20 May 2022

**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. Alexandra D. Tom Wong**
Officer-in-Charge, 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 attached Definitive Information Statement (SEC Form 20-IS) of our company for your consideration and approval.

Thank you and warm regards.

Very truly yours,

**Atty. Socorro Ermac Cabreros**
Corporate Secretary

# COVER SHEET

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S.E.C. Registration Number

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

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(Business Address: No. Street City / Town / Province)

**Socorro Ermac Cabreros**
Contact Person

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

**DEFINITIVE INFORMATION STATEMENT**

| 1 | 2 | 3 | 1 | **SEC FORM 20-IS** | 4 | XX |
|---|---|---|---|---|---|---|
| Month | | Day | | FORM TYPE | Month | Day |

Fiscal Year Ending

Annual Meeting: **last Friday**

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

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowings

**69**
Total No. of Stockholders

Domestic

Foreign

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To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION**
SEC FORM 20-IS
**INFORMATION STATEMENT PURSUANT TO SECTION 20**
**OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

2. Name of Company as specified in its charter: **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**

3. Country of Incorporation: **Philippines**

4. SEC Identification Number: **A200207283**

5. BIR Tax Identification Code: **006-036-274**

6. Address of principal office: **Stella Hizon Reyes Road, Bo. Pampanga Lanang, Davao City 8000**

7. Company's telephone number, including area code: **(082) 235-8888**

8. Date, time and place of the meeting of security holders:

**June 17, 2022, 10:00 A.M.,**
**Phoenix Corporate Headquarters,**
**Stella Hizon Reyes Road, Bo. Pampanga, Davao City**
**via remote access communication, registration of which may be accessed through http://asm.phoenixfuels.ph/PNX2022 and posted in the Company's website (www.phoenixfuels.ph)**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 27, 2022.**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC:

| Title of Each Class | Number of Shares |
|---|---|
| Common Shares, Php1.00 par value | 1,442,070,932 |
| Preferred Shares, Php 1.00 par value | 14,500,000 |

11. Are any or all of Company's securities listed on a Stock Exchange?
    Yes __X___ No _______

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange, 1,442,070,932 Common Shares
14,500,000 Preferred Shares

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

PHOENIX

## NOTICE AND AGENDA

NOTICE is HEREBY GIVEN that the Annual Stockholders Meeting of PHOENIX PETROLEUM PHILIPPINES, INC. will be held on June 17, 2022, Friday, 10:00 AM at the Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Davao City. The meeting will be conducted virtually via remote access communications and registration for the meeting can be accessed through the link,

http://asm.phoenixfuels.ph/PNX2022

The agenda for the Meeting shall be, as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held last April 30, 2021
4. Report of the President and Chief Executive Officer
5. Approval of the 2021 Audited Financial Statements and 2020 Annual Report
6. Corporate Actions:

    a. Proposed Amendment of the Corporation's By-Laws amending Article II Section 3 on Meetings of Stockholders particularly Place of Meeting which includes the conduct of meeting using digital or remote access communications platform;

7. Ratification and Confirmation of all Acts and Resolutions of the Board and Management executed in the normal course of business covering the period of 01 Feb 2021 until April 30, 2022
8. Election of the Members of the Board of Directors
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

All stockholders as of May 23, 2022 shall be entitled to participate and vote in the said annual meeting.

For the continued safety of the Company's stockholders, the Annual Meeting on June 17, 2022 shall be conducted vial live streaming. Stockholders whose share and proxies are duly validated may attend, participate and vote by proxy or in absentia during the meeting.

Proxy Forms and Special Powers of Attorney or other Authorization Forms shall be made available in the Company's website and must be submitted to the Office of the Corporate Secretary, with address at Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Davao City by mail or sent by email at pnx.corpsec@phoenixfuels.ph. Validation of proxies and registration shall commence at 10:00AM of June 6, 2022 until 3:00PM of June 16, 2022. Participation in the meeting as well as voting shall be through remote communications. Procedure for voting shall be posted in the Company's website.

Atty. Socorro Ermac Cabreros
Corporate Secretary

## PART I.

## INFORMATION REQUIRED IN INFORMATION STATEMENT

## A. GENERAL INFORMATION

### Item 1. Date, time and place of meeting of security holders

(a) Date : **June 17, 2022**
Time : **10:00 A.M.**
Place : **Phoenix Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Davao City**
**via remote access communication, registration which may be accessed through**
**http://asm.phoenixfuels.ph/PNX2022**
Mailing Address: **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
**Office of the Corporate Secretary**
**Phoenix Petroleum Corporate Headquarters**
**Stella Hizon Reyes Road, Bo. Pampanga**
**Lanang, Davao City 8000**
**Email: pnx.corpsec@phoenixfuels.ph**

(b) Approximate date on which the Information Statement is first to be sent or given to security holders: **May 27, 2022.**

### Item 2. Dissenter's Right of Appraisal

**Procedure for the exercise of Appraisal Right**

Pursuant to Section 81 of the Revised Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in case of any amendment to the articles of incorporation that, (1) in case of an amendment to the articles of incorporation, has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (2) in case of lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, and (3) in case of merger or consolidation. Such appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the Company for notation thereon that such shares are dissenting shares **and proof that such dissenting shareholder has voted against the proposed corporation action in order to exercise his appraisal right**. His failure to do so shall, at the option of the Company, terminate his appraisal rights. No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Company consents thereto.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company and third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: Provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

The only corporate action is the Proposed Authority for management to enter into negotiations for reasonable and acceptable terms and conditions advantageous to the Corporation with any third party corporation(s) or any other entity or entities for the possible transfer, sale, mortgage or disposition of certain corporate properties, assets, or investments as may be necessary and required in relation and pursuant to the financial management program exercised by the Corporation as part of its debt management and funding activities.

The said proposed action has no effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending the term of the corporation's existence.

**OTHER THAN THE MATTERS RAISED ABOVE FOR CORPORATE ACTION, THERE ARE NO MATTERS THAT WILL BE PRESENTED FOR SHAREHOLDERS' APPROVAL DURING THE ANNUAL MEETING THAT MAY OCCASION THE EXERCISE OF THE RIGHT OF APPRAISAL.**

### Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director of the Company, nor any of their associates, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the Annual Meeting, other than election to office.

(b) No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company during the meeting.

## B. CONTROL AND COMPENSATION INFORMATION

### Item 4. Voting Securities and Principal Holders Thereof

In accordance with Sections 23 and 57 of the Revised Corporation Code of the Philippines (RA 11232) and the Internal Rules Procedures outlined in Annex D of this Definitive Information Statement, the stockholders may participate in the Annual Stockholders' Meeting by registering at **http://asm.phoenixfuels.ph/PNX2022** from 10:00AM of 06 June 2022 to 3:00pm of 16 June 2022, to allow the Company some time to validate the registration. After successful validation, a copy of the link to the Annual Stockholders' Meeting shall be sent to the stockholders via email.

Any questions for the stockholders meeting or any clarificatory questions can be sent to pnx.corpsec@phoenixfuels.ph or investors@phoenixfuels.ph. Any additional questions or questions not directly addressed during the meeting shall be answered through email. Proxy and voting forms shall be available through the Company's website at https://www.phoenixfuels.ph/annual-stockholders-meeting/. For a more detailed discussion of the internal procedures, the stockholders' may refer to Annex D of this Definitive Information Statement.

(a) Voting Securities

As of **April 30, 2022**, the total number of shares outstanding and entitled to vote on all corporate matters to be acted upon during the Annual Meeting are 1,442,070,932 common shares.

(b) Record Date

The record date for purposes of determining the stockholders entitled to notice of and to vote at the Annual Meeting is **May 23, 2022**.

(c) Voting Rights and Trust

In the matters to be voted upon in the Annual Meeting, stockholders of record as of **May 23, 2022** shall be entitled to one vote per share in person or by proxy and shall be done *in accordance with Sections 23 and 57 of the Revised Corporation Code of the Philippines (RA 11232)*. If the stockholder will vote through a proxy, the By-Laws of the Company requires the submission of the accomplished proxy form to the Corporate Secretary for validation and authentication at least ten (10) days before the date of the Annual Meeting.

The validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock and Transfer Agent shall be convened at least five (5) days before the Annual Meeting. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding upon the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the Annual Meeting.

With respect to the election of the members of the Board of Directors, cumulative voting is allowed. A stockholder may vote such number of shares for as many persons as there are directors to be elected; or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares; or he may distribute these shares on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

(d) Security Ownership of Certain Record and Beneficial Owners and Management as of **April 30, 2022.**

(1) Security Ownership of Certain Record and Beneficial Owners

As of **April 30, 2022**, the following are the owners of the Company's common stock in excess of five percent (5%) of the total outstanding shares:

| **Title of Class of Securities** | **Name of Record Owners and Relationship with Phoenix** | **Name of Beneficial Owners/Relationship with Record Owner** | **Citizenship** | **No. of Shares Held** | **% of Ownership** |
|---|---|---|---|---|---|
| Common | Phoenix Petroleum Holdings, Inc.<br><br>Majority Shareholder | Record Owner is the direct beneficial owner | Filipino | 588,945,630 | 40.84% |

| | | | | | |
|---|---|---|---|---|---|
| Common | ES Consultancy Group, Inc.<br><br>Substantial Shareholder | Record Owner is the direct beneficial owner | Filipino | 340,270,980 | 23.60% |
| Common | Udenna Corporation<br><br>Substantial Shareholder | Record Owner is the direct beneficial owner | Filipino | 267,245,918 | 18.53% |
| Common | PCD Nominee Corporation (Filipino)<br><br>Shareholder | Record Owner is the indirect beneficial owner | Filipino | 159,002,536 | 11.03% |

As of **April 30, 2022**, there are no beneficial owners under the PCD Nominee Corp. of the Company's common stock in excess of five percent (5%) of the total outstanding shares.

There are NO voting trust agreements entered into by the Company or any of the major stockholders of the Company.

However, the persons are authorized for purposes of this annual meeting to vote for and in behalf of the following stockholders are as follows:

| Name of Stockholders | Representative |
|---|---|
| 1. Phoenix Petroleum Holdings, Inc. | Dennis A. Uy |
| 2. Udenna Corporation | Cherylyn C. Uy |
| 3. Udenna Management & Resources Corp. | Igna S. Braga IV |
| 4. PCD Nominees/ Trading Participants | *Ultimate Beneficial Owners representing the trading participants shall be made available after lapse of the Record Date and only after submission of their respective proxy forms for validation* |

**Security Ownership of Management**

As of **April 30, 2022** the security ownership of Management is as follows:

***Common***

| Title of Class of Securities | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | % of Ownership |
|---|---|---|---|---|
| **Directors:** | | | | |
| Common | Dennis A. Uy* | 6,081,611<br><br>direct beneficial owner | Filipino | 0.42% |
| Common | Dennis A. Uy &/or Cherylyn C. Uy | 1,098,099<br><br>direct beneficial owner | Filipino | 0.08% |
| Common | Domingo T. Uy* | 645,919<br><br>direct beneficial owner | Filipino | 0.04% |
| Common | Romeo B. De Guzman | 1,039,746<br><br>direct beneficial owner | Filipino | 0.07% |
| Common | J.V. Emmanuel A. De Dios | 776,891<br>direct beneficial owner | Filipino | 0.05% |
| Common | Minoru Takeda | 1<br><br>direct beneficial owner | Japanese | 0.00% |
| Common | Consuelo Ynares Santiago | 1<br><br>direct beneficial owner | Filipino | 0.00% |
| Common | Monico V. Jacob | 1<br><br>direct beneficial owner | Filipino | 0.00% |
| Common | Henry Albert R. Fadullon | 50,100<br><br>direct beneficial owner | Filipino | 0.00 % |

| | | | | |
|---|---|---|---|---|
| Common | Nicasio I. Alcantara | 1<br>direct beneficial owner | Filipino | 0.00 % |
| Common | Stephen T. CuUnjieng | 1<br>direct beneficial owner | Filipino | 0.00 % |

**Senior Management**

| | | | | |
|---|---|---|---|---|
| Common | Socorro T. Ermac Cabreros | 167,216<br>direct beneficial owner | Filipino | 0.01% |
| Common | Ma. Concepcion F. de Claro | 1<br>direct beneficial owner | Filipino | 0.00% |

***Preferred***

| Title of Class of Securities | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | | | % of Ownership |
|---|---|---|---|---|---|
| | | | Number of Shares | | |
| **Directors:** | | | **PNX3B** | **Total** | **% to total I/O shares** |
| Preferred | **Domingo T. Uy** | - | 10,000<br>direct beneficial owner | 10,000 | 0.05% |
| Preferred | **Consuelo Ynares Santiago** | - | 10,000<br>direct beneficial owner | 10,000 | 0.05% |

The other executive officers of the Company, Alan Raymond T. Zorrilla – Senior Vice President; Ericson Inocencio - Shareholder Representative; Lester C. Khan - General

Manager for Aviation Business, and Action.able; Ma. Rita A. Ros – Asst. Vice President for CME; Richard Tiansay-Vice President for Supply, Roy Jimenez-Vice President for Commercial Business; Celina I. Matias - VP for Group Marketing and General Manager for FamilyMart, Celeste Marie G. Ong-VP for Human Resources; Jonarest Z. Sibog, Vice President for Comptrollership; and Joven Jesus G. Mujar-Asst. Vice President for Consumer Business Partnerships, Joriz B. Tenebro - General Manager for Joint Ventures own common shares in scripless form through the Company's Employees Stock Option Plan (ESOP) as of April 30, 2022 as follows:

| Names | No. of Shares |
|---|---|
| Alan Raymond T. Zorrilla | 485,800 |
| Ericson S. Inocencio | 275,700 |
| Ma. Rita A. Ros | 283,000 |
| Richard C. Tiansay | 272,200 |
| Roy O. Jimenez | 192,400 |
| Ma. Celina I. Matias | 238,000 |
| Celeste Marie G. Ong | 110,000 |
| Jonarest Z. Sibog | 158,000 |
| Joven Jesus G. Mujar | 274,000 |
| Joriz B. Tenebro | 125,000 |

However, some of the officers have disposed of their shares through their respective brokers.

The number of aggregate shares for all directors and executive officers is TWELVE MILLION ONE HUNDRED SIX THOUSAND FOUR HUNDRED SEVENTY ONE (12,106,471) for common shares and Twenty Thousand (20,000) for preferred shares.

Other than those mentioned above, there are no persons holding more than five percent (5%) of a class under a voting trust or any similar agreements as of the date of this Report.

(e) **Change in Control**

On March 5, 2020, the Corporation received copies of SEC Form 18-A from Top Direct Investments and SEC Form 23-B from Udenna Corporation indicating their disposition and acquisition of 142,000,000 shares respectively, through a special block sale crossed at the PSE at the price of Php15.00 per share.

As of 30 April 2022, the major stockholders of the Corporation include Phoenix Petroleum Holdings, Inc., who represents around 40.84% of the total outstanding capital stock, ES Consultancy Group, Inc. who owns 23.60% of the common shares, and Udenna Corporation, representing around 18.53% of the total outstanding capital stock.

**Item 5. Directors and Executive Officers**

(a) The incumbent members of the Board of Directors and the executive officers of the Company are as follows:

| Office | Name | Age | Citizenship |
|---|---|---|---|
| **Directors** | | | |
| Chairman | Dennis A. Uy | 48 | Filipino |
| Director/President | Henry Albert R. Fadullon | 54 | Filipino |
| Director | Romeo B. De Guzman | 72 | Filipino |
| Director | Stephen T. CuUnjieng | 62 | Filipino |
| Director | Cherylyn C. Uy | 42 | Filipino |
| Director | Domingo T. Uy | 75 | Filipino |
| Director | Jose Victor Emmanuel A. de Dios | 57 | Filipino |
| Director | Monico V. Jacob | 76 | Filipino |
| Independent Director | Nicasio Alcantara | 80 | Filipino |
| Independent Director | Consuelo Ynares Santiago | 82 | Filipino |
| Independent Director | Minoru Takeda | 68 | Japanese |
| Corporate Secretary/Vice President for Corporate Legal | Socorro T. Ermac Cabreros | 57 | Filipino |
| **Other Executive Officers** | | | |
| President | Henry Albert R. Fadullon | 54 | Filipino |
| Chief Finance Officer | Ma. Concepcion F. De Claro | 64 | Filipino |
| Senior Vice President | Alan Raymond T. Zorrilla | 52 | Filipino |
| Vice President for Supply Chain | Richard C. Tiansay | 58 | Filipino |
| Shareholder Representative | Ericson S. Inocencio | 48 | Filipino |
| Assistant Vice President for Consumer Business Partnerships | Joven Jesus G. Mujar | 52 | Filipino |
| Vice President for Commercial Business | Roy O. Jimenez | 59 | Filipino |
| General Manager for Joint Ventures | Joriz B. Tenebro | 43 | Filipino |
| General Manager for CME Business | Ma. Rita A. Ros | 62 | Filipino |
| Vice President for Comptrollership | Jonarest Z. Sibog | 42 | Filipino |
| Vice President for Group Marketing and General Manager for Philippine FamilyMart | Celina I. Matias | 57 | Filipino |
| Vice President for Human Resources | Celeste Marie G. Ong | 53 | Filipino |
| Asst. Vice President for Network and Channel Development | Arnel G. Alban | 54 | Filipino |
| General Manager for Shared Service | Magtanggol C. Bawal | 60 | Filipino |
| General Manager for Aviation Business and Action.able | Lester C. Khan | 41 | Filipino |
| Chief Digital Officer | Charlie R. Valerio | 53 | Filipino |
| Asst. Vice President for Terminal Operations and Engineering | Ignacio Raymund S. Ramos, Jr. | 60 | Filipino |
| Shareholder Representative | Rubin G. Cura | 55 | Filipino |
| Vice President/ Group Internal Audit Head | Chonabeth I. Nazario | 57 | Filipino |
| Corporate Risk Officer | Hendra Nagunta | 45 | Indonesian |

***Since the last Stockholders' Meeting, NO officer or director has resigned because of a disagreement with the Company on any matter relating to the Company's issuance, operations, policies or practices.***

**Directors**

The members of the Board of Directors of the Company are elected during the annual stockholders' meeting to hold office until the next succeeding annual stockholders' meeting and until their successors have been appointed or elected and qualified. The following is the list of the incumbent members of the Board of Directors, and their business experiences during the past five (5) years:

**Dennis A. Uy**
***Director, Chairman***
***of the Board, Chief Strategy Officer***

Mr. Dennis A. Uy, Filipino, 48 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is the Chairman and President of Udenna Corporation, the parent company, which has businesses in the shipping, logistics, distribution, real estate, and service industries. Among the subsidiaries of Udenna Corporation are Phoenix Petroleum Holdings, Inc. (PPHI), Udenna Management & Resources Corp. (UMRC), Chelsea Logistics Holdings, Corp., Udenna Development Corporation (UDEVCO), Le Penseur, Udenna Trade Corporation and PH Resorts Group Holdings, Inc. The subsidiaries of Phoenix Petroleum Philippines, Inc. are Phoenix Global Mercantile, Inc., Subic Petroleum Trading & Transport Philippines, Inc., and PFL Petroleum Management. The subsidiaries of Udenna Management & Resources Corp. (UMRC) are Global Synergy Trade and Distribution Corp., Value Leases, Inc., Udenna Capital, PNX-Udenna Insurance Brokers, Udenna Environmental Services, Udenna Energy Corporation, and F2 Logistics. Under UDEVCO are Calaca Industrial Seaport Corp.(CISC), Udenna Tower Corporation, LapuLapu Land Corp., Clark Global City Corp. and GoHotels Davao Inc. The Chelsea Logistics Corp. has the shipping businesses Chelsea Shipping Corp. and Trans-Asia Shipping Lines. Mr. Uy is also Chairman of PH Resorts Group Holdings, Inc., Phoenix Philippines Foundation and Udenna Foundation. He is director of shipping and logistics provider 2Go Group, Inc. through his Udenna Investments BV subsidiary KGLI-NM Holdings Inc. He also serves as independent director of Apex Mining Corp. Mr. Uy is a member of the Young Presidents Organization's Philippine chapter and the Philippine Business for Social Progress. Since November 2011, Mr. Uy has been the Honorary Consul of Kazakhstan to the Philippines. In 2016, he was appointed as the Presidential Adviser on Sports. He is a graduate of De La Salle University with a degree in Business Management.

**Henry Albert R. Fadullon**
***Director, President***

Mr. Fadullon is a Filipino, 54 years of age, and was appointed Chief Operating Officer of the Company on April 17, 2017 and was consequently named as President on June 1, 2020. Prior to this, he served Shell Shared Services (Asia) B.V. as General Manager for its global businesses. He has over 25 years of experience in the petroleum industry, having held various roles at Pilipinas Shell Petroleum Corp., a decade of which were spent overseas with postings in Malaysia, Oman, and London. He has a wealth of experience in Retail and B2B performing a variety of frontline and functional roles leading into General Management positions. He completed his BS Industrial Management Engineering, minor in Mechanical Engineering, from De La Salle University.

**Domingo T. Uy**
***Director***

Mr. Domingo T. Uy, Filipino, 75 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development. Mr. Uy is actively involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also a Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

**Romeo B. De Guzman**
***Director***

Mr. Romeo B. De Guzman, Filipino, 72 years old, was elected Director of the Company in 2009. He is the Vice Chairman and Senior Strategic Adviser, and previously was Chief Operating Officer of the Company, bringing over 40 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to December 2006. He was with the said company holding various management and executive positions. Prior to that, he worked at Getty Oil Philippines Inc. for 10 years. Mr. De Guzman is also the Chairman of the Board of Directors of Mirait Philippines, Inc. He holds a Marketing Management and MBA degrees from San Sebastian College – Manila.

**Atty. Jose Victor Emmanuel A. De Dios**
***Director***

Atty. J.V. Emmanuel A. De Dios, Filipino, 57 years old, elected regular director of Phoenix Petroleum in 2018, after being an Independent Director since 2007. He is the President and CEO of Manila Water Co. He was previously the CEO of GE Philippines, and prior to that was President and CEO of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He was Managing Director of Merritt Advisory Partners, Inc. and was a member of the Board of Directors of Davies Energy Systems, Inc. He also served as Chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

**Cherylyn C. Uy**
***Director***

Ms. Cherylyn Chiong-Uy, Filipino, 42 years old, is a graduate of Business and Finance from Ateneo de Davao University. Ms. Uy is one of the pioneers/incorporators of Udenna Corporation, the ultimate parent company of Phoenix Petroleum and which has subsidiaries engaged in the petroleum, shipping, logistics, services, and real estate businesses, among others. She is the Corporate Treasurer of Udenna Corporation and a member of the Board of Director of PH Resorts Group Holdings, Inc.. Ms. Uy is also one of the Executive Directors of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company. She is the Corporate Treasurer of Udenna Management and Resources Corporation and Chelsea Shipping Corp.

**Stephen T. CuUnjieng**
***Director***

Stephen T. CuUnjieng, Filipino, 62 years old, was elected as a Director of the Company on January 15, 2018, after being a long-time adviser to the Board. He was Senior Adviser or Senior Managing Director at Evercore and Chairman at Evercore Asia Limited from 2009 to 2022. He is the Financial Adviser to a number of local and international companies. He has worked on major transactions that have been conferred Deals of the Year awards. He is part of the Executive Advisory Board for Asia of the Wharton School of Business. He is also an independent director at Century Properties Group, Golden Springs (Singapore), First Philippine Holdings. He was previously an independent director of Aboitiz Equity Ventures (2010 to 2018), an Adviser to the Board of SM Investments Corporation (2008-2017) and a director of Manila North Tollways Corporation (2008-2013). He was Vice Chairman, ASEAN of Macquarie (Hong Kong) Limited from 2007 to 2009. He is a member of the Audit Committee, Corporate Governance Committee and the Board Risk Oversight Committee of FPH. He has a Degree in Bachelor of Arts (1980) and also has a

Bachelor's Degree in Law (with honors) (1984) from the Ateneo de Manila University and the Ateneo Law School. He also has a Master's Degree in Business Administration (Finance) from the Wharton School of Business (1986).

**Monico V. Jacob**
***Director***

Monico V. Jacob, Filipino, 76 years old, has been a Director of the Company since March 7, 2008. He is President and Chief Executive Officer of the STI Education Systems Holdings, Inc., a publicly listed company; of STI Education Services Group, Inc.; and of West Negros University. He is also the Chairman of Philplans First, Inc., a pre-need company; of Philippine Life Financial, Inc., a life insurance company, and of Republic Surety and Insurance Co., a non-life insurance Company. He likewise sits as an independent director of Jollibee Foods, Inc., Century Properties, Lopez Holdings, Inc. and 2GO Shipping. He sits as Director of Asian Terminals, Inc., Philhealthcare Systems, Inc., an HMO, Philippine Women's University and IAcademy.

**Consuelo Yñares-Santiago**
***Independent Director***

Ms. Consuelo Ynares-Santiago, Filipino, 82 years old, is a Retired Justice of the Philippine Supreme Court. Justice Santiago (Ret) is currently an independent director of Anchor Insurance Brokerage Corp., a leading insurance brokerage company based in New York, USA, SMC Global Power Holdings, Inc., one of the country's leading power companies which is the power generation unit of San Miguel Corporation, South Luzon Tollway Corp., and Top Frontier Investment Holdings, Inc. She is the Chair Advisory Council of the Office of Alternative Dispute Resolution under the Department of Justice. She earned her Law Degree at the University of the Philippines. After being admitted to the bar, she started her career as a Legal Officer of the Securities and Exchange Commission (SEC). After 5 years of legal practice, she decided to enter the Judiciary and spent 36 years of her career as Municipal Judge, Metropolitan Trial Court judge, Regional Trial Court judge, and Associate Justice of Court of Appeals, before becoming an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she became the chairperson of the Supreme Court's 3rd Division and also joined various committees, among them the Justice on Wheels Program as Chairperson, the Foreign Travel Committee as Chairperson, the House of Representative Electoral Tribunal (HRET) as Chairperson, and member of the Presidential Electoral Tribunal. She was also a consultant of the Judicial and Bar Council (JBC) and a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law in the 1998 Bar Examination.

**Nicasio I. Alcantara**
***Independent Director***

Nicasio I. Alcantara, Filipino, 80 years old. He re-assumed the position of Chairman of the Board of Directors and President of Alsons Consolidated Resources, Inc. (ACR) on March 1, 2021, a position he previously held from May 1995 to May 2001. He is the Chairman and President of ACR Mining Corporation, Alsons Development and Investment Corporation, Sarangani Agricultural Company, Inc., Conal Holdings Corporation, Alsons Thermal Energy Corporation, Alto Power Management Corporation and many other subsidiaries under the Alcantara Group. He is the Chairman of the Board of SITE Group International, Ltd. Mr. Alcantara serves as the Chairman of both the Corporate Governance Committee and Related Party Transactions Committee of BDO Private Bank, Inc. and a member of the Bank's Audit Committee. He is the Vice-Chairman of Aviana Development Corporation. Currently, he is a Director of Seafront Resources Corporation, The Philodrill Corporation, Enderun Colleges, Inc., Sagittarius Mines, Inc. and Phoenix Petroleum Philippines, Inc. Mr. Alcantara holds a Masters degree in Business Administration (MBA) from Sta. Clara University, California, and a Bachelor of Science degree in Business Administration from the Ateneo de Manila University.

**Minoru Takeda**
***Independent Director***

Minoru Takeda, Japanese, 68 years old is the Chairman of aNew Energy (an advisory company for Renewables/LNG), Senior Advisor of GLX LNG (LNG Trading Platform Company), Director of Oxalis Chemicals KK, and Sr. Advisor of Uyeno Kosan KK. Mr. Takeda was with ExxonMobil for 22 years and with Royal Dutch Shell group for 14 years. He was the Chairman of the Board of Showa Shell KK, Country Chairman of Shell Group of Companies in Japan, and GM of Shell Upstream International in charge of the ASEAN/India LNG Market Development. For Mobil Oil Corporation, in addition to holding key positions in Japan, he was Director of Mobil Oil New Zealand, and has experience in Global HQ Downstream Corporate Planning. He also spent over 4 years in Deloitte, as Partner of Deloitte Tohmatsu Consulting and served as CEO of Deloitte Tohmatsu Corporate Finance. He holds BS and MS from Keio University and MS from MIT Sloan School of Management. He was a Visiting Researcher at Harvard University, Energy and Environmental Policy Center.

** Independent director – the Company is compliant with the Guidelines set forth by the Securities Regulation Code (SRC)) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

**Period of Directorship in the Company**

| Name | Period of Service | Term of Office |
|---|---|---|
| Dennis A. Uy | since incorporation to present | 1 year |
| Domingo T. Uy | since incorporation to present | 1 year |
| Romeo B. De Guzman | since 2009 to present | 1 year |
| J.V. Emmanuel De Dios | 2007 to present | 1 year |
| Cherylyn C. Uy | 2004 to 2006, 2013 to present | 1 year |
| Monico V. Jacob | 2008 to present | 1 year |
| Consuelo Ynares Santiago | 2013 to present | 1 year |
| Stephen T. CuUnjieng | January 15, 2018 to present | 1 year |
| Henry Albert R. Fadullon | May 29, 2020 to present | 1 year |
| Minoru Takeda | 2019 to present | 1 year |
| Nicasio I. Alcantara | 2019 to present | 1 year |

**Directorships in Other Reporting Companies**

The following are directorships held by the directors and executive officers in other reporting companies during the last five (5) years:

| Name of Director | Name of Reporting Company | Position Held |
|---|---|---|
| | | |
| J.V. Emmanuel De Dios | Manila Water Co. | President and CEO |
| Monico V. Jacob | STI Education Systems Holdings, Inc. | President and CEO |
| Dennis A. Uy | DITO CME Holdings Corp.<br>PH Resorts Group Holdings, Inc.;<br>Apex Mining Co., Inc.;<br>Chelsea Logistics and Infrastructure Holdings Corp.;<br>2Go Group, Inc.<br>Atok-Big Wedge Co., Inc. | Director/Treasurer<br>Director<br>Independent Director<br>Chairman<br>Chairman<br>Vice Chairman |
| Cherylyn C. Uy | DITO CME Holdings, Inc.<br>PH Resorts Group Holdings, Inc.;<br>Chelsea Logistics and Infrastructure Holdings Corp. | Director/Treasurer<br>Director<br>Treasurer |

and the following Independent Directors have held directorships in other reporting companies for the last five (5) years:

| Name of Director | Name of Reporting Company | Position Held |
|---|---|---|
| Consuelo Ynares Santiago | Top Frontier Investment Holdings, Inc. | Independent Director |
| Nicasio I. Alcantara | ACR Mining Corporation<br>Alsons Consolidated Resources, Inc.. | Chairman & President<br>Chairman & President |
| Minoru Takeda | Showa Shell Sekiyu K.K. | Chairman |

**Certificate of Qualification of the Independent Directors**

The Company will submit an updated Certificate of Qualification of all independent directors pursuant to the October 20, 2006 notice of the Commission on or before the Company's distribution of the Definitive Information Statement to the security holders on May 27, 2022.

**Executive Officers**

The following is a list of other executive officers and their business experiences during the past five (5) years:

**Henry Albert R. Fadullon**, Filipino, 54 years of age, is the Company's President and Chief Executive Officer. Prior to this, he served Shell Shared Services (Asia) B.V. as General Manager for its global businesses. He has over 25 years of experience in the petroleum industry, having held various roles at Pilipinas Shell Petroleum Corp., a decade of which were spent overseas with postings in Malaysia, Oman, and London. He has a wealth of experience in Retail and B2B performing a variety of frontline and functional roles leading into General Management positions. He completed his BS Industrial Management Engineering, minor in Mechanical Engineering, from De La Salle University.

**Ma. Concepcion F. De Claro**, Filipino, 64 years of age, holds a Bachelor of Science degree in Commerce, Major in Accounting from the Colegio de San Juan de Letran. She has been the Company's Chief Financial Officer since March 2018. She was Director of Alsons Prime Investment Corporation and Alsons Power Holdings Corporation and the Vice-President and Chief Operating officer of Alsons Corporation.  She also served as the Director of Limay Energen Corporation and Manila North Harbour Port, Inc. Ms. de Claro also worked with Petron Corporation for several years. She was a Consultant for M&A Projects and a member of the Board of Trustees of Petron Corporation Employees Retirement Fund. She also served as Petron's Vice President for Corporate Planning & Services, Controller for the company and its subsidiaries, and held various positions in Corporate Planning.  In addition, Ms. De Claro also served as a Director of New Ventures Realty Corporation, Las Lucas Development Corporation, Petron Marketing Corporation and Petron Freeport Corporation.

**Alan Raymond T. Zorrilla**, Filipino, 52 years of age, is the Company's Senior Vice President. Prior to his employment with the Company, he was Chief Legal Counsel of the Unioil Group of Companies where he headed the Legal, Human Resources, and Administrative Departments. He also served as Director for Freeport Services Corporation, a 100% subsidiary of Subic Bay Metropolitan Authority and was once a Legal Consultant of the Department of Environment and Natural Resources. Atty. Zorrilla was engaged in litigation practice with Pangilinan, Britanico, Sarmiento and Franco Law Offices before he entered corporate practice. He formerly worked as Corporate Legal Counsel of publicly-listed Fil-Estate Group of Companies in its Litigation and Labor Department. Atty. Zorrilla completed his law studies at the San Beda College of Law in 1994 and was admitted to the Philippine Bar in 1995. He also took up his masteral studies at the Ateneo Graduate School of Business. He is an Army Reservist and a concurrent Commander (Lt. Colonel) of the Philippine Coast Guard Auxiliary.

**Charlie R. Valerio**, Filipino, 53 years old, is the Chief Digital Officer. He also leads the IT group of parent company Udenna Group of Companies. Charlie has more than 20 years of in-depth exposure and experience in the Oil & Gas, Power Generation, and Fast-Moving Consumer Goods (FMCG) industries as well as a local conglomerate, having worked for Procter & Gamble for 7 years, Royal Dutch Shell for 14 years, and 5 years for First Gen Corporation and First Philippine Holdings in concurrent capacity. He was Chief Information Officer at First Gen Corp. and for First Philippine Holdings, leading IT for the conglomerate (composed of 11 companies covering 5 industries - power generation, manufacturing, real estate/property, health care, and construction). Charlie received his Bachelor of Science degree in Computer Science from De La Salle University. He is a certified Project Management Professional and completed several leadership trainings in Switzerland and Singapore.

**Socorro T. Ermac-Cabreros**, Filipino, 57 years old, is concurrently the Vice President for Corporate Legal and Corporate Secretary of the Company. She is also the Corporate Secretary of Phoenix Petroleum Holdings, Inc. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as the Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She was President for the Davao City Chapter of the Integrated Bar of the Philippines, Davao City Chapter from 2009-2011 and President of the Davao Lady Lawyers Association from 2000-2002.

**Jonarest Z. Sibog,** Filipino, 42 years old, is the Vice President for Comptrollership. She joined the company in 2006, starting her career in Procurement which she headed for seven years before moving to Finance. She is a graduate of Ateneo de Davao University with a degree in Bachelor of Science in Accountancy. She finished her Masters in Business Administration at the University of Mindanao where she also earned a few units in LLB. She is a Certified Public Accountant and is currently a Board of Director of the Association of CPAs in Commerce and Industry (ACPACI) - Davao City Chapter

**Richard C. Tiansay,** Filipino, 58 years old, is the Vice President for Supply Chain. Mr. Tiansay has more than 22 years of experience in the oil industry covering domestic and international operations. His last position in Royal Dutch Shell is as Global SAP IT Order to Cash Team Lead in London, U.K. This after being assigned to various key managerial positions not limited in the Philippines but as well as in a number in Asia Pacific and other countries. Mr. Tiansay completed his Bachelor of Science in Mechanical Engineering degree from the University of San Carlos, Cebu City.

**Roy O. Jimenez**, Filipino, 59 years of age is currently the Vice President for Commercial Business. Prior to joining the Company he was connected with Chevron Phil. Inc for almost 30 years and handled various National and District Managerial positions, as well as supervisory positions for various trades such as Retail, Commercial/Industrial, Marketing Support, Liquefied Petroleum Gas and Lubricants. He also handled regional positions as a Programs Manager and has been the team lead for Philippines in various Chevron Regional projects. He was assigned as a District Manager covering various areas like North Metro Manila/North Luzon, Visayas and Mindanao. He is a licensed Mechanical Engineer and graduated from the University of Santo Tomas. He has MBA units in De La Salle University and attended various Leadership and Management programs in Asian Institute of Management, as well as in-house training programs of Chevron in Asia Pacific and South Africa.

**Ericson S. Inocencio,** Filipino, 48 years old, is a Shareholder Representative of the Company. Eric has more than 20 years of extensive experience in the petroleum industry. Prior to joining the Company, he was connected with Chevron Phils. where he held various positions primarily leading the Commercial and Industrial business as District Sales Manager for more than five(5) years and as concurrent National Fleet Cards Sales Manager. He has exposure in marketing support function in charge of developing and executing local & global process/programs which includes profitability modelling. He is a certified Mechanical Engineer from De La Salle University and attended his MBA at Ateneo Graduate School of Business.

**Joven Jesus G. Mujar**, Filipino, 52 years of age, is the Asst. Vice President for Consumer Business Partnerships. He joined Phoenix last May 4, 2015. He brought with Him twelve and a half years of pure lubricant experience from a major petroleum company holding various positions in sales, business development and marketing handling both B2C and B2B.Within those years, he had 2 years assignment in the Asia Pacific Region doing Channel Development

Specialist work.

**Maria Rita A. Ros**, Filipino, 62 years old, is the General Manager for CME Business. Ms. Ros has more than thirty (30) years of experience in the oil industry covering materials management, supply chain management, production planning, imports-exports, warehousing and logistics. She held various positions in Petron Corporation from 1981 up to 2011 when she handled Biofuels and Special Projects, and Supply Optimization before joining Phoenix Petroleum in November 2013. She is a graduate of B.S. Chemical Engineering from the University of the Philippines, and is a licensed Chemical Engineer, and took up Basic Management at the Asian Institute of Management.

**Celina I. Matias,** Filipino, 57 years old, is concurrently the Vice President for Group Marketing and General Manager for Philippine FamilyMart. Ms. Matias has more than 25 years of expertise on strategic marketing and client servicing. She honed her skills from Ogilvy & Mather and McCann Erickson and was a Partner at a local Ad Agency prior to joining Phoenix Petroleum. She handled over 25 local and global brands across different product categories from petroleum, telecoms, real estate, automotive, pharmaceutical and a lot more. She finished Communication Arts major in Advertising & Public Relations in Assumption College.

**Celeste Marie G. Ong**, Filipino, 53 years old, is currently the Vice President for Human Resources. Ms. Ong has more than 20 years of solid human resources management experience from local and multinational companies (Concrete Aggregates Inc., Van Melle Phils., Fujitsu Computer Products and Optodev, Inc.) Her expertise includes compensation management, talent acquisition, training and development, employee relations/engagement, benefits administration and HRIS. She finished A.B. Psychology from Pamantasan ng Lungsod ng Maynila and took her M.A. in Psychology at University of Santo Tomas. She completed the Essilor Management Training courses in Singapore & France.

**Arnel G. Alban**, Filipino, 54 years old, is currently the Asst. Vice President for Network and Channel Development. In this capacity, Arnel likewise handles the optimization of the Company's real estate portfolio. He joined Phoenix in April 2018, moving from Total (Philippines) Corporation where he was Asst. Vice President for Retail Development and Compliance. He has solid 25 years of experience in the oil industry, starting out as a Business Counselor (or Retail Territory Manager) in 1993 at Caltex (Philippines), Inc. where he stayed for 5 years. In 1998, he moved to Total where he stayed for 20 years, moving in various Sales and Retail positions. Arnel is a licensed Civil Engineer and graduated from the University of the Philippines.

**Joriz Tenebro**, Filipino, 43 years old, is the General Manager for Joint Ventures. Prior to joining Phoenix in November 2018, he had 15 years of combined business and commercial finance experience with Shell in retail, trading, upstream and integrated gas covering Asia Pacific, Middle East, and Europe. His roles include retail territory management; reporting, planning and economics; finance management; M&A and New Business Development; and internal audit. He was based in Davao, Manila and a combined 10 years in Singapore and Dubai. Previous to Shell, he spent a total of 3 years as P&G Distributor Finance Manager and PwC Finance Auditor. Most of his key development training were in Shell Headquarters in the Netherlands and INSEAD France. He graduated from Ateneo de Davao University.

**Magtanggol C. Bawal**, Filipino, 60 years old, is the General Manager for Shared Services and is a Certified Public Accountant with 35 years of work experience in the oil industry, IT, and Services. Prior to joining Phoenix in 2017 as the FamilyMart's Chief Finance Officer, he was with Shell Shared Services (Asia) B.V. as Contracts & Procurement Operations Delivery Center Manager. Previously, he was IT consultant of Phoenix Petroleum; Chief Finance Officer and COO of Microsoft Phils.; and LPG Finance Manager at Pilipinas Shell Petroleum Corp. He earned a Bachelor of Science degree in Commerce, major in Accounting, from the University of Batangas, and took MBA classes at the DLSU Graduate School of Business.

**Lester C. Khan**, Filipino, 41 years old, the General Manager for Aviation Business and Action.able, is a driven sales and technical professional with nearly two decades of experience in the FMCG and oil/gas industry. Previously, he served as General Manager for both Pure Essence Inc. and Margarrett Enterprise Inc., which produce biodiesel and toll-packs for major FMCG companies. He started his career in Procter & Gamble where he was recognized for leading the reformulation and process development of the company's soap brands. In between his stints in manufacturing, he worked in Pilipinas Shell Petroleum Corp., handling Retail in South Mindanao. He is a licensed Chemical Engineer from the University of the Philippines Los Baños and a Six Sigma Green Belt Certified Practitioner. He completed his MBA studies at the Ateneo Graduate School of Business with Gold Honors.

**Ignacio Raymund S. Ramos, Jr.**, Filipino, 60 years old, is the Assistant Vice-President for Terminal Operations & Engineering, with 36 years of work experience in the oil and mining industry. Prior to joining Phoenix in 2018, he was a Consultant for Shell Eastern Petroleum Limited, Singapore, PT Alam Tri Abadi, Indonesia, PT Banten Energy LPG Terminal, Indonesia, PT Indonesia Bulk Terminal, Indonesia, PT Shell, Indonesia, Shell Guam Incorporated, Pilipinas Shell Petroleum Corporation and held various positions within Pilipinas Shell Petroleum Corporation organization. He earned a Bachelor of Science degree in Civil Engineering from the University of the Philippines.

**Chonabeth I. Nazario**, Filipino, 57 years old, is the Group Internal Audit Head of UDENNA Corporation and its subsidiaries, including Phoenix Petroleum Philippines, Inc. She is a Certified Public Accountant with more than 38 years of working experience in the fields of Audit, Treasury, Comptrollership, Taxation and Budget in real estate, manufacturing, power, agriculture, and retail industries. Before joining the UDENNA Group in 2018, Chona was the Executive Assistant to the President and CEO, and the Compliance Officer of ArthaLand Corporation. She held several positions in the areas of Finance including, Assistant Controller for the Commercial and Housing Divisions and later AVP Treasury for the High Rise Residential and Office Development Divisions of Robinsons Land Corporation, AVP Controller of Fil-Estate Ecocentrum Corporation and Finance Head, Treasurer and a member of the Board of Directors of San Miguel Properties Inc. and its subsidiaries. She started her audit career with Sycip, Gorres Velayo & Co., CPAs, Internal Audit Supervisor for Shoemart, Inc., and was the Internal Audit Head for the Alcantara Group of Companies. She is an active member of the Philippine Institute of Certified Public Accountants, Institute of Internal Auditors (Philippines), Association of Certified Fraud Examiners and the Institute of Corporate Directors. She graduated Cum Laude from the Polytechnic University of the Philippines, Bachelor in Accountancy.

**Rubin G. Cura**, Filipino, 55 years old, is a Shareholder Representative of the Company in its various Investments in Companies engaged in the ownership and operations of retail gasoline stations all over the country. He is a lawyer by profession and has 25 years of work experience in the oil and gas industry. Prior to joining PPPI in 2021, he was the Legal Counsel and the Asst. Corporate Secretary of Pilipinas Shell Petroleum Corporation and the Corporate Secretary of Pilipinas Shell Foundation, Inc. Before becoming a lawyer, he held several positions in Marketing and Sales in Pilipinas Shell and was previously the Retail Territory Manager in North Eastern Mindanao and Southern Luzon managing the operations of Shell's network of stations. He earned a Bachelor of Science in Commerce degree major in Business Management from San Beda University and earned his Bachelor of Laws degree from Arellano University School of Law.

**Hendra Nagunta**, Indonesian, 45 years old, based in Singapore, is the Chief Risk Officer and Group Head of Strategy, Portfolio and Planning with accumulated 24 years of work experience in pharmaceutical, chemical trading and petroleum downstream industry. Prior to joining Phoenix Petroleum in 2018 as Regional Head of Business Strategy and Portfolio handling new market entry, special projects and strategic partnership, He spent more than 16 years in Shell and Chevron across various managerial roles in B2B (Fuel and Lubricants), Retail and Supply Chain based in Indonesia, Philippines, and Singapore. He earned both Bachelor degree in Marketing and Master degree in Finance Management from the University of Surabaya, Indonesia.

Period of Service in the Company

| **Name** | **Period of Service** |
| --- | --- |

| | |
|---|---|
| Henry Albert R. Fadullon | April 17, 2017 to present |
| Ma. Concepcion F. De Claro | May 1, 2018 to present |
| Charlie R. Valerio | March 1, 2019 to present |
| Socorro Ermac Cabreros | July 2, 2006 to present |
| Jonarest Z. Sibog | March 27, 2006 to present |
| Alan Raymond T. Zorrilla | April 1, 2009 to present |
| Richard C. Tiansay | March 1, 2013 to present |
| Ericson S. Inocencio | February 15, 2014 to present |
| Roy O. Jimenez | May 11, 2015 to present |
| Joven Jesus Mujar | May 4, 2015 to present |
| Ma. Rita A. Ros | November 1, 2013 to present |
| Celeste Marie G. Ong | July 2, 2012 to present |
| Celina I. Matias | July 2, 2012 to present |
| Arnel G. Ablan | April 16, 2018 to present |
| Joriz B. Tenebro | November 5, 2018 to present |
| Magtanggol C. Bawal | December 1, 2017 to present |
| Lester C. Khan | February 18, 2019 to present |
| Ignacio Raymund S. Ramos, Jr. | January 6, 2018 to present |
| Chonabeth I. Nazario | June 1, 2018 to present |
| Rubin G. Cura | October 25, 2021 to present |
| Hendra Nagunta | March 14, 2022 to present |

***There are no Directors and/or Executives working in any government agency.***

Nominations of Directors and Independent Directors for the term 2020-2021

The following are the final nominees who were duly screened by the nomination committee for election to the Board of Directors for the following fiscal year 2022 at the forthcoming Annual Meeting:

1. Dennis A. Uy
2. Domingo T. Uy
3. Romeo B. De Guzman
4. J.V. Emmanuel A. de Dios
5. Minoru Takeda (Independent Director)
6. Cherylyn C. Uy
7. Nicasio I. Alcantara (Independent Director)
8. Consuelo Ynares-Santiago (Independent Director)
9. Monico V. Jacob
10. Henry Albert R. Fadullon
11. Stephen T. CuUnjieng

Minoru Takeda, Nicasio I. Alcantara and Consuelo Ynares-Santiago are nominated as Independent Directors based on following qualifications:

1. They have no transaction, affiliations or relations with the Issuer/Corporation
2. Their current business activities are different from the current business activities of the Corporation. Thus, their credentials add diversity in the business backgrounds of the Board of Directors
3. They have and will maintain independent judgment and views with the Board of Directors
4. Except for the 1 share each, they do not own any shares in the Corporation
5. Prior to initially being elected as Directors of the Company, they have not, at any time, rendered any service to the Company.
6. They possess none of the disqualifications of an Independent Director.

Retired Supreme Court Justice Consuelo Ynares-Santiago was nominated as Independent Director by Atty. J.V. Emmanuel A. de Dios. On the other hand, Mr. Nicasio I. Alcantara and Mr. Minoru Takeda were nominated by Ms. Cherylyn C. Uy. Atty. de Dios and Ms. Cherylyn C. Uy or any of the nominated directors are not related to either Retired Justice Santiago, Mr. Alcantara or Mr. Takeda by consanguinity or affinity and have no professional or business dealings with them. Retired Justice Santiago, Mr. Takeda and Mr. Alcantara are neither officers nor substantial stockholders of the Company. They possess the qualifications and none of the disqualifications of independent directors. Retired Justice Santiago, Mr. Alcantara and Mr. Takeda hold only one (1) share each in the Company. Prior to being elected as Director of the Company, they have not, at any time, rendered any service to the Company.

The members of the Nomination and Governance Committee are: Nicasio I. Alcantara (Chairman), Justice Consuelo Ynares-Santiago, Cherylyn C. Uy and Romeo B. De Guzman as members.

For the scheduled Annual Meeting, the Committee has screened and evaluated the candidates for Independent Directors based on the Rule 38 of the Securities Regulation Code (“SRC”) and the Company’s amended By-laws and New Code of Corporate Governance. Amendments to the By-laws of the Company incorporating the provisions of SRC Rule 38 were approved by the SEC on February 19, 2007.

*(For the individual write-ups of the nominees, please refer to item 5 of this Information statement.)*

(b) Significant Employees

No single person is expected to make a significant contribution to the Company’s business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company’s performance.

(c) Family Relationships

With the exception of Messrs. Domingo T. Uy and Dennis A. Uy who are related to each other by consanguinity within the first civil degree, Cherylyn C. Uy and Dennis A. Uy, who are spouses and related to each other by affinity, and Domingo T. Uy and Cherylyn C. Uy who are related to each other by affinity, there are no other family relationships either by consanguinity or affinity up to the fourth civil degree among the directors, executive officers, and persons nominated and chosen by the Company to become directors and executive officers of the Company.

(d) Involvement in Certain Legal Proceedings

The Department of Justice (DOJ) filed twenty-five (25) Informations against Dennis A. Uy, President and CEO of the Company, for alleged violations of the Tariff and Customs Code of the Philippines, twenty-two (22) of which were filed with the Regional Trial Court of Davao City, and three (3) Informations filed with the Regional Trial Court of Batangas City.

With respect to the Informations filed with the Regional Trial Court of Batangas City, upon filing by Mr. Uy on September 2, 2013 of an *Omnibus Motion for the Determination of Lack of Probable Cause*, the Regional Trial Court of Batangas City granted said motion on September 17, 2013 and DISMISSED all three (3) Informations which were filed in 2011 and 2013. The DOJ filed a *Motion for Reconsideration with Motion for Inhibition* of Judge Ruben A. Galvez, which was subsequently denied on December 6, 2013. On July 7, 2014, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that its Order dated December 6, 2013, which denied the Motion for Reconsideration and affirmed the Order dated September 17, 2013 which **dismissed** the 3 Informations filed against Mr. Uy for lack of probable cause, has already become final and executory since no appeal was filed therefrom.

With respect to the Informations filed with the Regional Trial Court of Davao City which were filed in 2011, 2013 and 2014, on October 4, 2013, the Regional Trial Court of Davao City ordered the DISMISSAL of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court docketed as **CA G.R. SP No. 06500-MINm CA, CDO, 23rd Division.** On October 24, 2016, Mr. Uy received a copy of the Decision of the CA dated October 12, 2016 **DENYING** the Petition for Certiorari. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

As of January 25, 2017, the Court of Appeals has **DENIED** the Petitioner's

Motion for Reconsideration and upheld the decision of the Court on October 12, 2016.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the SC, Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the SC's issuance of the resolution directing the Group to file Comment to the Petition for Review.

In a "Manifestation in Lieu of Reply" filed by the Office of the Solicitor General on July 10, 2019, the SOJ has prayed that their manifestation be duly considered and to dismiss all three (3) petitions without prejudice to the possible filing, if the Court desires, of supplemental memoranda from the parties.

