deferred Tax Liabilities - Net
Net of the offset against creditable withholding taxes applied and increased net income, unpaid during the period.

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

81% increase in revenues
Due to the 32% increase in volume 60% increase in global petroleum prices versus the same period of last year.

15% increase in fuel service and other revenue
This is due to the resumed business activities as a result of some ease on movements related to the pandemic.

88% increase in Cost of Sales and Services
This reflects the higher sales volume as well as the higher global prices comparing the same periods.

6% decrease in Selling and Admin Expenses
This is due to the continued effort in implementing lean and efficient operations.

54% Net decrease in Other income/(charges)

Due to forex related losses and interests coming from working capital requirements in relation to higher global petroleum prices.

96% increase in Tax Benefit

This is losses coming from certain Non-ITH business activities.

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

PART II – OTHER INFORMATION

1. The Parent Company held its 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 has declared cash dividends for the Company's preferred shares (3rd Tranche) for the first nine months 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%
PNX3B	September 16, 2021	September 20, 2021	8.1078%
PNX4	August 17, 2021	August 20, 2021	7.5673%

3. As of September 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 DE CLARO
Chief Finance Officer



JONAREST Z. SIBOG
VP for Controllershship