On February 10, 2020, the case was set for the continuation of plaintiff's evidence. The counsel for the defendant, on the other hand, moves to defer his cross examination as they requested for an opportunity with the plaintiffs to discuss possible means of settling the case. The defendant's counsel requested for a June 2020 setting of the defendant to have ample time to exhaust this opportunity for amicable settlement, and the same was granted by the court.

The Supreme Court has finally settled all pending issues on the BOC cases and in a Decision on 10 December 2021, the Supreme Court DISMISSED the petitions for Review on Certiorari filed by the former Secretary of the Department of Justice Leila M. De Lima, Bureau of Customs and the People of the Philippines (De Lima, et. Al.), with respect to the Court of Appeals' Affirmation of the Dismissal of the charges filed against Jorlan C. Cabanes and the Company's Chairman, Mr. Dennis A. Uy for alleged violations of the Tariff and Customs Code, with G.R. Nos. 219295-96 and 229705. A copy of the decision can be read through the Supreme Court's website: https://sc.judiciary.gov.ph/23373/ The dispositive portion of the decision reads: "*In sum, the lower courts' finding of no probable cause are supported by relevant laws and evidence on record. Mindful of these considerations, the Court of Appeals' affirmation of the dismissal of the charges is not tainted with grave abuse of discretion. Wherefore, the Petitions are DENIED. The Court of Appeals Decisions and Resolutions in CA-G.R SP No. 129740 and CA-G.R. SP No. 131702 and CA-G.R. SP No. 06500-MIN are AFFIRMED. SO ORDERED*."2019, the SOJ has prayed that their manifestation be duly considered and to DISMISS all three (3) petitions without prejudice to the possible filing, if the Court desires, of supplemental memoranda from the parties.

For the Company, other court cases typical and customary in the course of the business operations of the Company such as those, among others, involving collection, qualified theft, breach of contract and reckless imprudence, and minor labor cases have been filed by and against the Company, by and against its employees and/or third parties. The results of which will not significantly affect the financial standing of the Company. Other than the above stated, no other significant cases were filed by and against the Company and its subsidiaries.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

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

**There are no other pending significant legal cases as far as records of the Company are concerned.**

(e) Certain Relationships and Related Transactions

The Group's related parties include the ultimate parent company, parent company, subsidiaries, stockholders, the Group's key management and others as described below.

The Company has an operating lease agreement with its ultimate parent company, Udenna Corporation, for the use of various properties for its operations and for office space. Furthermore, the Company regularly charters the use of marine tankers from its affiliate, CSC, for the hauling of its fuel products from suppliers' terminals and from its own depots to Company depots and to its customers. These contracted services are made on reasonable arms-length terms as would be obtainable from third party providers. The following are the transactions with related parties:

a.) ***Rentals***

The Group has an operating lease agreement with Udenna Corporation, the ultimate parent company. The total rent expense of the Company is presented as follows:

| 2018 | 2019 | 2020 | 2021 | TOTALS |
|---|---|---|---|---|
| 7,106,448.53 | 10,776,681.32 | 9,432,868.43 | 10,593,724.98 | **37,909,723.26** |

b.) ***Contract of Affreightment***

The Company entered into a Contract of Affreightment with CSC, an affiliate to haul the Company's petroleum supplies for both regional and domestic markets.

c.) ***Due to and Due from Related Parties***

| | Note | **2021** | 2020 |
|---|---|---|---|
| PSPC | | **P 990,161** | P 1,253,889 |
| P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI) | | **624,077** | 523,546 |
| FEC | | **520,941** | 6,518,500 |
| PNMC | | **388,159** | 3,929,751 |
| CJI | | **277,871** | 678,459 |
| TCQPC | | **254,278** | 11,678,227 |
| Galaxi | | **-** | 2,542,780 |
| PAPI | | **-** | 2,192,345 |
| EPDC | | **-** | 1,447,069 |
| ZFEC | | **-** | 912,399 |
| CISC | | **-** | 11,210 |
| | | **3,055,487** | 31,688,175 |
| Allowance for impairment | 4.2(*b*) | **( 106,130)** | ( 784,984) |
| | | **P 2,949,357** | P 30,903,191 |

***Key Management Compensations.***

The compensation of key management personnel are broken down as follows:

| | **2021** | **2020** | **2019** |
|---|---|---|---|
| Salaries and wages | 209,333,343 | 209,333,343 | 209,333,343 |
| 13th month pay and bonuses | 21,772,957 | 21,772,957 | 21,772,957 |
| Honoraria and Allowances | 13,110,558 | 13,110,558 | 13,110,558 |
| Post-employment benefits | 16,794,233 | 16,794,233 | 16,794,233 |
| Share-based payment | 3,730,524 | 3,730,524 | 3,730,524 |
| | **264,741,615** | **264,741,615** | **264,741,615** |

The Company has no self-dealing and related party transactions directly with its Directors.

## Item 6. Compensation of Directors and Executive Officers

The Company's executives are regular employees and are paid a compensation package of twelve (12)-months pay. They also receive performance bonuses similarly to those of the managerial, supervisory and technical employees.

The members of the Board of Directors who are not employees of the Company are elected for a period of one (1) year. The Company pays its non-executive directors a per diem of ₱30,000.00 for each regular meeting and ₱100,000.00 for the Annual Stockholer's Meeting. There are no other arrangements or agreements for which the members of the Board of Directors are compensated. The following are the amounts received by each Director for their attendance in the meetings in Fiscal Year 2021:

| | | |
|---|---|---|
| Dennis A. Uy | Php 0 | No per diem as he is an Officer of the Corporation |
| Henry Albert R. Fadullon | Php 0 | No per diem as he is an Officer of the Corporation |
| Domingo T. Uy | ₱220,000.00 | For attendance in 4 Regular BOD Meetings and 1 Annual Stockholders' Meeting |
| Romeo B. De Guzman | ₱220,000.00 | For attendance in 4 Regular BOD Meetings and 1 Annual Stockholders' Meeting |
| Cherylyn C. Uy | ₱220,000.00 | For attendance in 4 Regular BOD Meetings and 1 Annual Stockholders' Meeting |
| Stephen T. Cuunjieng | ₱220,000.00 | For attendance in 4 Regular BOD Meetings and 1 Annual Stockholders' Meeting |
| J.V. Emmanuel A. De Dios | ₱220,000.00 | For attendance in 4 Regular BOD Meetings and 1 Annual Stockholders' Meeting |
| Consuelo Ynares-Santiago | ₱220,000.00 | For attendance in 4 Regular BOD Meetings and 1 Annual Stockholders' Meeting |
| Monico V. Jacob | ₱220,000.00 | For attendance in 4 Regular BOD Meetings and 1 Annual Stockholders' Meeting |
| Minoru Takeda | ₱220,000.00 | For attendance in 4 Regular BOD Meetings and 1 Annual Stockholders' Meeting |
| Nicasio Alcantara | ₱220,000.00 | For attendance in 4 Regular BOD Meetings and 1 Annual Stockholders' Meeting |

The members of the Board of Directors are elected for a period of one (1) year.

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the executive officers of the Company are as follows:

***Summary of Projected Compensation Table***

| Projected Compensation of Executive Officers and Directors (in thousand Pesos) | | | | |
|---|---|---|---|---|
| | | Year ended December 31, 2022 | | |
| **Name** | **Principal Position** | **Salaries (in ₱)** | **Bonuses / 13th Month / Other Income (in ₱)** | **Total (in ₱)** |

| | | | | |
|---|---|---|---|---|
| **Dennis A. Uy** | Chairman and Chief Strategy officer | **56,640** | **4,720** | **61,360** |
| **Henry Albert R. Fadullon** | President | | | |
| **Ma. Concepcion F. De Claro** | Chief Finance Officer | | | |
| **Alan Raymond T. Zorrilla** | SVP – External Affairs, Business Development and Security | | | |
| **Charlie R. Valerio** | Chief Digital Officer | | | |
| All other officers and directors as a group unnamed | | **71,434** | **6,697** | **87,060** |

* *Total projected salaries and bonuses/* 13th *month and other income of the above named individuals*

| **Compensation of Executive Officers and Directors (in thousand Pesos)** | | | | |
|---|---|---|---|---|
| | | **Year ended December 31, 2021** | | |
| **Name** | **Principal Position** | **Salaries (in ₱)** | **Bonuses / 13th Month / Other Income (in ₱)** | **Total (in ₱)** |
| **Dennis A. Uy** | Chairman and Chief Strategy officer | **56,640** | **4,720** | **61,360** |
| **Henry Albert R. Fadullon** | President | | | |
| **Ma. Concepcion F. De Claro** | Chief Finance Officer | | | |
| **Alan Raymond T. Zorrilla** | SVP – External Affairs, Business Development and Security | | | |
| **Charlie R. Valerio** | Chief Digital Officer | | | |
| All other officers and directors as a group unnamed | | **71,434** | **6,697** | **87,060** |

| **Compensation of Executive Officers and Directors (in thousand Pesos)** | | | | |
|---|---|---|---|---|
| | | **Year ending December 31, 2020** | | |
| **Name** | **Principal Position** | **Salaries (in ₱)** | **Bonuses / 13th Month / Other Income (in ₱)** | **Total (in ₱)** |
| Dennis A. Uy | President and Chief Executive Officer | **56,640** | **4,720** | **61,360** |
| Henry Albert R. Fadullon | Chief Operating Officer | | | |
| Ma. Concepcion F. De Claro | Chief Finance Officer | | | |
| Alan Raymond T. Zorrilla | SVP – External Affairs, Business Development and Security | | | |
| William M. Azarcon | VP – Business development for terminals and depots | | | |

| | | | | |
|---|---|---|---|---|
| All other officers and directors as a group unnamed | | **71,434** | **6,697** | **87,060** |

The Directors and Officers of the Company hold no Outstanding Warrants and Options.

Generally, a typical employment contract executed between the Company and its named executive officers has the following terms:

1. Specification of job title, commencement date of employment, work assignment and possible need for reassignment of work or location as the need may arise;

2. A probation period of six months from commencement of employment. If the job performance is found to be satisfactory, employment shall be converted to regular basis.

3. Salary & Benefits: specifies that the executive shall receive his monthly salary and a guaranteed 13$^{th}$ month pay less the necessary government deductions allowed by law such as but not limited to SSS premium, Philhealth, Pag-IBIG contributions. The same section likewise provides that the executive's salary shall be subject to annual review which shall take into consideration his performance and the achievement of mutually-agreed goals.

4. Exclusivity: The employment contract provides that the executive shall render exclusive service to the Company and the prohibition to work with other companies regardless of whether such work is done outside office hours, if without the consent of the Company.

5. Confidentiality: The executive/employee is duty bound to keep all information, materials and records which he or she may access in the course of his/her employment with the Company are confidential in nature and he or she may not disclose or reproduce the same without the consent of the Company.

6. Professional Conduct: The executive concerned is expected to comply with all the policies and procedures which the Company may issue from time to time. It is specifically prohibited to accept any or all kinds of gifts from suppliers and customers without the consent of the Company

**Compensation Committee** (Now under the Nomination and Governance Committee)

The duties and functions of the Company's Compensation Committee has now been folded into the Nomination and Governance Committee, as such it shall be composed of at least three (3) members of the Board, at least one of whom shall be an Independent Director. The function of the Compensation Committee to be folded into the Nomination and Governance Committee includes establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provides oversight over remuneration of senior management and other key personnel.

The following are the members of the Nomination and Governance Committee:

| | |
|---|---|
| Nicasio I. Alcantara (Independent Director) | Chairperson |
| Consuelo Ynares-Santiago (Independent Director) | Member |
| Cherylyn C. Uy | Member |
| Romeo B. De Guzman | Member |

**Item 7. Independent Public Accountants**

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2021, 2020, and 2019. Said external auditor has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Punongbayan & Araullo will be recommended for re-appointment at the scheduled Annual Meeting.

Representatives of the firm are expected to be present at the Annual Meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Punongbayan & Araullo was first appointed external auditor of the Company in 2006. The Company is compliant with SRC Rule 68, paragraph 3(b)(IV) (Rotation of External Auditors) and the two year cooling off period. The certifying partner for the examination of the Company's financial statements for the year 2021 is **Mr. Ramilito Nañola**. The last of the Company's Financial Statement that Mr. Nañola certified was the Company's 2020 and 2019 Financial Statements.

**Audit Fees**

The following table sets out the aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by the Company's external auditors.

| Audit and Related Fees | | | | |
|---|---|---|---|---|
| | | Amount in Thousands Php | | |
| | | | | |
| Particulars | Nature | 2019 | 2020 | 2021 |
| Punongbayan and Araullo | Audit of FS for the year 2018 - Parent and Subsidiaries | **4,637.52** | | |
| Punongbayan and Araullo | Audit of FS for the year 2019 - Parent and Subsidiaries | **3,616.54** | **6,036.91** | **169.84** |
| Punongbayan and Araullo | Audit of FS for the year 2020 - Parent and Subsidiaries | | **4,742.71** | **9,028.61** |
| Punongbayan and Araullo | Audit of FS for the year 2021 - Parent and Subsidiaries | | | **6,657.82** |
| **Sub-total** | | **8,254.06** | **10,779.62** | **15,856.27** |
| | | | | |
| **Tax Advisory Services** | | | | |
| Sycip, Gorres and Velayo | Tax Consultancy | 120.00 | 210.00 | - |
| | | | | |
| **Sub-total** | | **120.00** | **210.00** | **-** |
| **All Other Fees** | | | | |
| | | | | |
| Entia Accounting Office | Professional Fee for BOI Registration of Depot Facilities | 1,445.17 | - | 1,339.41 |
| Punongbayan and Araullo | Professional Fee for Special Audit, Transfer Pricing, tax Compliance for PLPI and Due Diligence Engagement | 4,216.48 | 3,250.00 | - |
| **Sub-total** | | **5,661.65** | **3,250.00** | **1,339.41** |
| | | | | |
| **GRAND TOTAL** | | **14,035.71** | **14,239.62** | **17,195.68** |

**Audit Committee and Policies**

Under the Company's By-laws, the Audit Committee is responsible for, among others, the setting-up of an internal audit department and considers the appointment of an internal auditor as well as the independent external auditor, the audit fees and any question of resignation or dismissal, and the review of the quarterly, half-year and annual financial statements before their submission to the Board of Directors.

In accordance with the Company's By-laws and Manual of Corporate Governance, in 2007, the Company formed its Audit Committee. The Company's Audit Committee shall be composed of at least three (3) members of the Board, preferable with accounting and finance background, one of whom shall be an Independent Director and another should have related audit experience. The chairman of the Audit Committee should be an independent director and he should be responsible for inculcating in the minds of the members of the Board the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

The following are the members of the Audit Committee: Consuelo Ynares-Santiago (Independent Director) as Chairman, Monico V. Jacob, Nicasio I. Alcantara (Independent Director), Minoru Takeda (Independent Director) and Domingo T. Uy as members.

The Internal Audit systems of the Company have been in place since 2008 but these auditing tools are strengthened this year. The Internal Audit's role and responsibilities are defined in the Audit Charter approved by the Board of Directors. Primarily, it assists the Audit Committee of the Board in fulfilling its oversight responsibility to the shareholders by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and internal control processes.

Internal Audit, in fulfilling its role, performs the following general functions: 1.) evaluating the Company's governance processes including ethics-related programs; 2.) performing an objective assessment of the effectiveness of risk management and internal control framework, identifying risk exposures and recommending strategies to mitigate them; 3.) evaluating the reliability and integrity of financial statements and the financial reporting process; 4.) analyzing and evaluating business processes and associated controls; 5.) determining compliance with applicable laws and regulations.

Changes In and Disagreements With Accountants

The Company has not had any disagreement with its previous and current external auditor/independent public accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

**Item 8. Compensation Plans**

No action is to be taken by the Company with respect to any compensation plans.

## Employee's Stock Options Plan

On June 22, 2011, the Commission approved the application for exemption from the registration requirement of the Securities Regulations Code of the Company for the proposed issuance of 24,493,620 common shares for the Company's Employees Stock Options Plan (ESOP).

On May 14, 2014, the Philippine Stock Exchange (the Exchange) approved the listing of 24,493,620 Common shares pertaining to the Company's Employee Stock Option Plan (ESOP);

The subscription price for PNX's ESOP is based on the weighted average market price for the 30 trading days on the PSE immediately prior to the Initial Offering Date and for each subsequent Offering Dates.

On July 26, 2017, the Company, through its Stock Transfer Agent, implemented for the first time the Corporation's ESOP after its vesting period for 1 year. For the first tranche, the Company issued additional 2,160,000 PNX Common shares to qualified employees pursuant to the Employee Stock Option Plan (ESOP) in scripless form and on November 15, 2017, the company issued additional 601,000 PNX Common shares at the price of Php5.68 per share.

As of April 30, 2022, a total of 13,293,700 common shares(ESOP) have been exercised and subscribed by the company's grantees.

As of 19 May, 2022, the Company's closing share price is at Php 9.20, with a market capitalization of approximately Php13,267,052,574.40.

The ESOP was granted to the following persons:

a) Dennis A. Uy, Chief Strategy Officer
b) other top executives
c) all current executive officers as a group
d) there are no directors who were granted any ESOP shares of the Corporation since ESOP shares are granted only to regular employees
e) there are no persons who receive or is to receive 5% of the ESOP
f) there are no current directors who are not executive officers who received or was granted any ESOP shares
g) all other employees as a group

| ESOP Grantee | No. of Shares |
|---|---:|
| Top 5 Executives: | 3,067,300 |
| Other Executive Officers | 1,095,600 |

| | |
|---|---|
| All other qualified employees | 9,130,800 |
| **TOTAL** | **13,293,700** |

**Other than the items discussed above, there are no other types of compensation plans.**

## C. ISSUANCE AND EXCHANGE OF SECURITIES

### Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no authorizations or issuances of securities other than for exchange for outstanding securities for the registrant.

### Item 10. Modification or Exchange of Securities

No action is to be taken by the Company with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

### Item 11. Financial and Other Information

The Management Report is attached hereto as **Annex B** and the Annual Audited Financial Statement for Period ended December 31, 2021 is attached hereto as **Annex "C";**

### Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There are no transactions to be taken up by the Company with respect to any transaction involving mergers, consolidations, acquisitions, and similar matters.

### Item 13. Acquisition or Disposition of Property

There are no transactions to be taken up by the Company with respect to Acquisition or Disposition of Property.

### Item 14. Reclassification of Accounts

(Please refer to Note 2 of the Notes to the Financial Statements found in the Company's Audited Financial Statements, included herein as Annex C)

## D. OTHER MATTERS

### Item 15. Action with Respect to Reports and Other Proposed Action

The following items are to be voted upon in the stockholders' meeting in accordance with the internal rules set forth in Annex "D" of this Definitive Information Statement:

1. Approval of the Minutes of the Annual Stockholders' Meeting held last 30 April, 2021.
2. Report of the President and Chief Executive Officer
3. Approval of the 2021 Audited Financial Statements and 2021 Annual Report
4. Corporate Actions:
   A. Proposed Amendment of the Corporation's By-Laws amending Article II, Section 3 on Meetings of Stockholders particularly the Place of Meeting which includes the conduct of meeting using digital or remote access communications platform;
5. Ratification and Confirmation of all Acts and Resolutions of the Board and Management executed in the normal course of business covering the period of 01 February 2021 until 30 April 2022 as set forth in **Annex "A."**
6. Election of the Members of the Board of Directors
7. Election of External Auditor.

Each of the items above shall be voted for by the Common Stockholders and shall be deemed approved upon garnering the approval of the Common Stockholders representing at least majority (more than 50%) of the outstanding Common Shares. However, for the amendment of the Corporation's By-Laws, the item shall be deemed approved upon garnering the approval of at least 2/3 of the outstanding capital stock. For the election of the members of the Board of Directors, the nominees obtaining the top 11 most number of votes shall be elected as a Member of the Board of Directors.

A copy of the Minutes of the previous Annual Stockholders' meeting and the Company's 2021 Audited Financial Statements, as well as the 2021 Annual Report are available on the Company's website and shall be available upon request of the Stockholder. The report of the President shall be given at the Annual Stockholders' Meeting, as well as a short discussion of the Corporate Action to be voted upon. The names of the nominees for the Company's Members of the Board of Directors, as well as the nominated external auditor for fiscal year 2022, are found in page 25 and page 33 of this Definitive Information Statement, respectively.

Aside from the Election of the Members of the Board of Directors, election and appointment of the External Auditor, Approval of the 2021 Financial Statements and Annual Report, the approval Minutes of the Minutes of the previous year's Annual Stockholders' Meeting, and the items of Corporate action mentioned above, there are no other items that was discussed and approved by the Stockholders in the 2021 Annual Stockholders' Meeting.

A copy of this Definitive Information Statement, which includes the Notice and Agenda, will be sent to stockholders of record (as of May 23, 2022) starting May 27, 2022.

Below was the agenda of the 2021 Annual Stockholders' Meeting held in the Company's Corporate Headquarters in Davao City.

## NOTICE AND AGENDA

NOTICE is HEREBY GIVEN that the Annual Stockholders Meeting of PHOENIX PETROLEUM PHILIPPINES, INC. will be held on Friday, April 30, 2021, 10:00 AM at the Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Davao City. The meeting will be conducted virtually via remote access communications and registration for the meeting can be accessed through the link, http://asm.phoenixfuels.ph/PNX2021

The agenda for the Meeting shall be, as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held last May 29, 2020
4. Report of the President and Chief Executive Officer
5. Approval of the 2020 Audited Financial Statements and 2020 Annual Report
6. Corporate Actions:
    a) Proposed Authority for management to enter into negotiations for reasonable and acceptable terms and conditions advantageous to the Corporation with any third party corporation(s) or any other entity or entities for the possible transfer, sale, mortgage or disposition of certain corporate properties, assets, or investments as may be necessary and required in relation and pursuant to the financial management program exercised by the Corporation as part of its debt management and funding activities;
7. Ratification and Confirmation of all Acts and Resolutions of the Board and Management executed in the normal course of business covering the period of 06 Feb 2020 until 28 February 2021
8. Election of the Members of the Board of Directors
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

All stockholders as of **05 April 2021** shall be entitled to participate and vote in the said annual meeting.

In view of the current COVID-19 pandemic and the continuing quarantine being implemented in Metro Manila and Davao City, where the Company's principal place of office is located, the physical and actual holding of the Annual Stockholder's Meeting cannot be conducted. In lieu thereof, the Annual Meeting on April 30, 2021 shall be conducted vial live streaming. Stockholders whose share and proxies are duly validated may attend, participate and vote by proxy or in absentia during the meeting.

Proxy Forms and Special Powers of Attorney or other Authorization Forms shall be made available in the Company's website and must be submitted to the Office of the Corporate Secretary, with address at Phoenix Petroleum Corporate Headquarters, Stella Hizon Reyes Road, Bo. Pampanga, Davao City by mail or sent by email at pnx.corpsec@phoenixfuels.ph. Validation of proxies and registration shall commence at 10:00AM of April 16, 2021 until 3:00PM of April 29, 2021. Participation in the meeting as well as voting shall be through remote communications. Procedure for voting shall be posted in the Company's website.

Atty. Socorro Ermac Cabreros
Corporate Secretary

**Item 16. Matters Not Required to be Submitted**

There are no actions to be taken with respect to any matter, which are not required to be submitted to a vote by security holders.

**Item 17. Amendment of Articles of Incorporation, By-laws or Other Documents**

One of the proposed corporate actions in the annual meeting is the amendment of the Company's By-Laws, particularly Article II, Section 3 on the Place of Meeting. The Proposed amendment of Article II, Section 3 consists as follows:

> *"Section 1.* ***Place of Meeting -*** *Stockholders' meetings, whether regular or special, shall be held in the principal office of the Corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the Corporation is located.*
>
> *Subject to the applicable laws, rules and legal orders issued by the proper authorities, the Corporation may opt to hold virtual stockholder's meetings through remote communication and allow the members of the Board of Directors, officers and stockholders, to participate and/or vote through remote communication or in absentia."*

The foregoing proposed amendment in Article II, Section 3 of the Company's By-Laws is intended to allow the company to hold virtual stockholders' meetings. Originally necessitated by the lockdowns caused by the worldwide Covid pandemic, virtual stockholders' meetings shall give greater access to more stockholders to the stockholders' meetings, as it removes the necessity for each stockholder to travel to the principal office of the Corporation just to attend the stockholders' meetings. With the advent of more advanced technology, it provides more convenience to stockholders who want to attend and participate in the Company's Stockholders' Meetings.

Considering that the world is not yet free from the threat of the Covid pandemic, holding virtual stockholders' meetings is also a safer approach in holding its stockholders' meetings.

This proposal also generates more savings, as the holding of virtual Stockholders' Meetings is more cost effective compared to face-to-face Stockholders' Meetings.

Other than the item mentioned above, there are no other actions to be taken with respect to any Amendment of Articles of Incorporation, By-laws or other documents.

**Item 18. Other Proposed Action**

There are no other actions to be taken with respect to any other significant matter.

**Item 19. Voting Procedures**

Under the Corporation Code, the affirmative vote of stockholders representing at least two thirds (2/3) of the outstanding capital stock of the Company shall be necessary for the approval of the proposed amendment to the Articles of Incorporation or By-Laws and the investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

Except in cases provided above, or where the law provides otherwise, all matters subject to vote shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Stockholders of record are entitled to one (1) vote per share. There is no manner of voting prescribed in the By-Laws of the Company. Hence, voting may be done by *viva voce*, raising of hands or by balloting.

The external auditor of the Company, Punongbayan & Araullo, will validate the votes when voting is done by secret ballot. Likewise, Punongbayan & Araullo will count the number of hands raised when voting by show of hands is done.

Considering that the Annual Stockholders' Meeting will be held virtually and in accordance with SEC Memorandum No. 6, series of 2021, the Company made internal procedures, attached herewith as **Annex D**, describing the steps to be taken by stockholders for the latter to cast/submit their votes online. The stockholders shall be entitled to the same number of votes as described above.

The following items will be included in the agenda for the meeting:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held last April 30, 2021
4. Report of the President and Chief Executive Officer
5. Approval of the 2021 Audited Financial Statements and 2021 Annual Report
6. Corporate Actions:

    a. Proposed Amendment of the Corporation's By-Laws amending Article II Section 3 on Meetings of Stockholders particularly Place of Meeting which includes the conduct of meeting using digital or remote access communications platform;

7. Ratification and Confirmation of all Acts and Resolutions of the Board and Management executed in the normal course of business covering the period of 01 Feb 2021 until April 30, 2022
8. Election of the Members of the Board of Directors
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

**Item 20. Participation of Shareholders by Remote Communication**

In compliance with the Enhanced Community Quarantine, imposing strict home quarantines, prohibitions on mass gatherings, requirement of social distancing and limitations on movement, other than those for access to basic necessities, and to secure the health and safety of our stockholders, directors and officers, the Company shall hold its Annual Stockholders' Meeting. The Annual Stockholders' Meeting shall be held purely through remote communication and the Company shall notify the stockholders, through a disclosure at the Philippine Stock Exchange if there are further developments allowing physical attendance in the meeting, absence of such disclosure and announcement, stockholders shall not be allowed to physically attend the meeting and may only participate only through the means stated in "Annex D" of this Definitive Information Statement.

For the Company an opportunity to validate the details of the participants of the meeting and to identify the shareholders participating via remote communication and to record the stockholders' presence as part of the quorum, the shareholders may register through **http://asm.phoenixfuels.ph/PNX2022** starting 10:00AM of June 6, 2022 until 3:00PM of June 16, 2022, and provide the needed information. After a successful validation, a link will be sent to the stockholder indicating where he/she can access the meeting via remote communication.

Any questions for the stockholders meeting or any clarificatory questions can be sent to pnx.corpsec@phoenixfuels.ph or investors@phoenixfuels.ph. Any additional questions or questions not directly addressed during the meeting shall be answered through email. Proxy and voting forms shall be available through the Company's website at https://www.phoenixfuels.ph/annual-stockholders-meeting/. For a more detailed discussion of the internal procedures, the stockholders' may refer to Annex D of this Definitive Information Statement.

*(signature page follows)*

## SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report was signed in Davao City on **20 May, 2022.**

**P-H-O-E-N-I-X Petroleum Philippines, Inc.**

**By:**

**SOCORRO ERMAC T. CABREROS**
Corporate Secretary

**ANNEX A**

| | **ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS February 1, 2021 to April 30, 2022** |
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| **1-Feb-2021** | • **RESOLVED** that the Corporation to sign, execute and deliver an ABSOLUTE DEED OF SALE for implementation of the foregoing authority and in as far as sale with Valueleases, Inc. only;<br>• **RESOLVED,** as it is hereby resolved, that any of all the foregoing transactions shall be negotiated, concluded, obtained and/or contracted for by the company's authorized representative **CELESTE MARIE G. ONG,** under such terms and conditions and stipulations as the said authorized signatory may deem advisable and desirable in the best interest of the Corporation: |
| **5-Mar-2021** | • **RESOLVED**, as it hereby resolve to authorize the Corporation to represent, execute, sign, receive, claim, and process any and all related documents pertaining to the company's properties situated within Davao Region, including lessor's permit, Certified Copies of Titles, Tax Declarations, Receipts and Clearances and other related documents with the Office of Registry of Deeds, Assessor's and Treasurer's Office. **RESOLVED FURTHER**, as it is hereby resolved to authorize **NICOLE C. CALIG-ONAN and/or TERESITA MANZO** to above powers and thereby to execute and sign in behalf of the Corporation. |
| | • **RESOLVED,** that PHOENIX be, as it is hereby authorized to participate in the bidding of **SUPPLY and DELIVERY (P.R. # 21 – 02 – 019) Purchase of 15,000 liters – Diesel Fuel and 2000 liters Gasoline use of Various Service Vehicle and Heavy Equipment, Cebu City that if awarded the tender shall enter into a contract with DEPT. PUBLIC WORKS and HIGHWAYS – CEBU CITY DEO**, and in connection therewith thereby appoint any one (1) of the following officers;<br><br>**HENRY ALBER FADULLON (PRESIDENT AND CHIEF EXECUTIVE OFFICER)**<br>**ROY O. JIMENEZ (GEN. MANAGER FOR COMMERCIAL & INDUSTRIAL BUSINESS),**<br>**RICHARD TIANSAY (GEN. MANAGER FOR PRICING AND DEMAND AND SUPPLY)**<br><br>• acting as duly authorized and designated representative of **Phoenix** granted full power and authority to do execute and perform any and all acts necessary and/or to represent **Phoenix** in the bidding as fully and effectively as the Phoenix might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue thereof. |
| | • **RESOLVED,** as it hereby resolved and authorize the Corporation to submit the bid proposals and documents for the **(P.R. # 21 – 02 – 019) Purchase of 15,000 liters – Diesel Fuel and 2000 liters Gasoline use of Various Service Vehicle and Heavy Equipment, Cebu City that if awarded the tender shall enter into contract with DEPT. PUBLIC WORKS and HIGHWAYS – CEBU CITY DEO** and perform related transactions such as; send/receive documents, sign documents, follow up, transacting, attend to all concerns and collect all payments and issue corresponding official receipts; **RESOLVED,** as it hereby resolved to authorize any one (1) of the employees, **DHYRIS CAJES/FRANCIS BAUTISTA/MAXWELL BONGO/GEOFFREY VINALON.** |
| | • **RESOLVED**, as it hereby resolves to authorize the Corporation to represent, execute, sign, receive, claim, and process any and all related documents pertaining to the company's request for issuance of TAX CLEARANCE CERTIFICATE and other related documents with the office of BUREAU OF INTERNAL REVENUE (BIR). **RESOLVED FURTHER**, as it is hereby resolved to authorize **ALAN RAYMOND T. ZORRILLA and/or FRANCESCA R. AMARANTO** to above powers and thereby to execute and sign in behalf of the Corporation. |

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| | • **RESOLVED,** as it hereby resolved **P-H-O-E-N-I-X Petroleum Philippines Inc.,** as it hereby authorized and empowered to negotiate, transaction and deal for the purchase of 9, 288 square meters parcel of land covered by TCT – 055-2020002642 situated in Brgy. Salong Municipality of Calaca province of Batangas Island of Luzon registered under the name of **CALACA INDUSTRIAL SEAPORT CORP**.; **RESOLVED FURTHER,** as its be resolved, to sign, execute and enter into contract i.e Deed of Absolute Sale with Calaca Industrial Seaport Corp. over the above-mentioned property and apply for registration and change of name with Assessor's Office and Registry of Deeds; **RESOLVED FURTHER,** as it is hereby resolved, that any of all foregoing transaction shall negotiate, concluded, obtained and/or contracted for by the Company's President **HENRY ALBERT R. FADULLON**, under such terms. |
| | • **RESOLVED**, as it hereby resolves to authorize the Corporation to represent, execute, sign, receive, claim, and process any and all related documents pertaining to the company's properties situated in Cagayan de Oro and Villanueva, Misamis Oriental, including lessor's permit, Certified Copies of Titles, Tax Declarations, Receipts and Clearances and other related documents with the Office of Registry of Deeds, Assessor's and Treasurer's Office Cagayan De Oro and Villanueva Misamis Oriental. **RESOLVED FURTHER**, as it is hereby resolved to authorize **CHERRY PACQUIAO** to above powers and thereby to execute and sign in behalf of the Corporation. |
| | • **RESOLVED**, as it is hereby resolved, to authorized the corporation to represent the corporation in all hearing, proceedings, pre-trial/preliminary conference, mediation, JDR and to further enter into compromise/amicable settlement for the early disposition of the case entitled **"Sps. Ricardo C. Alba & Emilie R. Alba vs Phoenix Petroleum Phils., Inc. & Dept. of Public Works & Highways denominated as Civil Case No. R-CEB-18-00429CV"** for forcible Entry, Damages and Injunction with Application for a Temporary Restraining Order and a Writ of Preliminary Injunction at the Regional Trial Court, Branch 17, Cebu City; **RESOLVED FURTHER**, That any one of the following: Vice President for Corporate Legal, **ATTY. SOCORRO ERMAC CABREROS** and/or **ATTY. INOCENCIO A. DELA CERNA JR**, be as they are hereby authorized, individually and separately, and (1) To represent the corporation in all hearing, proceedings, pre-trial/preliminary conference, mediation, JDR;(2) To enter into an amicable settlement upon prior consultation with the corporation on the terms and conditions therein; (3) To submit to alternative modes of dispute resolution, including but not limited to mediation and judicial dispute resolution; (4) To enter into stipulations or admissions of facts, simplification of issues, identification and marking of evidence, waiver of objections to admissibility of evidence;(5) To exercise acts enumerated under Section 2 of Rule 18 of the Revised Rules of Court; (6)To cause the preparation, execute and sign pleadings, motions, memoranda, position papers and such other documents as may be needed in the course of the trial as well as to submit and present evidences;(7)To follow up and sign in behalf of the corporation relative to the above entitled case in the Regional Trial Court, Branch 17, Cebu City;" |
| | • **RESOLVED,** as it hereby resolved and authorize the Corporation to submit the bid proposals City of Lapu – Lapu, Cebu for Supply and Delivery of Fuel (DIESEL) with PR No. 21-02-00174 dated 3-17-2021) and perform related transactions such as; to send/receive documents, sign documents, follow up, transact, attend to all concerns and collect all payments and issue corresponding official receipts; **RESOLVED,** as it hereby resolved to authorize any one (1) of the employees, **DHYRIS CAJES/FRANCIS BAUTISTA/MAXWELL BONGO/GEOFFREY VINALON.** |
| | • **RESOLVED,** that PHOENIX be, as it is hereby authorized to participate in the bidding of **SUPPLY and DELIVERY** fuel (Diesel) for use in dredging operation of Amphibious Excavator assigned in Mananga River, Brgy. Jaculpan Talisay City Cebu (Contract is 21GH00001 with PR No. 2021-02-008 dated 2-19-2021), **if awarded the tender shall enter into a contract with DEPT. PUBLIC WORKS and HIGHWAYS – CEBU CITY DEO**, and in connection therewith thereby appoint any one (1) of the following officers;<br><br>**HENRY ALBER FADULLON (PRESIDENT AND CHIEF EXECUTIVE OFFICER)**<br>**ROY O. JIMENEZ (GEN. MANAGER FOR COMMERCIAL & INDUSTRIAL BUSINESS),**<br>**RICHARD TIANSAY (GEN. MANAGER FOR PRICING AND DEMAND AND SUPPLY)** |

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| | • acting as duly authorized and designated representative of **Phoenix** granted full power and authority to do execute and perform any and all acts necessary and/or to represent **Phoenix** in the bidding as fully and effectively as the Phoenix might do if personally present with the full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue thereof; |
| | • **RESOLVED,** as it hereby resolved and authorize the Corporation to submit the bid proposals Department of Public Works and Highways Office of Regional Director VII for supply and delivery of fuel (Diesel) for use in dredging operation of Amphibious Excavator assigned in Mananga River, Brgy. Jaculpan Talisay City Cebu (Contract is 21GH00001 with PR No. 2021-02-008 dated 2-19-2021), for the use and perform related transactions such as; sending/receiving documents, signing documents, following up, transacting, attending to all concerns and collecting all payments and issuing corresponding official receipts; **RESOLVED,** as it hereby resolved to authorize any one (1) of the employees, **DHYRIS CAJES/FRANCIS BAUTISTA/MAXWELL BONGO/GEOFFREY VINALON/OLIA LACHICA.** |
| | • **RESOLVED,** that PHOENIX be, as it is hereby authorized to participate in the bidding of **SUPPLY and DELIVERY (DIESEL & PREMIUM GASOLINE) for City of LapuLapu with PR No. 21-02-00174 dtd 3-16-2021**, and in connection therewith thereby appoint any one (1) of the following officers;<br><br>**HENRY ALBER FADULLON (PRESIDENT AND CHIEF EXECUTIVE OFFICER)**<br>**ROY O. JIMENEZ (GEN. MANAGER FOR COMMERCIAL & INDUSTRIAL BUSINESS),**<br>**RICHARD TIANSAY (GEN. MANAGER FOR PRICING AND DEMAND AND SUPPLY)**<br><br>• acting as duly authorized and designated representative of **Phoenix** granted full power and authority to do execute and perform any and all acts necessary and/or to represent **Phoenix** in the bidding as fully and effectively as the Phoenix might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue thereof; |
| **08-Apr-2021** | • **RESOLVED,** that PHOENIX be, as it is hereby authorized to participate in the **PROCUREMENT of DIESEL AND GASOLINE UNDER P.R NOs. 03-19-2021 – office of the City Administrator and 0331-2021-CMO-Provision for Construction in Progress: Building and Other Structures (Continuing-1) Lot**, if awarded the tender shall enter into a contract with the **City of Government of Butuan**, and in connection therewith thereby appoint any one (1) of the following officers;<br><br>**HENRY ALBERT FADULLON (PRESIDENT AND CHIEF EXECUTIVE OFFICER)**<br>**ROY O. JIMENEZ (GEN. MANAGER FOR COMMERCIAL & INDUSTRIAL BUSINESS),**<br>**RICHARD TIANSAY (GEN. MANAGER FOR PRICING AND DEMAND AND SUPPLY)**<br><br>• acting as duly authorized and designated representative of **Phoenix** granted full power and authority to do execute and perform any and all acts necessary and/or to represent **Phoenix** in the bidding as fully and effectively as the Phoenix might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue thereof; |
| | • **RESOLVED,** as it hereby resolved and authorize the Corporation to submit the bid proposals with the **CITY OF GOVERNMENT OF COTABATO for the Land Development of Ecozone Project – (Purchase of Diesel Fuel) with CEO-2021-44**, for the use and perform related transactions such as; to send/receive documents, sign documents, follow up, transact, attend to all concerns and collect all payments and issue corresponding official receipts; **RESOLVED,** as it hereby resolved to authorize any one (1) of the employees, **DHYRIS CAJES, ENEDINA CACABELOS, MARIO CACABELOS II, MARIA AILEEN CAGANG** |

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| | • **RESOLVED,** that PHOENIX be, as it is hereby authorized to participate in the **LAND DEVELOPMENT OF THE ECOZONE PROJECT – (PURCHASE OF DIESEL FUEL) WITH CEO-2021-44 – WITH CITY GOVERNMENT OF COTABATO** and in connection therewith thereby appoint any one (1) of the following officers;<br><br>**HENRY ALBERT FADULLON (PRESIDENT AND CHIEF EXECUTIVE OFFICER)**<br>**ROY O. JIMENEZ (GEN. MANAGER FOR COMMERCIAL & INDUSTRIAL BUSINESS),**<br>**RICHARD TIANSAY (GEN. MANAGER FOR PRICING AND DEMAND AND SUPPLY)**<br><br>• acting as duly authorized and designated representative of **Phoenix** granted full power and authority to do execute and perform any and all acts necessary and/or to represent **Phoenix** in the bidding as fully and effectively as the Phoenix might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue thereof; |
| | • **RESOLVED,** as it is hereby resolve to authorize the Corporation to apply, transact, and process light and power connections with Visayan Electric Company (VECO); including water connection/ and other permits necessary with any private and government entities such as Office of the Building Official (OBO), including Lessor's Permit when necessary, for the business operation of Phoenix Fuels Life Stations within the area of Lapu-Lapu City, Mandaue City and Cebu City, Cebu; **RESOLVED FURTHER**, as it is hereby resolved to authorize ANGEL DUNGOG to do the above powers and thereby to execute and sign in behalf of the said Corporation all transactions and negotiations with said locale government unit and other private entities in order to execute and implement the foregoing authority; |
| | • **RESOLVED,** that PHOENIX be, as it is hereby authorized to participate **in the supply and Delivery of Fuel (Diesel) for the use of dredging Operation of Amphibious Excavator assigned at Mananga River Brgy. Jaclupan, Talisay Cebu (Contract 21G0000H with PR # 2021-02-008 dated 2-19-2021 (REBID)**, if awarded the tender shall enter into a contract with the **Department of Public Works and Highway Office of The Regional Director VII**, and in connection therewith thereby appoint any one (1) of the following officers;<br><br>**HENRY ALBER FADULLON (PRESIDENT AND CHIEF EXECUTIVE OFFICER)**<br>**ROY O. JIMENEZ (GEN. MANAGER FOR COMMERCIAL & INDUSTRIAL BUSINESS),**<br>**RICHARD TIANSAY (GEN. MANAGER FOR PRICING AND DEMAND AND SUPPLY)**<br><br>• acting as duly authorized and designated representative of **Phoenix** granted full power and authority to do execute and perform any and all acts necessary and/or to represent **Phoenix** in the bidding as fully and effectively as the Phoenix might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue thereof; |
| | • **RESOLVED,** as it hereby resolved and authorize the Corporation to submit the bid proposals with the City Government of Butuan for the Procurement of Diesel Gasoline under PR: No. 0319-2021-Office of the City Administrator and 0331-2021-CMO-Provision for Construction in Progress: Building and other Structures (Continuing-1Lot) and perform related transactions such as; to send/receive documents, sign documents, follow up, transact, attend to all concerns and collect all payments and issue corresponding official receipts; **RESOLVED,** as it hereby resolved to authorize any one (1) of the employees, **DHYRIS CAJES/FRANCIS BAUTISTA/MAXWELL BONGO/GEOFFREY VINALON.** |
| | • **RESOLVED,** as it hereby resolved and authorize the Corporation to submit the bid proposals with the UNIVERSITY OF SOUTHERN MINDANAO for the UNIVERSITY OF SOUTHERN MINDANAO fuel requirement for the year 2021 and perform related transactions such as; to send/receive documents, sign documents, follow up, transact, attend to all concerns and collect all payments and issue corresponding official receipts; **RESOLVED,** as it hereby resolved to authorize any one (1) of the employees, **DHYRIS CAJES/FRANCIS BAUTISTA/MAXWELL BONGO/GEOFFREY VINALON.** |

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| | • **RESOLVED,** that PHOENIX be, as it is hereby authorized to participate in the **UNIVERSITY OF SOUTHERN MINDANAO bidding for 2021**, if awarded the tender shall enter into a contract with the **City of Government of Butuan**, and in connection therewith thereby appoint any one (1) of the following officers;<br><br>**HENRY ALBERT FADULLON (PRESIDENT AND CHIEF EXECUTIVE OFFICER)**<br>**ROY O. JIMENEZ (GEN. MANAGER FOR COMMERCIAL & INDUSTRIAL BUSINESS),**<br>**RICHARD TIANSAY (GEN. MANAGER FOR PRICING AND DEMAND AND SUPPLY)**<br><br>• acting as duly authorized and designated representative of **Phoenix** granted full power and authority to do execute and perform any and all acts necessary and/or to represent **Phoenix** in the bidding as fully and effectively as the Phoenix might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue thereof; |
| | • **RESOLVED,** as it hereby resolve authorize the Corporation to apply, transact and process of light and power connections and including water connections and other permits necessary with any private and government entities for the business operation of Phoenix Stations within area of Davao Region; **RESOLVED FURTHER**, as it hereby resolved authorized any one (1) from the companies sales team ERIK T. BLANCIA, SAMUEL GAMUTAN JR., NICOMAR BRIONES, SARAH MAE BONGCAS, JOECRIS YPARRGUIRRE AND JACQUELINE MAH. |
| | • **RESOLVED,** by the Corporation be as it hereby, authorized and empowered to process, claim and receive the proceeds of the settlement of concrete signage and concrete pedestal setback/removal from the Department of Works and Highways (DPWH) Region XI pursuant to its road expansion project along the corporation Phoenix Station in Cabantian Davao City; **RESOLVED FINALLY,** to authorize and empower **DOMINGO T. UY** to do the power above mentioned and thereby execute and sign in behalf of the Corporation. |
| | • **RESOLVED,** that PHOENIX be, as it is hereby authorized to participate in the Procurement of Fuel Fleet Card System (COBAC IB No. 010 (G) s. 2021, if awarded the tender shall enter into a contract with the **DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT**, and in connection therewith thereby appoint any one (1) of the following officers;<br><br>**HENRY ALBERT FADULLON (PRESIDENT AND CHIEF EXECUTIVE OFFICER)**<br>**ROY O. JIMENEZ (GEN. MANAGER FOR COMMERCIAL & INDUSTRIAL BUSINESS),**<br>**RICHARD TIANSAY (GEN. MANAGER FOR PRICING AND DEMAND AND SUPPLY)**<br><br>• acting as duly authorized and designated representative of **Phoenix** granted full power and authority to do execute and perform any and all acts necessary and/or to represent **Phoenix** in the bidding as fully and effectively as the Phoenix might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue thereof. |
| | • **RESOLVED,** as it hereby resolved and authorize the Corporation to submit the bid proposals with the DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT, Procurement of Fuel Fleet Card System (COBAC IB No. 010 G.s 2021 and perform related transactions such as; to send/receive documents, sign documents, follow up, transact, attend to all concerns and collect all payments and issue corresponding official receipts; **RESOLVED,** as it hereby resolved to authorize any one (1) of the employees, **ALYSSA NICOLE JAVIER**. |
| **7-Apr-2021** | • **RESOLVED, AS IT HEREBY RESOLVED** to authorized the company's Accounting Manager WINDY DAGSA, to represent and file on behalf of the Company's a verified petition for issuance of owners duplicate copies of Transfer Certificate (TCT) - No. 116955 and TCT-116956 before the regional trial court of Batangas and thus empowered and authorized to undertake and consider the following:<br>• to secure document from the government offices required for the filing of the petition, to sign and execute on behalf of the Company Verification and Certification of Non-Forum Shopping as required by law, to submit affidavits, pleadings briefs, memoranda position papers and legal documents in behalf of the company. |

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| **28-Apr-2021** | • **RESOLVED,** as it hereby resolved, that the corporation be empowered and authorized to apply for negotiating, obtain loans, from Maybank Philippines Inc. including renewal refinancing, terming out, restructuring, extension, and/or increase thereof its existing credit facilities and/or grant of additional facilities in the form of Temporary Excess or Temporary facility in such amount(s) and under such terms and conditions as may be mutually agreed upon, and to secure and guarantee the payment of the aforesaid loans or credit facility by means of mortgage pledge, assignment or any other form of an encumbrance upon any and all properties or assets of the corporation of whatever kind and nature, real or personal as may be sufficient necessary or required for the purpose: RESOLVED, that any two (2) of the following authorized, as the authority is given, to sign for and in behalf of the Corporation<br><br>NAME:<br>HENRY ALBERT R. FADULLON PRESIDENT<br>MA. CONCEPCION F. DE CLARO CFO<br>RAYMOND T. ZORRILLA Senior VICE PRESIDENT |
| **04-Jun-2021** | • **RESOLVED,** as it hereby resolved that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES INC,** (The Corporation) be as it hereby authorized and empowered to enter into negotiations under reasonable and acceptable terms and conditions advantageous to the Corporation with the third party corporations or any other entity for the transfer, sale mortgage or disposition of certain corporate properties, assets or investments as may be necessary and required relation and pursuant to the financial management program exercised by the Corporation as part of its debt management and financing activities: **RESOLVED,** that any two (2) of the following authorized, as the authority is given, to sign for and in behalf of the Corporation<br><br>NAME:<br>HENRY ALBERT R. FADULLON PRESIDENT<br>MA. CONCEPCION F. DE CLARO CFO<br>RAYMOND T. ZORRILLA Senior VICE PRESIDENT<br><br>• **RESOLVED FURTHER**, as it hereby resolved that for purposes of negotiating, signing or entering into contract agreement in relation to due diligence or any pre -works in support of the aforementioned transactions up to total contract amount Php 1.00mn, the company designates the Corpration Investor Relations Manager Daryl Eunika B. Maloles. |
| **05-Jun-2021** | • **RESOLVED,** that the Corporation be, as it hereby authorized and empower to transact, sign, process, and represent in all manners relating to the submission of the Books of Accounts of the Corporation based on the BIR RMC - 57-2020 with the Bureau of Internal Revenue (BIR); **RESOLVED FURTHER,** as it is hereby resolved to authorized anyone, namely; **ARWIN B. REYES and/Or ADRIAN CHRISTOPHER RADOVAN** to execute and implement the foregoing authority. |
| **02-Jul-2021** | • **RESOLVED,** as it is hereby resolved, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES INC.** be, as it is hereby authorized and empowered to apply and process the Company's application for accreditation, renewal of its Permit to Operate, Bunkering Permit, Ports User's Pass and Vehicle Pass with the Philippine Ports Authority (PPA);<br>• **RESOLVED,** as it is hereby resolved, that any of all the foregoing transactions shall be negotiated, concluded, obtained and/or contracted for, by the Company's Phoenix Calapan Depot's Superintendent JAMES EDWARD D. DE OCAMPO;<br>• **RESOLVED FURTHER**, as it is hereby resolved to authorize Mr. De Ocampo to process with PPA the above-mentioned applications. |
| | • **RESOLVED,** as it is hereby resolved to authorize the Corporation to submit bid and proposals with the **Department of the Interior and Local Government for the Procurement of Fuel Fleet Card System - Negotiated Procurement and Request for Quotation (RFQ) No. 2021-151** and perform related transactions such as: to send/receive documents, sign documents, follow up, transact attend to all concerns and collect all payments and issue corresponding official receipts; **RESOLVED FURTHER**, as it is hereby resolved to authorize any one (1) of the following:<br><br>**Ma. Alyssa Nicole Javier**<br>**Francisco T. Bautista Jr.** |

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| | **Paula Kate F. Zatarain** |
| | • **RESOLVED,** that **Phoenix** be, as it hereby is, authorized to participate in the **Procurement of Fuel Fleet Card System - Negotiated Procurement and Request for Quotation (RFQ) No. 2021-151** that if awarded the tender shall enter into a contract with the **Department of the Interior and Local Government**; and thereby appoint **<u>any one (1)</u>** of the following officers of the company:<br><br>Name — Designation<br>HENRY ALBERT R. FADULLON — President and Chief Executive Officer<br>ROY O. JIMENEZ — Gen. Manager for Commercial & Industrial Business<br>RICHARD C. TIANSAY — Gen. Manager for Pricing and Demand and Supply |
| | • **RESOLVED,** that **Phoenix** be, as it hereby is, authorized to participate in the bidding for **The Supply of Fuel and Lubricants for City Government of Cotabato** that if awarded the tender shall enter into a contract with the **City Government of Cotabato**; and in connection therewith hereby appoint **<u>any one (1)</u>** of the following officers of the company:<br><br>Name — Designation<br>HENRY ALBERT R. FADULLON — President and Chief Executive Officer<br>ROY O. JIMENEZ — Gen. Manager for Commercial & Industrial Business<br>RICHARD C. TIANSAY — Gen. Manager for Pricing and Demand and Supply<br><br>• acting as duly authorized and designated representatives of Phoenix **are** granted full power and authority to do, execute and perform any and all acts necessary and/or to represent **Phoenix in** the bidding as fully and effectively as the **Phoenix** might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representatives shall lawfully do or cause to be done by virtue hereof; |
| | • **RESOLVED,** as it hereby resolve to authorize the Corporation to submit bid and proposals with the **City Government of Cotabato City** for the **Supply of Fuel and Lubricants with the City Government of Cotabato, Cotabato City, Maguindanao** such as: to send/receive, sign, negotiate bid documents, represent, follow up and collect all payments and issue corresponding official receipts from the concerned agency; **RESOLVED FURTHER**, as it is hereby resolved to authorize **Chris Carlo De Dios/Mario G. Cacabelos II/Enedina G. Cacabelos/ Maria Teresa Aileen L. Cagang** by virtue of the issuance of a Special Power of Attorney or a Board Resolution. |
| | • **RESOLVED,** that **Phoenix** be, as it hereby is, authorized to participate in the bidding for **The Supply of Fuel and Lubricants for University of Southern Mindanao** that if awarded the tender shall enter into a contract with the **University of Southern Mindanao**; and in connection therewith hereby appoint **<u>any one (1)</u>** of the following officers of the company:<br><br>Name — Designation<br>HENRY ALBERT R. FADULLON — President and Chief Executive Officer<br>ROY O. JIMENEZ — Gen. Manager for Commercial & Industrial Business<br>RICHARD C. TIANSAY — Gen. Manager for Pricing and Demand and Supply<br><br>• acting as duly authorized and designated representatives of Phoenix **are** granted full power and authority to do, execute and perform any and all acts necessary and/or to represent **Phoenix in** the bidding as fully and effectively as the **Phoenix** might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representatives shall lawfully do or cause to be done by virtue hereof; |
| | • **RESOLVED,** as it hereby resolve to authorize the Corporation to submit bid and proposals with the **University of Southern Mindanao** for the **Supply of Fuel and Lubricants with the University of Southern Mindanao** such as: to send/receive, sign, negotiate bid documents, represent, follow up and collect all payments and issue corresponding official receipts from the concerned agency; **RESOLVED FURTHER**, as it is hereby resolved to authorize **Chris Carlo De Dios/Mario G. Cacabelos II/Enedina G. Cacabelos/ Maria Teresa Aileen L. Cagang** by virtue of the issuance of a Special Power of Attorney or a Board Resolution. |

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| | • **RESOLVED,** that **Phoenix** be, as it hereby is, authorized to participate in the **Procurement of Fuel Fleet Card System - Negotiated Procurement and Request for Quotation (RFQ) No. 2021-160** that if awarded the tender shall enter into a contract with the **Department of the Interior and Local Government**; and thereby appoint **<u>any one (1)</u>** of the following officers of the company:<br><br>Name — Designation<br>HENRY ALBERT R. FADULLON — President and Chief Executive Officer<br>ROY O. JIMENEZ — Gen. Manager for Commercial & Industrial Business<br>RICHARD C. TIANSAY — Gen. Manager for Pricing and Demand and Supply<br><br>• acting as duly authorized and designated representatives of Phoenix **are** granted full power and authority to do, execute and perform any and all acts necessary and/or to represent **Phoenix in** the bidding as fully and effectively as the **Phoenix** might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representatives shall lawfully do or cause to be done by virtue hereof; |
| | • **RESOLVED,** as it is hereby resolved to authorize the Corporation to submit bid and proposals with the **Department of the Interior and Local Government for the Procurement of Fuel Fleet Card System - Negotiated Procurement and Request for Quotation (RFQ) No. 2021-151** and perform related transactions such as: to send/receive documents, sign documents, follow up, transact attend to all concerns and collect all payments and issue corresponding official receipts; **RESOLVED FURTHER**, as it is hereby resolved to authorize any one (1) of the following:<br><br>**Ma. Alyssa Nicole Javier**<br>**Francisco T. Bautista Jr.**<br>**Justine Andrea N. Martinez** |
| **05-Jul-2021** | • **RESOLVED,** as it is hereby resolved, that the Corporation, through its Representative/s identified hereunder, shall be authorized to transact with BDO UNIBANK INC., including its trust department, and/or any of its branches, subsidiaries, or affiliates, including but not limited to BDO Capital & Investment Corporation and BDO Leasing and Finance, Inc. [collective "BDO"] to obtain loan facilities and other credit accommodations, as well as their products and services. |
| **08-Jul-2021** | • **RESOLVED,** as it is hereby resolved, that the Corporation, through its Representative/s identified hereunder, shall be authorized to transact with **BDO UNIBANK INC.**, including its trust department, and/or any of its branches, subsidiaries, or affiliates [collective "BDO"] to obtain loan facilities and other credit accommodations, as well as their products and services; **RESOLVED, FURTHER**, to authorize and empower its President, **Henry Albert R. Fadullon** and/or its **Chief Finance Officer, Ma. Concepcion F. de Claro** to sign, execute, deliver any and/or all documents necessary and incidental to the implementation of the foregoing authorities and powers including the power to delegate the initialing of each and every page of the Agreement for and in behalf of the Corporation. |
| **21-Jul-2021** | • **RESOLVED,** as it is hereby resolved, that the Corporation, through its Representative/s identified hereunder, shall be authorized to transact with **Bank of China (Hongkong) Limited - Manila Branch**, including its trust department, and/or any of its branches, subsidiaries, or affiliates [collective "BOC"] to obtain loan facilities and other credit accommodations, as well as their products and services; **RESOLVED, FURTHER**, to authorize and empower its President, **Henry Albert R. Fadullon** and/or its **Chief Finance Officer, Ma. Concepcion F. de Claro** to sign, execute, deliver any and/or all documents necessary and incidental to the implementation of the foregoing authorities and powers including the power to delegate the initialing of each and every page of the Agreement for and in behalf of the Corporation. |
| | • **RESOLVED,** as it is hereby resolved, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC**. (the "Corporation") as it is hereby authorized and empowered to negotiate, conclude and enter into contracts such as, Memorandum of Agreements, Non-Disclosure Agreements and other LIMITLESS Partnership-related contracts in Luzon, Visayas and Mindanao, for and in behalf of the Corporation; **RESOLVED FURTHER**, that **MS. MELISSA R. LEDESMA, Gen. Manager for E-Commerce**, be hereby authorized and empowered to sign, execute, deliver, receive and receipt, for and on behalf of the Corporation, any and all agreements, documents and instruments required to carry out the foregoing resolution. |

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| | • **RESOLVED,** that the Corporation be as it is hereby authorized to apply for, obtain and/or cause the processing of the Certificate of Identification and/or Certificate of Identification and Loading ("CI/CIL") with the Bureau of Customs ("BOC"); **RESOLVED FURTHER**, that the Corporation authorizes any one (1) of the following individual from AAI Worldwide Logistics, namely: **JUSTINE JAKE PADUA, DENDEN CRUZ, DARYLL HANNAH CASIDSID AND BENNY GOROSPE**, or such other person from AAI Worldwide Logistics, and that the above mentioned individuals may designate as the Corporation's duly authorized representative to sign and process in connection with the processing of the CI/CIL; |
| **29-Jul-2021** | • **RESOLVED,** to authorize the Corporation to open and maintain Peso/Dollar/Acceptable Third Currencies Savings/Current/Time Deposit Account(s) with **UNIONBANK OF THE PHILIPPINES** (the "Bank") and to make deposits, placements, and/or investments therein and, in connection therewith, TO AUTHORIZE the following officers and/or directors of the Corporation; **RESOLVED FURTHER**, that in the implementation of facsimile, electronic mails or email approval instructions by UnionBank of the Philippines from the Corporation, the Bank shall not be required to seek a confirmation via telephone call when the Bank is being instructed to comply with the facsimile, electronic mails or email approval instructions, provided the email approvals come from the duly designated email addresses of the authorizers. |
| | • **RESOLVED AS IT IS HEREBY RESOLVED,** that the Corporation be authorized to open and/or maintain deposit account(s) and to avail of any of related services, and/or to open and maintain placement(s) and/or to invest in government securities and other similar instruments, and/or to enter into trust and/or investment management agency transactions/arrangements and/or open and maintain trust/investment management account(s) with **CHINA BANKING CORPORATION** and/or **CHINA BANKING CORPORATION - TRUST AND ASSET MANAGEMENT GROUP**, under such terms and conditions, as may be mutually agreed upon, where its cash funds, any credit remittances or checks issued in its favor, with or without endorsement, may be deposited or invested.<br>• **RESOLVED FURTHER**, as it is hereby resolved, that the Corporation be empowered and authorized to apply for, negotiate, and obtain loans from **CHINA BANKING CORPORATION** and/or **CHINA BANKING CORPORATION - TRUST AND ASSET MANAGEMENT GROUP**, including the renewal, extension, increase and/or restructuring thereof and/or of its existing credit facilities i such amount(s) and other such terms and conditions as may be mutually agreed upon, and to secure and guarantee the payment of the aforesaid loans or credit facilities by means of mortgage, pledge, assignment or any other form of encumbrance upon any and all properties or assets of the Corporation of whatever nature, real or personal, as may be sufficient, necessary or required for the purpose. |
| | • **RESOLVED,** that the Corporation is hereby authorized, as it is authorized to, borrow money, arrange and negotiate with **CTBC BANK (PHILIPPINES) CORPORATION** (hereafter, "Bank"), for credit facilities, to enter into and assume any other financial undertaking with the Bank, with or without security and under such terms and conditions as may be determined by the Corporation's signatory/ies or representative/s, in the aggregate amount of **PESOS: SEVEN HUNDRED TWENTY MILLION ONLY (PHP 720,000,000.00)**;<br>• **RESOLVED FURTHER**, that the Corporation be, as it is hereby authorized, to open and maintain with the Bank, the following accounts: (1) demand deposits; (2) savings accounts; and such other types of accounts as may be necessary or desirable in the conduct of the business of the Corporation;<br>• **RESOLVED FURTHER,** that the Corporation be authorized, as it is hereby authorized, to open and maintain an Escrow Account and/or Trust Account and/or Investment Management Account, for purposes of investing, among others, in Special Deposit Account (SDA), with **CTBC BANK (PHILIPPINES) CORPORATION - TRUST & INVESTMENT SERVICES DIVISION** with office address at 19th Floor, Fort Legend Towers, 31st St., Corner 3rd Avenue, Bonifacio Global City, Taguig City 1634; |
| | • **RESOLVED,** as it is hereby resolved, that the Corporation, through its Representative/s identified hereunder, shall transact with **PHILIPPINE NATIONAL BANK**, including its trust department, and/or any of its branches, subsidiaries, or affiliates, including but not limited to PNB Capital & Investment Corporation and PNB Leasing and Finance, Inc. (collectively |

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<tr><td></td><td>“PNB”) to obtain loan facilities and other credit accommodations, as well as their products and services.</td></tr>
<tr><td></td><td>● RESOLVED, that ASIA UNITED BANK and/or any of its branches, be as it hereby is designated depository bank of this Corporation and the officers, employees and agents of the Corporation be and hereby are and each of them hereby is, authorized to deposit any of its funds in said Bank, and said Bank is hereby authorized to pay, encash or otherwise honor and charge to this Corporation any and all checks, bills of exchange, orders or other instruments for the payment of money or withdrawal of funds, including those which may cause overdraft, when signed, made, drawn, accepted or endorsed on behalf of or in the name of this Corporation;</td></tr>
<tr><td></td><td>● RESOLVED, to authorize the Corporation to open and/or maintain Peso and dollar Savings, Current, Time Deposit and other type of deposits, placements, investments, electronic banking services, and other products, services or arrangements with ROBINSONS BANK CORPORATION;<br>● RESOLVED, to authorize the Corporation to borrow, obtain, renew, and/or contract a loan and/or other credit accomodation/s from ROBINSONS BANK CORPORATION IN ANY AMOUNT as well as to mortgage, pledge, assign or otherwise encumber any and all assets or properties of the Corporation, real or personal, inclusive of but not limited to the security/collateral provided for said loan and/or credit accomodation(s) that ma be required by the Bank, under such terms and conditions as may be agreed upon with the Bank.</td></tr>
<tr><td>4-Aug-2021</td><td>● RESOLVED, AS IT IS HEREBY RESOLVED, to authorize URSULA CALIPAYAN to represent and file on behalf of the Company a verified petition for the issuance of owner’s duplicate copies of Transfer Certificates (“TCT”) No. T-29548 and TCT No. T-29527 before Regional Trial Court of Butuan City, and thus empowered and authorized to undertake and consider the following:<br>1. To secure documents/certifications from pertinent government offices required for the filing of the petition.<br>2. To sign and execute on behalf of the Company “Verification and Certification of Non-Forum Shopping” as required by law.<br>3. To submit affidavits, pleadings, briefs, memoranda, position papers and other legal documents on behalf of the Company.<br>4. To seek appellate remedy before the Court of Appeals and Supreme Court and execute/sign/submit the required documents/pleadings.<br>5. To execute/implement the final and executory decision/resolution of the Court.</td></tr>
<tr><td>03-Sep-2021</td><td>● RESOLVED, AS IT IS HEREBY RESOLVED, to authorize the Company’s Team Lead-Visayas/Depot Superintendent, RICO T. URETA, to represent and file on behalf of the Company a verified petition for the issuance of the owner's duplicate copY of Transfer Certificate (“TCT”) No. T-29548 and TCT No. 092-2011004857 in lieu of the lost one before Regional Trial Court of Bacolod City, and thus empowered and authorized to undertake and consider the following:<br>1. To secure documents/certifications from pertinent government offices required for the filing of the petition including request for annotation of the Affidavit of Lost and its annotation with the Registry of Deeds for Bacolod City.<br>2. To sign and execute on behalf of the Company “Verification and Certification of Non-Forum Shopping” as required by law.<br>3. To submit affidavits, pleadings, briefs, memoranda, position papers and other legal documents on behalf of the Company.<br>4. To seek appellate remedy before the Court of Appeals and Supreme Court and execute/sign/submit the required documents/pleadings.<br>5. To execute/implement the final and executory decision/resolution of the Court.</td></tr>
<tr><td></td><td>● RESOLVED, as it hereby resolve to authorize the Corporation to represent, execute, sign, receive, claim, and process any and all related documents pertaining to the company’s properties situated within the cities of Cebu, Mandaue and Lapu-Lapu including Certified Copies of Titles, Tax Declaration and other related documents with the Office of the Registry of Deeds, ASsessor’s and Treasurer’s Office of the said Cities. RESOLVED FURTHER, as it is hereby resolved to authorize ENGR. IVAN B. POBLACION or his authorized represented to the above powers.</td></tr>
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| | • **RESOLVED,** as it is hereby resolved, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Corporation") be, as it is hereby authorized to register on Department of Energy's Energy Virtual One Stop Shop (EVOSS) Online Platform in relation to its CME Refinery Plant in Villanueva, Misamis Oriental. RESOLVED, as it is hereby resolved that in relation to the aforementioned transactions, the company designate its General Manager for CME Refinery Plant **MARIA RITA A. ROS** to execute documents, acceptance, deeds and other documents necessary for. |
| **4-Oct-2022** | • **RESOLVED**, AS IT IS HEREBY RESOLVED, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES INC.** be, as it is hereby authorized and empowered to negotiate and obtain with **DEVELOPMENT BANK OF THE PHILIPPINES (DBP)** for the renewal and/or reinstatement of its Omnibus Credit Line in the amount of PESOS: TWO BILLION (P2,000,000,000.00);<br>• RESOLVED FURTHER, that the corporation is authorized to negotiate for the renewal and/or reinstatement, without change, of its Domestic Bills Purchase Line (DBPL); |
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| **4-Nov-2021** | • **RESOLVED,** as it is hereby authorized, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "PHOENIX") be, as it is hereby authorized and empowered to to request from Bank copies of Chattel Mortgage over company vehicles; apply and process the Company's Application for Accreditation as Importer for Director Use with the Land Transportation Office (LTO) and process any document related to the said agency, Department of Transportation & Communications (DOTC) including company vehicles registration and its renewal and execution of documents pertaining to lost documents OR/CR;<br>• **RESOLVED FURTHER**, as it is hereby resolved that Phoenix be, as it is hereby authorized and empowered to claim, execute and sign all necessary documents from BDO UNIBANK, INC. pertaining to the release of the Chattel Mortgage collaterals over company vehicles with PN Nos. 519110800272, 519110900650 and 519111101240; **RESOLVED FURTHER**, as it is hereby resolved, that any of all the foregoing transactions shall be negotiated, concluded, obtained and/or contracted for, by the Company's Company's Company's Corporate Corporate Affairs Officer, **MARK LOUISE J. CRUZ**. |
| | • **RESOLVED, AS IT IS HEREBY RESOLVE,** to authorize the Corporation to open, maintain, or close Peso/Dollar/Acceptable Third currencies Savings, Current, Time Deposit Account(s) with the **DEVELOPMENT BANK OF THE PHILIPPINES (the "Bank" or "DBP")**, and/or its subsidiaries and affiliates, including its Trust department, enter into foreign exchange dealings such as buying and selling of foreign exchange as may be required by the Corporation, and to make deposits, placements and/or investments therein and, in connection therewith and dto authorize the officers and/or directors of the Corporation, to sign, execute and deliver any and all documents relative thereto; to sign for and in behalf of the Corporation any and all the checks, drafts, bill of exchange, withdrawal slips, letters of instruction, orders of payment and similar instruments drawn against said Account(s); to endorse checks, drafts, notes and other instruments for negotiation or payment or for deposit and collection or withdrawal from said Account(s).<br>• **RESOLVED FURTHER**, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** be, as it is hereby authorized and empowered to negotiate and obtain with the Bank for the renewal and/or reinstatement of its Omnibus Credit Line in the amount of PESOS: TWO BILLION (P2,000,000,000.00), as well as any amendments or additional credit accommodations thereof; |
| | • **RESOLVED, AS IT IS HEREBY RESOLVE,** to authorize the Corporation to open, maintain, or close Peso/Dollar/Acceptable Third currencies Savings, Current, Time Deposit Account(s) with **MAYBANK PHILIPPINES, INC**, and/or its subsidiaries and affiliates, including its Trust department (the "Bank"), enter into foreign exchange dealings such as buying and selling of foreign exchange as may be required by the Corporation, and to make deposits, placements and/or investments therein and, in connection therewith and dto authorize the officers and/or directors of the Corporation, to sign, execute and deliver any and all documents relative thereto; to sign for and in behalf of the Corporation any and all the checks, drafts, bill of exchange, withdrawal slips, letters of instruction, orders of payment and similar instruments drawn against said Account(s); to endorse checks, drafts, notes and |

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| | other instruments for negotiation or payment or for deposit and collection or withdrawal from said Account(s).<br>● **RESOLVE FURTHER**, to authorize the Corporation to avail of Cash Management Services Products from the Bank to better facilitate collections and disbursements as well as online banking, under such terms and conditions as may be mutually agreed upon with the Bank. |
| | ● **RESOLVED, AS IT IS HEREBY RESOLVE,** to authorize the Corporation to open, maintain, or close Peso/Dollar/Acceptable Third currencies Savings, Current, Time Deposit Account(s) with **LANDBANK OF THE PHILIPPINES (the "Bank" or "LBP")**, and/or its subsidiaries and affiliates, including its Trust department (the "Bank"), enter into foreign exchange dealings such as buying and selling of foreign exchange as may be required by the Corporation, and to make deposits, placements and/or investments therein and, in connection therewith and dto authorize the officers and/or directors of the Corporation, to sign, execute and deliver any and all documents relative thereto; to sign for and in behalf of the Corporation any and all the checks, drafts, bill of exchange, withdrawal slips, letters of instruction, orders of payment and similar instruments drawn against said Account(s); to endorse checks, drafts, notes and other instruments for negotiation or payment or for deposit and collection or withdrawal from said Account(s).<br>● **RESOLVE FURTHER**, to authorize the Corporation to avail of Cash Management Services Products from the Bank to better facilitate collections and disbursements as well as online banking, under such terms and conditions as may be mutually agreed upon with the Bank;<br>● **RESOLVED FURTHER**, that the Corporation be authorized and empowered to negotiate and obtain with the Bank for the renewal of its P 2.00 billion Short Term Credit Line, P1.5 billion OA/DA/DP/LC/TR Line, and USD 30.00 million Standby LC Line, as well as any amendments or additional credit accommodations thereof. |
| | ● **RESOLVED, AS IT IS HEREBY RESOLVE,** to authorize the Corporation to open, maintain, or close Peso/Dollar/Acceptable Third currencies Savings, Current, Time Deposit Account(s) with **UNITED COCONUT PLANTERS BANK**, and/or its subsidiaries and affiliates, including its Trust department (the "Bank"), enter into foreign exchange dealings such as buying and selling of foreign exchange as may be required by the Corporation, and to make deposits, placements and/or investments therein and, in connection therewith and dto authorize the officers and/or directors of the Corporation, to sign, execute and deliver any and all documents relative thereto; to sign for and in behalf of the Corporation any and all the checks, drafts, bill of exchange, withdrawal slips, letters of instruction, orders of payment and similar instruments drawn against said Account(s); to endorse checks, drafts, notes and other instruments for negotiation or payment or for deposit and collection or withdrawal from said Account(s).<br>● **RESOLVE FURTHER**, to authorize the Corporation to avail of Cash Management Services Products from the Bank to better facilitate collections and disbursements as well as online banking, under such terms and conditions as may be mutually agreed upon with the Bank. |
| | ● **RESOLVED,** that the **BANK OF THE PHILIPPINE ISLAND ("BPI")**, its subsidiaries, and affiliates including non-bank financial institutions either at their head offices or at any of their branches (the "Depository Banks") be, as they hereby are, designated individually as depositories of the Corporation, and that the officers or agents of the Corporation herein designated be, as they hereby are, authorized to deposit/place any of the funds of the Corporation, whether peso, dollar or any other currency, in any of the said banks. |
| | ● **RESOLVED, that the CORPORATION** is authorized to transact with any of the Branches of METROPOLITAN BANK & TRUST COMPANY ("METROBANK") for the availment of banking products and services;<br>● **RESOLVED, FURTHERMORE**, that the CORPORATION understands that the Accounts and the foregoing products and services, are subject to such terms and conditions as may be imposed by METROBANK. |
| | ● **RESOLVED,** as it is hereby resolved, to confirm and verify that the authority previously given and granted to **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** on March 6, 2019 to act as Guarantor of **PNX Petroleum Singapore Pte. Ltd.** (as Borrower) in connection with the availment of credit facilities offered by **ING Bank N.V., Singapore Branch** (the "Bank") and covered by the Facility Letter entered into by **PNX Petroleum Singapore Pte. Ltd and P-h-o-e-n-i-x Petroleum Philippines, Inc.**, and to ensure due and punctual payment of its Guaranteed Obligations, remain valid and subsisting; |

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| | • **RESOLVED, FURTHER**, to authorize and empower any **one (1)** of the following Officers of the Company to deliver, execute or sign any or all documents or instruments in order to implement the foregoing authorities:<br><br>Name — Position/Title<br>**HENRY ALBERT R. FADULLON** — President/CEO<br>**MA. CONCEPCION F. DE CLARO** — Chief Finance Office |
| | • **RESOLVED,** as it is hereby authorized, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "PHOENIX") be, as it is hereby authorized and empowered to to request from Bank copies of Chattel Mortgage over company vehicles; apply and process the Company's Application for Accreditation as Importer for Director Use with the Land Transportation Office (LTO) and process any document related to the said agency, Department of Transportation & Communications (DOTC) including company vehicles registration and its renewal and execution of documents pertaining to lost documents OR/CR;<br>• **RESOLVED FURTHER**, as it is hereby resolved that Phoenix be, as it is hereby authorized and empowered to claim, execute and sign all necessary documents from BDO UNIBANK, INC. pertaining to the release of the Chattel Mortgage collaterals over company vehicles including transactions with the Registry of Deeds (ROD) thereafter; **RESOLVED FURTHER**, as it is hereby resolved, that any of all the foregoing transactions shall be negotiated, concluded, obtained and/or contracted for, by the Company's Company's Company's Corporate Corporate Affairs Officer, **MARK LOUISE J. CRUZ**. |
| | • **RESOLVED,** as it is hereby authorized, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "PHOENIX") be, as it is hereby authorized and empowered to to request from Bank copies of Chattel Mortgage over company vehicles; apply and process the Company's Application for Accreditation as Importer for Director Use with the Land Transportation Office (LTO) and process any document related to the said agency, Department of Transportation & Communications (DOTC) including company vehicles registration and its renewal and execution of documents pertaining to lost documents OR/CR;<br>• **RESOLVED FURTHER**, as it is hereby resolved that Phoenix be, as it is hereby authorized and empowered to claim, execute and sign all necessary documents from BDO UNIBANK, INC. pertaining to the release of the Chattel Mortgage collaterals over company vehicles with PN Nos. 519120201877; **RESOLVED FURTHER**, as it is hereby resolved, that any of all the foregoing transactions shall be negotiated, concluded, obtained and/or contracted for, by the Company's Company's Company's Corporate Corporate Affairs Officer, **MARK LOUISE J. CRUZ**. |
| | • **RESOLVED,** that **Phoenix** be, as it hereby is, authorized to participate in the **for the Procurement of Fuel and Lubricants for use in Maintenance Section (4th Quarter of 2021)** that if awarded the tender shall enter into a contract with the **DPWH Cotabato 1st DEO Midsayap, Cotabato**; and in connection therewith hereby appoint **<u>any one (1)</u>** of the following officers of the company:<br><br>Name — Designation<br>HENRY ALBERT R. FADULLON — President and Chief Executive Officer<br>ROY O. JIMENEZ — Gen. Manager for Commercial & Industrial Business<br>RICHARD C. TIANSAY — Gen. Manager for Pricing and Demand and Supply |
| | • **RESOLVED,** as it hereby resolved to authorize the Corporation to submit bid and proposals with the DPWH Cotabato 1st DEO Midsayap, Cotabato for the Procurement of Fuel and Lubricants for use in Maintenance Section (4th Quarter of 2021) and perform related transactions such as: to send/receive documents, sign documents, follow up and collect all payments and issue corresponding official receipts; **RESOLVED FURTHER**, as it is hereby resolved to authorize **Chris Carlo De Dios/Maria Teresa Aileen L. Cagang/Enedina G. Cacabelos** to execute and implement the foregoing authority. |
| | • **RESOLVED,** as it hereby resolved to authorize the Corporation to submit bid proposals and documents for the **Procurement of Diesel and Unleaded Gasoline with Fleet Mgt. System** and perform related transactions such as: to send/receive documents, sign documents, follow up and collect all payments and issue corresponding official receipts; **RESOLVED FURTHER**, as it is hereby resolved to authorize anyone of the company's |

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| | representatives **Chris Carlo De Dios/Francis Bautista/Geoffrey Vinalon** to execute and implement the foregoing authority. |
| | ● **RESOLVED**, that Phoenix be, as it hereby is, authorized to participate in the **Procurement of Diesel and Unleaded Gasoline with Fleet Mgt. System** that if awarded the tender shall enter into a contract with the **Department of General Services of Cebu City Government**; and in connection therewith hereby appoint **<u>any one (1)</u>** of the following officers of the company:<br><br>Name — Designation<br>HENRY ALBERT R. FADULLON — President and Chief Executive Officer<br>ROY O. JIMENEZ — Gen. Manager for Commercial & Industrial Business<br>RICHARD C. TIANSAY — Gen. Manager for Pricing and Demand and Supply<br><br>● acting as duly authorized and designated representatives of Phoenix **are** granted full power and authority to do, execute and perform any and all acts necessary and/or to represent **Phoenix in** the bidding as fully and effectively as the **Phoenix** might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue hereof. |
| | ● **RESOLVED,** as it hereby resolve to authorize the Corporation to represent, execute, sign, receive, claim, and process any and all related documents pertaining to the company's properties situated within the City of Bacolod including Certified Copies of Titles, Tax Declaration, including Tax Reclassification, Tax Clearances and other related documents with the Office of the Registry of Deeds, Assessor's and Treasurer's Office of the said City.<br>● **RESOLVED FURTHER**, as it is hereby resolved to authorize **King & King Law Offices** and to further delegate any of its authorized representatives, **Atty. Kathleen Anne S. King, Haydee G. Tucay, Elnalie D. Anjao, Soltan Michael Alisan and Jessa Delapena** to execute and implement the foregoing authority. |
| | ● **RESOLVED,** as it is hereby resolved, to authorize **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** to act as Guarantor of **PNX Petroleum Pte. Ltd.** in connection with the availment of credit Facilities offered by **ING Bank N.V., Singapore Branch** (the "Bank") and covered by the Facility Letter entered into by **PNX Petroleum Singapore Pte. Ltd. and Phoenix Petroleum Philippines, Inc.** and to ensure due and punctual payment of its Guaranteed Obligations; **RESOLVED, FURTHER**, to authorize and empower **any one (1)** of the following Officers of the company to deliver, execute or sign any or all documents or instruments in order to implement the foregoing authorities:<br><br>**Name — Position/Title**<br><br>**HENRY ALBERT R. FADULLON — President/CEO**<br>**MA. CONCEPCION F. DE CLARO — Chief Finance Officer** |
| | ● **RESOLVED,** as it is hereby resolved to authorize the Corporation to submit the bid proposals and documents for the **Procurement of 1 Lot Supply of Diesel and Unleaded Gasoline with Fleet Management System to the Cebu City Government** and perform related transactions such as: to send/receive documents, sign documents, follow up, transact, attend to all concerns and collect all payments and issue corresponding official receipts; **RESOLVED FURTHER**, as it is hereby resolved to authorize anyone of the company's representative **Chris Carlo De Dios/Francis Bautista/Geoffrey Vinalon** to execute and implement the foregoing authority. |
| | ● **RESOLVED,** as it is hereby authorized, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "PHOENIX") be, as it is hereby authorized and empowered to to request from Bank copies of Chattel Mortgage over company vehicles; apply and process the Company's Application for Accreditation as Importer for Director Use with the Land Transportation Office (LTO) and process any document related to the said agency, Department of Transportation & Communications (DOTC) including company vehicles registration and its renewal and execution of documents pertaining to lost documents OR/CR;<br>● **RESOLVED FURTHER**, as it is hereby resolved that Phoenix be, as it is hereby authorized and empowered to claim, execute and sign all necessary documents from BDO UNIBANK, INC. pertaining to the release of the Chattel Mortgage collaterals over company vehicles with PN Nos. 519120201877; **RESOLVED FURTHER**, as it is hereby resolved, that any of |

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| | all the foregoing transactions shall be negotiated, concluded, obtained and/or contracted for, by the Company's Company's Company's Corporate Corporate Affairs Officer, **MARK LOUISE J. CRUZ**. |
| | • **RESOLVED,** to authorize the Corporation to open, maintain, or close Peso/Dollar/Acceptable Third currencies Savings, Current, Time Deposit Account(s) with **UNITED COCONUT PLANTERS BANK**, and/or its subsidiaries and affiliates, including its Trust department (the "Bank"), enter into foreign exchange dealings such as buying and selling of foreign exchange as may be required by the Corporation, and to make deposits, placements and/or investments therein and, in connection therewith and dto authorize the officers and/or directors of the Corporation, to sign, execute and deliver any and all documents relative thereto; to sign for and in behalf of the Corporation any and all the checks, drafts, bill of exchange, withdrawal slips, letters of instruction, orders of payment and similar instruments drawn against said Account(s); to endorse checks, drafts, notes and other instruments for negotiation or payment or for deposit and collection or withdrawal from said Account(s). **RESOLVED FURTHER**, to authorize the Corporation to avail of Cash Management Services Products from the Bank to better facilitate collections and disbursements as well as online banking, under such terms and conditions as may be mutually agreed upon with the Bank.<br>• **RESOLVED, FURTHER**, that the following officers or directors are designated as the Authorized Signatories of the Corporation:<br>**Group A:**<br>1. Chairman and Chairman Emeritus<br>2. President and CEO<br>3. Chief Operations Officer<br>4. Chief Finance Officer<br>5. Treasurer<br>6. Senior Vice President<br>7. Chairman of the Executive Committee<br>**Group B:**<br>1. Comptroller<br>2. Treasury Head<br>3. Vice Presidents<br>4. Functional Heads (such as but not limited to:)<br>a. General Manager<br>b. Business Unit Head<br>c. Treasury Manager<br>**Group C:**<br>1. Assistant Vice Presidents<br>2. Treasury Officer |
| | • **RESOLVED,** that the **BANK OF THE PHILIPPINE ISLANDS ("BPI")**, its subsidiaries, and affiliates including non-bank financial institutions either at their head offices or any of their branches (the "Depository Banks") be, as they hereby are, designated individually as depositories of the Corporation, and that the officers or agents of the Corporation herein designated be, as they hereby are, authorized to deposit/place any of the funds of the Corporation, whether peso, dollar or any other currency, in any of the said banks;<br>• **RESOLVED**, that any withdrawal from, or change against, the funds, properties ar accounts of the Corporation with its Depository Banks, their subsidiaries, and affiliates, by way of checks, drafts, bills of exchange, acceptances, endorsements, undertakings, debit/credit memo(s), funds transfer(s) instructions, letter of instructions and/or other similar instruments or order involving payment of money or documents assigning, transferring and conveying rights to any fund or property of the Corporation, shall be signed, executed and delivered by the Authorized Signatories designated herein;<br>• **RESOLVED**, that the Corporation be, as it is hereby authorized to enter into transaction and/or avail of products or facilities of, or brokered by, or through the intermediation of the Depository Banks, including but not limited to, cash management services, phone / electronic / internet banking facilities, safety deposit boxes, deposit pick-up arrangements, placements and/or purchase of debt papers, negotiable instruments, trust placements and similar transactions as the Corporation may deem reasonable, beneficial and in the furtherance of the interests of the Corporation; |

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| | • **RESOLVED**, that the Corporation is hereby authorized to apply, negotiate and obtain any and all loans or other credit accommodations or facilities of the Corporation, including the renewal and amendments as may be required, whether in peso, dollar or any other currency, including, but not limited to, term loans, revolving credit facilities, letters of credit or trust receipts, receivables financing, with any of the Depository Bank and/or their respective parent corporation subsidiaries and affiliates;<br>• **RESOLVED**, that the Corporation shall apply, negotiate and obtain for establishment or opening of letters of credit, foreign exchange purchase, or other modes of trade payments / collections with any of the aforesaid Depository Banks, their subsidiaries and affiliates including non-bank financial institutions; |
| | • **RESOLVED,** to authorize the Corporation to open, maintain, or close Peso/Dollar/Acceptable Third currencies Savings, Current, Time Deposit Account(s) with the **DEVELOPMENT BANK OF THE PHILIPPINES (the "Bank" or "DBP")**, and/or its subsidiaries and affiliates, including its Trust department (the "Bank"), enter into foreign exchange dealings such as buying and selling of foreign exchange as may be required by the Corporation, and to make deposits, placements and/or investments therein and, in connection therewith and dto authorize the officers and/or directors of the Corporation, to sign, execute and deliver any and all documents relative thereto; to sign for and in behalf of the Corporation any and all the checks, drafts, bill of exchange, withdrawal slips, letters of instruction, orders of payment and similar instruments drawn against said Account(s); to endorse checks, drafts, notes and other instruments for negotiation or payment or for deposit and collection or withdrawal from said Account(s). **RESOLVED FURTHER**, to authorize the Corporation to avail of Cash Management Services Products from the Bank to better facilitate collections and disbursements as well as online banking, under such terms and conditions as may be mutually agreed upon with the Bank.<br>• **RESOLVED, FURTHER,** that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** be, as it is hereby authorized and empowered to negotiate and obtain with the bank for the renewal and/or reinstatement of its Omnibus Credit Line in the amount of **PESOS: TWO BILLION (P2,000,000,000.00)**, as well as any amendments or additional credit accommodations thereof; |
| | • **RESOLVED,** to authorize the Corporation to open, maintain, or close Peso/Dollar/Acceptable Third currencies Savings, Current, Time Deposit Account(s) with **MAYBANK PHILIPPINES, INC**, and/or its subsidiaries and affiliates, including its Trust department (the "Bank"), enter into foreign exchange dealings such as buying and selling of foreign exchange as may be required by the Corporation, and to make deposits, placements and/or investments therein and, in connection therewith and dto authorize the officers and/or directors of the Corporation, to sign, execute and deliver any and all documents relative thereto; to sign for and in behalf of the Corporation any and all the checks, drafts, bill of exchange, withdrawal slips, letters of instruction, orders of payment and similar instruments drawn against said Account(s); to endorse checks, drafts, notes and other instruments for negotiation or payment or for deposit and collection or withdrawal from said Account(s). **RESOLVED FURTHER**, to authorize the Corporation to avail of Cash Management Services Products from the Bank to better facilitate collections and disbursements as well as online banking, under such terms and conditions as may be mutually agreed upon with the Bank. |
| | • **RESOLVED,** that the Corporation is authorized to transact with any of the Branches of METROPOLITAN BANK & TRUST COMPANY ("METROBANK") for the availment of banking products and services;<br>• **RESOLVED**, that in this regard, the CORPORATION shall be authorized to do the following:<br>1. OPEN AND MAINTAIN DEPOSITORY ACCOUNTS<br>2. AVAIL OF ELECTRONIC BANKING SERVICES<br>3. AVAIL OF OTHER BANK PRODUCTS, SERVICES, AND BUSINESS SOLUTIONS<br>4. AVAIL OF CREDIT FACILITIES<br>5. MORTGAGE, PLEDGE, ASSIGN PROPERTY<br>6. TREASURY AND INVESTMENT TRANSACTIONS<br>• **RESOLVED, FURTHERMORE**, that the CORPORATION understands that the Accounts and the foregoing products and services, are subject to such terms and conditions as may be imposed by METROBANK. |
| | • **RESOLVED, AS IT IS HEREBY RESOLVE,** that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** be, as it is hereby authorized or empowered to open, maintain, or |

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<tr><td></td><td>close Peso/Dollar/Acceptable Third currencies Savings, Current, Time Deposit Account(s) with LAND BANK OF THE PHILIPPINES (the "Bank" of "LBP"), and/or its subsidiaries and affiliates, including its Trust department (the "Bank"), enter into foreign exchange dealings such as buying and selling of foreign exchange as may be required by the Corporation, and to make deposits, placements and/or investments therein and, in connection therewith and dto authorize the officers and/or directors of the Corporation, to sign, execute and deliver any and all documents relative thereto; to sign for and in behalf of the Corporation any and all the checks, drafts, bills of exchange, withdrawal slips, letters of instruction, orders of payment and similar instruments drawn against said Account(s); to endorse checks, drafts, notes and other instruments for negotiation or payment or for deposit and collection or withdrawal from said Account(s).<br>● RESOLVED, FURTHER, to authorize the Corporation to avail of Cash Management Services Products from the Bank to better facilitate collections and disbursements as well as online banking, under such terms and conditions as may be mutually agreed upon with the Bank.<br>● RESOLVED, FURTHER, that the Corporation be authorized and empowered to negotiate and obtain with the Bank for the renewal of its P 2.0 billion Short Term Credit Line, P1.5 billion OA/DA/DP/LC/TR Line, and USD 30.00 million Standby LC Line, as well as any amendments or additional credit accommodations thereof.</td></tr>
<tr><td>03-Dec-2021</td><td>● RESOLVED, that Phoenix be, as it hereby is, authorize to participate in the Procurement of Fuel, Oil and Lubricants for Philrice Midsayap for the year 2022 that if forwarded the tender shall enter into a contract with the DPWH Cotabato 1st DEO Midsayap, Cotabato; and in connection therewith hereby appoint any one (1) of the following officers of the company:<br><br>Name — Designation<br>HENRY ALBERT R. FADULLON — Chief Operating Officer<br>ROY O. JIMENEZ — Gen. Manager for Commercial & Industrial Business<br>RICHARD C. TIANSAY — Gen. Manager for Pricing and Demand and Supply<br><br>● acting as duly authorized and designated representatives of Phoenix are granted full power and authority to do, execute and perform any and all acts necessary and/or to represent Phoenix in the bidding as fully and effectively as the Phoenix might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue hereof.</td></tr>
<tr><td></td><td>● RESOLVED, as it hereby resolved to authorize the Corporation to submit bid and proposals with the DPWH Cotabato 1st DEO Midsayap, Cotabato for the Procurement of Fuel and Lubricants for use in Maintenance Section (4th Quarter of 2021) and perform related transactions such as: to send/receive documents, sign documents, follow up and collect all payments and issue corresponding official receipts; RESOLVED FURTHER, as it is hereby resolved to authorize Chris Carlo De Dios/Maria Teresa Aileen L. Cagang/Enedina G. Cacabelos to execute and implement the foregoing authority.</td></tr>
<tr><td></td><td>● RESOLVED, as it is hereby resolved to authorize the Corporation to renew the Corporation's business permit for the year 2022 and the succeeding years thereafter with the local government unit where the Corporation is operating its office and/or branches.<br>● RESOLVED FURTHER, as it is hereby resolved to authorize LORENZO GOMEZ & CO. with email address lg.businesspermit@gmail.com and mobile number 09209616010 for the online registration of business permit and to further delegate its authorized representative/s PERLA S. LEGASAN / ARNEL L. TULABING / VIC MARTIN L. CATAYONG / ALAH JEAN SIGUE / JEFREY L. CAVAN by virtue of the issuance of a Special Power of Attorney or a Board Resolution to the above powers and thereby to execute and sign in behalf of the said Corporation all transactions and negotiations with said locale government offices in order to execute and implement the foregoing authority.</td></tr>
<tr><td>03-Jan-2022</td><td>● RESOLVED, that Corporation be authorized and empowered to negotiate and obtain with the Bank for the renewal and/or amendment of its P 2.00 billion Short Term Credit Line, P 2.0 billion OA/DA/DP/LC/TR Line, USD 30.00 million Standby LC Line, and existing 7-year billion term loan with original principal of P 5.00 billion, as well as any subsequent amendments or additional credit accommodations thereof which may be duly approved by the Bank; RESOLVED, FURTHER, that the Corporation is authorized to negotiate for the renewal and/or reinstatement, without change, of its Domestic Bills Purchase Line (DBPL).</td></tr>
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| | • **RESOLVED AS IT IS HEREBY RESOLVED,** that **PHOENIX PETROLEUM PHILIPPINES INC**. (the Corporation) be, as it is hereby authorized and empowered to negotiate, conclude and enter into contract in connection with the sales operation of the Corporation, which includes, but not limited to contract of lease and/or Sublease for the operation of gasoline stations or other businesses and other lease arrangement, Memorandum of Agreements, Dealership Agreements or Retail Outlet Agreements for the operation of Phoenix service stations, Area Franchise Agreement and Joint Ventures. **RESOLVED**, as it is hereby resolved that in relation to the aforementioned transactions, the Company designates that any of the following Officers as the authorized signatories for all the transactions, agreements or contracts nationwide.<br><br>NAME POSITION<br>HENRY ALBERT R. FADULLON President<br>TRISTAN FREDERICK T. TIONGSON Head of Retail Operation<br>ARNEL G. ALBAN General Manager for Retail Operation and Network Development |
| | • **RESOLVED,** that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Corporation") be, as it is hereby authorized and empowered to enter into Contracts/Agreements in connection with the operation of the company's Davao Terminal Depot which includes but not limited applications and renewals of business permit, submission of reports with any government entities such as DENR-EMB, Department of Labor and Employment (DOLE), Philippine Ports Authority (PPA) and Bureau of Fire Protection (BFP); and Memorandum of Agreements with any accredited third-party supplier to haul and transact bulk and packaged petroleum/lubricant products and equipment to and from any supply point of the company and/or any designated delivery point under such terms and conditions which may be in the best interest of the Corporation.<br>• **RESOLVED, FURTHER**, that the Corporation's Terminal Superintendent, **HALLMARK HE-CIREEL A. CARILLO**, be hereby authorized and empowered to negotiate the terms of the transactions herein authorized, as well as to sign, execute, deliver, receive and receipt, for and on behalf of the Corporation, any and all contracts, documents and instruments required to carry out the foregoing resolution. |
| | • **RESOLVED,** that the Corporation be, as it is hereby authorized to file its Answer/Explanation, Position Paper, motions, and/or such other pleadings as the Corporation's representative may deem appropriate in the case entitled **"Arnel C. De Vera, Complainant versus Phoenix Petroleum Philippines, Inc., et al., Respondent"**, that is pending before the Department of Labor and Employment ("DOLE"), National Labor Relations Commission, Regional Arbitration Branch No. X, Cagayan de Oro City docketed as NLRC-CASE No. RAB-10-01-00014-2022 ("Subject Case"), and to file such action/s before any court, tribunal or agency, intertwined, interconnected or interrelated with the Subject Case;<br>• **RESOLVED FURTHER**, that the Corporation's Manager for Human Resources, **MYLEN A. SAMONTE** and/or **LD & P Law Office** or any of the Law Office's authorized counsel representative be as she/he/they is/are hereby authorized to represent the Corporation, to sign and execute, for and in behalf of the Corporation, the verification and certification on non-forum shopping appended to the Answer/Explanation, Position Paper, or other pleadings to be filed before the DOLE with respect to the Subject Case or before any court, tribunal or government agency. |
| | • **RESOLVED**, that the Corporation be, as it is hereby, authorized and empowered to file any documents, pleadings or cases in relation to the case entitled **"IN RE: VERIFIED EX PARTE PETITION FOR THE ISSUANCE OF FREEZE ORDER; REPUBLIC OF THE PHILIPPINES, represented by the ANTI-MONEY LAUNDERING COUNCIL (AMLC)** docketed as CA-G.R. AMLA CASE NO. 00281;<br>• **RESOLVED, FURTHER**, that **VICENTE MIGUEL R. JAYME**, Treasury Manager of the Corporation be, as he is hereby, authorized and empowered, to cause the preparation and the filing of the case, to sign, on behalf of the Corporation, the Verification and Certification of Non-forum Shopping of the said case, to execute and deliver any and all papers necessary to implement the foregoing resolution, and to designate and appoint lawyers to represent the Corporation; |

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| | • **RESOLVED**, Finally, that the Corporation appoints, as it hereby appoints, **ATTY. ROBERT LEO C. TY, ATTY. WIVINO E. BRACERO II, ATTY. JOSEPH ADRIAN A. DE LA CUESTA, and/or PONFERRADA TY LAW OFFICES** or any of its lawyers andor associates, with office address at 3169 Reposo Street, Sta. Mesa, Manila as the Corporation's authorized representative. |
| | • **RESOLVED,** as it is hereby resolved, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Corporation") as it is hereby authorized and empowered to negotiate, conclude and enter into contracts such as, Marketing Agreements, Memorandum of Agreements, Rental/Lease Agreements and other transactions relative to the operation of the Company's Brand Management Group (BMG) in Luzon, Visayas and Mindanao, for and in behalf of the Corporation; **RESOLVED**, as it is hereby resolved that pursuant to the foregoing transaction the Company designates its Vice President for Brand and Marketing Group, **CELINA I. MATIAS**, as the authorized signatories. |
| | • **RESOLVED,** as it is hereby resolved, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Corporation") as it is hereby authorized and empowered to negotiate, conclude and enter into contracts such as, Memorandum of Agreements, Non-Disclosure Agreements, Merchant Agreement and other E-Commerce/LIMITLESS Partnership-related contracts in Luzon, Visayas and Mindanao, for and in behalf of the Corporation; **RESOLVED, FURTHER**, that **KENNETH CHARLES E. OCAMPO, Head for E-Commerce**, be hereby authorized and empowered to sign, execute, deliver, receive and receipt, for and on behalf of the Corporation, any and all agreements, documents and instruments required to carry out the foregoing resolution. |
| | • **RESOLVED,** as it is hereby resolved, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Corporation") as it is hereby authorized and empowered to negotiate, conclude and enter into contracts such as, Memorandum of Agreements, Non-Disclosure Agreements, and other Consumer Business Partnership-related contracts in Luzon, Visayas and Mindanao, for and in behalf of the Corporation; **RESOLVED FURTHER**, that any one (1) of the following signatory/ies:<br>Name — Position<br>HENRY ALBERT R. FADULLON — President<br>JOVEN JESUS G. MUJAR — AVP for Consumer Business Partnership Division<br><br>be hereby authorized and empowered to sign, execute, deliver, receive and receipt, for and on behalf of the Corporation, any and all agreements, documents and instruments required to carry out the foregoing resolution. |
| | • **RESOLVED,** that RIZAL COMMERCIAL BANKING CORPORATION (the "Bank") and/or any of its branches, be as it hereby is designated as the depository of the moneys and funds of this Corporation and that each of the officers, agents and employees of this Corporation is hereby authorized to open, manage, maintain and deposit any of the Corporation's funds in said Bank, and said Bank is hereby authorized to pay, encash or otherwise honor and charge to this Corporation, without inquiry as to whether the same be drawn or required for the Corporation's business or benefit, any and all checks, notes, drafts, bills of exchange, acceptances, orders or other instruments for the payment of money or other withdrawal of funds, including those which may cause an overdraft, when assigned, made, drawn, accepted or endorsed on behalf of or in the name of this Corporation by its designated Officers and/or Directors. |
| | • **RESOLVED,** as it is hereby resolved, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** as it is hereby authorized and empowered to apply, transact and/or renew its corporate accounts with the following hotels nationwide and enter into any agreements and such other pertinent contracts and documents in connection with the said applications/renewals; **RESOLVED** as it is hereby resolved that pursuant to the foregoing transaction, the Company designates any one (1) of the following employees to be the nationwide authorized signatories:<br>Name<br>MYLEN A. SAMONTE<br>CELESTE MARIE G. ONG |

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| | • **RESOLVED,** as it is hereby resolved, that **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** as it is hereby authorized and empowered to apply and submit all pertinent documents to Bureau of Customs prior and post arrival of importations, submit and apply reports, requests and necessary permits to Bureau of Internal Revenue and Department of Energy in relation to importation. **RESOLVED**, as it is hereby resolved, that any of all the foregoing transactions shall be negotiated, concluded, obtained and/or contracted for, by any one (1) of the following Company Officers:<br><br>Name — Position<br>HENRY ALBERT R. FADULLON — President<br>RICHARD C. TIANSAY — Vice President for Supply Chain Pricing and HSE |
| | • **RESOLVED,** as it hereby resolve to authorize the Corporation to represent, execute, sign, receive, claim, and process any and all related documents pertaining to the company's properties situated within Davao Region, including lessor's permit, Certified Copies of Titles, Tax Declarations, Receipts and Clearances and other related documents with the Office of the Registry of Deeds, Assessor's and Treasurer's Office.<br>• **RESOLVED FURTHER**, as it is hereby resolved to authorize **JHON DAVE M. ROD**A and/or TERESITA M. MANZO to the above powers and thereby to execute and sign in behalf of the said Corporation all transactions and negotiations with said locale government unit and other private entities in order to execute and implement the foregoing authority. |
| | • **RESOLVED,** to authorize the Corporation to open and maintain Peso/Dollar/Acceptable Third Currencies Savings/Current/Time Deposit Account(s) with **UNIONBANK OF THE PHILIPPINES (the "Bank")** and to make deposits, placements and/or investments therein and, in connection therewith, TO AUTHORIZE the following officers and/or directors of the Corporation, grouped respectively… to sign, execute and deliver any and all documents relative theret; to sign for and in behalf of the Corporation any and all the checks, drafts, bills of exchange, withdrawal slips, orders of payment and similar instruments drawn against said Account(s); to endorse checks, drafts, notes and other instruments for negotiation or payment or for deposit and collection or withdrawal from said Account(s). |
| **20-Jan-2022** | • **RESOLVED**, as it is hereby resolved, to authorize and empower management to settle and pay its unpaid subscription in Phoenix LPG Philippines, Inc. (PLPI) in the total amount of Two Hundred Ninety One Million Five Hundred Eighty Four Thousand Four Hundred Ninety Seven Pesos (PHP291,584,497.00) which amount shall be taken from the dividend declaration of PLPI on 03 December 2021;<br>• **RESOLVED**, LIKEWISE, to further authorize management to do whatever act and deeds necessary to implement the foregoing authorities and powers including sign, deliver, execute any other documents necessary and incidental. |
| **03-Feb-2022** | • **RESOLVED,** as it is hereby resolve to authorize the Corporation to represent, transact, request, receive, claim and process any and all related documents pertaining to the Corporation's properties including certified copies of titles, tax declaration, tax clearances and certified copies of the real property tax receipts and other related documents with Local City Assessor's Office, Office of the Registry of Deeds, City Treasurer's Offices and/or local government entities.<br>• **RESOLVED FURTHER**, as it is hereby resolved to authorize **AMV Business Center** and to further delegate any one (1) of its authorized representative:<br><br>1. Cromwell M. Mallen<br>2. Mary Joy M. Melitante<br>3. Liza M. Manzo<br>4. Mae F. Fanergo<br>5. Carlo Lachica<br>6. Jerriemie Madamo<br>7. Alexis M. Vibandor<br>8. Ricky U. Vibandor<br><br>by virtue of the issuance of a Special Power of Attorney or a Board Resolution as the case may be, to the above powers and thereby to execute, sign and in behalf of the said |

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| | Corporation all transactions and negotiations with said locale government unit in order to execute and implement the foregoing authority. |
| | ● **RESOLVED,** as it hereby resolved to authorize the Corporation to, following full payment of the obligations under the Term Loan facility extended by the Bank of the Philippine Islands (BPI), claim from said Bank the collateral documents delivered to secure the loans including the Owner's Duplicate Copy of TCT No. T-204111 situated in Cegayan de Oro City and the Deed of Release of Real Estate Mortgage and such other related documents of the Corporation.<br>● **RESOLVED FURTHER**, as it is hereby resolved to authorize any one (1) of the following signatories:<br><br>a. Henry Albert R. Fadullon<br>b. Ma. Concepcion F. De Claro<br>c. Vicente Miguel R. Jayme<br>d. Jonarest Z. Sibog<br>e. Nel Marie P. Rodriguez<br><br>To authorize, execute and sign in behalf of the said Corporation documents necessary in order to execute and implement the foregoing authority. |
| | ● **RESOLVED,** that the Corporation be, as it is hereby authorized to file its Answer/Explanation, Position Paper, motions, and/or such other pleadings as the Corporation's representative may deem appropriate in the case entitled **"Cherwin H. Lim, et al., vs. Phoenix Petroleum Philippines, Inc.**" that is pending before the Department of Labor and Employment ('DOLE"), National Labor Relations Commission, Regional Arbitration Branch No. X, Cagayan de Oro City docketed as NLRC-CASE No. RAB-IV-05-00664-21-B ("Subject Case"), and to file such action/s before any court, tribunal or agency, intertwined, interconnected or interrelated with the Subject Case;<br>● **RESOLVED FURTHER**, that the Corporation's Manager for Human Resources, **MYLEN A. SAMONTE** and/or **LD & P Law Office** or any of the Law Office's authorized counsel representative be as she/he/they is/are hereby authorized to represent the Corporation, to sign and execute, for and in behalf of the Corporation, the verification and certification on non-forum shopping appended to the Answer/Explanation, Position Paper, or other pleadings to be filed before the DOLE with respect to the Subject Case or before any court, tribunal or government agency. |
| | ● RESOLVED, as it is hereby resolved, that P-H-O-E-N-I-X PETROLEUM PHILIPPINES INC. be, as it is hereby authorized and empowered to apply and submit all pertinent documents to Bureau of Customs prior and post arrival of importations, submit and apply reports, requests and necessary permits to Bureau of Internal Revenue and Department of Energy in relation to importation.<br>● RESOLVED, as it is hereby resolved, that any of all the foregoing transactions shall be negotiated, concluded, obtained and/or contracted for, by any (one) of the following Company Officers:<br><br>Name — Position<br><br>HENRY ALBERT R. FADULLON — President<br>RICHARD C. TIANSAY — Vice President for Supply Chain Pricing and HSE<br>under such terms and conditions and stipulations as the said authorized signatory may deem advisable and desirable in the best interest of the Corporation; |
| | ● **RESOLVED,** as it hereby resolve to authorize the Corporation to represent, execute, sign, receive, claim, and process any and all related documents pertaining to the company's properties situated within Davao Region, including **lessor's permit**, Certified Copies of Titles, Tax Declarations, Receipts and Clearances and other related documents with the Office of the Registry of Deeds, Assessor's and Treasurer's Office.<br>● **RESOLVED FURTHER**, as it is hereby resolved to authorize **JHON DAVE M. RODA and/or TERESITA M. MANZO** to the above powers and thereby to execute and sign in behalf of the said Corporation all transactions and negotiations with said locale government unit and other private entities in order to execute and implement the foregoing authority; |

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| | • **RESOLVED**, as it is hereby resolve to authorize the Corporation to represent, transact, request, receive, claim and process any and all related documents pertaining to the Corporation's properties including certified copies of titles, tax declaration, tax clearances and certified copies of the real property tax receipts and other related documents with Local City Assessor's Offices, Office of the Registry of Deeds, City Treasurer's Offices and/or local government entities.<br>• **RESOLVED FURTHER**, as it is hereby resolved to authorize CERACRUZ PROPERTY MANAGEMENT CORP. and to further delegate any one (1) of its authorized representative:<br>1. JOENELITO B. DACER<br>2. MARILYN R. DACER<br>3. MARC KLEIN R. DACER<br>4. BERNARDO LOUIZE A. MALAGA JR.<br>by virtue of the issuance of a Special Power of Attorney or a Board Resolution as the case may be, to the above powers and thereby to execute, sign and in behalf of the said Corporation all transactions and negotiations with said locale governme**nt unit in order to execute and implement the foregoing authority**; |
| | • **RESOLVED**, as it is hereby resolve to authorize its Controller and or Manager to sign all related documents pertaining to the Corporation's properties including sworn declaration, application for tax declaration and other related documents with Local City Assessor's Offices, Office of the Registry of Deeds, City Treasurer's Offices and/or local government entities.<br>• **RESOLVED FURTHER,** as it is hereby resolved that pursuant to the foregoing transaction, the company designates any one (1) of the following officer to be the authorized signatory;<br>1. Jonarest Z. Sibog VP-Controller<br>2. Adrian Christian P. Radovan Tax & Compliance Manager<br>by virtue of the issuance of a Special Power of Attorney or a Board Resolution as the case may be, to the above powers and thereby to execute, sign and in behalf of the said Corporation all transactions and negotiations with said locale government unit in order to execute and implement the foregoing authority; |
| | • **RESOLVED,** as it is hereby resolve to authorize the Corporation to represent, transact, request, receive, claim and process any and all related documents pertaining to the Corporation's properties including certified copies of titles, tax declaration, tax clearances and certified copies of the real property tax receipts and other related documents with Local City Assessor's Offices, Office of the Registry of Deeds, City Treasurer's Offices and/or local government entities.<br>• **RESOLVED FURTHER**, as it is hereby resolved to authorize ENTIA ACCOUNTING FIRM and to further delegate any one (1) of its authorized representative:<br>1. Emily B. Mendoza<br>2. Abello M. Cabanes<br>3. Loraine A. Estremos<br>4. Rossana A. Manuawan<br>by virtue of the issuance of a Special Power of Attorney or a Board Resolution as the case may be, to the above powers and thereby to execute, sign and in behalf of the said Corporation all transactions and negotiations with said locale government unit in order to execute and implement the foregoing authority; |

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| | • **RESOLVED,** That the Corporation be, as it is hereby authorized to file its Answer/Explanation, Position Paper, motions, and/or such other pleadings as the Corporation's representative may deem appropriate in the case entitled '***Arniel C. De Vera, Complainant versus Phoenix Petroleum Philippines, Inc., et al., Respondent***' that is pending before the Department of Labor and Employment ('DOLE'), National Labor Relations Commission, Regional Arbitration Branch No. X, Cagayan de Oro City docketed as NLRC-CASE No. RAB-10-01-00014-2022 ('Subject Case'), and to file such action/s before any court, tribunal or agency, intertwined, interconnected or interrelated with the Subject Case;<br>• **RESOLVED FURTHER**, That the Corporation's Manager for Human Resources, **MYLEN A. SAMONTE** and/or **LD & P Law Office** or any of the Law Office's authorized counsel representative be as she/he/they is/are hereby authorized to represent the Corporation, to sign and execute, for and in behalf of the Corporation, the verification and certification on non-forum-shopping appended to the Answer/Explanation, Position Paper, or other pleadings to be filed before the DOLE with respect to the Subject Case or before any court, tribunal or government agency, initiatory, appellate and special civil actions, in behalf of the Corporation. |
| **3-Mar-2022** | • **RESOLVED,** that the Corporation be, as it is hereby, authorized to enter into transaction and/or avail of products or facilities of, or brokered by, through the intermediation of the Depository Banks/BPI, including but not limited to, cash management services, phone/electronic / internet banking facilities, safety deposit boxes, deposit pick-up arrangements, placements and/or purchase of debt papers, negotiable instruments, trust placements and similar transactions as the Corporation may deem reasonable, beneficial and in the furtherance of the interests of the Corporation.<br>• **RESOLVED**, that the Corporation's Authorized Signatories be, as they are hereby authorized to sign, for and in behalf of the Corporation any documents, papers, instruments, instructions, enrollment forms, agreements, or contracts as may be appropriate and/or required for the implementation of the powers/transactions authorized above. The Authorized Signatories are likewise authorized to designate the Corporation's encoder and approver (collectively the "System Administrators") for online banking facilities via a signed enrollment form, or to effect any modification thereof via a signed letter of instruction applicable to the Bank. |
| | • **RESOLVED,** that **Phoenix** be, as it hereby is, authorized to participate in the **Procurement of Fuel, Lubricants and Oil for Philrice Midsayap (RCEF) for the year 2022 under PB MES 22-02-03** that if awarded the tender shall enter into a contract with the **PhilRice, Midsayap Experiment Station, Bual Norte, Midsayap, Cotabato**; and in connection therewith hereby appoint **<u>any one (1)</u>** of the following officers of the company;<br>Name — Designation<br><br>HENRY ALBERT R. FADULLON — Chief Operating Officer<br>ROY O. JIMENEZ — Vice President of Commercial Business<br>RICHARD C. TIANSAY — Vice President for Supply Chain, Pricing and HSE<br><br>acting as duly authorized and designated representatives of Phoenix **are** granted full power and authority to do, execute and perform any and all acts necessary and/or to represent **Phoenix in** the bidding as fully and effectively as the **Phoenix** might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue hereof. |
| | • **RESOLVED**, as it hereby resolve to authorize the Corporation to transact, process and claim for and in behalf of the corporation with the (1) Bureau of Internal Revenue (BIR) the Certificate of Authorizing Registration (CAR) and Tax Clearance Certificate, including the transfer of Title over TCT No. T-12855 situated in Tambler, City of Gen. Santos pursuant to Deed of Sale executed by and between Dominico Congson and Phoenix Petroleum Philippines, Inc.; (2) City Assessor's and/or Treasurer's Office for the property tax clearances and certificates; and (3) Office of the Registry of Deeds (ROD) of General Santos City for the transfer of the previous title to the new owner's name;<br>• **RESOLVED FURTHER**, as it is hereby resolved to authorize **AIZA T. TEJA** and/or **JOHN EMMANUEL R. DIOSANA**, to the above powers and thereby to execute and sign in |

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| | behalf of the said Corporation all transactions and negotiations with said locale government unit and other private entities in order to execute and implement the foregoing authority; |
| | • **RESOLVED,** that Corporation be authorized and empowered to negotiate and obtain with the Land Bank of the Philippines ("Bank")the renewal and/or increase and/or amendment of its Php 2.50 billion Short Term Credit Line, Php 4.0 billion OA/DA/DP/LC/TR Line, USD 30.00 million Standby LC Line, and existing 7-year billion term loan with original principal of Php 5.00 billion, as well as any subsequent amendments or additional credit accommodations thereof which may be duly approved by the Bank;<br><br>• **RESOLVED FURTHER**, that the Corporation is authorized to negotiate for the renewal and/or reinstatement, without change, of its Domestic Bills Purchase Line (DBPL); |
| | • **RESOLVED**, That the Corporation be, as it is hereby, authorized and empowered to enter into an Assignment Agreement with BDO Unibank, Inc. (the "Bank") and PNX – Chelsea Shipping Corp. for the assignment by the Bank to the Corporation of all its rights as Lender under the Omnibus Loan and Security Agreement executed on March 24, 2020 between BDO Unibank, Inc. and PNX Chelsea Shipping Corp., as well as the First Amendment Agreement, the Second Amendment Agreement, Promissory Note No. 800060201452, and all other related loan documents;<br>• **RESOLVED FURTHER**, that HENRY ALBERT R. FADULLON, MA. CONCEPCION F. DE CLARO, and ALAN RAYMOND T. ZORRILLA be, as they are hereby, authorized and empowered to agree on all the terms and conditions of the Assignment Agreement on behalf of the Corporation as they may deem to be in the best interest of the Corporation, as well as that any two (2) of the authorized officers may sign, execute, conclude, deliver the Assignment Agreement as well as any and all other documents and acts which may be necessary or appropriate to give effect to the foregoing Resolutions including the authority to delegate authorized personnel to claim the necessary documents from the Bank with regards to the Assignment Agreement; |
| **03-Apr-2022** | • **RESOLVED,** that **Phoenix** be, as it hereby is, authorized to participate in the **22GMD0007 - Procurement of Fuel for use in Maintenance Section (2nd Quarter of 2022)** that if awarded the tender shall enter into a contract with the **DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS - NORTH COTABATO 1ST**; and in connection therewith hereby appoint **<u>any one (1)</u>** of the following officers of the company;<br><br>Name — Designation<br><br>HENRY ALBERT R. FADULLON — Chief Operating Officer<br>ROY O. JIMENEZ — Vice President of Commercial Business<br>RICHARD C. TIANSAY — Vice President for Supply Chain, Pricing and HSE<br>acting as duly authorized and designated representatives of Phoenix **are** granted full power and authority to do, execute and perform any and all acts necessary and/or to represent **Phoenix in** the bidding as fully and effectively as the **Phoenix** might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue hereof. |
| | • **RESOLVED,** as it hereby resolved to authorize the Corporation to submit bid and proposals with the **22GMD0007 - Procurement of Fuel for use in Maintenance Section (2nd Quarter of 2022)** and perform related transactions such as: to send/receive documents, sign documents, follow up and collect all payments and issue corresponding official receipts; **RESOLVED FURTHER**, as it is hereby resolved to authorize any one (1) of the following:<br><br>John Philip N. Cabanero<br>Maria Teresa Aileen L. Cagang<br>Enedina G. Cacabelos<br><br>by virtue of the issuance of a Special Power of Attorney or a Board Resolution as the case may be, to the above powers and thereby to execute and sign in behalf of the said Corporation all transactions and negotiations with the said local/regional government offices in order to execute and implement the foregoing authority. |

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| | ● **RESOLVED,** that Phoenix be, as it hereby is, authorized to participate in the **22GMD00009 - Procurement of Fuel and Lubricant for Use in Quality Assurance Section, Information and Communication Technology and Construction Section (2nd Quarter of 2022)** that if awarded the tender shall enter into a contract with the **DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS - NORTH COTABATO 1ST**; and in connection therewith hereby appoint **<u>any one (1)</u>** of the following officers of the company:<br><br>Name — Designation<br><br>HENRY ALBERT R. FADULLON — Chief Operating Officer<br>ROY O. JIMENEZ — Vice President of Commercial Business<br>RICHARD C. TIANSAY — Vice President for Supply Chain, Pricing and HSE<br><br>acting as duly authorized and designated representatives of Phoenix **are** granted full power and authority to do, execute and perform any and all acts necessary and/or to represent **Phoenix in** the bidding as fully and effectively as the **Phoenix** might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue hereof. |
| | ● **RESOLVED,** as it hereby resolved to authorize the Corporation to submit bid and proposals with the **22GMD00009 - Procurement of Fuel and Lubricant for Use in Quality Assurance Section, Information and Communication Technology and Construction Section (2nd Quarter of 2022)** and perform related transactions such as: to send/receive documents, sign documents, follow up and collect all payments and issue corresponding official receipts; **RESOLVED FURTHER**, as it is hereby resolved to authorize any one (1) of the following:<br><br>John Philip N. Cabanero<br>Maria Teresa Aileen L. Cagang<br>Enedina G. Cacabelos<br><br>by virtue of the issuance of a Special Power of Attorney or a Board Resolution as the case may be, to the above powers and thereby to execute and sign in behalf of the said Corporation all transactions and negotiations with the said local/regional government offices in order to execute and implement the foregoing authority. |
| **04-Apr-2022** | ● **RESOLVED,** that the Corporation be authorized, as authority is hereby given, to apply for the use and full availment of the services of ASIA UNITED BANK's Online Banking Facility and all its related modules and/or functions, to include but not limited to account balance viewing, fund transfers, bills payment, payroll, electronic statement of account (e-SOA) with check viewing and checkbook TO AUTHORIZE the following officers and/or directors of the Corporation, grouped respectively... to enter into the above specified arrangements with the Bank under such terms and conditions as the said individuals may deem necessary and to accordingly execute, sign, deliver and/or perform any and all contracts, instruments, documents or writings with or to the Bank that may be necessary for the implementation of the foregoing transactions. |
| | ● **RESOLVED**, as it hereby resolve to authorize the Corporation to submit bid and proposals with the 22GMD0007 - Procurement of Fuel for use in Maintenance Section (2nd Quarter of 2022) and perform related transactions such as: to send/receive documents, sign documents, follow up and collect all payments and issue corresponding official receipts;<br>● **RESOLVED**, as it hereby resolve to authorize the Corporation to submit bid and proposals with the 22GMD0009 - Procurement of Fuel and Lubricant for Use in Quality Assurance Section, Information and Communication Technology and Construction Section (2nd Quarter of 2022) and perform related transactions such as: to send/receive documents, sign documents, follow up and collect all payments and issue corresponding official receipts;<br>● **RESOLVED FURTHER**, as it is hereby resolved to authorize any one (1) of the following:<br><br>John Philip N. Cabanero<br>Maria Teresa Aileen L. Cagang<br>Enedina G. Cacabelos |

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| | by virtue of the issuance of a Special Power of Attorney or a Board Resolution as the case may be, to the above powers and thereby to execute and sign in behalf of the said Corporation all transactions and negotiations with the said local/regional government offices in order to execute and implement the Foregoing authority; |
| | • **RESOLVED**, that Phoenix be, as it hereby is, authorized to participate in the *22GMD0007 -Procurement of Fuel for use in Maintenance Section (2nd Quarter of 2022)* that if awarded the tender shall enter into a contract with the DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS - NORTH COTABATO 1ST; and in connection therewith hereby appoint <u>any one (1)</u> of the following officers of the company:<br>• **RESOLVED,** that Phoenix be, as it hereby is, authorized to participate in the *22GMD0009 - Procurement of Fuel and Lubricant for Use in Quality Assurance Section, Information and Communication Technology and Construction Section (2nd Quarter of 2022)* that if awarded the tender shall enter into a contract with the DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS - NORTH COTABATO 1ST; and in connection therewith hereby appoint <u>any one (1)</u> of the following officers of the company<br>Name — Designation<br>HENRY ALBERT R. FADULLON — President<br>ROY O. JIMENEZ — Vice President of Commercial Business<br>RICHARD C. TIANSAY — Gen. Manager for Pricing and Demand and Supply<br><br>acting as duly authorized and designated representatives of Phoenix are granted full power and authority to do, execute and perform any and all acts necessary and/or to represent Phoenix in the bidding as fully and effectively as the Phoenix might do if personally present with full power of substitution and revocation and hereby satisfying and confirming all that my said representative shall lawfully do or cause to be done by virtue hereof; |

# "ANNEX B"

## MANAGEMENT REPORT

### I. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has not had any disagreement with its previous and current external auditor/independent public accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

### BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS OF THE REGISTRANT AND ITS SUBSIDIARIES

#### 1. Business Description

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the "Company" or "PPPI", interchangeably) was incorporated in the Philippines on May 8, 2002 under its original name of "OILINK MINDANAO DISTRIBUTION, INC." On 11 January 2004, the Company amended its Articles of Incorporation changing its name from Oilink Mindanao Distribution, Inc. to Davao Oil Terminal Services Corp. On August 7, 2006, the Philippine Securities and Exchange Commission approved the Amended Articles of Incorporation of the Company changing its name from Davao Oil Terminal Services Corp. to "P-H-O-E-N-I-X Petroleum Philippines, Inc.". As of 31 December 2021, the Company is 40.84% owned by P-H-O-E-N-I-X Petroleum Holdings, Inc. (PPHI), 23.60% owned by ES Consultancy Group, Inc., and 18.53% owned by Udenna Corporation companies organized in the Philippines.

The Company is registered with the Board of Investments (BOI) since November 16, 2005 then as a New Industry Participant with New Investment in storage, marketing and distribution of petroleum products under Republic Act (RA) 8479 (Downstream Oil Industry Deregulation Act of 1998). Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investment Code of 1987. Under its registration, the Company is also entitled to certain tax and non-tax incentives to include Income Tax Holiday (ITH) for five (5) years from November 16, 2005.

The Company likewise registered with the BOI in 2010 and 2012 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in various locations. Under these registrations, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

The Company's transactions relating to the BOI registered investments entitled it to certain tax and non-tax incentives. Details of the registrations are as follows:

| **Location of Project** | **Date of Registration** | **Income Tax Holiday Period** | **Expiry** |
|---|---|---|---|
| Villanueva, Misamis Orienta (near CDO Expansion | November 24, 2017 | 5 Years | Nov 24, 2022 |
| Tayud, Cebu City | September 9, 2017 | 5 Years | Sept 9, 2022 |
| Calapan, Mindoro | October 12, 2017 | 5 Years | Oct 12, 2022 |
| Calaca, Batangas (Expansion) | December 22, 2017 | 5 Years | Dec 22,2022 |

On July 11, 2007, the Company went public, making available twenty-five percent (25%) of its total outstanding shares. The Company thus became the first petroleum company to list in the Philippine Stock Exchange (PSE) after the enactment of the Republic Act (RA) 8479 in 1998. The aforementioned law encourages petroleum companies to be listed with the PSE.

The Company's operations consist of Trading, Terminaling and Hauling Services. Under Trading, the Company offers its refined petroleum products (including Jet A1) and lubricants to retailers and commercial/industrial customers.. The retail service stations are classified as Company-Owned, Company-Dealer-Operated (CODO) or Dealer-Owned, Dealer-Operated (DODO).

The Company's Terminaling and Hauling Services involves the leasing of storage space in its terminal depot, hauling and into-plane services (hauling of Jet A1 fuels to airports and refueling of aircraft) in Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City. Since 2008, Cebu Air has designated the Company as its exclusive logistics partner in all its Mindanao operations.

**Subsidiaries:**

At present, the Company has Nine (9) direct wholly-owned subsidiaries, namely:

- **P-h-o-e-n-i-x Global Mercantile, Inc.** ("PGMI") was incorporated on July 31, 2006. It was previously engaged 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.

- **PFL Petroleum Management Inc.** ("PFL or PPMI") was incorporated on January 31, 2007 and is currently engaged in the management of the three retail service stations which are being used as training sites and stations for prospective dealers.

- **Subic Petroleum Trading and Transport Phils., Inc. (SPTT)** was registered with the SEC on February 20, 2007 and is engaged in the buying and selling, supply and distribution, importation and exportation, and the storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use. It does not carry any inventory at any given time. SPTT is duly registered with Subic Bay Metropolitan Authority ("SBMA") and was issued the Certificate of Registration and Tax Exemption on 01 June 2012, which is effective until 31 May 2013 and renewable by SPTT. It is classified as a Subic Bay Freeport Enterprise for the purpose of and with permit to operate the business of engaging in the business of importation, warehousing, transshipment, export, distribution of liquor, wines and spirits, tobacco and cigarettes and general merchandise and commodities such as but not limited to groceries, canned goods and prepaid cards; convenience store for selling and distribution of gasoline and other petroleum products and other liberalized items.

- **Phoenix LPG Philippines, Inc. (PLPI)** was incorporated last 20 June 1995 with the Securities and Exchange Commission as Petronas Energy Philippines, Inc. (PEPI), and was later renamed as Phoenix LPG Philippines, Inc. after its acquisition in accordance with the Share Purchase Agreement with the Company. It is currently engaged in the importation, distribution, marketing and retail sale of Liquefied Petroleum Gas (LPG), mainly in the Visayas and Mindanao area, with some minor operations in some areas of Luzon.

- **Duta, Inc.** was incorporated with the SEC last November 09, 1994 and currently holds its principal office in 15th Floor, Citibank Tower, Valero st., Salcedo Village, Makati City. It operates as a property holding company of PPPI and PLPI, and currently owns the real properties where the plants and some distribution offices of PLPI currently stand.

- **Philippine FamilyMart CVS, Inc.** was registered with the SEC last November 29, 2012 and currently maintains its principal office at Fourth Floor, Tara Building, 389 Sen. Gil J. Puyat Avenue, Makati

City, Philippines. It is currently engaged in the operation and sub-franchising of convenience stores under the "FamilyMart" brand. It currently holds the exclusive Area Franchise to the "FamilyMart" brand in the Philippines and is granted the right to exclusively sub-franchise the "FamilyMart" convenience stores anywhere in the Philippines.

- **PNX Petroleum Singapore Pte. Ltd.** was registered in Singapore and started operations sometime in October 2017. It is the regional trading arm of the Company. It currently holds office in Singapore and is able to buy directly from the refineries in the region due to its bigger requirements. It also takes orders and sells to other local and regional buyers.

- **PNX Energy International Holdings Pte. Ltd.,** registered in Singapore in 2018, PEIH was established to manage the Company's international investments, as the Company explores possible investments in different regional markets such as Vietnam, Indonesia, Myanmar, Thailand and Australia.

- **Phoenix Pilipinas Gas and Power, Inc.** 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).

- **Phoenix Road Transport Pilipinas, Inc.,** incorporated on February 19, 2020, to engage in the business of organizing, managing, administering, running and supervising the operations and marketing of various kinds of service-oriented companies, such as petroleum service stations, hauling companies and such other related companies.

The Company also has <u>direct</u> investments in Three (3) subsidiaries, namely:

- **Action.Able, Inc.,** registered in 2015, the Company owns 74.9% of the subsidiary. Action.Able is a three year old digital payment platform which enables and facilitates financial transactions between a merchant who avails and uses the service, and his customers who uses the platform to purchase, buy or pay all kinds of prepaid loads bills, and money remittances through a single Point of Sale device.

- **think.able, Limited,** registered in Hong Kong in 05 May 2014, The Company owns 74.9% of the subsidiary. think.able is the company that owns and holds the trademarks and copyrights used by Action.Able, Inc. in its operations and devices, including the trademark for "Pos!ble.net" the more popular name for which the devices and the service is known.

- **Phoenix Asphalt Philippines, Inc.** is a joint venture of Phoenix Petroleum Philippines, Inc., Tipco Asphalt Public Company Limited of Thailand and Carlito B. Castrillo. Formed in January 2018, the joint venture will manufacture, operate, market, and distribute asphalt, asphalt-related products and other by-products of crude oil and other petroleum products, including operating terminals in the Philippines. Its plant is scheduled to complete construction in 2019 at the Calaca Industrial Seaport Park.

## 2. Directors and Officers

*(please refer to pages 11-24 of the Information Statement - form 20-IS)*

## II. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

### A. .Comparable discussion on Material Changes in Results of Operations for the Period Ended March 31, 2022 vs. March 31, 2021.

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

The Group's **Revenues** during the 1st quarter of 2022 were higher by 26.6% at ₱36.482 billion compared to the ₱28.810 billion generated in the same period of 2021. This was despite the 18.5% decrease in total volume sold for the comparative periods (2021: 906 million liters vs. 2020: 1,106 million liters). Volume from overseas subsidiaries shrank by 3.2%, while the domestic business contracted by 39.1%. Domestic demand in the 1st quarter was dampened by the surge in COVID cases in January and further aggravated by the Ukraine-Russia conflict which disrupted global supply, causing unpredictable demands as customers scale back on orders. Meanwhile, the average price of petroleum products was higher as a result of the 37.2% increase in the price of Dubai crude (benchmark crude of Asian refineries) average (YTD March 2022 vs 2021: US$95.56/ bbl. vs. US$60.01/ bbl).

**Cost of Sales and Services** increased by 27.6%, from ₱27.195 billion in the 1st quarter of 2021 to ₱34.698 billion in 2022, principally attributable to the increase in fuel prices.

In spite of the price movement, **Gross Margin** increased by 10.4% or ₱0.18 billion as augmented by the contribution from other revenue sources.

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

Meanwhile, the company's **Selling and Administrative Expenses** amounted to ₱1.505 billion, 15.4% higher than the ₱1.304 billion level comparing the same quarter of 2022 versus 2021 but is actually 0.7% lower than the 4th quarter of 2021. The increase primarily came from the additional business activities arising from the lifting of the community restrictions, in addition to the bigger depreciation expenses and related real property taxes as most of the major projects were completed.

On the other hand, **Net Non-operating Charges** of ₱0.729 billion was ₱0.565 billion less than the ₱0.164 billion incurred in the same period of 2021. This is, however, 54.8% lower than the 4th quarter of 2021. The 345.3% increase was driven by the ₱0.590 billion increase in the Finance Cost as average debt levels increased year-on-year as the need for higher working capital brought by the oil price increase during the period. This was offset by the 146.7% increase in other Non-operating charges amounting to ₱0.005 million and higher equity share in the JV income.

**Operating, Net and Comprehensive Incomes**

The 1st quarter 2022 Operating Income of ₱0.279 billion decreased by 10.4% (₱0.0032 billion) from the prior year's ₱0.312 billion, mainly because of the increase in selling and administrative expenses (₱0.201 billion) tempered by the increase in gross margins (₱0.169 billion).

The Net Loss Before Tax of ₱0.450 billion during the quarter reversed by 404.0% (₱0.598 billion) vis-à-vis the prior year's Net Income Before Tax of ₱0.148 billion.

Meanwhile, the Company recorded a ₱0.096 billion translation adjustment gain related to PNX SG's operations, 1245.4% better than the ₱0.008 billion loss recorded in the same period of 2021. As such, Comprehensive Loss of ₱0.167 billion was 247.8% lower than the ₱0.113 billion Comprehensive income reported in the 1st quarter of 2021.

**Financial Condition**
*(As of March 31, 2022 versus December 31, 2021)*

**Consolidated resources** as of March 31, 2022 stood at ₱89.519 billion, 4.5% higher than ₱85.598 billion level as of December 31, 2021.

**Cash and Cash Equivalents** decreased by 4.1% (from ₱4.903 billion in December 31, 2021 to ₱4.701 billion as of March 31, 2022), net of the interestpaid, loan repayments and proceeds.

**Trade and Other Receivables** increased by 33.3% (from ₱18.461 billion as of December 31, 2021 to ₱24.610 billion as of March 31, 2022) along with the increase in sales.

**Inventory** was 43.4% lower at ₱2.824 billion as of March 31, 2022 than the ₱4.992 billion as of December 31, 2021, driven by the strategic inventory management executed.

**Interest-bearing Loans and Borrowings,** both current and non-current of ₱46.033 billion as of March 31, 2022 decreased by 0.2% from ₱46.137 billion as of December 31, 2021, with the reduction in cash cycle days, loan level was also decreased.

**Trade and Other Payables** increased by 28.8% from ₱15.494 billion as of December 31, 2021 to ₱19.953 billion as of March 31, 2022, as the oil prices increases.

**Total Stockholders' Equity** decreased to ₱20.161 billion as of March 31, 2022 from ₱20.479 billion as of December 31, 2021, (by 1.6%). The decrease is due to the 7.2% reduction in retained earnings which came from the ₱0.148 payment of dividends on Preferred shares, Net loss for the period.

**Key Performance Indicators and Relevant Ratios**

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

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | | |
| Debt to Equity Ratio<br>Debt to Equity Interest-Bearing[2] | 3.44x : 1x<br>2.29x : 1x | 3.18x : 1x<br>2.25x : 1x |
| Net Book Value per Share[3] | ₱8.77 | ₱8.99 |
| Earnings per Share[4] | ₱(0.30) | ₱(0.83) |
| | | |

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

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

**Material (5% or more) Changes to the Group's Balance Sheet as of March 31, 2022 vs. December 31, 2021**

33% increase in Trade and Other Receivables
In relation to the increase in revenues as oil prices increased.

43% decrease in Inventory
Due to supply bottlenecks brought about by the Ukrain-Russian War

6% increase in Due from Related Party
Advances made to certain JVs for their working capital needs.

11% decrease in Input Vat Net
Due to the decreased tax base value of the recent importations compared to the prior year average.

22% increase in Prepayments and Other Assets
Due to new prepayments related to importations as well as prepaid taxes and renewed licenses.

29% increase in Trade Payables
This is net of intercompany transactions, the increase of which is attributable to the global oil prices movement during the period

86% increase in Derivative Financial Liabilities
Related to the forward contracts entered into by PNX SG

20% decrease in Deferred Tax Liabilities

As a result of the losses of some subsidiaries.

**Material (5% or more)changes to the Group's Income Statement as of March 31, 2022 vs. March 31, 2021**

27% increase in revenues
Due to the 37% increase in global petroleum prices versus the same period of last year.

28% increase in Cost of Sales and Services
This reflects the higher global prices comparing the same periods.

15% decrease in Selling and Admin Expenses
The increase is a result the ease in restrictions which allowed more employee activities, renewal of taxes and licenses and additional depreciation.

345% Net increase in Other income/(charges)
Mainly due to the lower allowable capitalization of certain finance costs on related projects under construction, higher interest expense as a result of the higher working capital requirement due to the increase in oil prices.

802% decrease in Tax Expense
This came from the losses of certain subsidiaries during the period.

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

## B. Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2021 vs. December 31, 2020.

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

The Group's **Revenues** during the year 2021 increased to ₱132.284 billion, 68.9% higher compared to the ₱78.230 billion generated in 2020. This was mainly due to the increase in fuel prices. The average price of petroleum products was higher as a result of the 64.4% spike in the price of Dubai crude (benchmark crude of Asian refineries) average (YTD December 2021 vs 2020: US$69.39/ bbl. vs. US$42.21/ bbl.) which drove the prices of refined petroleum products down. This is in addition to the 9.7% growth in total volume sold for the comparative years (2021: 4,655 million liters vs. 2020: 4,245 million liters).

Of the 409 million liters incremental sales volume, 58.6% or 240 million liters came from the volume sold by its foreign-based subsidiaries; while the balance of 169.6 million liters net increase or 41% is from domestic operations.

Similarly, **Cost of Sales and Services** increased by 74.6%, from ₱71.254 billion in 2020 to ₱124.416 billion in 2021, principally attributable to the volume growth and surge in fuel prices.

As a result mainly of the increase in sales volume and increase in fuel prices, **Gross Margin** rose by 11.7% or ₱0.823 billion.

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

The company's **Selling and Administrative Expenses** amounted to ₱5.539 billion, 4.5% less than the ₱5.802 billion 2020 level. Considering the volume growth, opex per liter improved to ₱1.19 from ₱1.37 as the company continued to implement cost-effective programs aimed to streamline its processes and reduce cost.

On the other hand, **Net Non-operating Charges** of ₱3.514 billion was ₱2.106 billion more than the ₱1.408 billion incurred in 2020. Part of the 149.6% increase was the ₱1.662 billion increase in the finance cost as the working capital requirement brought about by the increase in fuel prices also increased, ₱0.044 billion increase in the recognized fair value gains on investment properties, ₱0.281 billion decrease in finance income, ₱0.075 billion decrease in the equity share in the JV income and ₱0.132 billion decrease in other income.

### Operating, Net and Comprehensive Incomes

Because of the decrease in operating expenses, the 2021 **Operating Income** of ₱2.329 billion rose by 87.3% (₱1.085billion) compared to the 2020 Operating Income of ₱1.244 billion.

Due to the higher Net Non-operating Charges, the group incurred a **Net Loss After Tax** of ₱0.466 billion in 2021 vis-à-vis the 2020 NIAT of ₱0.063 billion.

Meanwhile, the company recorded a ₱0.445 billion gain on revaluation of land which was 62.7% or ₱0.749 less than ₱1.194 recorded in 2020. The remeasurement of the post-employment defined benefit program also resulted in a gain of ₱0.017 in 2021, 127.0% better than ₱0.064 loss recognized in 2020. As such resulted to a **Comprehensive Loss** of ₱0.118 billion, 115.4% less than the ₱0.767 billion reported in 2020.

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

Consolidated resources as of December 31, 2021 stood at ₱85.598 billion, 3.7% higher than ₱82.532 billion level as of December 31, 2020. This was mainly due to the increase in fuel prices which resulted in higher input VAT. The increase is also due to the increase in property, plant and equipment, although the capital expenditures spending was cut into only 30% versus 2020.

**Cash and Cash Equivalents** decreased by 15.3% (from ₱5.788 billion in December 31, 2020 to ₱4.903 billion as of December 31, 2021) as the company settled its loans, net of the proceeds coming from new loans availed.

**Trade and Other Receivables** increased by 5.4% (from ₱17.514 billion as of December 31, 2020 to ₱18.465 billion as of December 31, 2021) in relation to the increase in revenues, as a result of the increasing fuel prices.

**Inventory** was 4.7% higher at ₱4.992 billion as of December 31, 2021 compared to ₱4.769 billion as of December 31, 2020. This is the result of pressure coming from the fuel price increases in addition to the group's effort to be efficient in its supply-chain strategy.

As of December 30, 2021, the Group's **Property and Equipment**, net of accumulated depreciation, increased to ₱33.914 billion versus the ₱32.708 billion as of December 31, 2020. The ₱1.207 billion or 3.7% growth represented the fair value appraisal of certain land properties of Duta leased by PLPI and carry-over expansion of the group.

**Investment Properties** was 15.3% higher at ₱0.687 billion as of December 31, 2021, from ₱0.596 billion as of December 31, 2020. The ₱0.091 million increment mainly pertained to the market revaluation of the company's real estate estate properties in compliance with accounting standards.

**Intangible Assets** was 14.6% lower at ₱0.238 billion as of December 31, 2021, from ₱0.279 billion as of December 31, 2020 as a result of normal amortization.

**Right of Use assets** increased to ₱1.010 billion as of December 31,2021 from ₱0.793 billion as of December 31,2020 resulting from normal depreciation and re-opening of normal business operations after the ease of certain pandemic restrictions and mobility.

**Investment in Joint Ventures** was 7.8% higher at ₱1.763 billion as of December 31, 2021, from ₱1.635 billion as of December 31, 2020 inclusive of the cumulative increase from the equity share in the JVs net income as well as the company's share in its new Joint Venture Agreements.

**Deferred Tax Asset** was 105.6% higher at ₱1.017 billion as of December 31, 2021, from ₱0.494 billion as of December 31, 2020 coming from some subsidiaries reporting losses, thereby recognizing Income Tax Benefits.

**Other Non-current Assets** was 5.8% lower at ₱7.343 billion as of December 31, 2021, from ₱7.795 billion as of December 31, 2020 as some advances to suppliers for various goods and services in the prior were completed and delivered in 2021.

**Interest-bearing Loans and Borrowings**, both current and non-current of ₱46.137 billion as of December 31, 2021 decreased by 4.4% from ₱44.243 billion as of December 31, 2020, mainly due to the settlement of debts, net of new loan availments.

**Trade and Other Payables** increased by 70.1% from ₱9.107 billion as of December 31, 2020 to ₱15.494 billion as of December 31, 2021, related to the terms, timing and increased value of purchases of petroleum products.

**Deferred Tax Liabilities** amounting to ₱0.917 billion as of December 30, 2021 decreased by 13.0% versus the ₱1.154 billion as of December 31, 2020, primarily related to the related fair value gains on land and investment properties.

**Total Stockholders' Equity** decreased to ₱20.479 billion as of December 31, 2021 from ₱21.161 billion as of December 31, 2020, (by 3.2%). The increase in Capital Stock and Additional Paid-in Capital is a result of the ESOP availment of ₱0.026. The 15.4% decline in retained earnings came from the ₱0.466 billion net loss realized in 2021, payment of dividends on Preferred shares amounting to ₱0.589, partially offset by the increase in the Revaluation Reserves of ₱0.370 coming from the Other Comprehensive Income component of the Fair Value Gains of certain assets.

**Key Performance Indicators and Relevant Ratios**

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current Ratio[1] | 0.87x : 1x | 0.84x : 1x |
| Debt to Equity Interest-Bearing[2] | 2.25x : 1x | 2.28x : 1x |
| Net Book Value per Share[3] | ₱8.99 | ₱9.37 |
| Earnings per Share[4] | (₱0.83) | (₱0.34) |

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

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

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

15% decrease in Cash and Cash Equivalents
Settlement of matured debts, net of new loans availed.

5% increase in Trade and Other Receivables
Due to the increase in revenues.

45% increase in Input VAT
Excess VAT paid in advance net of the recoveries from vatable sales.

91% decrease in Due from Related Party
As certain JV agreements were fully consummated.

100% increase in Restricted Deposits
In compliance with the OLSA requirement with BDO.

15% increase in Investment Properties
Appraisal of Land, classified as investment properties

27% increase in Right of Use Asset
Renewal of certain Lease Contracts.

15% decrease in Intangible Asset

Normal amortization.

8% increase in Investment in Joint Ventures
Due to the company's share in the Net Income and the additional Joint Venture Agreements entered into during the year.

106% increase in Deferred Tax Assets
Coming from some subsidiaries reporting losses.

6% decrease in Non-current Assets
Completion of certain projects and related services.

60% decrease in Non-current Assets Classified as Held for Sale
Certain sale of assets to JV were consummate and executed as planned.

17% decrease in Interest Bearing Loans- Current
Settlement of maturing debts during the year.

70% increase in Trade Payables
In relation to the increasing petroleum products prices and longer payment terms.

87% increase in Derivative Financial Liabilities
Related to the forward contracts entered into by PNX SG

45% decrease in Lease Liabilities - Current
Due to the cancellation and re-structuring of certain lease contracts.

100% decrease in Income Tax Payable
Net of the offset against creditable withholding taxes allowable for application for subsidiaries reporting net income.

22% increase in Lease Liability - Non Current
Renewal of certain leased contracts.

13% decrease in Deferred Tax Liability
Coming from the lower fair value gains of certain properties recognized during the year net of the allowable offset to Deferred Tax Asset for the year.

6% increase in Non-current liabilities
Increase in Customer Cylinder Deposits, Cash Bonds, Security Deposits, Unearned Rent and Post- employment benefit obligation.

19% increase in Revaluation Reserves
Movements coming from the Other Comprehensive Income items namely translation adjustment, fair value gains net of deferred income tax and retirement benefit obligations.

15% decrease in Retained Earnings
Increase coming from the Net Loss after tax and the dividends declared and distributed during the year.

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

70% increase in Sale of Goods
Mainly due to the increase in fuel prices during the year.

9% increase in fuel service and other revenue
Coming from Pnx Sg.

42% increase in rent income
Coming from PPPI's new operating sites and non-fuel related businesses as the ease of mobility started to increase economic activities.

75% increase in Cost of Sales and Services
This mirrors the increase in the sale of goods, reflecting the downwards price movements in the world market in 2021 compared to 2020.

5% decrease in Selling and Admin Expenses
Relative to the company's effort to reduce its expenses in response to the impact of the pandemic.

82% increase in Finance Costs
As the increase in fuel prices requires higher working capital, the equivalent volume of trade related likewise increased despite the reduction in average interest rates.

78% decrease in Finance Income
Net realized and unrealized forex gains and losses as well as Pnx SG's forward contract results.

103% increase in Fair Value Gains on Investment Properties
Fair value gains on investment properties leased to third party customers.

79% decrease in Equity Share in Net Income of a Joint Venture
This is the net share from all the operating Joint Ventures during the year.

101% decrease in Other income
There was no one-time other income made during the year.

217% increase in Tax Benefit
Due to the net loss for the year.

102% decrease in Translation Adjustments Loss
Net forex exposure from foreign denominated subsidiaries resulted in gain on translation adjustment.

63% decrease in Gain in Revaluation of Land (OCI)
Related to the gain on the investment property revaluation for the year.

127% decrease in Remeasurement of Post-Employment Benefit Obligation Loss (OCI)
The actuarial valuation resulted in net gain on remeasurement..

66% decrease in Tax Expense (OCI)

Net effect of the lower gain in revaluation of land and gain on remeasurement of post-employment benefit obligation under Other Comprehensive Income (OCI)

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

## C. Comparable discussion on Material Changes in Results of Operations for the YearEnded December 31, 2020 vs. December 31, 2019 (as re-stated).

### Revenues, Cost of Sales and Gross Margins

The Group's **Revenues** during the year 2020 dropped to ₱78.300 billion, 20.0% lower compared to the ₱97.823 billion generated in 2019. This was mainly due to the decline in fuels prices as the average peso per liter price of petroleum products was lower by 36.2% (FY Average 2020 vs. 2019: P13.19 vs. P20.69). This was as a result of the combined effect of the 35.5% drop in the price of Dubai crude, the benchmark crude of Asian refineries,(FY Average US$/ bbl 2020 vs. 2019: US$42.24 vs. US$63.51) and the 4.2% appreciation of the peso relative to the U.S. dollar (FY Average 2020 vs. 2019 P:1US$ P49.64 vs. P51.80.

The drop in the value of petroleum products was partially mitigated, however, by the 31.6% growth in total volume sold for the comparative years (2020: 4,244 million liters vs. 2019: 3,226 million liters). The 1,018 million liters incremental sales volume came from the volume sold by its foreign-based subsidiaries (Pnx Singapore: Pnx Singapore – 1,294.3 million liters and Pnx Vietnam – 151.7 million liters). This was partly offset, however, by the 42% (427.5 million liters) decline in sales generated from domestic operations brought about by the slowdown in the domestic economy as a result of the pandemic.

Similarly, **Cost of Sales and Services** decreased by 17.9%, from ₱86.811 billion in 2019 to ₱71.252 billion in 2020, principally attributable to the decline in fuel prices but partially reduced by the volume growth.

Consequently, **Gross Margin** fell by 36.0% or ₱3.964 billion, largely on account of the volatility in the price of petroleum products and the slowdown in domestic volume.

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

Meanwhile, the company's **Selling and Administrative Expenses** amounted to ₱5.801 billion, 11.0% less than the ₱6.518 billion 2019 level. However, considering the volume growth, opex per liter improved to ₱1.37 from ₱2.02as the company continued to implement cost-effective programs aimed to streamline its processes and reduce cost.

On the other hand, **Net Non-operating Charges** of ₱1.407 billion was ₱1.315 billion less than the ₱2.724 billion incurred in 2019. Part of the 48.3% reduction was the ₱0.802 billion decrease in interest expenses, ₱0.043 billion increase in the recognized fair value gains on investment properties, ₱0.273 billion increase in finance income, ₱0.078 billion increase in the equity share in the JV income and ₱0.119 billion increase in other income .

### Operating, Net and Comprehensive Incomes

**Operating Income** in 2020 was lower by 72.3% at ₱1.244 billion compared to ₱4.494 billion in 2019, while **Net IncomeAfterTax**(NIAT) declined by 95.7% to ₱62.56 million from ₱1.444 billion in 2019.

Meanwhile, the company recorded a(₱0.087)billion translation adjustment loss related to Pnx SG's operations, 25.1%higher than the (₱0.070)billion loss recorded in 2019. The gain on revaluation of land amounting to ₱1.194 billion was 449.4% (₱0.977 billion)morethan ₱0.217recorded in 2019. As such, **Comprehensive Income** of ₱0.767billion, was 48.8%less than the ₱1.499billion reported in 2019.

### Financial Condition

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

Consolidated Resources as of December 31, 2020 stood at ₱82.532billion, 5.1%lower than₱86.957billion level as of December 31, 2019. This was mainly due to the reduced inventory value as a result of the decline in the fuel prices.

**Cash and Cash Equivalents**decreased by 41.0% (from ₱9.811billion in December 31, 2019to ₱5.788billion as of December 31, 2020) as the company settled its loans as well as its trade payables and redeemed some of its preferred shares, net of the proceeds coming from new loans availed.

**Trade and Other Receivables**increased by 9.6% (from ₱15.973billion as of December 31, 2019to ₱17.514billion as of December 31, 2020)due to reclassification of certain non-current accounts.

**Inventory** was 59.2% lowerate₱4.769billion as of December31, 2020 compared to₱11.680billion as of December 31, 2019. This is due to drop in the prices of petroleum products, the slowdown of domestic volume and the inventory management initiatives to optimize the use of working capital.

As of December30, 2020, the Group's **Property and Equipment**, net of accumulated depreciation, increased to ₱32.708billion versus the ₱29.020billion as of December 31, 2019. The₱1.194 billion of the 12.9% growth represented the fair value appraisal of certain land properties of Duta leased by PLPI and the rest from carried-over expansion of the group.

**Investment Properties** was 122.1% higher at ₱0.596billion as of December 31, 2020, from ₱0.268billion as of December 31, 2019. The ₱0.328million increment mainly pertained to the market revaluation of the company's real estate estate properties leased to external customers in compliance with accounting standards.

**Intangible Assets** was 10.2% lower at ₱0.279billion as of December 31, 2020, from ₱0.310billion as of December 31, 2019 as a result of normal amortization.

**Right of Use assets decreased** to ₱0.793 billion as of December 31,2020 from ₱1.143 billion as of December 31,2019 resulting from normal depreciation and cancellation of several lease contracts during the pandemic.

**Investment in Joint Ventures** was 14.2% higher at ₱1.635billion as of December 31, 2020, from ₱1.433billion as of December 31, 2019 inclusive of the cumulative increase from the equity share in the JVs net income as well as the company's share in its new Joint Venture Agreements in line with its retail expansion program.

**Deferred Tax Asset** was 217.4% higher at ₱0.494billion as of December 31, 2020, from ₱0.156 billion as of December 31, 2016 coming from some subsidiaries reporting losses.

**Interest-bearing Loans and Borrowings**, both current and non-current of₱48.243billion as of December 31, 2020 decreased by 3.3%from₱49.896 billion as of December 31, 2019, mainly due to the settlement of debts, net of new loan availments.

**Trade and Other Payables** decreased by 23.1% from ₱11.842billion as of December 31, 2019to ₱9.107billion as of December 31, 2020, related to the timing and reduced value of purchases of petroleum products.

**Deferred Tax Liabilities** amounting to ₱1.054billion as of December 30, 2020increased by 40.8%versus the ₱0.748billion as of December 31, 2019, primarily related to the related fair value gains on land and investment properties.

**Total Stockholders' Equity** decreased to ₱21.161billion as of December 31, 2020 from ₱21.923billion as of December 31, 2019, (by 3.5%). The decrease in Capital Stock and Additional Paid-in Capital is a result of the redeemed ₱1.25 billion PNX 3A Preferred Shares and the sale of ₱0.334 Treasury Shares. The 7.8% decline in retained earnings came from the ₱0.063billion net income realized in 2020, but offset by the payment of dividends on both Common and Preferred shares, partially offset by the increase in the Revaluation Reserves coming from the Other Comprehensive Income component of the Fair Value Gains of certain assets.

## Key Performance Indicators and Relevant Ratios

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

| | **December 31, 2020** | **December 31, 2019 (re-stated)** |
|---|---|---|
| Current Ratio[1] | 0.85x :1x | 0.84x :1x |
| Debt to Equity Ratio[2] | 2.87x : 1x | 2.95x : 1x |
| Net Book Value per Share[3] | ₱9.48 | ₱9.19 |
| Earnings per Share[4] | (₱0.34) | ₱0.57 |

*Notes:*
*1 - Total current assets divided by current liabilities net of derivative financial liabilities*
*2–Total liabilities net of derivative financial liabilities divided by Total stockholder's equity*
*3 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding*
*4- Period or Year Net income after tax divided by weighted average number of outstanding common shares*

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

The Interest Bearing Debt to Equity ratio improved in 2020 due to the decline in overall debt level. Current ratio was meanwhile, stable from the previous year amidst the pandemic. The negative earnings per share was largely a result of the losses incurred in the first three quarters of the year.

**Material (5% or more) Changes to the Group's Balance Sheet as of December30, 2020 vs. December 31, 2019**

41% decrease in Cash and Cash Equivalents
Settlement of matured debts and preferred shares, net of new loans availed.

10% increase in Trade and Other Receivables
Reclassification of certain non-current accounts as these became current.

59% decrease in Inventories
Decline in petroleum product prices.

1,455% increase in Due from Related Party
Currently booked as Advances to JVs pending completion of documentation.

100% decrease in Restricted Deposits
Restrictions lifted.

31% increase in Prepayments and other current assets
Primarily from the CWTs which the subsidiaries reporting losses can not apply.

13% increase in PPE
Fair value appraisal of certain land properties of Duta leased by PLPI and carried-over expansion projects.

122% increase in Investment Properties
Appraisal of Land, classified as investment properties

31% decrease in Right of Use Asset
Cancellation of several lease agreements due to the pandemic.

10% decrease in Intangible Asset
In line with normal amortization

14% increase in Investment in Joint Ventures
Due to the company's share in the Net Income and the additional Joint Venture Agreements entered into during the year.

217% increase in Deferred Tax Assets
Coming from some subsidiaries reporting losses.

22% decrease in Interest Bearing Loans- Current
Settlement of maturing debts during the year.

23% decrease in Trade Payables
In relation to the decline in the petroleum products prices.

100% increase in Derivative Financial Liabilities
Related to the forward contracts entered into by PNX SG

11% decrease in Lease Liabilities - Current
Due to the cancellation and re-structuring of certain lease contracts.

14% increase in Income Tax Payable
Net of the offset against creditable withholding taxes allowable for application for subsidiaries reporting net income.

57% increase in Interest Bearing Loans - Non-current
Resulted refinancing of short term liabilities with long-term loans.

23% decrease in Lease Liability – Non-current
Cancellation and restructuring of several leased contracts.

41% increase in Deferred Tax Liability
Coming from the fair value gains of certain properties.

39% increase in Other Non-current liabilities
Increase in Customer Cylinder Deposits, Cash Bonds, Security Deposits, Unearned Rent and Post- employment benefit obligation.

30% increase in Capital Stock
Due to the re-issuance of treasury shares net of the redeemed PNX3A Preferred Shares.

10% decrease in Additional Paid-in Capital
Reduction from the APIC related to PNX3APreferred Shares

55% increase in Revaluation Reserves
Movements coming from the Other Comprehensive Income items namely translation adjustment, fair value gains net of deferred income tax and retirement benefit obligations.

8% decrease in Retained Earnings
Decrease from the dividends declared and distributed,and net income after tax during the year.

**Material (5% or more)changes to the Group's Income Statement as of December30, 2020 vs. December30, 2019**

20% decrease in Sale of Goods
Mainly due to the decline in petroleum prices.

16% increase in fuel service and other revenue
Driven by the increased PNX SG business.

12% increase in rent income
Related to PPPI's new operating sites and non-fuel related businesses.

18% decrease in Cost of Sales and Services
This mirrors the decrease in the sale of goods following the downward price movements in the world market in 2020 compared to 2019.

11% decrease in Selling and Admin Expenses
As a result of the Company's effort to reduce expenses in response to the impact of the pandemic.

28% decrease in Finance Costs
As a result of the decreased interest-bearing loans.

316% increase in Finance Income
Net realized and unrealized forex gains as well as PNX SG's forward contract gains.

9,119% increase in Fair Value Gains on Investment Properties
Fair value gains on investment properties leased to third party customers.

475% increase in Equity Share in Net Income of a Joint Venture
This is the net share from all the operating Joint Ventures during the year.

986% increase in Other income
From other nun-fuel related businesses, gain on reversal of impairments, contract terminations.

167% decrease in Tax Expense
Due to the decrease in consolidated net income before tax.

25% increase in Translation Adjustments Loss
Due to the increased forex exposure on the increased transactions of the foreign denominated subsidiary.

449% increase in Gain in Revaluation of Land (OCI)
Related to the gain in the investment properties of Duta being leased to PLPI.

60% increase in Remeasurement of Post-Employment Benefit Obligation Loss (OCI)
Based on the actuarial valuation.

537% increase in Tax Expense (OCI)
Net effect of the increase in Gain in Revaluation of Land and Remeasurement of Post-employment Benefit Obligation Loss under Other Comprehensive Income (OCI)

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

## D. Comparable discussion on Material Changes in Results of Operations for the Year Period Ended December 31, 2019 vs. December 31, 2018.

### Revenues, Cost of Sales and Gross Margins

The Group's **Revenues** in 2019 grew to ₱97.823 billion, 10.4% higher compared to the ₱88.611 billion generated in 2018. This was mainly due to the 19.8% growth in total volume sold for the comparative years to 3,259 million liters in 2019 from 2,720 million liters in 2018. This was augmented by the ₱1.185 billion sales contributed by Philippine Family Mart CVS, Inc. (PFM) and ₱113 million sales contributed by Action Able, Inc. On the other hand, despite the implementation of the second round of increase in the excise tax rates of petroleum products under the Tax Reform for Acceleration and Inclusion (TRAIN) law starting January 2019, the average price of petroleum products was lower as a result of the 8.7% drop in the price of Dubai crude average, which is the benchmark crude of Asian refineries, from US$63.15/ bbl to US$69.13/bbl.

Of the 579 million liters incremental sales volume in 2019, 56% came from the volume sold by foreign-based subsidiaries namely, Pnx Singapore and Pnx Vietnam, which contributed 237.5 million liters and 88.6 million liters, respectively. Domestic operations accounted for the remaining 44%.

Similarly, **Cost of Sales and Services** increased by 10.1%, to ₱86.811 billion in 2019 from ₱78.838 billion in 2018, as sales volume grew.

Higher sales volume likewise drove **Gross Profit** higher by 12.7% to ₱11.012 billion in 2019 from ₱9.772 billion in 2018.

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

The Group's **Selling and Administrative Expenses, or Operating Expenses (OPEX),** were higher by 13.5% at ₱6.514 billion in 2019 from ₱5.742 billion in 2018. However, OPEX per unit liter improved to ₱1.97 from ₱2.11 as the Company continued to implement cost-effective programs to streamline its processes and reduce cost.

The Company's **Net Non-Operating Charges** reached ₱2.652 billion in 2019, which was ₱1.996 billion more than the ₱0.656 billion incurred in 2018. This was driven by the rise in average borrowing rates, as well as the additional debts incurred during the year to finance network expansion, including support systems and facilities. The following also drove changes to the net non-operating charges: 1) ₱0.553 billion decrease in the recognized fair value gains on investment properties from ₱0.625 billion in 2018 ; 2) ₱0.013 billion decrease in finance income from ₱0.073 billion; and 3) ₱0.009 billion increase in equity share in the JV income from ₱0.007 billion in 2018.

### Operating, Net and Comprehensive Incomes

Notwithstanding the increase in operating expenses, **Operating Income** grew by 11.6% to ₱4.498 billion in 2019 from ₱4.030 billion in 2018. However, with the rise in Net Non-Operating Charges, **Net Income Before Tax** (NIBT) declined by 45.3% decline to ₱1.846 billion in 2019 from ₱3.374 billion in 2018. **Net Income After Tax** (NIAT) was lower subsequently lower by 46.2% at ₱1.487 billion from ₱2.767 billion in 2018.

Meanwhile, the Company recorded a ₱0.073 billion translation adjustment charge related to Pnx SG's operations compared to the₱0.029 income recorded in 2018. The gain on revaluation of land amounting to ₱0.145 billion was 87.4% lower than ₱1.149 billion recorded in 2018. As such, **Comprehensive Income** was 59.0% lower at of ₱1.487 billion in 2019 versus ₱3.625 billion in 2018.

**Financial Condition**
*(As of December 31, 2019 versus December 31, 2018)*

Consolidated resources as of December 31, 2019 stood at ₱86.950 billion, 34.5% higher than ₱64.660 billion as of December 31, 2018. This was mainly due to the additions in property, plant, and equipment (PPE) related to the Company's retail expansion, the recognition of the Right-of-Use Asset for the lease contracts with reference to PFRS 16 – Leases which took effect January 1, 2019, increase in Receivable, Cash and Cash Equivalents, Prepayments and Deposits and Input VAT.

**Cash and Cash Equivalents** increased by 24.3% to ₱9.811 billion as of December 31, 2019 from ₱7.890 billion as of December 31, 2018 as the company intensified its collection efforts.

Similarly, **Trade and Other Receivables** increased by 6.3% to ₱15.973 billion as of December 31, 2019 from ₱15.031 billion as of December 31, 2018 in line with the increase in revenue, which was mainly driven by higher sales volume.

**Inventory** was 4.9% higher at ₱11.680 billion as of December 31, 2019, almost of the same level as the ₱11.135 billion as of December 31, 2018.

As of December 31, 2019, the Group's **Property and Equipment**, net of accumulated depreciation, increased to ₱27.383 billion versus the ₱18.715 billion as of December 31, 2018. The 46.3% growth represented the value of the assets of the newly acquired subsidiaries, as well as the continuing expansion program of the group.

**Investment Properties** was 9.8% higher at ₱1.909 billion as of December 31, 2019 from ₱1.739 billion as of December 31, 2018. The ₱0.170 million increment mainly pertained to the market revaluation of the company's real estate properties in compliance with accounting standards.

**Intangible Assets** was 5.4% lower at ₱0.310 billion as of December 31, 2019 from ₱0.328 billion as of December 31, 2018 in line with normal amortization.

**Right of Use assets** amounting to ₱1.143 billion is a new account related to the implementation of PFRS 16 effective January 1, 2019.

**Investment in Joint Ventures** was 214.8% higher at ₱1.433 billion as of December 31, 2019, from ₱0.455 billion as of December 31, 2018 as the company entered into Joint Venture Agreements in line with its retail expansion program.

**Goodwill** was 4.3% higher at ₱0.213 billion as of December 31, 2019 from ₱4.419 billion as of December 31, 2018 as a result of the acquisition of Origin LPG (Vietnam) LLC by PNX Vietnam, a subsidiary of PNX Energy Investments, which in turn is a wholly-owned subsidiary of the Company.

**Deferred Tax Asset** was 5.6% higher at ₱0.156 billion as of December 31, 2019 from ₱0.147 billion as of December 31, 2018 coming from subsidiaries reporting losses.

**Other Non-current Assets** was 378.7% higher at ₱7.638 billion as of December 31, 2019 from ₱1.596 billion as of December 31, 2018 as the company entered into Contract to Sell agreements in connection to the purchase of certain real estate properties.[CFC1] [JZS2]

**Interest-bearing Loans and Borrowings**, both current and non-current of ₱49.896 billion as of December 31, 2019 increased by 25.1% from ₱39.900 billion as of December 31, 2018, mainly from the financing of Pnx SG's working capital requirements and the Group's capital expenditures and partly offset by the settlement of debts.

**Trade and Other Payables** increased by 58.8% from ₱7.435 billion as of December 31, 2018 to ₱11.806 billion as of December 31, 2019 related to the timing of purchases of petroleum products, especially for Pnx SG.

**Deferred Tax Liabilities** amounting to ₱0.748 billion as of December 31, 2019, increased by 18.4% as the ₱0.632 billion as of December 31, 2018, primarily related to the first time recognition of right-of-use asset in compliance to PRFS 16.

**Total Stockholders' Equity** increased to ₱21.948 billion as of December 31, 2019, which was higher by 37.4% from ₱15.974 billion as of December 31, 2018. This increase was primarily from the higher Capital Stock and Additional Paid-in Capital resulting from the release of ₱7 billion PNX4 Preferred shares, net of the redeemed ₱1.5 billion privately placed with RCBC Capital Corporation. Further contributing to the higher Stockholders' Equity was the 14.0% growth in retained earnings coming from the ₱1.486 billion net income realized in 2019, which was offset by the payment of dividends on both Common and Preferred shares, as well as the partial redemption of Preferred shares issued in prior years.

## Key Performance Indicators and Relevant Ratios

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current Ratio[1] | 0.8x : 1x | 1.1x : 1x |
| Debt to Equity Ratio[2] | 3.0x : 1x | 3.0x : 1x |
| Debt to Equity Interest-Bearing[3] | 2.3x : 1x | 2.5x : 1x |
| Net Book Value per Share[4] | ₱9.37 | ₱8.68 |
| Earnings per Share[5] | ₱0.60 | ₱1.72 |

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

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

**Material (5% or more) Changes to the Group's Balance Sheet as of December 30, 2019 vs. December 31, 2018**

24% increase in Cash and Cash Equivalents
Release of ₱7 billion PNX4 Preferred Shares net of the settlement of matured debts.

6% increase in Trade and Other Receivables
In relation to increase and timing of revenue generated.

100% decrease in Due from Related Party
Offset against payment for properties leased with option to purchase as well as acquired properties.

91% increase in Input VAT Net
Primarily from the deferred input VAT on Property, Plant, and Equipment.

178% increase in Prepayments and other current assets.
Primarily from the increase of PNX SG's marginal deposit and creditable withholding taxes.
46% increase in Property, Plant, and Equipment
Due to new acquisitions and construction of new retail and depot facilities.

10% increase in Investment Properties
Due to new acquisitions, improvements and appraisal of Land classified as investment properties.

100% increase in Right of Use Asset
First time adoption of PFRS 16 – leases.

5% decrease in Intangible Asset
Normal amortization

215% increase in Investment in Joint Ventures
Due to the additional Joint Venture Agreements entered into during the period.

379% increase in Non-current Assets
Due to the increase in security and rent deposit for leases and rentals as well as the deposits made for the purchase of certain properties.

45% increase in Interest Bearing Loans- Current
Due to the Long Term Contracts maturing within 12 months from December 30, 2019, including additional short-term loans and trust receipts.

59% increase in Trade Payables
In relation to the inventory level and Trust Receipt Bookings classified as Interest-Bearing Loans-current

100% increase in Derivative Financial Liabilities
Related to the forward contracts entered into by PNX SG

100% increase in Lease Liabilities - Current

The current portion of the Lease Liability related to PFRS 16

50% decrease in Income Tax Payable
Net of the offset against creditable withholding taxes applied and the 46% decline in net income before tax.

14% decrease in Interest Bearing Loans - Non-current
Net of the settled and maturing in the next 12 months after December 31, 2019.

100% increase in Lease Liability
First time adoption of PFRS 16

51% increase in Non-current liabilities
Increase in Customer Cylinder Deposits, Cash Bonds, Security Deposits, Unearned Rent and Post- employment benefit obligation.

66% increase in Additional Paid-in Capital
Due to the issuance ₱7 billion PNX4 Preferred Shares, net of the ₱2 billion redemption

295% decrease in Accumulated Translation Adjustments
Due to increased transaction of the foreign currency denominated subsidiary, PNX Singapore.

14% increase in Retained Earnings
From the Net Income After Tax generated in 2019 net of the dividends declared and distributed during the year.

**Material (5% or more)changes to the Group's Income Statement as of December 30, 2019 vs. December 30, 2018**

10% increase in Sale of Goods
Due to the revenues coming from the new subsidiaries namely; PFM, AAI, PNX SG and PNX Energy as well as the 19.8% growth in overall volume sales. The Parent recorded a 10.9% improvement on its volume sold this year, while volume from foreign sales increased by 25.2% compared to the same period last year.

46% increase in fuel service and other revenue
This is due increase in into-plane services and other non-fuel related businesses as well as revenues from Action Able, Inc. (AAI).

10% increase in Cost of Sales and Services
This mirrors the increase in the sale of goods, reflecting the price movements in the world market during the year, which were higher compared to the same period in 2018. The increase in excise tax rates on petroleum products also contributed to the increase.

13% increase in Selling and Admin Expenses
Related to the Company's growth and expansion.

88% decrease in Gain in Revaluation of Land (OCI)
Regular full year revaluation was made in 2019.

16% increase in Remeasurement of Post-Employment Benefit Obligation (OCI)

Result of the actuarial valuation.

91% decrease in Tax Expense (OCI)
Net effect of the decrease in Gain in Revaluation of Land and Remeasurement of Post-employment Benefit Obligation under Other Comprehensive Income (OCI)

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

## III. EXTERNAL AUDIT FEES

*(please refer to pages 33-34 of the Information Statement - form 20-IS)*

## IV. Brief Description of the general nature and scope of the Business of the Registrant and its subsidiaries

*(please refer to pages 1-5 of this Management Report)*

## V. Market price of and Dividends on required by Part V of Annex C, as amended

(1) **Market Information**

The Company's common shares were listed and traded at the Philippine Stock Exchange ("PSE") starting on July 11, 2007. The high and low sale prices of each period for years First Quarter of 2022, Fiscal Year 2021 and Fiscal Year 2020 are hereunder shown:

**2022**
**PNX**

| Period | Highest Close Price | Lowest Close Price |
|---|---|---|
| First Quarter | 10.86 | 10.70 |

**2021**
**PNX**

| Period | Highest Close Price | Lowest Close Price |
|---|---|---|
| First Quarter | 12.86 | 10.78 |
| Second Quarter | 13.58 | 11.50 |
| Third Quarter | 13.08 | 11.96 |
| Fourth Quarter | 11.98 | 10.70 |

**2020**
**PNX**

| | Highest Close | Lowest Close |
|---|---|---|

| Period | Price | Price |
|---|---|---|
| First Quarter | 12.00 | 09.64 |
| Second Quarter | 12.00 | 10.18 |
| Third Quarter | 11.44 | 11.00 |
| Fourth Quarter | 14.88 | 11.10 |

As of 19 May, 2022, the Company's closing share price is at Php 9.20, with a market capitalization of approximately Php13,267,052,574.40.

***Preferred Shares***

The 1st tranche preferred shares of the Company were issued on September 21, 2010 by way of private placement and/or sale under SRC Rule 10.1 (k) and (l) to qualified institutional buyers, hence, exempt from the registration requirement of the SRC. Therefore, these shares were not listed with and traded in the Exchange.

The 2nd tranche preferred (PNXP) shares of the Company were redeemed last December 20, 2018 at Php 100.00 per share or a total of Five Hundred Million Pesos (Php500,000,000.00). These PNXP shares shall form part of the preferred treasury shares of the company.

The 3rd tranche preferred shares of the Company consisting of 20,000,000 preferred shares were registered on December 3, 2015 and listed with the Exchange on December 18, 2015. The 3rd tranche were issued under the following series:

Series 3A (PNX3A) is entitled to an Optional Redemption on the 3rd Anniversary of the Listing Date and is subject to a Step-Up Dividend Rate on the 5th anniversary of the Listing Date and was eventually redeemed on December 18, 2020; and

Series 3B (PNX3B) is entitled to an Optional Redemption on the 5th anniversary of the Listing Date and is subject to a Step-Up Dividend Rate on the 7th anniversary of the Listing Date.

The 4th tranche of preferred shares (PNX4) of the Company consisting of 7,000,000 preferred shares was granted by the Securities and Exchange Commission (SEC) a Certificate of Permit to Offer Securities for Sale covering such shares on October 21, 2019 and listed with the Exchange on November 7, 2019.

The high and low sale prices for each period of PNX3B and PNX4 shares for the year **2021 and 2020,** as well as for the **First Quarter of 2022** are hereunder shown:

**2022**
**Series 3B (PNX3B)**

| Period | Highest Close Price | Lowest Close Price |
|---|---|---|
| First Quarter | 103.10 | 100.50 |

**2021**
**Series 3B (PNX3B)**

| Period | Highest Close Price | Lowest Close Price |
|---|---|---|
| First Quarter | 108.00 | 101.00 |
| Second Quarter | 108.00 | 103.00 |
| Third Quarter | 107.60 | 104.50 |
| Fourth Quarter | 107.60 | 102.00 |

**2020**
**Series 3B (PNX3B)**

| Period | Highest Close Price | Lowest Close Price |
|---|---|---|
| First Quarter | 109.70 | 100.00 |
| Second Quarter | 107.00 | 100.00 |
| Third Quarter | 109.00 | 100.00 |
| Fourth Quarter | 105.50 | 101.90 |

**2022**
**Series 4 (PNX4)**

| Period | Highest Close Price | Lowest Close Price |
|---|---|---|
| First Quarter | 1,005.00 | 970.00 |

**2021**
**Series 4 (PNX4)**

| Period | Highest Close Price | Lowest Close Price |
|---|---|---|
| First Quarter | 1,019.00 | 987.50 |
| Second Quarter | 1,010.00 | 990.00 |
| Third Quarter | 1,019.00 | 997.00 |
| Fourth Quarter | 1,012.00 | 989.00 |

**2020**
**Series 4 (PNX4)**

| Period | Highest Close Price | Lowest Close Price |
|---|---|---|
| First Quarter | 1,054.00 | 990.00 |
| Second Quarter | 1,010.00 | 993.00 |
| Third Quarter | 1,035.00 | 940.00 |
| Fourth Quarter | 1,007.00 | 947.00 |

(2) **Holders**

**Top 20 Stockholders of Common Shares**
**As of April 30, 2022**

| # | NAME OF STOCKHOLDERS | OWNERSHIP (in %) | OUTSTANDING & ISSUED SHARES |
|---|---|---|---|
| 1 | PHOENIX PETROLEUM HOLDINGS INC. | 40.84 | 588,945,630 |
| 2 | ES CONSULTANCY GROUP, INC. | 23.60 | 340,270,980 |
| 3 | UDENNA CORPORATION | 18.53 | 267,245,918 |
| 4 | PCD NOMINEE CORPORATION (FILIPINO) | 11.03 | 159,002,536 |
| 5 | PCD NOMINEE CORPORATION - (NON-FILIPINO) | 4.34 | 62,579,613 |
| 6 | UDENNA MANAGEMENT & RESOURCES CORP. | 0.81 | 11,661,195 |
| 7 | DENNIS A. UY | 0.42 | 6,081,611 |
| 8 | UDENCO CORPORATION | 0.11 | 1,614,787 |
| 9 | JOSELITO R. RAMOS | 0.07 | 1,110,600 |
| 10 | DENNIS A. UY &/OR CHERYLYN C. UY | 0.07 | 1,098,060 |
| 11 | DOMINGO T. UY | 0.04 | 645,919 |
| 12 | ERIC U. LIM OR CHRISTINE YAO LIM | 0.02 | 319,000 |
| 13 | MARJORIE ANN LIM LEE OR PAULINE ANN LIM | 0.02 | 300,000 |
| 14 | EDWIN U. LIM OR GENEVIEVE LIM | 0.02 | 300,000 |
| 15 | SOCORRO ERMAC CABREROS | 0.01 | 167,216 |
| 16 | ZENAIDA CHAN UY | 0.01 | 149,058 |
| 17 | REBECCA PILAR CLARIDAD CATERIO | 0.01 | 148,453 |
| 18 | IGNACIA S. BRAGA IV | 0.00 | 71,019 |
| 19 | EMERICK JEFFERSON SY GO &/OR GIRLIE NG GO | 0.00 | 64,592 |
| 20 | RODOLFO B. APILADO | 0.00 | 53,235 |

***Preferred Shares***

The holders of the preferred shares 3rd tranche and Series 4 of the Company as of 30 April 2022 are as follows:

**3rd Tranche**

PNX3B (Series B)

| COMPANY NAME : PHOENIX PETROLEUM PHILS, INC. - PRF3 | | | | |
|---|---|---|---|---|
| | | LIST OF ALL STOCKHOLDERS As Of April 30, 2022 | | |
| STOCKHOLDER'S NAME | OUTSTANDING & ISSUED SHARES (FULLY PAID) | )UTSTANDING & SSUED SHARES 'ARTIALLY PAII | TOTAL HOLDINGS (SUBSCRIBED) | PERCENTAGE TO TOTAL |
| PCD NOMINEE CORPORATION (FILIPINO) | 7,471,010 | 0 | 7,471,010 | 99.613 |
| PCD NOMINEE CORPORATION (NON-FILIPINO) | 16,380 | 0 | 16,380 | 0.218 |
| KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILS., INC. | 6,910 | 0 | 6,910 | 0.092 |
| ANTONIO T. CHUA | 5,700 | 0 | 5,700 | 0.076 |
| GRAND TOTAL (4) | 7,500,000 | 0 | 7,500,000 | 100.000 |

**Series 4**

PNX4

| COMPANY NAME : PHOENIX PETROLEUM PHILS., INC.-PREF SERIES 4 | | | | |
|---|---|---|---|---|
| | | LIST OF ALL STOCKHOLDERS As Of April 30, 2022 | | |
| STOCKHOLDER'S NAME | OUTSTANDING & ISSUED SHARES (FULLY PAID) | OUTSTANDING & ISSUED SHARES (PARTIALLY PAID) | TOTAL HOLDINGS (SUBSCRIBED) | PERCENTAGE TO TOTAL |
| PCD NOMINEE CORPORATION (FILIPINO) | 6,945,335 | 0 | 6,945,335 | 99.219 |
| PCD NOMINEE CORPORATION (NON-FILIPINO) | 40,315 | 0 | 40,315 | 0.576 |
| G. D. TAN & CO., INC. | 8,000 | 0 | 8,000 | 0.114 |
| KNIGHTS OF COLUMBUS FRATERNAL ASSOCIATION OF THE PHILIPPINES., INC | 3,350 | 0 | 3,350 | 0.048 |
| ANTONIO T. CHUA | 3,000 | 0 | 3,000 | 0.043 |
| GRAND TOTAL (5) | 7,000,000 | 0 | 7,000,000 | 100.000 |

The issuance of the Offer Shares shall have no effect on the amount and percentage of the present holdings of the Company's common shareholders. Neither is there any effect of this issuance on the percentage of the Company's shares beneficially owned by foreigners.

**(3) Dividends**

The Company's dividend policy is to declare dividends of up to 20% of the Company's net income of the previous year after appropriation. This will be taken out of the Company's unrestricted retained earnings.

Each holder of a common share is entitled to such dividends as may be declared in accordance with the Company's dividend policy. The Company's current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Board of Directors. Such recommendations will consider such factors as operating expenses, implementation of business plans, and working capital.

***History of Dividend Income Payment***

1. Company

    a. Dividends on Common Shares

| Date Declared | Dividend Rate | Record Date | Payment Date | Total Amount |
|---|---|---|---|---|
| | | | | |
| March 14, 2019 | Cash Dividend of ₱0.15 per share | April 8, 2019 | May 8, 2019 | ₱210,495,634.80 |
| January 25, 2018 | Cash Dividend of ₱0.15 per share | Apr 2, 2018 | April 26, 2018 | ₱207,954,037.36 |
| January 25, 2017 | Cash Dividend of ₱0.10 per share | March 30, 2017 | April 27, 2017 | ₱136,468,719.08 |
| March 18, 2016 | Cash Dividend of ₱0.08 per share | April 05, 2016 | April 29, 2016 | ₱114,302,178.56 |
| March 4, 2015 | Cash Dividend of ₱0.05 per share | March 18, 2015 | April 16, 2015 | ₱71,438,861.60 |
| January 29, 2014 | Cash Dividend of ₱0.10 per share | March 17, 2014 | April 11, 2014 | ₱142,877,723.20 |
| January 24, 2013 | 30% Stock Dividend | May 15, 2013 | June 10, 2013 | ₱329,717,232.00 |
| | Cash Dividend of ₱0.10 per share | April 11, 2013 | May 8, 2013 | ₱103,605,941.60 |

    b. Cash Dividend on Preferred Shares

Since the issuance of the preferred shares of the Company on September 21, 2010 (the 1st tranche), the Company has declared quarterly dividends fixed at 11.50% per annum, calculated in respect of each share with reference to the Issue Price thereof on each dividend period. This translates to a cash dividend amounting to ₱2.875 per share per quarter. The cash dividends were paid on September 21, December 21, March 21 and June 21 of each year starting December 21, 2010 until the preferred shares were redeemed on December 20, 2013.

| **1st Tranche** | | | | |
|---|---|---|---|---|
| Date Declared | Dividend Rate | Record Date | Payment Date | Total Amount |
| December 5, 2013 | ₱2.875 per share | N/A | Dec. 20, 2013 | ₱14,375,000.00 |
| September 5, 2013 | ₱2.875 per share | N/A | Sep. 21, 2013 | ₱14,375,000.00 |
| June 5, 2013 | ₱2.875 per share | N/A | June 21, 2013 | ₱14,375,000.00 |
| Mar 5, 2013 | ₱2.875 per share | N/A | Mar. 21, 2013 | ₱14,375,000.00 |
| December 5, 2012 | ₱2.875 per share | N/A | Dec. 21, 2012 | ₱14,375,000.00 |
| September 5, 2012 | ₱2.875 per share | N/A | Sep. 21, 2012 | ₱14,375,000.00 |
| June 4, 2012 | ₱2.875 per share | N/A | June 21, 2012 | ₱14,375,000.00 |
| March 05, 2012 | ₱2.875 per share | N/A | Mar. 21, 2012 | ₱14,375,000.00 |
| December 1, 2011 | ₱2.875 per share | N/A | Dec. 21, 2011 | ₱14,375,000.00 |
| August 12, 2011 | ₱2.875 per share | N/A | Sep. 21, 2011 | ₱14,375,000.00 |
| May 12, 2011 | ₱2.875 per share | N/A | June 21, 2011 | ₱14,375,000.00 |
| March 11, 2011 | ₱2.875 per share | N/A | Mar. 21, 2011 | ₱14,375,000.00 |
| September 21, 2010 | ₱2.875 per share | N/A | Dec. 21, 2010 | ₱14,375,000.00 |

On December 20, 2013, in order to redeem the 1st tranche of preferred shares, the Company issued the 2nd tranche of preferred shares with the same amount and features except for the rate,which was reduced to 8.25% per annum. The dividends are calculated on a 30/360 day basis and have a priority in the payment of dividends at the fixed rate of 8.25% per annum at the time of issuance, which translates to a cash dividend amounting to ₱2.0625 per share per quarter. These shares are also preferred in the distribution of corporate assets in the event of liquidation and dissolution of the Company.

The 2nd tranche preferred (PNXP) shares of the Company were redeemed last December 20, 2018 at Php 100.00 per share or a total of Five Hundred Million Pesos (Php500,000,000.00). These PNXP shares shall form part of the preferred treasury shares of the company.

| **2nd Tranche** | | | | |
|---|---|---|---|---|
| Date Declared | Dividend Rate | Record Date | Payment Date | Total Amount |
| Nov. 7, 2018 | ₱2.0625 per share | Nov. 23, 2018 | Dec. 20, 2018 | ₱10,312,500.00 |
| Aug 6, 2018 | ₱2.0625 per share | Aug 24, 2018 | Sep. 20, 2018 | ₱10,312,500.00 |
| May 7, 2018 | ₱2.0625 per share | May 24, 2018 | June 20, 2018 | ₱10,312,500.00 |
| Feb, 2018 | ₱2.0625 per share | Feb 22, 2018 | Mar. 20, 2018 | ₱10,312,500.00 |
| Nov. 6, 2017 | ₱2.0625 per share | Nov. 23, 2017 | Dec. 20, 2017 | ₱10,312,500.00 |
| Aug 3, 2017 | ₱2.0625 per share | Aug. 24, 2017 | Sep. 20, 2017 | ₱10,312,500.00 |
| May 4, 2017 | ₱2.0625 per share | May 24, 2017 | June 20, 2017 | ₱10,312,500.00 |
| Feb 6, 2017 | ₱2.0625 per share | Feb 22, 2017 | Mar. 20, 2017 | ₱10,312,500.00 |
| Nov 7, 2016 | ₱2.0625 per share | Nov 2016 | Dec. 2016 | ₱10,312,500.00 |
| Aug 10, 2016 | ₱2.0625 per share | Aug 24, 2016 | Sep. 20, 2016 | ₱10,312,500.00 |
| May 11, 2016 | ₱2.0625 per share | May 26, 2016 | June 20, 2016 | ₱10,312,500.00 |
| March 10, 2016 | ₱2.0625 per share | Feb 23, 2016 | Mar. 21, 2016 | ₱10,312,500.00 |
| Nov 10, 2015 | ₱2.0625 per share | Nov. 26, 2015 | Dec. 20, 2015 | ₱10,312,500.00 |
| Aug 10, 2015 | ₱2.0625 per share | Aug. 25, 2015 | Sep. 21, 2015 | ₱10,312,500.00 |
| May 12, 2015 | ₱2.0625 per share | May 12, 2015 | June 22, 2015 | ₱10,312,500.00 |
| Feb 6, 2015 | ₱2.0625 per share | Feb. 24, 2015 | Mar. 20, 2015 | ₱10,312,500.00 |
| N/A | ₱2.0625 per share | N/A | Dec. 22, 2014 | ₱10,312,500.00 |
| N/A | ₱2.0625 per share | N/A | Sep. 22, 2014 | ₱10,312,500.00 |
| N/A | ₱2.0625 per share | N/A | June 20, 2014 | ₱10,312,500.00 |
| N/A | ₱2.0625 per share | N/A | Mar. 20, 2014 | ₱10,312,500.00 |

The 3rd tranche preferred shares of the Company consisting of 20,000,000 preferred shares were registered on December 3, 2015 and listed with the Exchange on December 18, 2015. The 3rd tranche were issued under the following series:

> Series 3A (PNX3A) is entitled to an Optional Redemption on the 3rd Anniversary of the Listing Date and is subject to a Step-Up Dividend Rate on the 5th anniversary of the Listing Date; and
>
> Series 3A (PNX3A) was redeemed last December 18, 2020 at a redemption price of Php100.00.
>
> Series 3B (PNX3B) is entitled to an Optional Redemption on the 5th anniversary of the Listing Date and is subject to a Step-Up Dividend Rate on the 7th anniversary of the Listing Date.

| **3nd Tranche PNX3A** | | | | |
|---|---|---|---|---|
| Date Declared | Dividend Rate | Record Date | Payment Date | Total Amount |

| | | | | |
|---|---|---|---|---|
| Nov. 6, 2020 | ₱1.857 per share | Nov. 20, 2020 | Dec. 18, 2020 | ₱23,212,500.00 |
| Aug. 6, 2020 | ₱1.857 per share | Aug.24, 2020 | Sep. 18, 2020 | ₱23,212,500.00 |
| May 4, 2020 | ₱1.857 per share | May 22, 2020 | June 18, 2020 | ₱23,212,500.00 |
| Feb. 5, 2020 | ₱1.857 per share | Feb. 20, 2020 | March 18, 2020 | ₱23,212,500.00 |
| Nov. 6, 2019 | ₱1.857 per share | Nov. 22, 2019 | Dec. 18, 2019 | ₱23,212,500.00 |
| Aug. 5, 2019 | ₱1.857 per share | Aug. 22, 2019 | Sep. 18, 2019 | ₱23,212,500.00 |
| May 6, 2019 | ₱1.857 per share | May 22, 2019 | June 18, 2019 | ₱23,212,500.00 |
| Feb. 4, 2019 | ₱1.857 per share | Feb. 19, 2019 | March 18, 2019 | ₱23,212,500.00 |
| Nov. 7, 2018 | ₱1.857 per share | Nov. 21, 2018 | Dec. 18, 2018 | ₱23,212,500.00 |
| Aug. 6, 2018 | ₱1.857 per share | Aug. 22, 2018 | Sep. 18, 2018 | ₱23,212,500.00 |
| May 7, 2018 | ₱1.857 per share | May. 22, 2018 | June 18, 2018 | ₱23,212,500.00 |
| Feb. 5, 2018 | ₱1.857 per share | Feb. 21, 2018 | Mar 19, 2018 | ₱23,212,500.00 |
| Nov. 3, 2017 | ₱1.857 per share | Nov. 23, 2017 | Dec. 18, 2017 | ₱23,212,500.00 |
| Aug. 2, 2017 | ₱1.857 per share | Aug. 24, 2017 | Sep. 16, 2017 | ₱23,212,500.00 |
| May 3, 2017 | ₱1.857 per share | May 24, 2017 | June 19, 2017 | ₱23,212,500.00 |
| Feb. 13, 2017 | ₱1.857 per share | Feb. 22, 2017 | Mar. 20, 2017 | ₱23,212,500.00 |
| Nov. 7, 2016 | ₱1.857 per share | Nov. 22, 2016 | Dec. 19, 2016 | ₱23,212,500.00 |
| Aug. 10, 2016 | ₱1.857 per share | Aug. 23, 2016 | Sep. 19, 2016 | ₱23,212,500.00 |
| May 11, 2016 | ₱1.857 per share | May. 25, 2016 | June 21, 2016 | ₱23,212,500.00 |
| Mar.10, 2016 | ₱1.857 per share | Feb. 23, 2016 | Mar 18, 2016 | ₱23,212,500.00 |

| **3nd Tranche PNX3B** | | | | |
|---|---|---|---|---|
| Date Declared | Dividend Rate | Record Date | Payment Date | Total Amount |
| Nov. 29, 2021 | ₱2.027 per share | Dec. 15, 2021 | Dec. 20, 2021 | ₱15,202,500.00 |
| Sep. 2, 2021 | ₱2.027 per share | Sep.16, 2021 | Sep. 18, 2021 | ₱15,202,500.00 |
| June 1, 2021 | ₱2.027 per share | June 15, 2021 | June 18, 2021 | ₱15,202,500.00 |
| Feb. 5, 2021 | ₱2.027 per share | Feb. 22, 2021 | March 18, 2021 | ₱15,202,500.00 |
| Nov. 6, 2020 | ₱2.027 per share | Nov. 20, 2020 | Dec. 18, 2020 | ₱15,202,500.00 |
| Aug. 6, 2020 | ₱2.027 per share | Aug.24, 2020 | Sep. 18, 2020 | ₱15,202,500.00 |
| May 4, 2020 | ₱2.027 per share | May 22, 2020 | June 18, 2020 | ₱15,202,500.00 |
| Feb. 5, 2020 | ₱2.027 per share | Feb. 20, 2020 | March 18, 2020 | ₱15,202,500.00 |
| Nov. 6, 2019 | ₱2.027 per share | Nov. 22, 2019 | Dec. 18, 2019 | ₱15,202,500.00 |
| Aug. 5, 2019 | ₱2.027 per share | Aug. 22, 2019 | Sep. 18, 2019 | ₱15,202,500.00 |
| May 6, 2019 | ₱2.027 per share | May 22, 2019 | June 18, 2019 | ₱15,202,500.00 |
| Feb. 4, 2019 | ₱2.027 per share | Feb. 19, 2019 | Mar. 18, 2019 | ₱15,202,500.00 |
| Nov. 7, 2018 | ₱2.027 per share | Nov. 21, 2018 | Dec. 18, 2018 | ₱15,202,500.00 |
| Aug. 6, 2018 | ₱2.027 per share | Aug. 22, 2018 | Sep. 18, 2018 | ₱15,202,500.00 |
| May 7, 2018 | ₱2.027 per share | May. 22, 2018 | June 18, 2018 | ₱15,202,500.00 |
| Feb. 5, 2018 | ₱2.027 per share | Feb. 21, 2018 | Mar 19, 2018 | ₱15,202,500.00 |
| Nov. 3, 2017 | ₱2.027 per share | Nov. 23, 2017 | Dec. 18, 2017 | ₱15,202,500.00 |
| Aug. 2, 2017 | ₱2.027 per share | Aug. 24, 2017 | Sep. 16, 2017 | ₱15,202,500.00 |
| May 3, 2017 | ₱2.027 per share | May 24, 2017 | June 19, 2017 | ₱15,202,500.00 |
| Feb. 13, 2017 | ₱2.027 per share | Feb. 22, 2017 | Mar. 20, 2017 | ₱15,202,500.00 |
| Nov. 7, 2016 | ₱2.027 per share | Nov. 22, 2016 | Dec. 19, 2016 | ₱15,202,500.00 |
| Aug. 10, 2016 | ₱2.027 per share | Aug. 24, 2016 | Sep. 19, 2016 | ₱15,202,500.00 |
| May 11, 2016 | ₱2.027 per share | May. 26, 2016 | June 21, 2016 | ₱15,202,500.00 |
| Mar.10, 2016 | ₱2.027 per share | Feb. 23, 2016 | Mar. 18, 2016 | ₱15,202,500.00 |

The 4th tranche of the preferred shares of the Company under PNX4 consisting of 7,000,000 preferred shares were issued at ₱1,000 per share and listed with the Exchange on November 7, 2019. It has a fixed dividend rate of 7.5673% or ₱75.673 per annum, payable quarterly, and is entitled to an Optional Redemption on the 3rd Anniversary of the Listing

Date and is subject to a Step-Up Dividend Rate on the 3rd anniversary of the Listing Date.

| 4th Tranche (PNX4) | | | | |
|---|---|---|---|---|
| Date Declared | Dividend Rate | Record Date | Payment Date | Total Amount |
| Nov. 2, 2021 | ₱18.92 per share | Nov. 17, 2021 | Nov. 22, 2021 | ₱132,427,750.00 |
| Aug. 3, 2021 | ₱18.92 per share | Aug. 17, 2021 | Aug. 20, 2021 | ₱132,427,750.00 |
| May 7, 2021 | ₱18.92 per share | May 21, 2021 | May 24, 2021 | ₱132,427,750.00 |
| Feb. 5, 2021 | ₱18.92 per share | Feb.22, 2021 | Feb.26, 2021 | ₱132,427,750.00 |
| Nov. 4, 2020 | ₱18.92 per share | Nov. 19, 2020 | Nov. 20, 2020 | ₱132,427,750.00 |
| Aug. 4, 2020 | ₱18.92 per share | Aug. 18, 2020 | Aug. 20, 2020 | ₱132,427,750.00 |
| May 4, 2020 | ₱18.92 per share | May 18, 2020 | May 22, 2020 | ₱132,427,750.00 |
| Feb. 5, 2020 | ₱18.92 per share | Feb.19, 2020 | Feb.21, 2020 | ₱132,427,750.00 |

(4) **Recent Sale of Unregistered Securities or Exempt Securities Including Recent Issuance of Securities Constituting an Exempt Transaction**

The Company has not sold or transferred any securities that is not registered under the Code nor did it issue any additional securities in exchange for any properties, services and other securities.

## V. DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE.

Corporate powers and governance of the Company is exercised by the Board of Directors which consists of eleven (11) members, three (3) of whom are independent directors. As a matter of policy and based on good corporate practice, unless a special meeting is called upon for a specific purpose, the Board regularly meets every quarter wherein the relevant corporate issues may be raised for discussion and voted on by the members of the Board.

Last March 07, 2008, during the regular meeting of the Board, the Manual of Corporate Governance which incorporated the best practices was approved and adopted to establish the principles of good corporate governance for the entire Corporation. The adoption of the new Manual of Corporate Governance replaces the old manual of corporate governance prescribed by the SEC which was then observed and followed by the Company. Moreover, the adoption of the new Manual now complies with the SEC requirement that before assuming office, a director must attend a seminar on corporate governance conducted by a duly recognized government or private institution.

Last January 30, 2008, the Company through the Corporate Secretary has submitted a document certifying the attendance of the members of the Board of Directors in all regular meetings for the year 2007 as well as the compliance to the provisions of the Manual of Corporate Governance prescribed by the SEC as adopted by the Company.

March 03, 2009 was the submission and compliance with the Certification of the Company's Compliance Officer to the extent of compliance with its Manual for Corporate Governance.

As of 2019, there were no reported deviations on the Company's Manual of Corporate Governance.

In its November 2019 Board of Directors Meeting, the Board approved several new and/or revised policies of the company relating to its Confidentiality of Information, Conflict of Interest, Whistleblowing, Anti-Corruption and Bribery, Insider Trading, Related Party Transactions, and Health, Safety and Environment Policies.

On July 30, 2020, the Board approved and adopted a new Code of Corporate Governance which supersedes the Code of Corporate Governance approved by the Corporation on 30 May 2017-
https://www.phoenixfuels.ph/wp-content/uploads/2020/08/8-3-Revised-Code-of-Corporate-Governance-30Jul2020_compressed.pdf

As part of the Corporate Governance, the Group works on the early disclosures of quarterly and annual reports to SEC and PSE.

Internal Audit Group of the Company conducts regular internal audit review to both processes, compliance to Company policies and procedures and risk analysis. Reports and recommendations submitted for board review and actions.

The Company plans on constantly improving corporate governance. The Company recognizes that corporate governance is not just a set of rules but a way of life, not just for the directors and officers of the Company but for every single employee. The Company intends to continuously re-evaluate its existing policies, implement reforms, emulate and improve on the best existing corporate practices of industry leaders in order to improve the quality of life of every employee, maximize returns to shareholders, to improve its relationship with business partners, and strengthen and widen the reach of its corporate social responsibility programs.

**VI. AS PART OF THE CORPORATE GOVERNANCE, THE COMPANY WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST TO THE CORPORATE SECRETARY OF THE COMPANY AT THE ADDRESS LISTED ON THE COVER PAGE OF THIS INFORMATION STATEMENT, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A, INCLUDING THE FINANCIAL STATEMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE PERIOD ENDED DECEMBER 31, 2020. HOWEVER, UPON THE DISCRETION OF THE MANAGEMENT OF THE COMPANY, A CHARGE MAY BE MADE FOR EXHIBITS REQUESTED, WHICH CHARGE SHALL BE LIMITED TO REASONABLE EXPENSES THAT MAY BE INCURRED BY THE COMPANY IN FURNISHING SUCH EXHIBITS.**

**VII. ANNUAL AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED December 31, 2021** (Please see attached **Annex "C"**)

ANNEX "C"

P&A Grant Thornton

**FOR SEC FILING**

# Consolidated Financial Statements and Independent Auditors' Report

# P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries

December 31, 2021, 2020 and 2019

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan&Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

**Dennis A. Uy**
Chairman of the Board

**Henry Albert R. Fadullon**
President and Chief Executive Officer

**Ma. Concepcion F. de Claro**
Chief Finance Officer

Signed this 13th day of May 2022

REPUBLIC OF THE PHLIPPINES)
City of Davao ) S.S.

**SUBSCRIBED AND SWORN** to before me on **May 13, 2022** in Davao City, Philippines. Affiants have confirmed their identities by presenting competent evidence of identity, viz:

| Name | Competent Evidence of Identity |
|---|---|
| Dennis A. Uy | TIN 172-020-135 |
| Henry Albert R. Fadullon | TIN 121-511-156 |
| Ma. Concepcion F. de Claro | TIN 120-135-353 |

and that they further attest that the same are true and correct.

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Series of 2022

SOCORRO ERMAC CABREROS
Notary Public Until December 31 2022
Serial No 2021-181-2022
Stella Hizon Reyes Road, Bo. Pampanga Lanang,
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Roll of Attorney No. 37121
PTR No.6727556/04-07-22/Davao City
IBP No. 05838/03-08-22/Davao City

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# Report of Independent Auditors

**The Board of Directors and Stockholders**
**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

## *Opinion*

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2021, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

## *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Emphasis of Matter*

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Group's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *(a) Revenue Recognition*

*Description of the Matter*

The Group's revenue is primarily generated from the sale of goods [fuels, liquefied petroleum gas (LPG), lubricants and other petroleum products], which is recognized as the goods are delivered. The Group's total revenue for the year ended December 31, 2021 amounted to P132,284.1 million, of which, P130,578.1 million or 98.7% pertains to sale of goods.

The Group focuses on revenue as a key performance measure, which could create an incentive for management to overstate revenues, particularly from sale of goods. In our view, revenue recognition is a key audit matter due to its significance to profit and high volume of revenue transactions. Relative to this, we consider that there is a higher risk associated with revenue occurrence and appropriate recognition of sales in the correct accounting period.

The Group's revenue recognition policy and disaggregation of revenues are disclosed in Notes 2 and 24, respectively, to the consolidated financial statements.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Updating our understanding of the Group's revenue recognition policy and procedures;
- Assessing the design effectiveness and testing the operating effectiveness of internal controls including Information Technology general and application controls, over the related to revenue recognition process;
- Reviewing the existing contracts with customers and evaluating the appropriateness of the Group's revenue recognition policies and application in accordance with PFRS 15, *Revenue from Contracts with Customers*;
- Performing sales cut-off procedures immediately before and after the year-end by testing the sales invoices to evidence of delivery to ensure that revenue was recognized in the correct period;
- Performing detailed revenue transaction testing by agreeing sample revenue items to supporting documents, including sales invoices, contracts and third party correspondence; and,

- Performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of revenues, verifying validity of the underlying data used in the analyses, and following up variances from our expectations.

***(b) Impairment of Goodwill***

*Description of the Matter*

The Group has recognized goodwill amounting to P4,632.4 million as of December 31, 2021. Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of its goodwill for impairment. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of management process in assessing the recoverability of goodwill. In addition, the assumptions used in determining the cash-generating units (CGUs) where the goodwill is allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimated of future sales volume and prices, operating costs, terminal value, growth rates and discount rate.

The Group's disclosures about Goodwill and the policy are included in Notes 15 and 2, respectively.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to goodwill included, among others, the following:

- Involving our own valuation specialist to assist in evaluating the appropriateness of assumptions used in estimating the recoverable amount of CGUs;

- Evaluating the appropriateness of assumptions and methodologies used by the management, in particular, those relating to the estimated of future sales volume and prices, and operating costs as well as the discount rate used; and,

- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments.

***(c) Evaluation on Impairment of Investments in Joint Ventures, Property, Plant and Equipment, Right-of-Use Assets, and Intangible Assets Other than Goodwill***

*Description of the Matter*

In view of the continuing community quarantine, travel restrictions and capacity limit restriction imposed by the government in response to the continuing impact of COVID-19 pandemic, the Group's operations were significantly affected by lower fuel consumption of airlines, shipping lines, land transportation, and among others which resulted a net loss of P466.2 million in 2021 as compared with the reported net income of P62.6 million in 2020. These events and conditions are possible impairment indicators requiring evaluation of possible impairment of investments in joint venture, property, plant and equipment, investment properties, right-of-use assets, and intangible assets other than goodwill, which involves judgment, estimation and assumptions on future operating results and cash flows, such as sales volume and prices, and the determination of a suitable discount rate to calculate the present value of those cash flows.

In addition, because of the continuing impact of the pandemic, there is higher uncertainty on the future economic outlook and market outlook of the Group. Accordingly, evaluation on impairment of investments in joint ventures, property, plant and equipment, right-of-use assets, and intangible assets other than goodwill with carrying values as of December 31, 2021 of P1,763.3 million, P33,914.5 million, P1,009.8 million and P238.2 million, respectively, is a key audit matter.

The disclosures in relation to management's assessment of impairment of investments in joint venture, property, plant and equipment, right-of-use assets, and intangible assets other than goodwill are included in Note 3.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of possible impairment of investments in joint venture, property, plant and equipment, investment properties, right-of-use assets, and intangible assets other than goodwill included, among others, the following:

- Reviewing management's assessment of possible indicators of impairment on investments in joint venture, property, plant and equipment, investment properties, right-of-use assets, and intangible assets other than goodwill in accordance with the requirements of PAS 36;

- Evaluating the appropriateness and reasonableness of assumptions used in estimating recoverable amounts of non-financial assets, such as projected cash flows, discount rate and length of forecast period;

- Comparing key assumptions against industry forecasts and with historical information, adjusted to take into consideration the impact associated with the COVID-19 pandemic; and,

- Reviewing the appropriateness of the Group's disclosures on impairment assessment of investments in joint ventures, property, plant and equipment, investment properties, right-of-use assets, and intangible assets other than goodwill.

## *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, which are expected to be made available to us after the date of the auditors' report, for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Ramilito L. Nañola.

**PUNONGBAYAN & ARAULLO**

**By: Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8852340, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

May 13, 2022

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2021 AND 2020**
***(Amounts in Philippine Pesos)***

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **A S S E T S** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | **P 4,903,236,346** | P 5,788,390,677 |
| Trade and other receivables - net | 7 | **18,465,175,812** | 17,514,071,043 |
| Inventories | 8 | **4,991,935,017** | 4,769,315,701 |
| Due from related parties - net | 30 | **2,949,357** | 30,903,191 |
| Restricted deposits | 9 | **77,399,689** | - |
| Input value-added tax - net | 2 | **3,994,411,784** | 2,762,965,882 |
| Prepayments and other current assets | 10 | **2,477,687,008** | 2,536,270,438 |
| Total Current Assets | | **34,912,795,013** | 33,401,916,932 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment - net | 11 | **33,914,517,315** | 32,707,550,060 |
| Right-of-use assets - net | 12 | **1,009,821,339** | 792,829,159 |
| Investment properties - net | 16 | **687,151,965** | 595,990,275 |
| Intangible assets - net | 13 | **238,152,265** | 278,730,290 |
| Investments in joint ventures | 14 | **1,763,313,036** | 1,635,399,566 |
| Goodwill - net | 15 | **4,632,397,418** | 4,632,397,418 |
| Deferred tax assets - net | 29 | **1,016,669,281** | 494,377,468 |
| Other non-current assets | 17 | **7,343,694,173** | 7,795,489,101 |
| Total Non-current Assets | | **50,605,716,792** | 48,932,763,337 |
| **NON-CURRENT ASSET CLASSIFIED AS HELD FOR DISPOSAL** | 18 | **79,116,467** | 197,783,908 |
| **TOTAL ASSETS** | | **P 85,597,628,272** | P 82,532,464,177 |
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 19 | **P 24,628,533,067** | P 29,804,188,527 |
| Trade and other payables | 21 | **15,494,590,564** | 9,107,280,269 |
| Derivative financial liabilities | 22 | **82,524,602** | 623,144,735 |
| Lease liabilities | 12 | **74,329,867** | 135,787,395 |
| Income tax payable | | **-** | 56,610,267 |
| Total Current Liabilities | | **40,279,978,100** | 39,727,011,193 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 19 | **21,508,069,843** | 18,439,188,606 |
| Lease liabilities | 12 | **1,034,334,811** | 848,613,622 |
| Deferred tax liabilities - net | 29 | **917,125,517** | 1,053,700,775 |
| Other non-current liabilities | 23 | **1,378,676,540** | 1,302,616,194 |
| Total Non-current Liabilities | | **24,838,206,711** | 21,644,119,197 |
| Total Liabilities | | **65,118,184,811** | 61,371,130,390 |
| **EQUITY** | 31 | | |
| Equity attributable to parent company | | | |
| Capital stock | | **1,456,415,332** | 1,453,477,232 |
| Additional paid-in capital | | **10,884,918,470** | 10,862,198,461 |
| Revaluation reserves | | **2,362,007,585** | 1,992,470,928 |
| Retained earnings | | **5,763,700,576** | 6,815,756,881 |
| | | **20,467,041,963** | 21,123,903,502 |
| Non-controlling interests | | **12,401,498** | 37,430,285 |
| Total Equity | | **20,479,443,461** | 21,161,333,787 |
| **TOTAL LIABILITIES AND EQUITY** | | **P 85,597,628,272** | P 82,532,464,177 |

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

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**
***(Amounts in Philippine Pesos)***

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Sale of goods | 24 | **P 130,578,125,203** | P 76,771,358,402 | P 96,501,653,189 |
| Fuel service and other revenues | 24, 34 | **1,521,960,220** | 1,398,596,723 | 1,205,744,987 |
| Rent income | 23, 34 | **183,992,753** | 129,555,791 | 115,711,069 |
| | | **132,284,078,176** | 78,299,510,916 | 97,823,109,245 |
| **COST AND EXPENSES** | | | | |
| Cost of sales and services | 24 | **124,416,021,170** | 71,253,970,239 | 86,811,287,081 |
| Selling and administrative expenses | 25 | **5,539,045,929** | 5,801,940,104 | 6,518,065,904 |
| | | **129,955,067,099** | 77,055,910,343 | 93,329,352,985 |
| **OTHER CHARGES (INCOME)** | | | | |
| Finance costs | 26 | **3,698,952,190** | 2,036,728,910 | 2,838,294,987 |
| Fair value losses (gains) on investment properties | 16 | **( 86,838,000 )** | ( 42,779,542 ) | 474,325 |
| Finance income | 26 | **( 79,062,813 )** | ( 359,793,768 ) | ( 86,595,790 ) |
| Equity share in net income of joint ventures | 14 | **( 19,861,739 )** | ( 94,862,696 ) | ( 16,510,018 ) |
| Others - net | 7, 18, 27 | **790,618** | ( 131,406,532 ) | ( 12,100,025 ) |
| | | **3,513,980,256** | 1,407,886,372 | 2,723,563,479 |
| **PROFIT (LOSS) BEFORE TAX** | | **( 1,184,969,179 )** | ( 164,285,799 ) | 1,770,192,781 |
| **TAX INCOME (EXPENSE)** | 29 | **718,767,200** | 226,846,303 | ( 326,046,033 ) |
| **NET PROFIT (LOSS)** | | **( P 466,201,979 )** | P 62,560,504 | P 1,444,146,748 |
| **NET PROFIT (LOSS) ATTRIBUTABLE TO:** | | | | |
| Parent company | | **( P 462,569,824 )** | P 101,579,114 | P 1,486,908,296 |
| Non-controlling interests | | **( 3,632,155 )** | ( 39,018,610 ) | ( 42,761,548 ) |
| | | **( P 466,201,979 )** | P 62,560,504 | P 1,444,146,748 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **Item that will be reclassified subsequently to profit or loss** | | | | |
| Translation adjustment related to foreign subsidiaries | 2 | **P 1,435,082** | ( P 87,219,875 ) | ( P 69,712,613 ) |
| **Items that will not be reclassified subsequently to profit or loss** | | | | |
| Gain on revaluation of land | 11 | **445,022,305** | 1,194,480,257 | 217,423,972 |
| Remeasurements of post-employment defined benefit obligation | 27 | **17,250,952** | ( 63,984,467 ) | ( 39,889,840 ) |
| Tax expense | 29 | **( 115,568,314 )** | ( 339,148,737 ) | ( 53,260,240 ) |
| | | **346,704,943** | 791,347,053 | 124,273,892 |
| **Other Comprehensive Income - net of tax** | | **348,140,025** | 704,127,178 | 54,561,279 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **( P 118,061,954 )** | P 766,687,682 | P 1,498,708,027 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | | |
| Parent company | | **( P 93,033,167 )** | P 805,987,767 | P 1,541,454,672 |
| Non-controlling interests | | **( 25,028,787 )** | ( 39,300,085 ) | ( 42,746,645 ) |
| | | **( P 118,061,954 )** | P 766,687,682 | P 1,498,708,027 |
| **Basic Earnings (Loss) per share** | 32 | **( P 0.73 )** | ( P 0.32 ) | P 0.57 |
| **Diluted Earnings (Loss) per share** | 32 | **( P 0.73 )** | ( P 0.32 ) | P 0.57 |

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

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**
***(Amounts in Philippine Pesos)***

| | | Capital Stock | | | | | | | | Total Equity | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Preferred Stock | Preferred Treasury Stock - At Cost | Common Stock | Common Treasury Stock - At Cost | Total | Additional Paid-in Capital | Revaluation Reserves | Retained Earnings | Attributable to the Shareholders of Parent Company | Non-controlling Interests | Total Equity |
| **Balance at January 1, 2021** | | **P 24,500,000** | **(P 10,000,000)** | **P 1,438,977,232** | **P -** | **P 1,453,477,232** | **P 10,862,198,461** | **P 1,992,470,928** | **P 6,815,756,881** | **P 21,123,903,502** | **P 37,430,285** | **P 21,161,333,787** |
| Transactions with owners: | | | | | | | | | | | | |
| Cash dividends | 31 | - | - | - | - | - | - | - | (589,335,769) | (589,335,769) | - | (589,335,769) |
| Issuance of shares during the year | 31 | - | - | 2,938,100 | | 2,938,100 | 22,720,009 | - | (3,251,311) | 22,406,798 | - | 22,406,798 |
| Share-based compensation | 27 | - | - | - | - | - | - | - | 3,100,599 | 3,100,599 | - | 3,100,599 |
| Total comprehensive income (loss) for the year: | | | | | | | | | | | | |
| Net loss | | - | - | - | - | - | - | - | (462,569,824) | (462,569,824) | (3,632,155) | (466,201,979) |
| Other comprehensive income | | - | - | - | - | - | - | 369,536,657 | - | 369,536,657 | (21,396,632) | 348,140,025 |
| **Balance at December 31, 2021** | | **P 24,500,000** | **(P 10,000,000)** | **P 1,441,915,332** | **P -** | **P 1,456,415,332** | **P 10,884,918,470** | **P 2,362,007,585** | **P 5,763,700,576** | **P 20,467,041,963** | **P 12,401,498** | **P 20,479,443,461** |
| Balance at January 1, 2020 | | P 37,000,000 | (P 10,000,000) | P 1,437,204,232 | (P 344,300,000) | P 1,119,904,232 | P 12,042,788,045 | P 1,288,062,275 | P 7,395,270,327 | P 21,846,024,879 | P 76,730,370 | P 21,922,755,249 |
| Transactions with owners: | | | | | | | | | | | | |
| Cash dividends | 31 | - | - | - | - | - | - | - | (683,341,723) | (683,341,723) | - | (683,341,723) |
| Issuance of shares during the year | 31 | - | - | 1,773,000 | - | 1,773,000 | 13,710,416 | - | (5,412,777) | 10,070,639 | - | 10,070,639 |
| Redemption of shares during the year | 31 | (12,500,000) | - | - | - | (12,500,000) | (1,237,500,000) | - | - | (1,250,000,000) | - | (1,250,000,000) |
| Sale of treasury shares | 31 | - | - | - | 344,300,000 | 344,300,000 | 43,200,000 | - | - | 387,500,000 | - | 387,500,000 |
| Share-based compensation | 27 | - | - | - | - | - | - | - | 7,661,940 | 7,661,940 | - | 7,661,940 |
| Total comprehensive income for the year: | | | | | | | | | | | | |
| Net profit | | - | - | - | - | - | - | - | 101,579,114 | 101,579,114 | (39,018,610) | 62,560,504 |
| Other comprehensive income | | - | - | - | - | - | - | 704,408,653 | - | 704,408,653 | (281,475) | 704,127,178 |
| Balance at December 31, 2020 | | P 24,500,000 | (P 10,000,000) | P 1,438,977,232 | P - | P 1,453,477,232 | P 10,862,198,461 | P 1,992,470,928 | P 6,815,756,881 | P 21,123,903,502 | P 37,430,285 | P 21,161,333,787 |
| Balance at January 1, 2019 | | P 32,000,000 | (P 10,000,000) | P 1,434,304,232 | (P 344,300,000) | P 1,112,004,232 | P 7,233,692,486 | P 1,283,201,322 | P 6,381,719,736 | P 16,010,617,776 | (P 36,944,919) | P 15,973,672,857 |
| Transactions with owners: | | | | | | | | | | | | |
| Cash dividends | 31 | - | - | - | - | - | - | - | (523,046,503) | (523,046,503) | - | (523,046,503) |
| Issuance of shares during the year | 31 | 7,000,000 | - | 2,900,000 | - | 9,900,000 | 6,807,095,559 | - | (8,852,437) | 6,808,143,122 | - | 6,808,143,122 |
| Redemption of shares during the year | 31 | (2,000,000) | - | - | - | (2,000,000) | (1,998,000,000) | - | - | (2,000,000,000) | - | (2,000,000,000) |
| Share-based compensation | 27 | - | - | - | - | - | - | - | 8,855,812 | 8,855,812 | - | 8,855,812 |
| Business combination | 1 | - | - | - | - | - | - | - | - | - | 156,421,934 | 156,421,934 |
| Transfer to retained earnings | 31 | - | - | - | - | - | - | (49,685,423) | 49,685,423 | - | - | - |
| Total comprehensive income for the year: | | | | | | | | | | | | |
| Net profit | | - | - | - | - | - | - | - | 1,486,908,296 | 1,486,908,296 | (42,761,548) | 1,444,146,748 |
| Other comprehensive income | | - | - | - | - | - | - | 54,546,376 | - | 54,546,376 | 14,903 | 54,561,279 |
| Balance at December 31, 2019 | | P 37,000,000 | (P 10,000,000) | P 1,437,204,232 | (P 344,300,000) | P 1,119,904,232 | P 12,042,788,045 | P 1,288,062,275 | P 7,395,270,327 | P 21,846,024,879 | P 76,730,370 | P 21,922,755,249 |

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

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**
***(Amounts in Philippine Pesos)***

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit (loss) before tax | | **(P 1,184,969,179)** | (P 164,285,799) | P 1,770,192,781 |
| Adjustments for: | | | | |
| Interest expense on bank loans and other borrowings | 26 | **2,265,042,096** | 1,849,005,676 | 2,582,918,502 |
| Depreciation and amortization | 25 | **1,330,595,696** | 1,361,592,449 | 1,436,858,783 |
| Finance cost due to extended inventory settlement | 26 | **946,210,274** | - | - |
| Translation adjustment | 2 | **(90,739,378)** | 24,263,078 | (69,712,613) |
| Fair value losses (gains) on investment properties | 16 | **(86,838,000)** | (42,779,542) | 474,325 |
| Interest income | 26 | **(78,191,835)** | (78,752,622) | (35,417,469) |
| Interest expense from lease liabilities | 26 | **67,612,428** | 159,714,001 | 80,990,270 |
| Provision for loss on lost cylinders | 11 | **50,474,762** | 42,528,021 | - |
| Loss on retirement of property, plant and equipment | 11 | **25,374,852** | - | - |
| Share in net income of indirectly-owned joint ventures | 14 | **(19,861,739)** | (94,862,696) | (16,510,018) |
| Gain on termination of right-of-use assets | 12 | **17,871,388** | (3,426,114) | - |
| Employee share options | 27 | **3,100,599** | 7,661,940 | 8,855,812 |
| Fair value loss (gain) on financial liabilities at fair value through profit or loss | 22 | **(871,008)** | (262,796,899) | 464,161,271 |
| Loss on non-current asset classified as held for disposal | 18 | **286,428** | - | - |
| Unrealized foreign exchange currency gain - net | 26 | **90,765** | (18,244,247) | (32,188,301) |
| Impairment losses on trade and other receivables | 25 | **-** | 82,210,745 | 26,176,493 |
| Loss (gain) on disposal of property, plant and equipment | 11 | **-** | 14,093,822 | 5,238,151 |
| Operating profit before working capital changes | | **3,245,188,149** | 2,875,921,813 | 6,222,037,987 |
| Increase in trade and other receivables | | **(967,683,229)** | (1,622,362,838) | (5,153,075,401) |
| Decrease in inventories | | **27,192,277,299** | 26,235,449,246 | 24,578,136,862 |
| Decrease (increase) in restricted deposits | | **(57,755,849)** | 56,202,661 | - |
| Decrease (increase) in input value-added tax | | **(1,231,445,902)** | 142,912,739 | (1,388,341,211) |
| Decrease (increase) in prepayments and other current assets | | **58,583,430** | (683,987,827) | (1,522,485,193) |
| Increase (decrease) in trade and other payables | | **6,387,219,530** | (2,716,136,577) | 4,293,563,280 |
| Increase in other non-current liabilities | | **276,669,288** | 331,140,744 | 175,194,648 |
| Cash generated from operations | | **34,903,052,716** | 24,619,139,961 | 27,205,030,973 |
| Cash paid for income taxes | | **(112,278,454)** | (59,605,034) | (99,380,681) |
| Net Cash From Operating Activities | | **34,790,774,262** | 24,559,534,927 | 27,105,650,292 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisitions of property, plant and equipment | 11 | **(1,116,431,061)** | (3,398,192,198) | (8,257,359,794) |
| Increase in other non-current assets | | **562,602,306** | 46,122,223 | (614,008,547) |
| Advances for future subscription | 17 | **(459,080,674)** | (175,000,000) | - |
| Investments in joint ventures | 14 | **(140,631,790)** | (120,635,538) | (960,763,248) |
| Interest received | | **58,547,995** | 48,663,207 | 24,007,195 |
| Proceeds from disposal of non-current asset classifed as held for disposal | 18 | **57,461,320** | - | - |
| Collections from related parties | 30 | **27,914,809** | 15,584,888 | 6,716,432 |
| Dividends received from joint ventures | 14 | **22,520,000** | 12,808,304 | - |
| Return of investment in a joint venture | 14 | **4,507,149** | - | - |
| Acquisitions of investment properties | 16 | **(4,323,690)** | (285,056,535) | (14,025,825) |
| Acquisitions of intangible assets | 13 | **(1,549,017)** | (14,529,820) | (43,332,685) |
| Advances to related parties | 30 | **(100,053)** | (45,286,252) | (2,073,627) |
| Proceeds from disposal of property, plant and equipment | | **-** | 552,321,556 | 78,850,768 |
| Acquisition of a subsidiary | 1 | **-** | - | (628,933,314) |
| Net Cash Used in Investing Activities | | **(988,562,706)** | (3,363,200,165) | (10,410,922,646) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Repayments of interest-bearing loans and borrowings and lease liabilities | 20 | **(57,621,411,570)** | (52,758,976,358) | (88,838,174,724) |
| Proceeds from additional interest-bearing loans and borrowings | 20 | **27,433,284,850** | 31,915,354,260 | 72,552,323,218 |
| Interest paid | | **(3,932,310,197)** | (2,839,321,018) | (2,772,911,450) |
| Payments of cash dividends | 31 | **(589,335,769)** | (683,341,723) | (523,046,503) |
| Proceeds from issuance of shares of stock | 31 | **22,406,798** | 10,070,639 | 6,808,143,122 |
| Redemption of shares of stock | 31 | **-** | (1,250,000,000) | (2,000,000,000) |
| Proceeds from sale of treasury shares | 31 | **-** | 387,500,000 | - |
| Net Cash Used in Financing Activities | | **(34,687,365,888)** | (25,218,714,200) | (14,773,666,337) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(885,154,332)** | (4,022,379,438) | 1,921,061,309 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **5,788,390,677** | 9,810,770,115 | 7,889,708,806 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **P 4,903,236,346** | P 5,788,390,677 | P 9,810,770,115 |

**Supplemental Information on Non-cash Investing and Financing Activities:**

1) In 2021 and 2020, the Group recognized right-of-use assets and lease liabilities both amounting to P348.3 million and P40.7 million, respectively (see Notes 12 and 20). Further, the Group terminated certain leasehold rights with carrying value of P17.9 million and P245.2 million in 2021 and 2020, respectively (see Note 12).

2) Interest payments amounting to P721.1 million, P1,183.5 million, and P695.7 million in 2021, 2020 and 2019, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 11 and 19).

3) In 2021, the Group transferred certain retail service stations amounting to P83.2 million, which was previously classified as Non-current Asset Classified as Held for Disposal to Property, Plant and Equipment. In 2020, the Group transferred certain retail service stations with carrying amount of P197.8 million, respectively, previously classified as Property, Plant and Equipment to Non-current Asset Classified as Held for Disposal (see Notes 11 and 18).

4) The Group availed trust receipts from certain banks to settle its importation of inventories amounting to P27,954.6 million, P18,634.6 million and P25,251.7 million in 2021, 2020 and 2019, respectively (see Notes 8 and 20).

5) Certain software development cost acquired in 2019 amounting to P1.0 million was transferred from property, plant and equipment to intangible assets in the same year (see Note 13).

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

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**DECEMBER 31, 2021 AND 2020**
***(Amounts in Philippine Pesos)***

## 1. GROUP INFORMATION

### *1.1 Incorporation and Operations*

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Parent Company) was incorporated in the Philippines on May 8, 2002 and is 40.84% 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 690 operating retail service stations, and a total of three service stations under construction as of December 31, 2021.

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

As of December 31, the Parent Company holds ownership interests in the following entities, presented below and in the succeeding page, which are all incorporated and domiciled in the Philippines or otherwise stated:

| Subsidiaries/Joint Venture | Explanatory Notes | Percentage of Ownership 2021 | 2020 |
|---|---|---|---|
| **Direct interest:** | | | |
| *Subsidiaries* | | | |
| P-F-L Petroleum Management, Inc. (PPMI) | (a) | **100.00%** | 100.00% |
| P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI) | (b) | **100.00%** | 100.00% |
| Subic Petroleum Trading and Transport Phils., Inc. (SPTT) | (c) | **100.00%** | 100.00% |
| PNX Petroleum Singapore Pte. Ltd. (PNX SG) | (d) | **100.00%** | 100.00% |
| Phoenix LPG Philippines, Inc. (PLPI) | (e) | **100.00%** | 100.00% |
| Duta, Inc.(Duta)[4] | (f) | **100.00%** | 100.00% |
| Philippine FamilyMart CVS, Inc. (PFM) | (g) | **100.00%** | 100.00% |
| PNX Energy International Holdings, Pte. Ltd. (PNX Energy) | (h) | **100.00%** | 100.00% |
| Phoenix Pilipinas Gas and Power, Inc. | (i) | **100.00%** | 100.00% |
| Phoenix Road Transport Pilipinas, Inc. (PNXRT) | (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:** | | | |
| *Joint venture* | | | |
| Phoenix Asphalt Philippines, Inc. (PAPI)[2] | (m) | **40.00%** | 40.00% |
| **Indirect interest:** | | | |
| *Subsidiaries* | | | |
| Kaparangan, Inc. (Kaparangan)[1,3] | (n) | **100.00%** | 100.00% |
| PNX (Vietnam) Pte. Ltd. (PNX Vietnam)[4] | (o) | **100.00%** | 100.00% |
| PT Phoenix Petroleum Indonesia (PNX Indonesia)[6] | (p) | **100.00%** | 100.00% |
| Phoenix Gas (Vietnam) Limited Liability Company (PGV LLC)[5] | (q) | **75.00%** | 75.00% |
| *Joint ventures* | | | |
| Galaxi Petroleum Fuel, Inc. (Galaxi)[7] | (r) | **51.00%** | 51.00% |
| Phoenix Southern Petroleum Corp. (PSPC)[7] | (s) | **49.00%** | 49.00% |
| Top Concord Quality Petroleum Corp. (TCQPC)[7] | (t) | **49.00%** | 49.00% |
| CJI Fuels Corp. (CJIFC)[7] | (u) | **49.00%** | 49.00% |
| Firebird Evzon Fuels Corp. (FEFC)[7] | (v) | **49.00%** | 49.00% |
| Eastan Prime Development Corporation (EPDC)[7] | (w) | **49.00%** | 49.00% |
| Zae Falco Energy Corp. (ZFEC)[7] | (x) | **49.00%** | 49.00% |
| Tarlac Black Gold Petroleum Corporation[7] | (y) | **49.00%** | 49.00% |
| Abound Business Ventures Corporation[7] | (z) | **49.00%** | 49.00% |
| F1rstEnergy Corp. (FEC)[7] | (aa) | **49.00%** | 49.00% |
| Phoenix Northern Mindanao Corp. (PNMC)[7] | (bb) | **49.00%** | 49.00% |
| JV Hauling and Trucking Corp. (JHTC)[8] | (cc) | **49.00%** | 49.00% |
| NGT Ventures Incorporated (NGTVI)[9] | (dd) | **49.00%** | - |
| Road Fuel Joint Transporter, Inc. (RFJTI)[8] | (ee) | **49.00%** | - |

Notes:
*1 Wholly-owned subsidiary of Duta*
*2 Joint venture of Parent Company*
*3 Duta and Kaparangan, collectively known as Duta Group*
*4 Subsidiary of PNX Energy*
*5 Subsidiary of PNX Vietnam*
*6 Subsidiary of PGMI*
*7 Joint venture of PPMI*
*8 Joint venture of PNXRT*
*9 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, 2021.

*(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, 2021.

*(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, 2021.

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

*(r)* Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.

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

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

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

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

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

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

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

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

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

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

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

*(dd)* Incorporated on January 29, 2021 to buy, refill, and sell liquefied petroleum gas (LPG) and various kinds of products; to operate, manage and carry out LPG refilling plants, selected dealership within an area as authorized by PLPI, and such other services necessary, incidental and complementary to the business; and to operate other LPG-related businesses that may complement the business of operating an LPG Plant Facility and, buy and sell such other merchandise, wares, goods, and services that may complement the business activities of the NGTVI. NGTVI started its commercial operation in May 2021.

*(ee)* Incorporated on November 26, 2020 primarily engage in the business of hauling services including but not limited to fuel and petroleum products; To do and perform such other acts as necessary or incidental to the accomplishment of the foregoing corporate business and objects insofar as may be allowed by applicable laws and rules and regulations, including without limitation, to invest, own, or hold interest in similar business. RFJTI has not yet started commercial operations as of December 31, 2022. In 2021, PNXRT paid the subscribed 8.9 million common shares and 18.8 million preferred shares of RFJTI.

### *1.3 Other Corporate Information*

The registered office and principal place of business of the existing subsidiaries and joint ventures, except those presented below and in the succeeding page, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

| | | |
|---|---|---|
| SPTT | – | Room 203 Greenwoods Park, Central Business District, Subic Bay Freeport Zone, Zambales |
| PNX SG, PNX Energy and PNX Vietnam | – | 350 Orchard Road, #17-05/06 Shaw House, Singapore |
| Duta and Kaparangan | – | 15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City |
| PFM | – | 4th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila |
| AAI | – | 2nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City |
| TAL | – | Room 1902, W Wilson House, 19-27 Wyndham Street, Central, Hong Kong |
| PAPI and PSPC | – | 25th Floor Fort Legend Tower, 3rd Avenue Fort corner 31st Street, Bonifacio Global City, Taguig City |
| PNX Indonesia | – | The Prominence Office Tower, 12th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera, Indonesia |
| Galaxi | – | 1846 FB Harrison Street Pasay City |
| PGV LLC | – | No. 456 Phan Xich Long Street, Ward 2, Phu Nhuan District, Ho Chi Minh City, Vietnam |
| JHTC | – | Pookni Banal, San Pascual, Batangas |
| NGTVI | – | Purok 1, Barangay Alasas, San Fernando City, Pampanga |
| RFJTI | – | Dona Pilar Don Julian Road Sasa, Davao City |

### *1.4 Subsidiary with Material Non-controlling Interest*

The Group includes one subsidiary, PGV LLC, with material non-controlling interest (NCI) with details shown below.

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Proportion of Ownership Interest and Voting Rights held by NCI | **25.00%** | 25.00% | 25.00% |
| Profit (loss) allocated to NCI | **P 6,646,014** | (P 20,487,241) | (P 12,891,901) |
| Other comprehensive income (loss) allocated to NCI | **21,396,632** | ( 281,475) | 14,903 |
| Accumulated NCI | **12,401,498** | 37,430,285 | 76,730,370 |

No dividends were paid to the NCI in 2021, 2020 and 2019.

The summarized financial information of PGV LLC in 2021, 2020 and 2019, before intragroup eliminations, are shown below.

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Non-current assets | **P 950,484,993** | P 946,715,705 | P 1,013,835,665 |
| Current assets | **297,097,678** | 361,498,377 | 280,452,076 |
| Total assets | **P 1,247,582,671** | P 1,308,214,082 | P 1,294,287,741 |
| Non-current liabilities | **P 178,230,448** | P 145,535,076 | P 236,807,047 |
| Current liabilities | **553,220,142** | 669,322,330 | 483,300,954 |
| Total liabilities | **P 731,450,590** | P 814,857,406 | P 720,108,001 |
| Equity attributable to owners of the parent | **P 503,730,583** | P 455,926,391 | P 497,449,370 |
| Non-controlling interest | **P 12,401,498** | P 37,430,285 | P 76,730,370 |
| Revenue | **P 4,197,548,401** | P 3,216,422,239 | P 1,962,919,129 |
| Profit (loss) for the year attributable to owners of the parent | **P 19,938,043** | (P 61,461,723) | (P 38,675,706) |
| Profit (loss) for the year attributable to NCI | **6,646,014** | ( 20,487,241) | ( 12,891,902) |
| Profit (loss) for the year | **26,584,057** | ( 81,948,964) | ( 51,567,608) |
| Other comprehensive income (loss) for the year | **( 85,586,529)** | 844,425 | ( 44,709) |
| Total comprehensive loss for the year attributable to owners of the parent | **( 44,251,854)** | ( 60,617,298) | ( 38,720,415) |
| Total comprehensive loss for the year attributable to NCI | **( 14,750,618)** | ( 20,205,766) | ( 12,906,805) |
| Total comprehensive loss for the year | **(P 59,002,472)** | (P 80,823,064) | (P 51,627,220) |
| Net cash from (used in) operating activities | **P 15,419,085** | P 20,594,729 | P 89,139,171 |
| Net cash from investing activities | **18,593** | ( 22,400,754) | - |
| Net cash used in financing activities | **-** | ( 4,151,564) | ( 145,297,784) |
| Net cash outflow | **P 15,437,678** | (P 5,957,589) | (P 56,158,613) |

### *1.5 Continuing 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.

In 2020 and 2021, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business:

- Secured the safety and health of the organization by placing most of its workforce on a work-from-home (WFH) arrangement, while the staff at terminal and depot operations are on a two-week on, two-week off rotation. The HSE (Health, Safety, and Environment) Group, along with the Leadership, monitor and look after the physical and mental wellbeing of the employees.

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

- Preserved resources by managing importations and maintaining significantly lower level of inventories, which allowed the Group to minimize losses from falling prices and abrupt slowdown in demand. In 2021, the Group likewise scaled back its capital expenditures spending by 95.41%, while benefiting from the structural cost actions implemented years prior, which included streamlining supply chains and rationalization of road transport operations.

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

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

As a result of the actions taken by management, the Group's operations improved in 2021 as discussed below.

- Increase in total revenues amounting to P15,238.7 million or 36.86% as compared to that of 2020, as a result of the continuation of business operations despite the different quarantine classifications imposed by the government in 2021, except when brief lockdowns were implemented on March and September 2021, as compared to when the Group had temporary closure of certain warehouses from March to June 2020; and,

- recognition of impairment on financial assets is lower as compared to 2020.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the pandemic.

### 1.6 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019), were authorized for issue by the Parent Company's Board of Directors (BOD) on May 13, 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Preparation of Consolidated Financial Statements

*(a) Statement of Compliance with Philippine Financial Reporting Standards*

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

*(b) Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

*(c) Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.15), and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

### 2.2 Adoption of New and Amended PFRS

*(a) Effective in 2021 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, 2021:

| | | |
|---|---|---|
| PFRS 7, PFRS 9, and PFRS 16 (Amendments) | : | Financial Instruments: Disclosures, Financial Instrument and Leases – Interest Rate Benchmark Reform Phase 2 |
| PFRS 16 (Amendments) | : | Leases – COVID-19-Related Rent Concession beyond June 30, 2021 |

Discussed below are the relevant information about these amendments.

i. PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 9 (Amendments), *Financial Instruments,* and PFRS 16 (Amendments*), Leases - Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship and, in the case of a cash flow hedge, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative reference rate. The Phase 2 amendments are relevant to the Group because it is exposed to the effects of the LIBOR reform on its interest-bearing loan and the designated hedging instruments that use LIBOR as interest benchmark rates. Management assessed that the exposure is minimal as the benchmark rate of the hedging instruments will likely follow the benchmark rate of the interest-bearing loans.

ii. PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021* (effective from April 1, 2021). The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 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 application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessors in 2021.

*(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. PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)

ii. PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

iii. 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:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*
- Illustrative Examples Accompanying PFRS 16*, Leases – Lease Incentives*

iv. PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

v. PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

vi. PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

vii. PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

viii. 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)

### *2.3 Basis of Consolidation*

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries (see Note 1) after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, joint ventures and non-controlling interests as follows.

*(a) Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Parent Company has control. Parent Company controls an entity when (i) it has power over the investee; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) has the ability to affect those returns through its power over the entity. The acquisition method is applied to account for acquired subsidiaries (see Note 2.12).

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

*(b) Investments in Joint Ventures*

A joint venture pertains to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture entity pertains to an entity whose economic activities are controlled jointly by the Group and by other venturers independent of the Group (joint venturers). Investment in a joint venture is accounted for under the equity method of accounting. Under this method, on initial recognition the investment in joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share in the profit or loss of the investee after the date of the acquisition. The Group's share of the investee's profit or loss is recognized as equity share in the net income of joint venture in the Group's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

The investments in joint ventures are subject to impairment testing (see Note 2.16).

*(c) Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and joint ventures as presented in Notes 1.2 and 14, respectively.

### *2.4 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 a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime obligation.

- *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 or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

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

*(iii) Derecognition of Financial Assets*

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

*(b) Financial Liabilities*

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (excluding tax-related payables), derivative financial liabilities, security deposits, customers' cylinder deposits and cash bond deposits (which are presented under Other Non-Current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument.

All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income, except for interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) which are capitalized as part of the cost of such asset (see Note 2.18).

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

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

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

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-79.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the consolidated statements of financial position, are reduced for estimated non-returns. Estimated non-returns are determined through amortization of the balance over the estimated useful life of cylinders and/or estimated proportion of the provision for lost cylinders (see Note 2.7). 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.

### *2.5 Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of inventories includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

### *2.6 Prepayments and Other Assets*

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

### *2.7 Property, Plant and Equipment*

Land is measured at fair value less any impairment in value. As no finite useful life for land can be determined, related carrying amount are not depreciated. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures for repairs and maintenance are charged to expense as incurred.

Following initial recognition at cost, land is carried at revalued amounts, which are the fair values at the date of the revaluation, as determined by independent appraisers, less any accumulated impairment losses. Appraisal is made once every two years or more frequently if market factors indicate a material change in fair value (see Note 5.5).

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the consolidated statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves account is transferred to Retained Earnings account for the impairment, if any, relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in Revaluation Reserves account relating to them are transferred to Retained Earnings account.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| LPG cylinders | 30 years |
| Buildings, depot, plant and pier facilities | 5-25 years |
| Transportation and other equipment | 1-10 years |
| Gasoline and LPG station equipment | 1-5 years |
| Hauling and heavy equipment | 1-5 years |
| Office furniture and equipment | 1-3 years |

LPG cylinders, which are circulating and are utilized by customers in their households or business premises, are presented at cost less accumulated depreciation and provision for losses on lost LPG cylinders. The Group performs an internal simulation and assessment of the quantity of LPG cylinders circulating and being stored in the market. A provision is provided for lost assets in accordance with the computed quantities. The assessment is conducted every other year and when the lost LPG cylinders are ascertained, the lost cylinders will be written-off.

Leasehold and land improvements are amortized over the terms of the related leases or the useful lives of the improvements, whichever is shorter.

Construction in progress represents properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.18) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

The residual values' estimated useful lives and method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

### *2.8 Investment Properties*

Investment properties, which include parcels of land and lot improvements, are properties held to earn rental income under operating lease, but not for sale in the ordinary course of business, use in services or for administrative purposes.

Land classified as investment property is accounted for under the fair value model. It is revalued every two years and is reported in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 5.5).

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains (losses) from investment property as part of Other Charges (Income) in the consolidated statement of comprehensive income.

Lot improvements is stated at cost, which includes acquisition price plus directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs, less accumulated depreciation (except for land) and any impairment losses.

Depreciation of lot improvements is computed on a straight-line basis over the estimated useful life of five years. The residual values, estimated useful lives and method of depreciation of investment properties are reviewed, and adjusted if appropriate, at the end of each reporting period.

Transfers from other accounts (such as property, plant and equipment) are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Gain or loss on disposal of investment property is recognized based on the difference between proceeds and carrying amount.

### *2.9 Intangible Assets*

Intangible assets include acquired computer software licenses, software development costs, store franchise and basketball franchise, which are measured at cost less accumulated amortization and impairment in value, if any. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. The useful lives of intangible assets are assessed as either finite or indefinite.

The Group assessed the useful life of basketball franchise to be indefinite because this is expected to contribute to net cash flows indefinitely. The basketball franchise is not amortized but is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Capitalized costs for computer software licenses are amortized on a straight-line basis over the estimated useful lives (ranging from one to ten years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.16.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

The store franchise relates to asset acquired from business combination with PFM. Such is for taking in the name and management know-how of the FamilyMart mark. Amortization is computed on a straight-line method over its estimated useful life of 10.50 years.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

### *2.10 Non-current Asset Classified as Held for Disposal*

Non-current asset classified as held for disposal includes retail service stations that the Group intends to sell within one year from the date of classification as held for sale.

The Group classifies a non-current asset (or disposal group) as held for disposal if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current asset held for disposal is measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for disposal are not subject to depreciation.

If the Group has classified an asset as held for disposal, but the criteria for it to be recognized as held for disposal are no longer satisfied, the Group shall cease to classify the asset as held for disposal.

The gain or loss arising from the disposal or remeasurement of held for disposal assets is recognized in profit or loss and included as part of Other Charges (Income) in the consolidated statements of comprehensive income.

### *2.11 Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### *2.12 Business Combinations*

Business acquisitions are accounted for using the acquisition method of accounting and pooling-of-interest method.

The acquisition method requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expenses as incurred and subsequent changes in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable assets.

In cases wherein the accounting for the acquisition is not yet complete as of the end of the year, the fair value of the identifiable assets and liabilities are presented as provisional amounts and will be adjusted upon finalization of the valuation, which is expected to be completed within 12 months from the date of acquisition.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.16).

Negative goodwill which is the excess of the Group's interest in the fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

On the other hand, business combinations arising from acquisition and disposal of an entity under common control are accounted for under the pooling-of-interest method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, of if later, at the date that common control was established; for this purpose, comparative periods presented are restated. The assets and liabilities acquired are recognized in the consolidated financial statements at their carrying amounts; accordingly, no goodwill or gain on bargain purchase is recognized for the acquisition. Similar accounts of the entities are combined on a line-by-line basis except for the equity accounts which were offset with the new shares issued by the new entity in which the difference between the net assets received and the amount of the consideration (shares issued and cash) is accounted for as Other Reserves.

### *2.13 Revenue and Expense Recognition*

Revenue arises mainly from the sales of goods (fuels and by-products, lubricants, LPG, and merchandise inventories) and from rendering into-plane, terminalling and hauling services.

To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(1) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(2) each party's rights regarding the goods or services to be transferred or performed can be identified;
(3) the payment terms for the goods or services to be transferred or performed can be identified;
(4) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(5) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Sale of goods include fuel and by-products (such as CME), lubricants, LPG, and merchandise inventories. Revenue is recognized when the Group transfers control of the assets at a point in time to the customer. Invoices for goods transferred are due upon receipt by the customer.

(b) *Fuel service and other revenues* – Fuel service and other revenues mainly consist of hauling, into-plane services, management services, and transport services, is recognized over time and is based on a fixed agreed fee. These services are generally performed within the day. Invoices for services transferred are due upon receipt by the customer.

The Group presents a contract asset when performing services to a customer before the customer pays consideration or before payment is due. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

The Group presents a contract liability when a customer pays the consideration, or a Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group performs services to the customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15*,* and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.18).

### *2.14 Leases*

The Group accounts for its leases as follows:

*(a) Group as Lessee*

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; and,
- 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.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. 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). Subsequently, the Group depreciates the right-of-use asset 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 (see Note 2.16).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement 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 include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) 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.

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.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.

*(b) Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### *2.15 Foreign Currency Transactions and Translations*

*(a) Transactions and Balances*

Except for PNX SG, PNX Energy, PNX Vietnam, which use the United States (U.S.) Dollars, PTPPI, which uses Indonesian Rupiah, and PGV LLC, which uses Vietnamese Dong, as functional currencies, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. Foreign currency transactions during the year are translated into functional currency at exchange rates that approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

*(b) Translation of Financial Statements of Foreign Subsidiaries*

The operating results and financial position of a foreign subsidiaries, in which their functional currency are measured as stated in Note 2.15(a), are translated to Philippine pesos, to the Group's functional currency as follows:

i. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
ii. Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
iii. All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Revaluation Reserves account [see Note 2.22(d)].

On consolidation, exchange differences arising from the translation of the net investment in the foreign subsidiaries are recognized under Translation Adjustment Related to Foreign Subsidiaries in the consolidated statements of comprehensive income. When a foreign operation is partially disposed or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

The translation of the consolidated financial statements into Philippine peso should not be construed as a representation that the Singapore Dollar, Indonesian Rupiah and Vietnamese Dong amounts could be converted into Philippine Peso amounts at the translation rates or at any other rates of exchange.

### *2.16 Impairment of Non-financial Assets*

The Group's property, plant and equipment, intangible assets, goodwill, investments in joint venture, right-of-use assets and other non-financial assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill and franchise with indefinite useful lives that are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The cash-generating units or groups of cash-generating units are identified according to operating segment.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill and franchise with indefinite useful lives, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss, except impairment loss on goodwill (see Note 2.12), is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

### *2.17 Employee Benefits*

The Group provides post-employment benefits to employees through a defined benefit plan and a defined contribution plan, and other employee benefits which are recognized as follows:

*a) Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets, if any, for funding the defined benefit plan have been acquired. Plan assets, if any, may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

*b) Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

*c) Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

*d) Profit-sharing and Bonus Plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group’s shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

*e) Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

*f) Share-based Payments*

The Parent Company grants share options to its qualified employees eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any.

The share-based remuneration, if any, is recognized as an expense in profit or loss and the corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital.

### *2.18 Borrowing Costs*

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

### *2.19 Income Taxes*

Tax income or expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets, if any, are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities, the carrying amount of such properties is presumed to be recovered entirely through sale, unless the presumption is rebutted, that is when the land held for sale and development costs are held within the business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

### *2.20 Related Party Transactions and Relationships*

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group’s funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies,* transactions amounting to 10% or more of the Group’s total assets that were entered into with related parties, either individually or in aggregate over a twelve-month period, are considered material. All material related party transactions shall be approved by the majority of the BOD and shareholders. Attendance and votes of directors with personal interest in the transactions shall not be counted for the purposes of assessing the quorum and determining majority approval, respectively.

### *2.21 Segment Reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the Parent Company’s BOD and management committee responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group’s products and service lines as disclosed in Note 33, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

### *2.22 Equity*

The components of the Group's equity include the following:

*(a)* Preferred and common stock represents the nominal value of shares that have been issued.

*(b)* Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

*(c)* Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits. Additional paid-in capital is reduced by the amount in excess of par value of redeemed shares.

*(d)* Revaluation reserves comprise of gains and losses arising from the revaluation of the Group's parcels of land under property, plant and equipment, remeasurements of post-employment defined benefit obligation, net of applicable taxes, and adjustments resulting from the translation of foreign currency-denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency (see Note 2.15).

*(e)* Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

*(f)* Non-controlling interests represent the portion of the net assets and profit not attributable to the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position and changes in equity.

### *2.23 Deposit on Future Stock Subscription*

Deposit on future stock subscription refers to the payment made by the Parent Company's stockholders that is intended to subscribe to the increase in the authorized capital. The said deposit cannot be directly credited to capital stock issued yet due to the pending approval by the SEC of the approved amendment to the Articles of Incorporation by increasing its authorized capital stock. Such payment is treated as part of Liabilities unless the Parent Company has complied with all the requirements set forth by the SEC under the Financial Reporting Bulletin No. 006 (as revised in 2022). Such requirements are as follows:

i. The unissued authorized capital stock of the entity is insufficient to cover the number of shares indicated in the contract;
ii. There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the Parent Company).;
iii. There is stockholders' approval of said proposed increase; and,
iv. The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

### *2.24 Earnings or Loss per Share*

Basic earnings or loss per share is computed by dividing net profit attributable to common shareholders by the weighted average number of common shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted earnings or loss per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares, if any.

### *2.25 Events After the End of the Reporting Period*

Any post-year-end event that provides additional information about the Group's position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements.
Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

### *3.1 Critical Management Judgments in Applying Accounting Policies*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

b) *Determination of Timing of Satisfaction of Performance Obligations*

*(i) Rendering of Fuel Services and Other Revenues*

The Group determines that its revenue from rendering of fuel services and other revenues shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. However, significant services are generally performed within the day.

*(ii) Sale of Goods*

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

c) *Determination of ECL of Financial Assets at Amortized Cost*

The Group uses an external benchmarking to calculate ECL for financial assets at amortized cost. The Group applies the PFRS 9 using internal credit ratings translated to external credit ratings [i.e. Standard & Poor's (S&P)] in order to reference/benchmark with published equivalent external cumulative PD (see Note 4.2).

The Group's internal credit rating for each customer is re-assessed when there are changes in credit limit and payment terms.

d) *Evaluation of Business Model Applied in Managing Financial Instruments*

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

*e) Distinction between Operating and Finance Leases for Contracts where the Group is the Lessor*

The Group has entered into various lease agreements as lessor. Critical judgment was exercised by management to distinguish each lease agreement, either as a lessor or a lessee, as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

*f) Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 34.

*g) Determination of Qualifying Assets on Borrowing Costs*

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Determining if an asset is a qualifying asset will depend on the circumstances and requires the use of judgment in each case. In making judgment, the management takes into account its planned use when it determines whether the asset is a qualifying asset and considers the facts and circumstances and uses its judgment to determine whether an asset takes a substantial period of time to get ready for its intended use or sale. Based on the facts and circumstances affecting the Group's qualifying asset, the management concludes that the Group's retail station, depot facilities and development costs are qualifying assets as the management assesses that it takes substantial period of time for the completion of those assets.

*h) Distinction between Investment Properties and Owner-Managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

*i) Joint Control of Entity in which the Group Holds More than 50%*

Management considers that the Group does not have control of Galaxi even though the Group holds more than 50% each of the ordinary shares of these entities. In making judgment regarding its involvement in Galaxi management considered the Group's voting rights, the relative size and dispersion of the voting rights held by other shareholders and the extent of recent participation by those shareholders in general meetings. Even though the Group has 51% shareholdings and appoints three out of five members of the directors for both entities, all decisions shall require affirmative votes of at least 75% of the directors and any variation in the business of Galaxi shall require the mutual consent of the parties. Moreover, the joint venture (JV) partners of the Group are responsible in managing the day-to-day operations of the Galaxi.

*j) Impairment of Goodwill and Basketball Franchise*

The determination when the Group's goodwill is considered impaired requires significant judgment. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Based on the recent evaluation of information and circumstances affecting the Group's goodwill, management has determined that no impairment loss is required to be recognized on the Group's goodwill in 2021, 2020 and 2019.

The determination when the Group's basketball franchise is considered impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the continuity and going concern status of the Philippine Basketball Association, changes in viewership of basketball leagues and the period over which the Group expects to benefit from holding the franchise, which include but are not limited to marketing and publicity, brand awareness and media mileage. Based on the recent evaluation of information and circumstances affecting the Group's basketball franchise, management has assessed that the period over which the Group expects the basketball franchise to generate inflows for the Group is indefinite and has determined that no impairment loss is required to be recognized on the Group's basketball franchise in 2021, 2020 and 2019. Future changes in those information and circumstances might significantly affect the carrying amount of the basketball franchise disclosed in Note 13.

*k) Sale and leaseback transaction that does not qualify as sale per PFRS 15*

The Group applies the requirements in PFRS 15 in determining whether the sale in a sale and leaseback arrangement constitutes a sale of asset. The sale and leaseback agreement entered into by PNX SG contains a right to repurchase the vessel (call option), which does not give the buyer control over the asset due to its limited ability to direct the use of the vessel, and obtain substantially all of the remaining benefits from the vessel. PFRS 15 stipulates that if the contact of sale with call option is part of a sale and leaseback transaction, the transaction is accounted as financial liability in accordance with PFRS 9.

### *3.2 Key Sources of Estimation Uncertainty*

Presented in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

*a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract, for new lease contracts. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset, credit risk of the Group and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

*b) Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2(*b*).

c) *Determination of Net Realizable Value of Inventories*

In determining the net realizable values of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Future realization of the carrying amounts of inventories, as presented in Note 8, is affected by price changes and action from competitors. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial reporting period.

d) *Estimation of Useful Lives of Property, Plant and Equipment, Right-of-use Assets, Intangible Assets and Investment Properties*

The Group estimates the useful lives of property, plant and equipment, right-of-use assets, intangible assets and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, intangible assets and investment properties (land improvements) are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property, plant and equipment, right-of-use assets, intangible assets and investment properties are analyzed in Notes 11, 12, 13 and 16, respectively. Based on management's assessment as of December 31, 2021 and 2020, there is no change in the estimated useful lives of the property, plant and equipment, intangible assets and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

e) *Fair Value Measurement of Property, Plant and Equipment and Investment Properties*

The Group's property, plant and equipment and investment properties include parcels of land, that are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 5.5.

The amounts of revaluation and fair value gains recognized on parcels of land under property, plant and equipment and investment properties are disclosed in Notes 11 and 16, respectively.

f) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2021 and 2020 will be fully utilized in the coming years. The carrying value of deferred tax assets as of December 31, 2021 and 2020 is disclosed in Note 29.

g) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 27 and include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 27.3.

h) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Group's goodwill, investments in joint venture, property, plant and equipment, investment properties, right-of-use assets, and intangible assets in 2021, 2020 and 2019.

i) *Provision for Losses on Lost LPG Cylinders*

Management estimates provision for losses on lost LPG cylinders based on the quantities computed from its internal simulations and computations. The estimated quantities do not represent the exact quantities of the LPG cylinders but they are assessed based on management's assumptions and historical loss experience representing the management's best estimate of the quantities of lost cylinders. Management will arrange for the appraisal by an external expert to take place every other year to obtain confidence in the estimate of the provision amount.

Provision for losses on lost LPG cylinders amounted to P42.5 million 2020; while no provision is required to be recognized in 2021 and 2019 (see Note 11).

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 5. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

### *4.1 Market Risk*

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

a) *Foreign Currency Risk*

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars. The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). The Group also holds U.S. and Singapore dollar-denominated cash and cash equivalents. The Group also has trade receivables and payables primarily denominated in Vietnamese Dong, as a result of the Group's acquisition of PGV LLC, which is situated in Vietnam. Financial instruments that are Indonesian Rupiah denominated are considered immaterial, hence, not included in the analyses below.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

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

| | 2021 U.S. Dollar | 2021 Singapore Dollar | 2021 Vietnamese Dong |
|---|---|---|---|
| Financial assets | **P 19,123,020** | **P4,847,440,999** | **P 394,652,184** |
| Financial liabilities | **( 6,334,675,463)** | **-** | **( 166,465,089)** |
| Net exposure | **(P 6,315,552,443)** | **P4,847,440,999** | **P 288,187,095** |

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

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against U.S. and Singapore dollar, and Vietnamese Dong exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99.00% confidence level.

| | 2021 U.S. Dollar | 2021 Singapore Dollar | 2021 Vietnamese Dong |
|---|---|---|---|
| Reasonably possible change in rate | **7.22%** | **12.04%** | **9.00%** |
| Effect in loss before tax | **(P 455,982,886)** | **P 583,631,896** | **P 25,936,839** |
| Effect in equity after tax | **( 341,987,164)** | **437,723,922** | **19,452,629** |

| | 2020 U.S. Dollar | 2020 Singapore Dollar | 2020 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 | 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 December 31, 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 (see Notes 6 and 19). All other financial assets and financial liabilities have fixed rates.

Cash in banks are tested on a reasonably possible change of +/-2.87% and +/-1.40% in 2021 and 2020, respectively for Philippine Peso. Short-term money placements and time deposits are tested on a reasonably possible change of +/-1.44% and +/-2.03% in 2021 and 2020. Banks loans subject to variable interest rates (or repricing) are tested on a reasonably possible change of +/-0.13% and +/-0.44% for Philippine peso in 2021 and 2020, respectively, and +/-0.14% and +/-0.87% in 2021 and 2020, respectively for U.S. dollar. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P37.6 million and +/-P306.8 million for the years ended December 31, 2021 and 2020, respectively, and equity after tax by +/-P26.3 million and +/-P214.7 million for the years ended December 31, 2021 and 2020, respectively.

c) *Other Price Risks*

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.

The Group is also exposed to price risk arising from the current non-qualifying hedges – forward contracts entered into by PNX SG. Such instruments are used to mitigate the fluctuations of expected physical oil sales and purchases contracts. These instruments are fair valued by third-party brokers/banks using observable market data and other sources. In 2021 and 2020, fair value of the open derivative positions recorded within the financial instruments amounted to P82.5 million and P623.1 million, respectively (see Note 22). The impact of increase in prices, based on the volatility of global oil market prices, on profit or loss, net of Singapore statutory tax rate of 17%, in 2021 and 2020 is presented below.

| | **2021** | 2020 |
|---|---|---|
| Reasonably possible increase in prices | **3.01%** | 2.95% |
| Effect in loss before tax | **P 2,483,991** | P 18,382,770 |
| Effect in equity after tax | **2,061,713** | 15,257,699 |

### *4.2 Credit Risk*

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting of loans and selling goods and services to customers including related parties; and placing deposits with banks.

The Group employs a range of policies and practices to mitigate credit risk. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, collaterals such as cash bonds, standby letter of credits, real estate mortgage and retail stations are received to mitigate credit risk. Estimates of fair values are based on the value of collaterals assessed at the time of first dealing with the customer and are updated and monitored periodically, e.g., annually for real estate properties and retail stations.

There is no change on the quality of the collateral held against the credit exposures, except for the fair value of the collaterals driven by the change in market conditions.

Estimate of the fair value of collateral held against trade and other receivables (excluding due from related parties) as of December 31 follows:

| | **2021** | 2020 |
|---|---|---|
| Standby letter of credits | **P 485,709,344** | P 545,400,443 |
| Retail stations | **460,261,245** | 440,925,755 |
| Cash bond | **245,352,846** | 268,980,068 |
| Real estate mortgage | **74,192,730** | 74,192,730 |
| | **P 1,265,516,165** | P 1,329,498,996 |

Retail stations held as collateral as of December 31, 2021 and 2020, relate to disposed retail stations to certain JVs in the following year. 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.

| | Notes | **2021** | 2020 |
|---|---|---|---|
| Cash and cash equivalents | 6 | **P 4,903,236,646** | P 5,788,390,677 |
| Trade and other receivables – net* | 7 | **15,160,567,319** | 16,395,538,422 |
| Due from related parties - net | 30.4 | **2,949,357** | 30,903,191 |
| Construction bond** | 10 | **6,777,664** | 6,749,664 |
| Restricted deposits | 9 | **77,399,689** | - |
| Security deposits | 10 | **249,647,969** | 869,781,137 |
| Refundable rental deposits | 10, 17 | **337,296,642** | 276,351,471 |
| | | **P20,737,874,986** | P23,367,714,562 |

**excluding advances to suppliers, advances subject to liquidation and other receivables*
***included as part of Others under Prepayments and Other Current Assets*

a) Cash and Cash Equivalents and Restricted Deposits

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 below.

| **Phoenix Risk Rating (PRR)** | **Description** | | **Equivalent S&P Rating** | **S&P Loss Rate (%)** | |
|---|---|---|---|---|---|
| | **Financial and Business Profiles** | **Other Information** | | **2021** | 2020 |
| 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 | **0.11 – 0.47** | 0.21 – 0.60 |
| PRR 2A | Counterparties with strong financial profile and very strong business profile or vice versa. | | BBB | **0.11 – 0.47** | 0.21 – 0.60 |
| PRR 1A | Counterparties with a strong to adequate financial profile and very strong to adequate business profile. | | BBB | **0.11 – 0.47** | 0.21 – 0.60 |
| 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 | **0.54 – 1.58** | 0.62 – 2.86 |
| PRR 2B | Counterparties with an average financial profile and sustainable business profile. | | BB | **0.54 – 1.58** | 0.62 – 2.86 |
| 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 | **3.06 – 6.42** | 3.12 – 8.85 |
| 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 | **3.06 – 6.42** | 3.12 – 8.85 |
| PRR 2C | Counterparties with a weak financial profile and adequate business profile. | | B | **3.06 – 6.42** | 3.12 – 8.85 |
| 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 |

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

**December 31, 2021**

Trade and Other Receivables

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying Amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3A | BBB | 0.11 – 0.47 | **P 2,296,349,501** | **P 2,515,958** |
| PRR 2A | BBB | 0.11 – 0.47 | **5,037,352,035** | **23,634,911** |
| PRR 1A | BBB | 0.11 – 0.47 | **3,627,747,553** | **16,996,328** |
| PRR 3B | BB | 0.54 – 1.58 | **1,235,336,412** | **15,627,669** |
| PRR 2B | BB | 0.54 – 1.58 | **237,892,754** | **2,993,016** |
| PRR 1B | B | 3.06 – 6.42 | **2,256,644,506** | **115,850,360** |
| PRR 3C | B | 3.06 – 6.42 | **656,992,314** | **37,205,649** |
| PRR 2C | B | 3.06 – 6.42 | **28,725,935** | **1,649,800** |
| PRR 1C/D/F | CCC/C | 100 | **461,846,640** | **461,846,640** |
| | | | **P 15,838,887,650** | **P 678,320,331** |

Due From Related Parties

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying Amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3B | BB | 0.54 – 1.58 | **P 624,077** | **P 3,370** |
| PRR 2B | BB | 0.54 – 1.58 | **381,158** | **2,973** |
| PRR 1B | B | 3.06 – 6.42 | **286,919** | **11,620** |
| PRR 3C | B | 3.06 – 6.42 | **1,763,333** | **88,167** |
| | | | **P 3,055,487** | **P 106,130** |

December 31, 2020

Trade and Other Receivables

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

Due From Related Parties

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

During 2020, certain assumptions and estimation technique have been reviewed to consider the unprecedent impact of COVID-19 pandemic. In this regard, the Group performed a credit review of certain customer accounts, particularly those belonging from the marine and power industries, to assess vulnerability arising from current economic conditions. The management has assessed these customers to lower credit rating to reflect the impact of COVID-19 in the assessment of ECL in 2020. Loss rates used in 2020 were also adjusted to consider the impact of the COVID-19 pandemic. Further, the Group has implemented strict collection policy, such as cash before delivery transactions, to its customers to minimize risk of not recovering receivables.

*c) Security deposits*

The credit risk for security deposits is considered negligible due to low credit risk, as these pertain to the refundable foreign-currency-denominated cash collateral placed in relation to the forward contracts entered into by PNX SG (see Notes 10 and 22).

*d)* Refundable Rental *Deposits*

The credit risk for refundable rental deposits is considered negligible as the Group has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

### *4.3 Liquidity Risk*

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

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

As of December 31, 2021, the Group's financial liabilities (except lease liabilities – see Note 12.2) 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 25,527,000,149 | P 887,091,159 | P 16,082,643,912 | P 4,538,913,612 |
| Trade and other payables (excluding tax-related payables) | 698,126,662 | 13,344,929,959 | - | - |
| Derivative financial liabilities | 82,524,602 | - | - | - |
| Security deposits | - | - | 205,221,552 | - |
| Customers' cylinder deposits | - | - | - | 839,688,099 |
| Cash bond deposits | - | - | - | 60,655,443 |
| | P 26,307,651,413 | P 14,232,021,118 | P 16,287,865,464 | P 5,439,257,154 |

As of December 31, 2020, the Group's financial liabilities (except lease liabilities – see Note 12.2) 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 |
| Trade and other payables (excluding tax-related payables) | 772,563,181 | 7,850,347,615 | - | - |
| Derivative financial liabilities | 623,144,735 | - | - | - |
| Security deposits | - | - | 106,428,876 | - |
| Customers' cylinder deposits | - | - | - | 783,055,495 |
| Cash bond deposits | - | - | 209,593,184 | 59,386,884 |
| | P 27,605,091,723 | P 12,832,669,162 | P 15,975,151,165 | P 6,514,970,558 |

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

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

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

| | Notes | **2021** Carrying Values | **2021** Fair Values | 2020 Carrying Values | 2020 Fair Values |
|---|---|---|---|---|---|
| ***Financial Assets*** | | | | | |
| Loans and receivables: | | | | | |
| Cash and cash equivalents | 6 | **P 4,903,236,346** | **P 4,903,236,346** | P 5,788,390,677 | P 5,788,390,677 |
| Trade and other receivables-net* | 7 | **15,160,567,319** | **15,160,567,319** | 16,395,538,422 | 16,395,538,422 |
| Due from related parties | 30.4 | **2,949,357** | **2,949,357** | 30,903,191 | 30,903,191 |
| Construction bond** | 10 | **6,777,664** | **6,777,664** | 6,749,664 | 6,749,664 |
| Restricted deposits | 9 | **77,399,689** | **77,399,689** | - | - |
| Security deposits | 10 | **249,647,969** | **249,647,969** | 869,781,137 | 869,781,137 |
| Refundable deposits | 10,17 | **337,296,642** | **337,296,642** | 276,351,471 | 276,351,471 |
| | | **P 20,737,874,986** | **P 20,737,874,986** | P 23,367,714,562 | P 23,367,714,562 |
| ***Financial Liabilities*** | | | | | |
| Financial liabilities at FVTPL – | | | | | |
| Derivative financial liabilities | 22 | **P 82,524,602** | **P 82,524,602** | P 623,144,735 | P 623,144,735 |
| Financial liabilities at amortized cost: | | | | | |
| Interest-bearing loans and borrowings | 19 | **46,136,602,910** | **44,633,730,434** | 48,243,377,133 | 44,526,826,768 |
| Trade and other payables*** | 21 | **14,043,056,621** | **14,043,056,621** | 8,622,910,796 | 8,622,910,796 |
| Lease liabilities | 12 | **1,108,664,678** | **852,522,579** | 984,401,017 | 851,573,489 |
| Customers' cylinder deposits | 23 | **839,688,099** | **611,635,184** | 783,055,495 | 646,165,125 |
| Security deposits | 23 | **205,221,552** | **167,091,835** | 106,408,896 | 94,053,854 |
| Cash bond deposits | 23 | **60,655,443** | **44,181,885** | 268,980,068 | 234,227,853 |
| | | **P 62,476,413,905** | **P 60,434,743,140** | P 59,632,278,140 | P 55,598,902,620 |

* *Excluding advances to suppliers, advances subject to liquidation and other receivables*
** *Included as part of Others under Prepayments and Other Current Assets*
*** *Excluding tax-related payables*

See Note 2.4 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

### *5.2 Fair Value Hierarchy*

In accordance with PFRS 13, *Fair Value Measurements*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

### *5.3 Financial Instruments Measurement at Fair Value*

PNX SG entered into forward contracts which are not traded in active markets. These contracts have been fair valued using observable forward commodity rates corresponding to the maturity of the contracts by third party broker or banks. The effects of non-observable inputs are not significant for forward contracts.

The fair value of derivative financial liabilities amounting to P82.5 million and P623.1 million as of December 31, 2021 and 2020, respectively, is included in Level 2.

### *5.4 Fair Value Hierarchy of Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

| | Notes | 2021 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| ***Financial Assets*** | | | | | |
| *Loans and receivables:* | | | | | |
| Cash and cash equivalents | 6 | P 4,903,236,346 | P - | P - | P 4,903,236,346 |
| Trade and other receivables | 7 | - | - | 15,160,567,319 | 15,160,567,319 |
| Due from related parties | 30.4 | - | - | 2,949,357 | 2,949,357 |
| Construction bond | 10 | - | - | 6,777,664 | 6,777,664 |
| Restricted deposits | 9 | 77,399,689 | - | - | 77,399,689 |
| Security deposits | 10 | - | - | 249,647,969 | 249,647,969 |
| Refundable deposits | 10,17 | - | - | 337,296,642 | 337,296,642 |
| | | **P 4,980,636,035** | **P -** | **P 15,757,238,951** | **P 20,737,874,986** |
| ***Financial Liabilities*** | | | | | |
| *Financial liabilities at amortized cost:* | | | | | |
| Interest-bearing loans and other borrowings | 19 | P - | P - | P 44,633,730,434 | P 44,633,730,434 |
| Trade and other payables | 21 | - | - | 14,043,056,621 | 14,043,056,621 |
| Lease liabilities | 12 | - | - | 852,522,579 | 852,522,579 |
| Customers' cylinder deposits | 23 | - | - | 611,635,184 | 611,635,184 |
| Security deposits | 23 | - | - | 167,091,835 | 167,091,835 |
| Cash bond deposits | 23 | - | - | 44,181,885 | 44,181,885 |
| | | **P -** | **P -** | **P 60,434,743,140** | **P 60,434,743,140** |

| | Notes | 2020 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| *Financial Assets* | | | | | |
| *Loans and receivables:* | | | | | |
| Cash and cash equivalents | 6 | P 5,788,390,677 | P - | P - | P 5,788,390,677 |
| Trade and other receivables | 7 | - | - | 16,395,538,422 | 16,395,538,422 |
| Due from related parties | 30.4 | - | - | 30,903,191 | 30,903,191 |
| Construction bond | 10 | - | - | 6,749,664 | 6,749,664 |
| Security deposits | 10 | - | - | 869,781,137 | 869,781,137 |
| Refundable deposits | 10,17 | - | - | 276,351,471 | 276,351,471 |
| | | P 5,788,390,677 | P - | P 17,579,323,885 | P 23,367,714,562 |
| *Financial Liabilities* | | | | | |
| *Financial liabilities at amortized cost:* | | | | | |
| Interest-bearing loans and other borrowings | 19 | P - | P - | P 44,526,826,768 | P 44,526,826,768 |
| Trade and other payables | 21 | - | - | 8,622,910,796 | 8,622,910,796 |
| Lease liabilities | 12 | - | - | 851,573,489 | 851,573,489 |
| Customers' cylinder deposits | 23 | - | - | 646,165,125 | 646,165,125 |
| Security deposits | 23 | - | - | 94,053,854 | 94,053,854 |
| Cash bond deposits | 23 | - | - | 234,227,853 | 234,227,853 |
| | | P - | P - | P 54,975,757,885 | P 54,975,757,885 |

For financial assets with fair value included in Level 1, management considers that the carrying amount of this short-term financial instrument approximates their fair values.

### *5.5 Fair Value Measurement for Non-financial Assets*

The fair values of the Group's parcels of land, included as part of Property, Plant and Equipment and Investment Properties accounts, were determined based on the appraisal reports of Asian Appraisal Company, Inc. and Cuervo Appraisers, Inc., respectively, who are professional and independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the properties. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The Level 3 fair value of the parcels of land for both recognized under property, plant and equipment and investment properties was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

### *5.6 Offsetting of Financial Assets and Financial Liabilities*

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

| | **December 31, 2021** | | | | | |
|---|---|---|---|---|---|---|
| | Gross amounts recognized in the consolidated statement of financial position | | Net amount presented in the consolidated statement of financial position | Related amounts not set-off in the consolidated statement of financial position | | |
| | Financial assets | Financial liabilities set-off | | Financial instruments | Cash collateral received | Net amount |
| Trade and other receivables* | P 15,160,567,319 | P - | P 15,160,567,319 | (P 907,821,505) | (P 60,655,443) | P 14,192,090,371 |
| Derivative financial asset | 215,585,359 | ( 215,585,359) | - | - | - | - |
| Security deposits | 249,647,969 | - | 249,647,969 | ( 249,647,969) | - | - |
| Total | **P 15,625,800,647** | **(P 215,585,359)** | **P 15,410,215,288** | **(P 1,157,469,474)** | **(P 60,655,443)** | **P 14,192,090,371** |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Gross amounts recognized in the consolidated statement of financial position | | Net amount presented in the consolidated statement of financial position | Related amounts not set-off in the consolidated statement of financial position | | |
| | Financial assets | Financial liabilities set-off | | Financial instruments | Cash collateral received | Net amount |
| Trade and other receivables* | P 16,395,538,422 | P - | P 16,395,538,422 | (P 732,743,638) | (P 268,980,068) | P 15,393,814,716 |
| Derivative financial asset | 178,994,769 | ( 178,994,769) | - | - | - | - |
| Security deposits | 869,781,137 | - | 869,781,137 | ( 869,781,137) | - | - |
| Total | P 17,444,314,328 | (P 178,994,769) | P 17,265,319,559 | (P 1,602,524,775) | (P 268,980,068) | P 15,393,814,716 |

* *Excluding advances to suppliers, advances subject to liquidation and other receivables*

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

| | **December 31, 2021** | | | | | |
|---|---|---|---|---|---|---|
| | Gross amounts recognized in the consolidated statement of financial position | | Net amount presented in the consolidated statement of financial position | Related amounts not set-off in the consolidated statement of financial position | | |
| | Financial liabilities | Financial assets set-off | | Financial instruments | Cash collateral received | Net amount |
| Interest-bearing loans and borrowings | P 46,136,602,910 | P - | P 46,136,602,910 | (P 907,821,505 ) | P - | P 45,228,781,405 |
| Derivative financial liabilities | 298,109,961 | ( 215,585,359 ) | 82,524,602 | ( 82,524,602 ) | - | - |
| Security deposits | 205,221,552 | - | 205,221,552 | - | ( 205,221,552 ) | - |
| Cash bond deposits | 60,655,443 | - | 60,655,443 | - | ( 60,655,443 ) | - |
| Total | **P 46,700,589,866** | **( P 215,585,359 )** | **P46,485,004,507** | **(P 990,346,107 )** | **(P 265,876,995 )** | **P 45,228,781,405** |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Gross amounts recognized in the consolidated statement of financial position | | Net amount presented in the consolidated statement of financial position | Related amounts not set-off in the consolidated statement of financial position | | |
| | Financial liabilities | Financial assets set-off | | Financial instruments | Cash collateral received | Net amount |
| Interest-bearing loans and borrowings | P 48,243,377,133 | P - | P 48,243,377,133 | (P 732,743,638 ) | P - | P 47,510,633,495 |
| Derivative financial liabilities | 802,139,504 | ( 178,994,769 ) | 623,144,735 | ( 623,144,735 ) | - | - |
| Security deposits | 106,408,896 | - | 106,408,896 | - | ( 106,408,896 ) | - |
| Cash bond deposits | 268,980,068 | - | 268,980,068 | - | ( 268,980,068 ) | - |
| Total | P 49,420,905,601 | ( P 178,994,769 ) | P49,241,910,832 | (P1,355,888,373) | (P 375,388,964 ) | P 47,510,633,495 |

For financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements presented above, each agreement between the Group and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

| | **2021** | 2020 |
|---|---|---|
| Short-term placements | **P 3,429,201,162** | P 2,279,694,395 |
| Cash in banks | **1,457,430,275** | 3,487,797,991 |
| Revolving fund | **10,107,567** | 16,528,045 |
| Cash on hand | **6,497,342** | 4,370,246 |
| | **P 4,903,236,346** | P 5,788,390,677 |

Cash in banks generally earn interest based on daily bank deposit rates ranging from 0.10% to 2.50% per annum in all years presented. Short-term placements are made for varying periods ranging from 7 to 90 days and earn effective interest ranging from 0.25% to 1.00% per annum in all years presented. Interest income earned amounted to P22.6 million, P48.7 million, and P30.0 million in 2021, 2020 and 2019, respectively, and is included as part of Finance income under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 26.2).

The balances of cash in banks as of December 31, 2021 exclude restricted time deposits totalling to P77.4 million, which are shown as Restricted Deposits account (see Note 9) in the 2021 consolidated statement of financial position. Such amounts are not available for the general use of the Group under the trust receipt agreements (see Notes 9 and 19.1).

## 7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Trade receivables: | | | |
| Third parties | | **P 5,467,332,789** | P 8,352,884,850 |
| Related parties | 30.1 | **3,399,454,659** | 4,253,385,843 |
| | | **8,866,787,448** | 12,606,270,693 |
| Advances to suppliers: | | | |
| Third parties | | **873,769,786** | 936,397,582 |
| Related parties | 30.2, 30.11 | **2,376,381,083** | 143,008,845 |
| | | **3,250,150,869** | 1,079,406,427 |
| Non-trade receivables: | | | |
| Third parties | 14.2, 34.4(*b*) | **2,405,845,389** | 671,690,220 |
| Related parties | 30.6, 30.9, 30.10, 30.12 | **4,566,254,813** | 3,851,961,936 |
| | | **6,972,100,202** | 4,523,652,156 |
| Advances subject to liquidation | | **8,824,371** | 22,629,545 |
| Other receivables | | **45,633,253** | 16,496,649 |
| | | **19,143,496,143** | 18,248,455,470 |
| Allowance for impairment | | **( 678,320,331)** | ( 734,384,427) |
| | | **P 18,465,175,812** | P17,514,071,043 |

Trade and other receivables generally do not bear any interest. All receivables are subject to credit risk (see Note 4.2).

As of December 31, 2021 and 2020, the trade receivables of PLPI amounting to P907.8 million and P732.7 million, respectively, are included as security for loan availed by PLPI in 2020 [see Note 19.2*(a)*]. These receivables are due within 10 to 60 days after the date of delivery. Portion of the collateralized trade receivables amounting to P141.8 million and P140.6 million as of December 31, 2021 and 2020, respectively, were assessed to be impaired.

PLPI entered into deferred payment agreement (DPA) with customers that are unable to pay their due and outstanding payable to PLPI. PLPI agreed to collect, inclusive of interest, through installments as stated in the terms and conditions of the agreement. As of December 31, 2021 and 2020, the balances of receivables under DPA amounted to P110.5 million and P105.5 million, respectively, and is presented as part of Trade Receivables – Third Parties in the Trade and Other Receivables account in the consolidated statements of financial position. There are no non-current trade receivables as of those years.

The parties have agreed to enter into the DPA for the full and final settlement of the debt subject to the following terms and conditions enumerated below.

i) Customer promises to pay PLPI through monthly instalment payment and by way of post-dated checks;

ii) The customer shall undertake to make full and final settlement of the remaining outstanding amount of the debt in the event that the customer obtains any financial assistance from any banks and/or financial institutions to finance its business operation. The entire remaining outstanding amount of the debt shall become immediately due without further demand, formal or informal advice in the event any of the monthly instalments are not received by the PLPI on or before the due date;

iii) Should PLPI be compelled to institute extra-judicial foreclosure of the collateral and/or judicial actions to foreclose or collect unpaid amounts, the customer shall be liable for the costs and fees incurred by PLPI in the preparation, monitoring and enforcement of the DPA, as well as costs and fees incurred by the PLPI on account filing and prosecution and enforcement of any judicial foreclosures, extra-judicial foreclosures, and collection suits; and,

iv) The customer further agrees that in the event it fails to pay any of the monthly instalments, then PLPI shall be at liberty to recover the same through the process of court, in which event all costs and expenses incurred by the PLPI including the legal costs on a solicitor and client basis shall be solely borne by them.

A reconciliation of the allowance for impairment at the beginning and end of 2021 and 2020 is shown below.

| | Notes | **2021** | 2020 |
|---|---|---|---|
| Balance at beginning of year | | **P 734,384,427** | P 655,639,182 |
| Recovery of bad debts | | **( 54,210,853)** | - |
| Written-off during the year | | **( 1,714,165)** | ( 2,680,516) |
| Reclassification | 30.4 | **( 139,078)** | ( 54,853) |
| Impairment loss for the year | 25 | **-** | 81,480,614 |
| Balance at end of year | 4.2 | **P 678,320,331** | P 734,384,427 |

Impairment losses amounting to P81.5 million, and P26.1 million in 2020, and 2019, respectively, are presented as part of Selling and Administrative Expenses in the 2020 and 2019 consolidated statements of comprehensive income (see Note 25). In 2021, recovery of bad debts amounting to P54.2 million, net of impairment losses of P77.8 million, is presented as part of Others – net under Other Charges (Income) in the 2021 statement of comprehensive income.

The written-off accounts are not subject to any enforcement activity, nor the Group expects any collections from these accounts.

## 8. INVENTORIES

The breakdown of inventories, which are all stated at cost, are as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Fuels and by-products | | **P 4,584,760,049** | P 4,264,665,744 |
| LPG | | **173,625,260** | 207,277,882 |
| Lubricants | | **110,360,901** | 110,721,939 |
| Merchandise | | **63,709,858** | 110,568,113 |
| Others | | **59,478,949** | 76,082,023 |
| | 24.2*(b)* | **P 4,991,935,017** | P 4,769,315,701 |

Under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P4,740.8 million and P4,363.0 million as of December 31, 2021 and 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 (see Note 19.1).

There was no inventory write-down in 2021 and 2020.

An analysis of the cost of inventories included in the cost of fuels, lubricants, LPG and merchandise sold in each year is presented in Note 24.2*(b)*.

## 9. RESTRICTED DEPOSITS

This account pertains to the time deposits that are used as securities for various short-term credit facilities and trust receipts covered by hold-out agreements (see Notes 6 and 19.1) amounting P77.4 million as of December 31, 2021 (nil in 2020). As such, these are restricted as to withdrawals. The proceeds from availment of the banking credit facilities and trust receipts by the Group are used for the purpose of purchasing liquefied petroleum products.

Interest rates for this type of deposit range from 0.80% to 3.68% per annum for 2021, 2020 and 2019. Interest income earned from restricted deposits amounted to P19.6 million, P1.7 million, and P2.2 million in 2021, 2020 and 2019, respectively, and is included as part of Finance Income in the consolidated statements of comprehensive income (see Note 26.2).

## 10. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of December 31 is shown below.

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Creditable withholding tax | | **P 751,434,387** | P 570,861,597 |
| Prepayments | 30.3 | **751,434,389** | 523,817,688 |
| Supplies | | **290,741,707** | 273,302,018 |
| Security deposits | | **249,647,969** | 869,781,137 |
| Refundable rental deposits | 17 | **191,793,238** | 189,412,836 |
| Others | | **116,264,845** | 109,095,162 |
| | | **P 2,477,687,008** | P 2,536,270,438 |

Security deposit pertains to the foreign-currency-denominated cash collateral placed by PNX SG with Admis Singapore Pte. Ltd., in case unrealized loss on fuel-related derivatives exceeds the credit line and minimum transfer amount of PNX SG, in connection with the forward contracts entered into by PNX SG (see Note 22).

## 11. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2021 and 2020 are shown below.

| | Buildings, Depot, Plant and Pier Facilities | Leasehold and Land Improvements | Gasoline and LPG Station Equipment | LPG Cylinders | Office Furniture and Equipment | Hauling and Heavy Equipment | Transportation and Other Equipment | Vessel | Land | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| December 31, 2021 | | | | | | | | | | | |
| Cost or revalued amount | P 14,848,219,275 | P 1,004,192,418 | P 5,924,907,798 | P 3,470,950,316 | P 615,833,198 | P 1,000,624,377 | P 121,052,064 | P 677,338,728 | P 7,412,387,556 | P 8,840,697,449 | P 43,916,203,180 |
| Accumulated depreciation, amortization and impairment | ( 4,354,570,588) | ( 319,547,776) | ( 2,840,686,461) | ( 1,177,609,248) | ( 430,318,571) | ( 627,314,074) | ( 104,797,528) | ( 146,841,618) | - | - | ( 10,001,685,865) |
| Net carrying amount | **P 10,493,648,687** | **P 684,644,642** | **P 3,084,221,337** | **P 2,293,341,068** | **P 185,514,627** | **P 373,310,303** | **P 16,254,536** | **P 530,497,110** | **P 7,412,387,556** | **P 8,840,697,449** | **P 33,914,517,315** |
| December 31, 2020 | | | | | | | | | | | |
| Cost or revalued amount | P 11,408,286,921 | P 457,259,882 | P 5,726,398,945 | P 3,235,596,774 | P 642,272,955 | P 729,226,293 | P 121,639,917 | P 677,338,728 | P 7,036,426,556 | P 11,613,844,380 | P 41,648,291,351 |
| Accumulated depreciation, amortization and impairment | ( 3,836,412,742) | ( 292,723,549) | ( 2,527,271,325) | ( 1,084,081,008) | ( 392,405,005) | ( 583,951,354) | ( 101,038,817) | ( 122,857,491) | - | - | ( 8,940,741,291) |
| Net carrying amount | P 7,571,874,179 | P 164,536,333 | P 3,199,127,620 | P 2,151,515,766 | P 249,867,950 | P 145,274,939 | P 20,601,100 | P 554,481,237 | P 7,036,426,556 | P 11,613,844,380 | P 32,707,550,060 |
| January 1, 2020 | | | | | | | | | | | |
| Cost or revalued amount | P 12,181,134,379 | P 496,662,161 | P 5,457,947,630 | P 2,667,783,519 | P 612,216,937 | P 745,062,041 | P 109,570,369 | P 640,281,212 | P 5,815,946,299 | P 8,145,925,569 | P 36,872,530,116 |
| Accumulated depreciation, amortization and impairment | ( 3,390,613,448 ) | ( 299,091,098) | ( 2,219,054,981) | ( 946,000,750 ) | ( 315,980,888) | ( 553,117,590 ) | ( 84,496,535) | ( 44,656,370) | - | - | ( 7,853,011,660) |
| Net carrying amount | P 8,790,520,931 | P 197,571,063 | P 3,238,892,649 | P 1,721,782,769 | P 296,236,049 | P 191,944,451 | P 25,073,834 | P 595,624,842 | P 5,815,946,299 | P 8,145,925,569 | P 29,019,518,456 |

A reconciliation of the carrying amounts at the beginning and end of 2021 and 2020 of property, plant and equipment is shown below and in the succeeding page.

| | Buildings, Depot, Plant and Pier Facilities | Leasehold and Land Improvements | Gasoline and LPG Station Equipment | LPG Cylinders | Office Furniture and Equipment | Hauling and Heavy Equipment | Transportation and Other Equipment | Vessel | Land | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2021 net of accumulated depreciation and amortization | P 7,571,874,179 | P 164,536,333 | P 3,199,127,620 | P 2,151,515,766 | P 249,867,950 | P 145,274,939 | P 20,601,100 | P 554,481,237 | P 7,036,426,556 | P 11,613,844,380 | P32,707,550,060 |
| Additions | 29,673,507 | 233,580,292 | 65,904,741 | 119,539,902 | 11,262,237 | 291,170,165 | 1,280,575 | - | 2,232,608 | 1,082,844,861 | 1,837,488,888 |
| Revaluation increments | - | - | - | - | - | - | - | - | 445,022,305 | - | 445,022,305 |
| Transfers (see Notes 18) | - | - | 83,190,141 | - | - | - | - | - | - | - | 83,190,141 |
| Cost of asset retired | - | ( 12,500 ) | ( 11,836,044 ) | ( 3,101,694 ) | ( 38,205,373) | ( 32,595,577) | ( 2,330,535) | - | - | - | ( 88,081,723) |
| Accumulated depreciation of asset retired | - | 8,229 | 6,150,274 | 1,751,017 | 24,592,139 | 29,743,105 | 462,107 | - | - | - | 62,706,871 |
| Depreciation and amortization charges for the year | ( 528,327,736) | ( 26,883,590 ) | ( 319,565,410 ) | ( 106,967,523 ) | ( 62,663,276) | ( 73,105,825) | ( 3,758,711) | ( 53,945,397) | - | - | ( 1,175,217,468) |
| Translation adjustment | - | 51,134 | - | 62,163,028 | 157,571 | - | - | 29,961,269 | - | - | 92,333,002 |
| Reclassification | 3,420,428,737 | 242,070,831 | 61,250,015 | 118,915,334 | 503,379 | 12,823,496 | - | - | - | ( 3,855,991,792 ) | - |
| Provision for loss on lost cylinders | - | - | - | ( 50,474,762 ) | - | - | - | - | - | - | ( 50,474,762) |
| Balance at December 31, 2021 net of accumulated depreciation and amortization | **P10,493,648,687** | **P 613,350,729** | **P 3,084,221,337** | **P 2,293,341,068** | **P 185,514,627** | **P 373,310,303** | **P 16,254,536** | **P 530,497,110** | **P 7,483,681,469** | **P 8,840,697,449** | **P33,914,517,315** |

| | Buildings, Depot, Plant and Pier Facilities | Leasehold and Land Improvements | Gasoline and LPG Station Equipment | LPG Cylinders | Office Furniture and Equipment | Hauling and Heavy Equipment | Transportation and Other Equipment | Vessel | Land | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2020 net of accumulated depreciation and amortization | P 8,790,520,931 | P 197,571,063 | P 3,238,892,649 | P 1,721,782,769 | P 296,236,049 | P 191,944,451 | P 25,073,834 | P 595,624,842 | P 5,815,946,299 | P 8,145,925,569 | P29,019,518,456 |
| Additions | 31,176,089 | 9,243,419 | 50,692,206 | 567,839,411 | 34,049,858 | 20,167,859 | 2,762,506 | 37,057,516 | 26,000,000 | 3,802,689,439 | 4,581,678,303 |
| Revaluation increments | - | - | - | - | - | - | - | - | 1,194,480,257 | - | 1,194,480,257 |
| Transfers (see Note 18) | - | - | ( 197,783,908 ) | - | - | - | - | - | - | - | ( 197,783,908) |
| Cost of asset disposed of | ( 1,325,124) | ( 50,957,479 ) | ( 564,878,984 ) | - | ( 6,143,330) | ( 34,007,529) | ( 5,055,513) | - | - | ( 140,245,458) | ( 802,613,417) |
| Accumulated depreciation of asset disposed of | 193,333 | 31,585,626 | 163,719,823 | - | 5,870,434 | 29,773,312 | 5,055,511 | - | - | - | 236,198,039 |
| Depreciation and amortization charges for the year | ( 445,992,627) | ( 25,131,664 ) | ( 407,287,959 ) | ( 95,552,237 ) | ( 81,974,730) | ( 60,607,076) | ( 6,033,861) | ( 47,949,564) | - | - | ( 1,170,529,718) |
| Reclassification | ( 802,698,423) | 2,311,781 | 980,422,001 | ( 26,156 ) | 2,149,490 | ( 1,996,078) | 14,362,555 | - | - | ( 194,525,170) | - |
| Translation adjustment | - | ( 86,413 ) | ( 64,648,208) | - | ( 319,821) | - | ( 15,563,932) | ( 30,251,557) | - | - | ( 110,869,931) |
| Provision for loss on lost cylinders | - | - | - | ( 42,528,021) | - | - | - | - | - | - | ( 42,528,021) |
| Balance at December 31, 2020 net of accumulated depreciation and amortization | P 7,571,874,179 | P 164,536,333 | P 3,199,127,620 | P 2,151,515,766 | P 249,867,950 | P 145,274,939 | P 20,601,100 | P 554,481,237 | P 7,036,426,556 | P 11,613,844,380 | P 32,707,550,060 |

### 11.1 Borrowing Costs

Construction in progress includes accumulated costs incurred on the various depot facilities and retail stations being constructed as part of the Group's expansion program, including capitalized borrowing costs of P721.1 million, P1,183.5 million and P695.7 million in 2021, 2020 and 2019, respectively (see Note 19.5), representing the actual borrowing costs incurred on loans obtained to fund the construction of depot facilities and retail stations. The average capitalization rate used was 6.06% and 6.03% in 2021 and 2020, respectively.

### 11.2 Depreciation and Amortization

The Group retired in its books fully-depreciated assets with a total cost of P839.4 million and P807.3 million in 2021 and 2020, respectively. As of December 31, 2021 and 2020, the cost of fully-depreciated assets that are still being used in the Group's operations amounted to P1,577.0 million and P1,231.6 million, respectively.

The amount of depreciation and amortization is allocated as follows:

| | Notes | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Cost of sales and services | 24.2*(b)* | **P 3,267,007** | P 16,778,562 | P 65,183,757 |
| Selling and administrative expenses | | **1,171,950,641** | 1,153,751,155 | 1,131,723,688 |
| | 25 | **P 1,175,217,468** | P 1,170,529,717 | P 1,196,907,445 |

### 11.3 Fair Value of Land

The Group's parcels of land are stated at their revalued amounts as of December 31, 2021 and 2020, being the fair value at December 31, 2021 and 2020, the date of appraisal reports, less any subsequent impairment losses. The revaluation surplus, net of applicable deferred income taxes, is presented as part of the Revaluation Reserves account in the equity section of the 2021 and 2020 consolidated statement of financial position.

The information on the fair value measurement and disclosures related to the revalued parcels of land are presented in Note 5.5.

If the parcels of land were carried at cost model as of December 31, 2021 and 2020, the cost would be P4,815.7 million and P4,813.5 million, respectively.

### 11.4 Assets under Real Estate Mortgage and Security Interest Agreement

As of December 31, 2021 and 2020, certain land, buildings, depot, plant and pier facilities, leasehold and land improvements, gasoline and LPG station equipment, LPG cylinders, hauling and heavy equipment of the Group, amounting to P28,711.3 million and P27,710.7 million, respectively, are subject to real estate mortgage security interest agreement with BDO [see Note 19.2*(a)*].

## 12. LEASES

The Group has leases for land where stations are built, store premises, office and warehouse. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over store premises, warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

| | Land | Vessel | Office | Warehouse | Store Premises |
|---|---|---|---|---|---|
| **December 31, 2021** | | | | | |
| Number of right-of-use assets leased | 66 | 2 | 2 | 1 | 15 |
| Range of remaining term | 5 to 20 years | 5 months | 2 years | 10 years | 1 to 8 years |
| Average remaining lease term | 15 years | 5 months | 2 years | 10 years | 3 years |
| Number of leases with extension options | 4 | - | - | - | 1 |
| Number of leases with options to purchase | 66 | - | - | 1 | - |
| Number of leases with termination options | 66 | - | - | 1 | - |
| December 31, 2020 | | | | | |
| Number of right-of-use assets leased | 60 | 1 | 2 | 1 | 31 |
| Range of remaining term | 5 to 20 years | 5 months | 3 years | 10 years | 1 to 8 years |
| Average remaining lease term | 15 years | 5 months | 3 years | 10 years | 2.5 years |
| Number of leases with extension options | - | - | 1 | - | - |
| Number of leases with options to purchase | 60 | - | - | 1 | 1 |
| Number of leases with termination options | 60 | - | - | 1 | - |

### *12.1 Right-of-use Assets*

The gross carrying amounts and accumulated amortization of the Group's right-of-use assets at the beginning and end of 2021 and 2020 are shown below and in the succeeding page.

| | Land | Vessel | Office | Warehouse | Store Premises | Total |
|---|---|---|---|---|---|---|
| **December 31, 2021** | | | | | | |
| Cost | | | | | | |
| Balance at beginning of year | P 731,258,664 | P 68,477,298 | P 55,674,808 | P 50,687,341 | P 173,910,034 | P1,080,008,145 |
| Additions | 347,386,948 | 886,348 | - | - | - | 348,273,296 |
| Terminations | - | - | - | - | ( 31,173,568) | ( 31,173,568) |
| Balance at end of year | 1,078,645,612 | 69,363,647 | 55,674,808 | 50,687,341 | 142,736,467 | 1,397,107,875 |
| Accumulated amortization | | | | | | |
| Balance at beginning of year | 105,703,055 | 65,586,330 | 18,100,085 | 8,447,890 | 89,341,626 | 287,178,986 |
| Amortization for the year | 64,526,872 | 3,777,316 | 14,710,566 | 4,373,104 | 26,021,870 | 113,409,728 |
| Terminations | - | - | - | - | ( 13,302,179) | ( 13,302,179) |
| Balance at end of year | 170,229,927 | 69,363,647 | 32,810,651 | 12,820,994 | 102,061,317 | 387,286,536 |
| Carrying amount at December 31, 2021 | **P 908,415,685** | **P -** | **P 22,864,157** | **P 37,866,347** | **P 40,675,150** | **P1,009,821,339** |

| | Land | Vessel | Office | Warehouse | Store Premises | Total |
|---|---|---|---|---|---|---|
| December 31, 2020 | | | | | | |
| Cost | | | | | | |
| Balance at beginning of year | P 731,258,664 | P 160,865,014 | P 38,511,700 | P 54,362,449 | P 335,496,141 | P 1,320,493,968 |
| Additions | - | 23,561,003 | 17,163,108 | - | - | 40,724,111 |
| Terminations | - | ( 115,948,719) | - | ( 3,675,108) | ( 161,586,107) | ( 281,209,934) |
| Balance at end of year | 731,258,664 | 68,477,298 | 55,674,808 | 50,687,341 | 173,910,034 | 1,080,008,145 |
| Accumulated amortization | | | | | | |
| Balance at beginning of year | 56,138,590 | 58,445,602 | 3,775,657 | 4,530,204 | 54,877,771 | 177,767,824 |
| Amortization for the year | 49,564,465 | 14,729,266 | 14,324,428 | 4,223,945 | 62,591,122 | 145,433,226 |
| Terminations | - | ( 7,588,538) | - | ( 306,259) | ( 21,143,652) | ( 36,022,064) |
| Balance at end of year | 105,703,055 | 65,586,330 | 18,100,085 | 8,447,890 | 89,341,626 | 287,178,986 |
| Carrying amount at December 31, 2020 | P 625,555,609 | P 2,890,968 | P 37,574,723 | P 42,239,451 | P 84,568,408 | P 792,829,159 |

### *12.2 Lease Liabilities*

Lease liabilities are presented in the consolidated statement of financial position as follows:

| | **2021** | 2020 |
|---|---|---|
| Current | **P 74,329,867** | P 135,787,395 |
| Non-current | **1,034,334,811** | 848,613,622 |
| | **P 1,108,664,678** | P 984,401,017 |

Additional information on the lease liabilities and amounts in respect of possible future lease extension options not recognized as a liability are as follows:

| | **Land** | **Vessel** | **Office** | **Warehouse** | **Store Premises** | **Total** |
|---|---|---|---|---|---|---|
| **December 31, 2021** | | | | | | |
| Lease liabilities | **P 982,615,844** | **P -** | **P 34,364,747** | **P 42,309,660** | **P 49,374,427** | **P 1,108,664,678** |
| Number of leases with an extension option that is not considered reasonably certain of exercise | - | - | 1 | - | - | - |
| Additional lease liabilities that would be incurred were it to become reasonably certain that the extension option would be exercised | P - | P - | P - | P - | P - | P - |
| December 31, 2020 | | | | | | |
| Lease liabilities | P 749,827,562 | P 53,152,939 | P 40,455,727 | P 45,280,946 | P 95,683,843 | P 984,401,017 |
| Number of leases with an extension option that is not considered reasonably certain of exercise | - | - | 1 | - | - | - |
| Additional lease liabilities that would be incurred were it to become reasonably certain that the extension option would be exercised | P - | P - | P - | P - | P - | P - |

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The Group has pre-termination options on leases of land and warehouse. The termination is at the option of the Group without any need of judicial action. The Group is not subject to any penalties, should the Group exercise pre-termination of the lease.

As at December 31, 2021 and 2020, the Group is not committed to leases which had not commenced.

The undiscounted maturity analysis of lease liabilities at December 31 are as follows:

| | Within 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | 5 to 10 years | 10 to 15 years | Total |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2021** | | | | | | | | |
| Lease Payments | 141,595,677 | 136,165,405 | 115,483,151 | 113,039,642 | 131,199,432 | 673,973,631 | 305,203,002 | 1,616,659,940 |
| Finance charges | ( 67,265,810) | ( 61,940,226) | ( 57,130,371) | ( 52,752,659) | ( 53,106,820) | ( 183,080,285) | ( 32,719,092) | ( 507,995,262 ) |
| Net present values | **P 74,329,867** | **P 74,225,179** | **P 58,352,780** | **P 60,286,983** | **P 78,092,612** | **P490,893,346** | **P272,483,910** | **P1,108,664,678** |
| December 31, 2020 | | | | | | | | |
| Lease Payments | 204,819,039 | 143,726,469 | 116,485,183 | 108,533,991 | 107,434,274 | 553,741,096 | 226,533,600 | 1,461,273,652 |
| Finance charges | ( 69,031,644) | ( 63,486,917) | ( 58,372,014) | ( 53,078,699) | ( 49,299,986) | ( 160,338,477) | ( 23,264,898) | ( 476,872,635) |
| Net present values | P135,787,395 | P 80,239,552 | P 58,113,169 | P 55,455,292 | P 58,134,288 | P393,402,619 | P203,268,702 | P 984,401,017 |

### *12.3 Lease Payments Not Recognized as Liabilities*

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases and low-value assets are as follows :

| | **2021** | 2020 |
|---|---|---|
| Low-value assets | **P 11,530,885** | P 1,872,879 |
| Short-term leases | **494,233,473** | 579,298,984 |
| | **P 505,764,358** | P 581,171,863 |

These expenses are presented as Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25).

At December 31, 2021 and 2020, the Group is committed to short-term leases, and the total commitment at that date is P383.2 million and P362.4 million, respectively.

### *12.4 Additional Profit or Loss and Cash Flow Information*

The total cash outflow in respect of leases amounted to P91.2 million, P247.4 million and P203.6 million in 2021, 2020 and 2019, respectively. Interest expense in relation to lease liabilities amounted to P67.6 million, P159.7 million and P81.0 million in 2021, 2020 and 2019, respectively, and is presented as part of Finance costs under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 26.1).

## 13. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2021 and 2020 are shown below.

| | Basketball Franchise | Store Franchise | Computer Software Licenses | Software Development Cost | Others | Total |
|---|---|---|---|---|---|---|
| December 31, 2021 | | | | | | |
| Cost | P 176,861,660 | P 41,078,000 | P 269,353,193 | P 79,975,823 | P 1,585,143 | P 568,853,819 |
| Accumulated amortization | - | ( 35,240,987) | ( 234,309,383) | ( 61,151,184) | - | ( 330,701,554) |
| Net carrying amount | **P 176,861,660** | **P 5,837,013** | **P 35,043,810** | **P 18,824,639** | **P 1,585,143** | **P 238,152,265** |
| December 31, 2020 | | | | | | |
| Cost | P 176,861,660 | P 41,078,000 | P 269,557,033 | P 78,426,806 | P 1,585,143 | P 567,508,642 |
| Accumulated amortization | - | ( 31,349,645) | ( 215,929,978) | ( 41,498,729) | - | ( 288,778,352) |
| Net carrying amount | P 176,861,660 | P 9,728,355 | P 53,627,055 | P 36,928,077 | P 1,585,143 | P 278,730,290 |
| January 1, 2020 | | | | | | |
| Cost | P 176,861,660 | P 42,028,644 | P 261,155,875 | P 73,180,177 | P 1,585,143 | P 554,811,499 |
| Accumulated amortization | - | ( 23,566,961) | ( 193,260,263) | ( 27,598,071) | ( 108,288) | ( 244,533,583) |
| Net carrying amount | P 176,861,660 | P 18,461,683 | P 67,895,612 | P 45,582,106 | P 1,476,855 | P 310,277,916 |

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2021 and 2020 is shown below.

| | Basketball Franchise | Store Franchise | Computer Software Licenses | Software Development Cost | Others | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2021, net of accumulated amortization | P 176,861,660 | P 9,728,355 | P 53,627,055 | P 36,928,077 | P 1,585,143 | P 278,730,290 |
| Additions | - | - | - | 1,549,017 | - | 1,549,017 |
| Amortization for the year ( see Note 25) | - | ( 3,891,342) | ( 18,424,703) | ( 19,652,455) | - | ( 41,968,500) |
| Adjustments | - | - | ( 158,542) | - | - | ( 158,542) |
| Balance at December 31, 2021, Net of accumulated amortization | **P 176,861,660** | **P 5,837,013** | **P 35,043,810** | **P 18,824,639** | **P 1,585,143** | **P 238,152,265** |
| Balance at January 1, 2020, net of accumulated amortization | P 176,861,660 | P 18,461,683 | P 67,895,612 | P 45,582,106 | P 1,476,855 | P 310,277,916 |
| Additions | - | - | 10,425,127 | 4,104,693 | - | 14,529,820 |
| Amortization for the year (see Note 25) | - | ( 3,891,342) | ( 23,889,237) | ( 17,683,845) | - | ( 45,464,424) |
| Adjustments | - | ( 4,841,986) | ( 804,447) | 4,925,123 | 108,288 | ( 613,022) |
| Balance at December 31, 2020, Net of accumulated amortization | P 176,861,660 | P 9,728,355 | P 53,627,055 | P 36,928,077 | P 1,585,143 | P 278,730,290 |

## 14. INVESTMENTS IN JOINT VENTURES

### *14.1 Joint Venture of the Parent Company*

The Parent Company has entered into a JV agreement with TIPCO Asphalt Public Company Limited (TIPCO Asphalt) and certain individual to set-up and incorporate a JV – PAPI. PAPI was incorporated on March 23, 2018 primarily to import, store, manufacture, sell, market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots. PAPI started commercial operations in 2019.

Under the JV agreement, PAPI's authorized share capital is P275.0 million divided into 275.0 million shares with par value of P1 per share. The Parent Company owns P110.0 million shares or 40.00% of the outstanding capital stock of PAPI. The JV has no restrictions as to transfer of funds in the forms of cash dividend, or to pay advances made by PAPI. Moreover, the Parent Company shall be responsible to enter into a lease agreement for land identified as part of a certain industrial park in Batangas for the construction of terminal at fair rental value, and to cause to provide a minimum of 20 to 30 years' access rights to the oil, gas and chemical jetty for receiving and importing bulk bitumen cargo and other rights necessary for the construction and operations of terminal.

### *14.2 JVs of PPMI*

PPMI has entered into various JV agreements with certain individuals for the management and operation of companies which are primarily established to operate petroleum service stations in certain areas in the Philippines. PPMI has joint control on the entities with co-venturers and has no significant commitments relating to the companies.

Presented below are the company percentage of ownership interest and amounts of additional investments of PPMI in 2021 and 2020.

| Companies | Percentage of interest | | Amount of Investment |
|---|---|---|---|
| **2021** | | | |
| CJIFC | 49.00% | P | 15,000,000 |
| TCQPC | 49.00% | | 8,136,433 |
| Total additional investments in joint ventures | | **P** | **23,136,433** |
| 2020 | | | |
| ZFEC | 49.00% | P | 33,700,000 |
| FEC | 49.00% | | 14,923,755 |
| TBGPC | 49.00% | | 4,900,003 |
| PNMC | 49.00% | | 4,507,149 |
| ABVC | 49.00% | | 3,500,004 |
| Total additional investments in joint ventures | | P | 61,530,911 |

In 2021, PPMI withdrew its investment in PNMC amounting to P4.5 million. Further, the remaining investment of P5.6 million was reclassified to receivables from the JV partners as a result of PNMC's liquidation. The amount is presented as part of Non-trade receivables under the Trade and Other Receivables account in the 2021 consolidated statement of financial position (see Note 7).

In 2020, a reversal of investment was made amounting to P2.3 million from CJIFC, which includes various expenses incurred for the incorporation of CJIFC.

PPMI received dividends from certain joint ventures amounting to P22.5 million and P12.8 million in 2021 and 2020, respectively, for its convertible preferred shares and common shares from these companies.

### *14.3 JV of PNXRT*

In 2021, PNXRT paid the subscribed 8.9 million and 18.8 million of the total common and preferred shares, respectively, of RFJTI. The investment amounting P0.1 million acquired 49% ownership interest in the RFJTI, which was incorporated on November 26, 2020 primarily to engage in the business of hauling services.

Following the incorporation of PNXRT in 2020, PNXRT entered into a JV agreement with a certain individual by subscribing 43.2 million and 11.8 million of the total common and preferred shares, respectively, of JHTC. The investment amounting to P59.1 million acquired 49% ownership interest in the PNXRT. The PNXRT was incorporated on November 21, 2019 primarily to engage in the business of hauling services.

### *14.4 JV of PLPI*

In 2021, PLPI entered into a JV agreement with a certain individual by subscribing 2.4 million and 28.0 million of the total common and preferred shares, respectively, of NGTVI. The investment amounting to P117.4 million acquired 49% ownership interest in the NGTVI, which was incorporated on January 29, 2021 primarily to buy, refill, and sell LPG and various products.

### *14.5 JVs Financial Information and Reconciliation to Carrying Amount of Investments*

Presented below are the financial information of the Group's joint ventures and the reconciliation to the carrying amount of the investments in JV as of December 31, 2021:

| Joint Ventures | Total current assets | Total non-current assets | Total current liabilities | Total non-current liabilities | Total revenues | Total other comprehensive income | Net income (loss) | Percentage of ownership | Equity Share in net income (loss) during the year |
|---|---|---|---|---|---|---|---|---|---|
| PAPI | P 86,303,905 | P 208,315,061 | P 50,160,318 | P - | P 686,256,336 | P - | P 17,322,187 | 40% | P 6,928,875 |
| Galaxi | 676,411,700 | 721,934,558 | 867,833,096 | 463,262,119 | 2,333,295,130 | - | ( 64,710,627) | 51% | ( 33,002,420) |
| FEC | 67,888,512 | 338,196,452 | 311,897,457 | - | 814,556,642 | - | 7,878,698 | 49% | 3,860,562 |
| TCQPC | 66,786,789 | 31,540,724 | 76,554,940 | - | 236,522,435 | - | 21,903,084 | 49% | 10,732,511 |
| PSPC | 485,430,712 | 1,989,048,702 | 729,589,610 | 652,384,094 | 3,506,009,089 | - | 6,756,945 | 49% | 3,310,903 |
| PNMC | 83,952,765 | 9,741,812 | 72,301,727 | - | 192,812,212 | - | 8,303,784 | 49% | 4,068,854 |
| CJIFC | 31,363,163 | 3,190,670 | 21,854,038 | - | 245,510,538 | - | 9,350,682 | 49% | 4,581,834 |
| TBGPC | 66,181,862 | 56,936,053 | 111,508,060 | - | 426,049,200 | - | 5,883,185 | 49% | 2,882,760 |
| EPDC | 54,167,800 | 33,188,711 | 65,504,745 | 2,358,641 | 462,533,735 | - | 3,712,838 | 49% | 1,819,291 |
| ZFEC | 14,993,261 | 13,883,576 | 24,657,616 | - | 117,174,717 | - | ( 5,247,065) | 49% | ( 2,571,062) |
| FEFC | 4,126,705 | 2,132,570 | 4,863,886 | - | 82,494,111 | - | ( 640,490) | 49% | ( 313,840) |
| ABVC | 18,882,672 | 22,295,898 | 31,995,557 | 2,058,824 | 107,253,214 | - | 4,302,531 | 49% | 2,108,240 |
| JHTC | 137,187,575 | 187,153,166 | 143,828,132 | 55,000,000 | 290,085,433 | 331,236 | 22,127,890 | 49% | 10,842,666 |
| RFJTI | 17,999,687 | 6,662,503 | 9,420,697 | 5,202,913 | 55,404,955 | - | 10,032,967 | 49% | 4,916,154 |
| NGTVI | 70,707,112 | 20,048,121 | 83,959,377 | 1,598,024 | 376,691,588 | - | ( 619,570) | 49% | ( 303,589) |

| | |
|---|---|
| Total equity share in net income during the year | **19,861,739** |
| Carrying value as of January 1, 2021 | **1,635,399,566** |
| Additional investments during the year | **140,631,790** |
| Dividends received during the year | **( 22,520,000)** |
| Reclassification of investment (see Note 7) | **( 5,552,910)** |
| Return of investment during the year | **( 4,507,149)** |
| Carrying Value as of December 31, 2021 | **P 1,763,313,036** |

Presented below are the financial information of the Group's joint ventures and the reconciliation to the carrying amount of the investments in JV as of December 31, 2020:

| Joint Ventures | Total current assets | Total non-current assets | Total current liabilities | Total non-current liabilities | Total revenues | Total other comprehensive income | Net income (loss) | Percentage of ownership | Equity Share in net income (loss) during the year |
|---|---|---|---|---|---|---|---|---|---|
| PAPI | P 117,847,891 | P 237,525,380 | P 68,815,967 | P - | P 456,254,669 | P - | P 11,806,745 | 40% | P 4,722,698 |
| Galaxi | 255,016,399 | 679,788,536 | 760,764,835 | 343,956 | 1,828,233,578 | - | 47,704,318 | 51% | 24,329,202 |
| FEC | 413,166,576 | 175,763,350 | 525,578,857 | - | 381,373,262 | - | 44,091,023 | 49% | 21,604,601 |
| TCQPC | 49,729,402 | 3,255,151 | 26,641,300 | - | 227,410,051 | - | 24,675,872 | 49% | 12,091,177 |
| PSPC | 369,708,779 | 1,911,261,123 | 596,811,205 | 570,513,571 | 2,657,665,367 | - | 20,878,887 | 49% | 10,230,655 |
| PNMC | 81,848,114 | 4,988,634 | 57,187,582 | - | 404,753,137 | - | 15,518,481 | 49% | 7,604,056 |
| CJIFC | 23,323,503 | 888,125 | 8,007,307 | - | 101,913,229 | - | 12,992,280 | 49% | 6,366,217 |
| TBGPC | 42,932,610 | 18,867,623 | 47,340,805 | - | 77,359,619 | - | 7,459,425 | 49% | 3,655,118 |
| EPDC | 25,631,975 | 45,750,379 | 59,267,230 | - | 169,925,778 | - | 6,592,544 | 49% | 3,230,347 |
| ZFEC | 8,932,161 | 11,945,164 | 11,387,166 | - | 57,718,000 | - | ( 2,688,001) | 49% | ( 1,317,120) |
| FEFC | 4,903,486 | - | 886,036 | 1,544,118 | 3,113,971 | - | 267,447 | 49% | 131,049 |
| JHTC | 91,027,143 | 98,955,720 | 85,406,641 | - | 172,012,433 | - | 4,576,222 | 49% | 2,242,349 |
| ABVC | 6,510,548 | 38,839 | 1,605,817 | - | 2,080,836 | - | ( 56,434) | 49% | ( 27,653) |

| | |
|---|---|
| Total equity share in net income during the year | 94,862,696 |
| Carrying value as of January 1, 2020 | 1,432,709,636 |
| Additional investment during the year | 120,635,538 |
| Dividends received during the year | ( 12,808,304) |
| Carrying Value as of December 31, 2020 | P 1,635,399,566 |

There are no share of contingent liabilities for all of the JVs. As of December 31, 2021 and 2020, management believes that the investments in joint ventures are not impaired.

### *14.6 Financial Information of Significant JVs*

Presented below are the financial information of significant JVs as at December 31, 2021.

| | PAPI | Galaxi | PSPC | FEC |
|---|---|---|---|---|
| Cash and cash equivalents* | P12,928,582.64 | P 62,618,539 | P187,567,446 | P 50,026,644 |
| Current financial liabilities** | 50,160,318 | 708,348,050 | 642,834,161 | 267,399,137 |
| Non-current financial liabilities*** | - | 463,262,119 | 652,384,093 | - |
| Depreciation and amortization | 12,347,742 | 33,794,176 | 132,375,396 | 24,122,461 |
| Interest income | 77,966 | - | 89,605 | 12,745 |
| Interest expense | 1,542,898 | - | - | - |
| Tax expense (income) | 1,713,183 | ( 1,149,156) | - | 2,655,111 |

**included in the total current assets disclosed in Note 14.5.*
*** included in the total current liabilities disclosed in Note 14.5, excluding advances from customers and other payables.*
****included in the total non-current liabilities disclosed in Note 14.5, excluding deferred tax liabilities*

Presented below are the financial information of significant JVs as at December 31, 2020.

| | PAPI | Galaxi | PSPC | FEC |
|---|---|---|---|---|
| Cash and cash equivalents* | P 43,472,305 | P 60,174,524 | P179,074,041 | P 197,935,845 |
| Current financial liabilities** | 68,541,880 | 738,071,985 | 595,553,914 | 450,393,864 |
| Non-current financial liabilities*** | - | 343,956 | 570,328,524 | - |
| Depreciation and amortization | 8,660,411 | 40,994,708 | 117,396,538 | 4,031,583 |
| Interest income | 121,183 | - | 399,707 | 24,654 |
| Interest expense | 2,461,283 | - | - | - |
| Tax expense | 949,039 | 13,483,256 | - | 1,099,535 |

**included in the total current assets disclosed in Note 14.5.*
*** included in the total current liabilities disclosed in Note 14.5, excluding advances from customers and other payables.*
****included in the total non-current liabilities disclosed in Note 14.5, excluding deferred tax liabilities*

## 15. GOODWILL

Goodwill represents the excess of acquisition cost over the Group's share in the fair value of identifiable net assets of the acquired subsidiaries at the date of the acquisition and relates mainly to the growth and expansion footprint of the Group.

Goodwill is subject to annual impairment testing and whenever or not there is an indication of impairment. In 2013, the Parent Company has assessed that the goodwill pertaining with PGMI is impaired; hence, full impairment loss amounting to P1.3 million was recognized.

For the purpose of annual impairment testing, goodwill is allocated to the trading segment expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below and is compared to its recoverable value:

| | **2021** | 2020 |
|---|---|---|
| LPG trading | **P 4,193,999,344** | P 4,193,999,344 |
| CVS | **273,130,868** | 273,130,868 |
| Digital platform | **155,045,359** | 155,045,359 |
| Others | **10,221,847** | 10,221,847 |
| | **P 4,632,397,418** | P 4,632,397,418 |

The Group tests whether the goodwill is impaired on an annual basis. The recoverable amount of the cash generating units [identified as PLPI, PGV LLC (LPG), PFM (CVS), and AAI Group (Digital platform)] was determined based on the value-in-use calculation which require the use of assumptions. The calculations use cash flow projections based on budgets approved by the management covering a five-year period with assumed terminal growth rate and is based on the discount rate of internal corporate hurdle rate. The growth rates reflect the long-term growth rates for the industries of the trading segment. Budgeted earnings before interest, taxes, depreciation and amortization (EBITDA) were based on expectations of future outcomes taking into account past experience of five years, adjusted for anticipated revenue growth. It is also further assumed that revenues coming from sales volume and sales price would grow at a constant margin above forecast inflation over the next five years.

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Average Discount Rate** | **Terminal Growth Rate** | Average Discount Rate | Terminal Growth Rate |
| LPG trading | **6.27%** | **2.83%** | 4.09% | 3.50% |
| CVS | **3.24%** | **2.83%** | 11.98% | 3.00% |
| Digital platform | **8.91%** | **2.83%** | 11.98% | 3.00% |
| Others | **12.00%** | **2.83%** | 12.00% | 3.00% |

The recoverable amount for each of the cash-generating units are presented below.

| | **2021** | 2020 |
|---|---|---|
| LPG trading | **P 50,310,555,794** | P77,561,142,937 |
| CVS | **63,590,118,626** | 1,134,486,037 |
| Digital platform | **1,423,639,337** | 568,880,529 |
| Others | **10,221,847** | 10,221,847 |

Based on these, the estimated recoverable amount of each of the cash generating units exceeded its carrying amount. The management has assessed that no impairment of goodwill is required to be recognized in 2021 and 2020.

## 16. INVESTMENT PROPERTIES

The Group's investment properties consist of several parcels of land and lot improvements, which are held for investment purposes only. Rental income from investment property amounted to P38.9 million in 2021, P11.3 million in 2020 and P20.2 million in 2019 and is presented as part of Rent Income in the consolidated statements of comprehensive income (see Note 34.3).

Related real property taxes amounted to P0.8 million, P0.1 million and P0.7 million was recognized as a related expense in 2021, 2020 and 2019, respectively, and are presented as part of Taxes and Licenses under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25).

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2021 and 2020 are shown below.

| | Land | Lot Improvements | Total |
|---|---|---|---|
| December 31, 2021 | | | |
| Revalued amount / cost | P 687,151,965 | P 3,500,390 | P 690,652,355 |
| Accumulated depreciation | - | ( 3,500,390 ) | ( 3,500,390 ) |
| Net carrying amount | **P 687,151,965** | **P -** | **P 687,151,965** |
| December 31, 2020 | | | |
| Revalued amount / cost | P 595,990,275 | P 3,500,390 | P 599,490,665 |
| Accumulated depreciation | - | ( 3,500,390 ) | ( 3,500,390 ) |
| Net carrying amount | P 595,990,275 | P - | P 595,990,275 |
| January 1, 2020 | | | |
| Revalued amount / cost | P 268,154,198 | P 3,500,390 | P 271,654,588 |
| Accumulated depreciation | - | ( 3,335,309 ) | ( 3,335,309 ) |
| Net carrying amount | P 268,154,198 | P 165,081 | P 268,319,279 |

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2021 and 2020 is shown below.

| | Land | Lot Improvements | Total |
|---|---|---|---|
| Balance at January 1, 2021, net of accumulated depreciation | P 595,990,275 | P - | P 595,990,275 |
| Fair value gains | 86,838,000 | - | 86,838,000 |
| Additions | 4,323,690 | - | 4,323,690 |
| Balance at December 31, 2021, net of accumulated depreciation | **P 687,151,965** | **P -** | **P 687,151,965** |
| Balance at January 1, 2020, net of accumulated depreciation | P 268,154,198 | P 165,081 | P 268,319,279 |
| Fair value gains | 42,779,542 | - | 42,779,542 |
| Additions | 285,056,535 | - | 285,056,535 |
| Depreciation charges for the year | - | ( 165,081 ) | ( 165,081 ) |
| Balance at December 31, 2020, net of accumulated depreciation | P 595,990,275 | P - | P 595,990,275 |

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 5.5.

## 17. OTHER NON-CURRENT ASSETS

The composition of this account as of December 31 are shown below.

| | Note | 2021 | 2020 |
|---|---|---|---|
| Advances to suppliers: | | | |
| Related parties | 30.2, 30.11 | **P 3,182,819,569** | P 4,115,699,110 |
| Third parties | | **3,150,010,155** | 3,321,181,976 |
| | | **6,332,829,724** | 7,436,881,086 |
| Advances for future subscription | | **634,080,674** | 175,000,000 |
| Other prepayments | | **191,983,703** | 9,486,004 |
| Refundable rental deposits | 30.3 | **145,503,404** | 134,909,324 |
| Deferred minimum lease payments | | **38,886,674** | 38,886,674 |
| Others | | **409,994** | 326,013 |
| | | **P 7,343,694,173** | P 7,795,489,101 |

Advances to suppliers pertain to advances made for future acquisitions of real estate properties and for acquisition of materials to be used in construction of retails stations in the following year which are to be managed by various joint ventures. There are no capital commitments outstanding as of December 31, 2021 and 2020 related to these acquisitions.

Advances for future subscription pertain to advances made to prospective co-venturers for future subscriptions in various JVs that are still in the process of incorporation and advances to existing JVs with stock issuance that are still in process.

Refundable rental deposits represent deposits of the Group for the lease of various parcels of land. These deposits are refundable at the end of the term of agreement and are measured at amortized cost. The fair values on initial recognition of the lease deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease using BVAL as reference rate. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P35.9 million in 2021, P28.3 million in 2020,and P3.1 million in 2019 and is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 26.2).

Refundable deposits amounting to P191.8 million and P189.4 million as of December 31, 2021 and 2020, respectively, which pertain to rental deposits of expired or terminated leases and short-term rental deposits, are presented under Prepayments and Other Current Assets (see Note 10).

The excess of the principal amount of the rental deposit over its present value is recognized in the consolidated statements of financial position as Deferred Minimum Lease Payments. Rent expense on subsequent amortization of the deferred minimum lease payments amounted to P22.4 million and P3.5 million in 2020 and 2019 (nil in 2021), respectively, and is presented as part of Rent under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25).

## 18. NON-CURRENT ASSET CLASSIFIED AS HELD FOR DISPOSAL

On January 27, 2020, the BOD of the Parent Company authorized the management to assign and transfer 72 Company-Owned Dealer-Operated (CODO) retail stations from the Parent Company to PPMI as part of additional investment in PPMI. The retail stations will then be used by PPMI as payment for investments in JVs. In 2020, retail stations worth P438.6 million were transferred to certain JVs (see Note 30.12). As of December 31, 2020, there were retail stations that were still in the process of transfer from PPMI to certain JVs. The management expected to transfer ownership of the remaining retail stations to the JVs in 2021. The movement of this account is shown below.

| | Notes | **2021** | 2020 |
|---|---|---|---|
| Balance at beginning of year | | **P 197,783,908** | P - |
| Reclassified to property and equipment | 11 | **( 83,190,141 )** | - |
| Disposals during the year | 30.12 | **( 57,747,748 )** | - |
| Additions during the year | | **22,270,448** | 197,783,908 |
| Balance at end of year | | **P 79,116,467** | P 197,783,908 |

The sale of certain retail stations amounting to P83.2 million classified as part of Non-Current Asset Classified as Held for Disposal account did not materialize in 2021 and the prospective buyers cancelled the transaction. As of December 31, 2021, these stations still have no intended buyers; hence, the Group reclassified the assets back to the Property, Plant, and Equipment account (see Note 11). The Group believes that the disposal of remaining retail stations is highly probable in 2022.

Additions in 2021 pertain to retail stations sold in 2020 but the deeds of absolute sale were rescinded in 2021. These retail stations are reasonably expected to be transferred to new buyers in 2022.

In 2021, the carrying value of the asset classified as held for disposal immediately prior to its classification as held for disposal is higher than its fair value less costs to sell. Accordingly, the Company recognized loss of P0.2 million, presented as part of Others under Other Charges (Income) in the 2021 consolidated statement of comprehensive income. The carrying value of the asset classified as held for disposal in 2020 immediately prior to its classification as held for disposal is lower than its fair value less cost to sell; hence, no loss was recognized in 2020.

## 19. INTEREST-BEARING LOANS AND BORROWINGS

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

| | **2021** | 2020 |
|---|---|---|
| Current: | | |
| Liabilities under LC and TR | **P 6,314,559,412** | P 12,136,837,643 |
| Short-term loans | **17,433,243,178** | 14,080,311,649 |
| Current portion of long-term loans | **880,730,477** | 619,670,732 |
| Liabilities under short-term commercial papers | **-** | 2,967,368,503 |
| | **24,628,533,067** | 29,804,188,527 |
| Non-current term loans | **21,508,069,843** | 18,439,188,606 |
| | **P 46,136,602,910** | P 48,243,377,133 |

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

The Group avails of LC and TR lines with local banks to finance its purchases of inventories (see Note 8). These short-term trust receipts bear interests based on prevailing market interest rates at an average of 5.81% and 6.13% per annum in 2021 and 2020, respectively.

In 2021, the Group incurred finance charges amounting to P946.2 million due to the extension of payment terms with the Bank for the settlement of liability in connection with the purchase of inventory. The interest and other bank charges were presented as part of Finance Cost in the 2021 statement of comprehensive income (see Note 26.1).

The Group is required by the banks to maintain certain collaterals for the credit line facility provided to the Group for working capital requirements. The collaterals are in the form of compensating deposits, inventories and surety of certain stockholders (see Notes 6, 8, 9 and 30.5).

### *19.2 Term Loans*

The breakdown of the outstanding balances of the term loans per creditor as at December 31 are as follows:

| | Explanatory Notes | Term | Interest Rates | Outstanding Balance 2021 | Outstanding Balance 2020 |
|---|---|---|---|---|---|
| BDO | | | | | |
| i. Term Loan Agreement | *(a)* | 5 to 10 years | 5.00% - 6.05% | **P 12,944,606,661** | P 11,209,620,625 |
| ii. Notes Facility Agreements | *(b)* | 5 years | 7.75% | **-** | 1,741,000,000 |
| | | | | **12,944,606,661** | 12,950,620,625 |
| Bank of Philippine Islands (BPI) | | | | | |
| i. Term Loan Agreement | *(h)* | 3 years | 10.00% | **1,176,412,447** | - |
| Philippine National Bank (PNB) | | | | | |
| i. Short-Term Commercial Papers | 19.3 | 6 to 12 months | 6.75% | **-** | 2,967,368,503 |
| ii. Notes Payable | *(b)* | 2 months to 3 years | 6.21% | **1,922,748,564** | - |
| iii. Term Loan Agreement | *(c)* | 5 years | 6.21% - 8.16% | **170,000,000** | 170,000,000 |
| | | | | **2,092,748,564** | 3,137,368,503 |
| Land Bank of the Philippines (LBP) | | | | | |
| i. Term Loan Agreement | *(d)* | 7 years | 4.00% - 6.50% | **4,925,000,000** | 4,925,000,000 |
| | *(d)* | 3 years | 4.85% - 6.50% | **328,200,171** | 333,333,333 |
| ii. Notes Payable | *(b)* | 2 to 3 months | 5.00% - 6.50% | **2,390,334,894** | 2,000,000,000 |
| | | | | **7,643,535,065** | 7,258,333,333 |
| Robinsons Bank Corporation (RBC) | | | | | |
| i. Notes Payable | *(b)* | 2 to 6 months | 5.50% | **900,000,000** | 900,000,000 |
| Development Bank of the Philippines (DBP) | *(b)* | 3 months | 5.30% - 5.00% | **3,000,000,000** | 2,000,000,000 |
| Asia United Bank (AUB) | *(b)* | 1 to 2 months | 6.00% | **987,510,900** | 984,000,000 |
| China Banking Corporation | | | | | |
| i. Notes Payable | *(b)* | 3 to 6 months | 6.00% | **400,000,000** | 400,000,000 |
| ii. Notes Payable arranged by MIB | *(e)* | 3 to 12 months | 6.50% - 7.75% | **37,360,000** | 131,220,000 |
| | | | | **437,360,000** | 531,220,000 |
| Rizal Commercial Banking Corporation | *(b)* | 1 to 2 months | 6.87% | **2,096,969,657** | 930,000,000 |
| Metropolitan Bank & Trust Company (MBTC) | *(e)* | 1 month | 5.75% | **-** | 139,500,000 |
| BDO Private Bank, Inc. | *(e)* | 2 to 11 months | 5.00% - 7.75% | **2,101,438,983** | 2,467,543,333 |
| Bank of China (BOC) | | | | | |
| ii. Notes Payable | *(b)* | 3 months | 5.25% | **470,132,913** | 476,150,000 |
| iii. Term Loan Agreement | *(i)* | 2 years | 6.15% | **1,493,825,342** | - |
| | | | | **1,963,958,255** | 476,150,000 |
| United Coconut Planters Bank | | | | | |
| i. Notes Payable | *(b)* | 2 months | 5.75% | **300,000,000** | 1,200,000,000 |
| ii. Notes Payable arranged by MIB | *(e)* | 3 to 4 months | 6.75% | **827,300,000** | - |
| | | | | **1,127,300,000** | 1,200,000,000 |
| Maybank Philippines, Inc. (MPI) | | | | | |
| i. Notes Payable | *(b)* | 3 months | 6.75% | **648,000,000** | - |
| ii. Term Loan Agreement | (j) | 3 years | 6.75% | - | 720,000,000 |
| | | | | **648,000,000** | 720,000,000 |
| CTBC Bank (Philippines) | *(b)* | 6 months | 6.00% | **710,324,444** | 328,000,000 |

*Forward*

| | Explanatory Notes | Term | Interest Rates | Outstanding Balance 2021 | 2020 |
|---|---|---|---|---|---|
| Penta Capital Investment Corporation | *(b)* | 6 months to 2 years | 5.50% | **350,000,000** | 350,000,000 |
| Union Bank of the Philippines (UBP) | *(b)* | 3 months | 5.50% - 5.75% | **979,283,787** | 962,126,720 |
| ANZ Bank Vietnam Limited | *(b)* | 3 months | 7.0%-8.0% | **-** | 123,269,230 |
| Financing Agreement of PNX SG | *(f)* | 7 years | 6.76% | **426,215,963** | 444,569,565 |
| CN Industrial Co., Ltd | *(g)* | 3 years | 0.00% | **76,539,736** | 35,335,815 |
| Various Entities | *(f)* | 6 months | 6.50% | **159,839,036** | 168,502,366 |
| | | | | **P 39,822,043,498** | P 36,106,539,490 |

## a. *TLAs with BDO*

*(i) Push-down of P1,000.0 million and P6,000.0 million loans to PLPI*

In 2016, the Parent Company signed with BDO a five-year term clean loan amounting to P1,000.0 million. The loan proceeds were used to support the Parent Company's continuous expansion program, and other general corporate purposes. The loan is subject to an interest rate of 4.0179%, with a maturity date of August 18, 2021.

In 2017, the Parent Company obtained a seven-year term loan amounting to P6,000.0 million to finance the 100.00% acquisition of PLPI, including the refinancing of the deposit, and Duta, Inc. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month BVAL rate (which replaced and succeeded the PDST-R2 as the benchmark rate effective October 29, 2018) and 150 basis points divided by 0.99, or 4.00% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher. The interest rate shall be repriced at the start of the ninth quarter up to the final repayment date based on the higher of sum of the prevailing three-month BVAL and 150 basis points divided by 0.95, or 4.00% divided by 0.95 per annum, whichever is higher. The principal loan is payable quarterly in 28 installments. The first 27 installments shall be for the amount of P165.0 million quarterly while the last installment shall be P1,545.0 million.

Both TLAs require the Parent Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1.1, borrower's ratio of not more than 6.0 and interest coverage ratio of at least 1.5. The TLA also requires the Parent Company to comply with affirmative and negative covenants relating to the exclusive use of the proceeds for the purpose indicated in the TLA, maintenance of adequate records and prohibition to make any material change in the present nature of business of the Parent Company, PLPI and Duta, among others.

The Parent Company entered into a debt push-down agreement with PLPI involving TLAs with BDO. These include the P1,000.0 million term loan entered in 2016, the P4,125.0 million outstanding loan out of the P6,000.0 million seven-year loan entered in 2017 and the P259.0 million promissory notes. The pushed down loans were generally used by the Parent Company to acquire PLPI thus, the push down will match the debt servicing of investment in PLPI as originally planned.

The Parent Company and PLPI agreed with BDO to enter into an Omnibus Loan and Security Agreement (OLSA) for a ten-year term loan amounting to P5,400.0 million. The net proceeds of the loan were used by PLPI to pay the assumed loans of the Parent Company with BDO, as agreed in the debt push-down. The loan is subject to an interest rate of 5.81%, which is the higher of the (i) PHP BVAL Reference Rate for the 5-year Benchmark Tenor on November 27, 2020 (working day prior to drawdown on December 1, 2020) plus 250 basis points, and (ii) 5.75% divided by the Interest Premium Factor of 0.99 since the remaining tenor is more than five years. The interest rate shall be repriced at the start of the fifth year up to the final repayment date based on the (i) PHP BVAL Reference Rate for the 5-year Benchmark Tenor plus 250 basis points, or (ii) 5.75% divided by 0.95, whichever is higher. The principal of the loan is payable in equal quarterly instalments on each repayment date to commence on the 20th quarter from the drawdown date. Each repayment shall be in a minimum principal amount of P100 million and in multiple of P100 million thereafter.

The OLSA requires PLPI to maintain on each testing date, commencing drawdown, date debt to equity ratio of not more than 2.5 times, and a minimum debt service coverage ratio of 1.10x. Further, should the earnings before interest, taxes and depreciation and amortization (EBITDA) of PLPI reach P600 million and debt service coverage ratio of 1.10, a mandatory prepayment shall be made equivalent to all funds in the one-way depository account set up for the purpose. The OLSA also requires PLPI to comply with affirmative and negative covenants including use of proceeds for intended purpose, notice to BDO of any event of default, change in ownership and structure, among others. Moreover, the OLSA indicated the grant of security by the Parent Company, PLPI and the individual sureties by two stockholders in favor of BDO, the following: (i) real estate mortgage on real properties of PLPI amounting to P555.8 million, (ii) security interests over the personal properties and leasehold rights amounting to P2,417.1 million, and trade and subscription receivables of PLPI and collateral shares of the Parent Company, (iii) assignment of collateral accounts of PLPI in favor of BDO, (iv) any and all assets of PLPI as reflected in the audited financial statements, (v) all future collateral to be acquired by the Parent Company and PLPI and (vi) all proceeds of the aforementioned.

In 2021, PLPI has secured a letter of redefinition where terms of the affirmative covenants was revised. Debt-to-Equity was redefined to specifically include interest-bearing loans only and such requirement was lowered from 2.5 times to 2.1 times. The redefinition is effective March 8, 2022, which is before the testing of compliance using the redefined covenant of April 30, 2022 using the audited financial statements of PLPI as of December 31, 2021.

PLPI has complied with the financial, affirmative, and negative covenants as of and for the years ended December 31, 2021 and 2020.

*(ii) TLA on P2,000.0 million loan*

In 2017, the Parent Company obtained a five-year loan amounting to P2,000.0 million. The loan was approved on a clean basis and is subject to an interest rate computed as the sum of the prevailing three-month BVAL rate (which replaced and succeeded the PDST-R2 as the benchmark rate effective October 29, 2018) and 150 basis points divided by 0.99, or 4.00% divided by 0.99 per annum for the period commencing from the availment of the commitment up to the end of the eighth quarter, whichever is higher.

In 2020, the TLA was amended to extend the term of the loan for another five years, provided that if the EBITDA and debt service coverage ratio of the Parent Company, based on its 2021 audited separate financial statements, is at least P5,000.0 million and 1.1x, respectively, the Parent Company shall make mandatory repayment of P500.0 million within six months of testing date. The amendment is in relation to the Parent Company's qualification to avail the loan term extension under Section 4 (uu) of RA No. 11494.

It was further amended to remove the current ratio as negative covenants and to add affirmative covenants to maintain debt-to-equity ratio of not more than 3.0 and minimum debt service coverage ratio of 1.10x provided that the Parent Company will issue certification showing the compliance of the covenants. The annual testing date is every April 30 and commences on April 30, 2022 using the audited separate financial statements of the Parent Company as of December 31, 2021.

The Parent Company has complied with the financial, affirmative, and negative covenants as of and for the years ended December 31, 2021 and 2020.

*(iii) TLA on P4,000.0 million loan*

In 2020, the Parent Company obtained a five-year term loan amounting to P4,000.0 million for the purpose of refinancing its third-party obligation on settlement of P3,000.0 million STCP series C, and redemption of its listed perpetual preferred shares Series 3 Tranche A at P100.00 per share amounting to P1,250.0 million (see Notes 31.1 and 31.4). The term of the loan shall be the period commencing on the initial drawdown date until five years thereafter, which shall in no case be later than 4 December 2025, and the principal of the loan is payable on the Final Repayment Date.

In consideration of the commitment made by BDO and to secure the payments of all secured obligations, the Parent Company has granted, conveyed, assigned, transferred, set over, and confirm unto BDO, the Parent Company executed a real estate mortgage and security interest agreement on the personal properties of the Parent Company. Moreover, the TLA indicated the grant of security by the Parent Company, and individual sureties by two stockholders in favor of BDO, the following: (i) real estate mortgage on real properties of the Parent Company amounting to P11,062.5 million; and, (ii) security interests over the leasehold rights and personal properties of the Parent Company, including machinery, equipment and other assets amounting to P2,233.7 million.

The TLA requires the Parent Company to maintain a debt-equity ratio of not more than 3.0x and a minimum debt service coverage of 1.10x. The TLA also requires the Parent Company to comply with affirmative and negative covenants relating to the exclusive use of the proceeds for the purpose indicated in the TLA, maintenance of adequate records, and prohibition to make any material change in the present nature of business of the Parent Company. The annual testing date is every April 30 and commences on April 30, 2022 using the audited separate financial statements of the Parent Company as of December 31, 2021.

The Parent Company has complied with the financial, affirmative, and negative covenants as of and for the years ended December 31, 2021 and 2020.

***b. Notes Payable***

The promissory notes represented the borrowings from local banks or investment houses with interest rates ranging from 5.00% to 7.75% per annum and normally has a tenor of less than a year. Some of these loans are clean and unsecured. Certain loans are guaranteed by certain stockholders through surety agreement with the Banks (see Note 30.5). The notes payable does not include financial, affirmative and negative covenants.

In 2020, the outstanding Promissory Notes (PN) amounting to P1,741.0 million in 2019, are further extended up to five years based on the benefit of a loan term extension under RA No. 11494, including the exemption from payment of documentary stamp taxes. Mandatory payment of P500.0 million is required provided that if the EBITDA and debt service coverage ratio of the Parent Company, based on its 2021 audited separate financial statements, is at least P5,000.0 million and 1.1x, respectively.

The PN require the Parent Company to maintain a debt-equity ratio of not more than 3.0x and a minimum debt service coverage of 1.10x. The PN also requires the Parent Company to comply with affirmative and negative covenants relating to the exclusive use of the proceeds for the purpose indicated in the PN, maintenance of adequate records, and prohibition to make any material change in the present nature of business of the Parent Company.

The annual testing date is every April 30 and commences on April 30, 2022 using the audited separate financial statements of the Parent Company as of December 31, 2021.

The Parent Company has complied with the financial, affirmative, and negative covenants as of and for the years ended December 31, 2021 and 2020.

***c. TLA with PNB***

On January 29, 2016, the Parent Company signed with PNB a five-year term clean loan amounting to P500.0 million to be used for capital expenditures and general corporate purposes. The loan is subject to annual interest rate of 6.21% and is payable in twenty quarterly installments.

This loan does not include financial, affirmative and negative covenants.

### *d. TLA with LBP*

On November 3, 2017, the Parent Company signed with LBP a three-year term clean loan amounting to P1,000.0 million to partially finance the permanent working capital requirements of the Parent Company. The loan is subject to a floating rate of 4.00% per annum subject to repricing semi-annually. Interest is payable semi-annually in arrears and the principal is payable in equal semi-annual amortization starting at the end of the first semester. As of December 31, 2021 and 2020, the outstanding principal balance both amounted to P328.2 million and P333.3 million, respectively.

On July 5, 2018, the Parent Company signed with LBP a seven-year term loan with no grace period amounting to P5,000.0 million to partially finance the general corporate requirement of the Parent Company. The loan was approved on a clean basis and is subject to an interest rate of 4.85% and shall be repriced semi-annually. The principal loan is payable in semi-annually. The first 13 installments shall be for the amount of P25.0 million semi-annually while the last installment shall be P4.675.0 million.

The TLA requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1. The TLA also requires the Parent Company to comply with affirmative and negative covenants relating to maintenance of adequate records, prohibition to engage in any business other than its registered activities and avoidance to enter into an agreement as guarantor of the loan of another company, business or person, among others. The Parent Company has complied with all the financial, affirmative and negative covenants in 2021 and 2020.

### *e. Notes Payable arranged by Multinational Investment Bancorporation (MIB)*

Certain promissory notes entered into by the Parent Company are arranged by the MIB with local banks and other entities. The promissory notes have interest ranging from 4.25% to 6.75% per annum and normally has a tenor of less than a year. These loans are clean and unsecured. The notes payable does not include financial, affirmative and negative covenants.

### *f. Financing Agreement of PNX SG*

On January 31, 2020, PNX SG entered into a sale and leaseback agreement with a certain entity to sell its vessel for $10.0 million or P509.0 million, and leaseback with option to purchase. The transaction is accounted as a financing transaction as the transfer of the vessel does not qualify as a sale [see Note 3.1*(k)*]. The vessel is presented as part of the Property, Plant and Equipment – net, in the consolidated statements of financial position. The consideration received on the sale is presented as part of Interest-Bearing Loans and Borrowings with annual internal rate of return of 6.76%. The outstanding balance of the financing agreement as of December 31, 2021 and 2020 amounted to P426.2 million and P444.6 million, respectively.

### *g. TLA with CN Industrial Co., Ltd (CNI)*

PGV LLC entered into a clean non-interest-bearing loan agreement with CNI, minority stockholder of the PGV LLC to cover its working capital requirement and to implement its business activities and plans. The loan is payable on a lumpsum basis on or before June 2023. The outstanding the financing agreement as of December 31, 2021 and 2020 amounted to P76.5 million and P35.3 million, respectively.

This loan does not include financial, affirmative and negative covenants.

### *h. TLA with BPI*

In 2021, the Parent Company signed a long-term agreement for three-year loan with BPI amounting to P1,176.4 million. The loan was intended for general corporate purposes. The loan was approved on a clean basis and is subject to an annual interest rate of 10%.

This loan does not include financial, affirmative, and negative covenants.

### *i. TLA with BOC*

In 2021, the Parent Company and Calaca Industrial Seaport, Corp. ("CISC" or "the mortgagor") agreed with BOC to enter into an Omnibus Loan and Security Agreement (OLSA) for a two-year term loan amounting to P1,500 million. The loan has maturity date of August 24, 2023. The net proceeds of the loan was used by the Parent Company to refinance the maturing Short Term Commercial Paper with PNB Capital Investment due by the end of July 2021 (see Note 19.3).

The loan is subject to an interest rate which is based on the 3-month BVAL or LIBOR plus margin. For 2021 (from drawdown date until December 31, 2021), margin shall be 600 basis points (bps) if the debt-to-equity ratio is lower than 3x; or 700 bps if more than 3x. From January 1, 2022 until final maturity date, margin shall be at 800 bps if the debt-to-equity ratio is lower than 3x; or 900 bps if more than 3x. It also requires an upfront fee of 5bps based on the facility amount.

Further, the OLSA indicated the grant of security by the Parent Company and CISC in favor of BOC, the following:

i. Real Estate Mortgage on certain terminal assets (including land and improvements) under the name of the latter subject to maximum loanable amount of 50% of latest appraised value and/or third party mortgage on acceptable assets under the Udenna Group, subject to maximum loanable amount of 50% of latest appraised value. Loanable amount should include the existing loan outstanding at LBP under the same collateral. It is also added that in case the Loan-to-Value ratio fall below 50%, the mortgagor shall provide additional acceptable collateral to the bank, and/or pay down a portion of the principal within five (5) business days from notice; and,

ii. Debt service reserve account which must be maintained for interest payment for one interest period plus 5% of outstanding principal amount. The interest shall be paid in quarterly installments. The principal loan is payable in equal quarterly amortizations beginning on the second year or 13th month. Principal repayment is mandated and the Parent Company shall apply: (1) proceeds from any asset sold under "Project Crown", (2) shares under "Project Throne"; and/or (3) proceeds from the primary share issuance of Phoenix under "Project Flagship" towards the repayment of the Facility. Prepayment without prepayment penalty is allowed. In case of default, it will be charge of 3% per month on unpaid principal and interest due.

The OLSA requires the Parent Company to maintain on each testing date, commencing drawdown, debt-to-equity ratio of not more than 3.0 times. Moreover, it also requires to comply with affirmative and negative covenants including the use of proceeds strictly for its intended purpose, the total exposure shall peak at US$80.0 million upon drawdown and be reduced to US$ 69.0 million within 90 days from initial drawdown, additional committed cash flow of P200.0 million cash sweep weekly through BOC Manila with an aggregate amount of P400.0 million weekly, among others. Settlement must be done via debit account or check payment and/or via Philippine Domestic Dollar Transfer System.

The Parent Company has complied with the financial, affirmative, and negative covenants as of and for the year ended December 31, 2021.

### *j. TLA with MPI*

On April 30, 2021, the Parent company obtained a three-year term clean loan amounting to P720.0 million with MPI . The loan was approved and intended for capital expenditures and general corporation purposes. The loan is subject to an annual interest rate of 6.75%. In case of default, the Parent Company shall bear a a penalty charge of 24% per annum based on the defaulted principal or interest amortization or both.

This loan does not include financial, affirmative, and negative covenants.

### *19.3 Liabilities under Short-term Commercial Papers (STCPs)*

In 2020, the Parent Company issued its fourth series of short-term commercial papers (STCP), with PNB Capital and Investment Corporation being the Sole Issue Manager and the Lead Underwriter, amounting to P3,083.0 million. The STCP has a term of 360 days and carries a fixed discount rate of 5.00%. The proceeds are used to refinance its existing short-term loans, which are used to finance the working capital requirements of the Parent Company. On August 26, 2020, the STCP is listed with the Philippine Dealing and Exchange Corp.

In 2019, the Parent Company issued its second and third series of STCP, with PNB Capital and Investment Corporation being the Sole Issue Manager and the Lead Underwriter, amounting to P3,500.0 million and P3,000.0 million, respectively. Each paper has a term of 360 days and carries a discount rate of 7.00% for the second series and 4.67% for the third series. The Parent Company used the proceeds to refinance its existing short-term loans, which are used to finance the working capital requirements of the Parent Company. The second and third series of STCP has been settled by the Parent Company in 2020.

The underwriting agreement requires the Parent Company to maintain debt-to-equity ratio of not more than 3:1. The underwriting agreement also requires the Parent Company to comply with affirmative and negative covenants relating to maintenance of adequate records, prohibition to engage in any business other than its registered activities and avoidance to enter into merger or consolidation, unless the Parent Company is the surviving entity, among others. The Parent Company has complied with all the financial, affirmative and negative covenants.

There was no issuance of additional STCPs in 2021 and the outstanding liabilities under STCPs as of December 31, 2020 were paid in full in 2021 [see Note 19.2*(i)*].

The outstanding liabilities under STCP as of December 31, 2020 amounted to P2,967.4 million. The outstanding balances as of December 31, 2020 are net of the capitalized and unamortized debt issuance cost of P115.6 million.

### *19.4 Credit Line*

The Parent Company has an available credit line under LC/TR of P11,569.6 million and P5,694.2 million as of December 31, 2021 and 2020, respectively. These lines obtained from various banks are being utilized by the Parent Company for procurement of inventories both local and foreign. The credit lines are mostly granted on a clean basis while some of the credit lines are partially secured by the Joint Several Signatures of certain stockholders.

### *19.5 Interest Expense*

Interest expense for 2021, 2020 and 2019, presented as part of Finance Costs in the consolidated statements of comprehensive income, amounted to P2,265.0 million, P1,849.0 million and P2,582.9 million (see Note 26.1), respectively, which is exclusive of the capitalized borrowing cost of P721.1 million, P1,183.5 million and P695.7 million for 2021, 2020 and 2019, respectively (see Note 11.1). Amortization of bond issue cost amounted to P35.5 million, P308.8 million, and P505.7 million in 2021, 2020 and 2019, respectively. As of December 31, 2021, bond issue cost was fully amortized. The unamortized portion as of December 31, 2020 amounted to P35.5 million.

## 20. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

| | Liabilities under LC and TR (see Note 19) | Term Loans (see Note 19) | Liabilities under STCP (see Note 19) | Lease Liabilities (see Note 12) | Total |
|---|---|---|---|---|---|
| Balance as of January 1, 2021 | P 12,136,837,643 | P 33,139,170,987 | P 2,967,368,503 | P 984,401,017 | P 49,227,778,150 |
| Cash flows from financing activities: | | | | | |
| Additional borrowings | - | 27,433,284,850 | - | - | 27,433,284,850 |
| Repayment of borrowings, TR, and lease liabilities | ( 33,776,923,971 ) | ( 20,750,412,339 ) | ( 3,002,829,029 ) | ( 91,246,231 ) | ( 57,621,411,570 ) |
| Non-cash financing activities: | | | | | |
| Availment of LC and TR | 27,954,645,740 | - | - | - | 27,954,645,740 |
| Additions to lease liability | - | - | - | 165,394,207 | 165,394,207 |
| Termination of leases | - | - | - | ( 17,496,743 ) | ( 17,496,743 ) |
| Amortization of discount and bond issue cost | - | - | 35,460,526 | 67,612,428 | 103,072,954 |
| Balance as of December 31, 2021 | **P 6,314,559,412** | **P 39,822,043,498** | **P -** | **P 1,108,664,678** | **P 47,245,267,588** |
| Balance as of January 1, 2020 | P 6,206,767,833 | P 37,498,222,490 | P 6,191,197,740 | P 1,250,213,075 | P 51,146,401,138 |
| Cash flows from financing activities: | | | | | |
| Additional borrowings | - | 28,947,985,757 | 2,967,368,503 | - | 31,915,354,260 |
| Repayment of borrowings, TR, and lease liabilities | ( 12,704,524,751 ) | ( 33,307,037,260 ) | ( 6,500,000,000 ) | ( 247,414,347 ) | ( 52,758,976,358 ) |
| Non-cash financing activities: | | | | | |
| Availment of LC and TR | 18,634,594,561 | - | - | - | 19,079,185,313 |
| Additions to lease liability | - | - | - | 40,724,111 | 40,724,111 |
| Termination of leases | - | - | - | ( 218,835,823 ) | ( 218,835,823 ) |
| Amortization of discount and bond issue cost | - | - | 308,802,260 | 159,714,001 | 468,516,261 |
| Balance as of December 31, 2020 | P 12,136,837,643 | P 33,139,170,987 | P 2,967,368,503 | P 984,401,017 | P 49,227,778,150 |
| Balance as of January 1, 2019 | P 3,045,567,756 | P 30,257,526,103 | P 6,596,913,591 | P - | P 39,900,007,450 |
| Effect of adoption of PFRS16 | - | - | - | 973,167,940 | 973,167,940 |
| Cash flows from financing activities: | | | | | |
| Additional borrowings | - | 66,463,776,671 | 6,088,546,547 | - | 72,552,323,218 |
| Repayment of borrowings, TR, and lease liabilities | ( 22,090,498,231 ) | ( 59,544,221,408 ) | ( 7,000,000,000 ) | ( 203,455,083 ) | ( 88,838,174,722 ) |
| Non-cash financing activities: | | | | | |
| Availment of LC and TR | 25,251,698,308 | - | - | - | 25,251,698,308 |
| Additions to lease liability | - | - | - | 403,090,922 | 403,090,922 |
| Business combination | | 321,141,124 | - | - | 321,141,124 |
| Amortization of discount and bond issue cost | - | - | 505,737,602 | 80,990,270 | 586,727,872 |
| Accrued interest | - | - | - | ( 3,580,974 ) | ( 3,580,974 ) |
| Balance as of December 31, 2019 | P 6,206,767,833 | P 37,498,222,490 | P 6,191,197,740 | P 1,250,213,075 | P 51,146,401,138 |

## 21. TRADE AND OTHER PAYABLES

This account consists of:

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Trade payables: | | | |
| Third parties | | **P 13,827,010,900** | P 7,253,761,878 |
| Related parties | 30.2 | **32,672,884** | 268,992,991 |
| | | **13,859,683,784** | 7,522,754,869 |
| Accrued expenses | 30.3 | **1,030,771,114** | 820,753,874 |
| Contract liabilities | 24.1*(b)* | **133,518,955** | 269,430,381 |
| Retention payable | | **99,580,604** | 102,568,627 |
| Non-trade payables | | **95,836,051** | 176,891,916 |
| Advances from customers | | **59,857,116** | 31,769,654 |
| Others | 34.4*(a)* | **215,342,940** | 183,110,948 |
| | | **P 15,494,590,564** | P 9,107,280,269 |

Trade payables are non-interest bearing and are generally settled within 30 to 90 days.

Accrued expenses mostly pertain to payables to various contractors for the construction of retail stations that remain unpaid at the end of the year. In addition, this comprises amounts to be paid in relation to charter hire cost, repairs and maintenance, interest expense arising from loans and professional fees.

Retention payable is the amount withheld by the Group from its contractors for the construction of buildings, depot and pier facilities. The amount of retention, which is equivalent to ten percent of the total contract price, is payable upon the completion and turnover by the contractor of a construction project and the acceptance thereof by the Group. Moreover, significant portion of the retention payable pertains to the construction of gasoline and LPG stations equipment, which are expected to be completed within one year after the reporting period.

Non-trade payables pertain to liabilities to various suppliers of goods and services that are not related to primary business activities of the Group, such as, utility bills, travel expenses and purchase of office supplies, among others.

Advances from customers pertain to excess payments made by the customers which will be offset from the outstanding balances of the customer.

## 22. DERIVATIVE FINANCIAL LIABILITIES

PNX SG entered into forward contracts to mitigate the fluctuations of expected physical oil sales and purchase contracts. For purposes of estimating the fair value of the derivative contract, whenever possible, the Group utilizes quoted market price from third-party brokers or banks. These brokers' or banks' estimates are corroborated with multiple sources and/or other observable market data utilizing assumptions about risk and market liquidity.

As of December 31, 2021 and 2020, derivative financial instruments with negative fair value related to forward contracts amounted to P82.5 million and P623.1 million and is presented as Derivative Financial Liabilities in the consolidated statements of financial position.

The Group recognized fair value gains on derivative contracts amounting to P0.9 million in 2021 and P262.8 million in 2020, presented as part of Finance Income, under Other Charges (Income) in the consolidated statements of comprehensive income (see Note 26.2).

## 23. OTHER NON-CURRENT LIABILITIES

This account consists of:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Customers' cylinder deposits | | **P 839,688,099** | P 783,055,495 |
| Security deposits | | **205,221,552** | 106,408,896 |
| Post-employment defined benefit obligation | 27.3 | **159,174,379** | 129,350,115 |
| Advances for future stock subscription | | **100,000,000** | - |
| Cash bond deposits | | **60,655,443** | 268,980,068 |
| Unearned rent | | **13,937,067** | 14,821,620 |
| | | **P 1,378,676,540** | P 1,302,616,194 |

Customers' cylinder deposits represent the net amounts received for LPG cylinders loaned out to various dealers/customers. These deposits are non-interest bearing and refunded to the dealers upon return of the cylinders. In 2021 and 2020, there were no refunds made to the dealers. The composition of this account as of December 31 is presented below.

| | 2021 | 2020 |
|---|---|---|
| Deposits for cylinders | **P 783,055,495** | P 892,291,638 |
| Additions | **163,600,127** | - |
| Amortization of cylinder deposits | **( 106,967,523)** | ( 109,236,143) |
| | **P 839,688,099** | P 783,055,495 |

Security deposits represent deposits received from dealers for the lease of retail stations and equipment that are installed in retail stations. These deposits are refundable at the end of the lease terms and are measured at amortized cost. The fair values on initial recognition of the security deposits were determined by calculating the present value of the estimated future cash flows anticipated until the end of the lease terms using the market interest rate of comparable financial instrument at the inception of the lease. Meanwhile, interest on subsequent amortization of rental deposits using effective interest method amounted to P14.7 million, P12.5 million and P15.4 million in 2021, 2020 and 2019, respectively, and is presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 26.1).

The excess of the principal amount of the security deposit over its present value is recognized in the consolidated statements of financial position as unearned rent. Subsequent amortization of the unearned rent amounted to P1.2 million, P8.1 million and P4.2 million in 2021, 2020 and 2019, respectively, and is presented as part of Rent Income in the consolidated statements of comprehensive income.

In 2021, the Parent Company received cash amounting to P100.0 million for the subscription of preferred shares. As of December 31, 2021, the related Subscription Agreement was not yet finalized. As such, the advances for future stock subscription was classified as Liability presented under Other Non-Current Liabilities pending provision of the Subscription Agreement.

Cash bond deposits consist of cash received from PLPI dealers upon entering dealership agreement. This serves as a bond or security in case a dealer defaults from payment. The deposit will be returned to the dealer upon termination of the agreement.

## 24. REVENUES AND COST OF SALES AND SERVICES

### *24.1 Revenues*

#### *a. Disaggregation of Contract Revenues*

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

| | Trading (point in time) | Depot and Logistics (over time) | Total |
|---|---|---|---|
| **December 31, 2021** | | | |
| Primary geographical markets | | | |
| Philippines | P 64,579,633,596 | P 1,375,153,950 | P 65,954,787,546 |
| Singapore | 61,800,943,206 | 120,027,874 | 61,920,971,080 |
| Vietnam | 4,197,548,401 | 26,778,396 | 4,224,326,797 |
| | **P 130,578,125,203** | **P 1,521,960,220** | **P 132,100,085,423** |
| Major goods/service lines | | | |
| Fuel and by-products | P 116,889,228,746 | P - | P 116,889,228,746 |
| LPG | 12,889,661,669 | - | 12,889,661,669 |
| Lubricants | 445,581,120 | - | 445,581,120 |
| Merchandise | 353,653,668 | - | 353,653,668 |
| Management service | - | 1,164,508,410 | 1,164,508,410 |
| Hauling and into-plane | - | 33,136,651 | 33,136,651 |
| Others | - | 324,315,159 | 324,315,159 |
| | **P 130,578,125,203** | **P 1,521,960,220** | **P 132,100,085,423** |
| December 31, 2020 | | | |
| Primary geographical markets | | | |
| Philippines | P 46,873,652,988 | P 1,292,906,345 | P 48,166,559,333 |
| Singapore | 26,683,147,632 | 103,825,922 | 26,786,973,554 |
| Vietnam | 3,214,557,782 | 1,864,456 | 3,216,422,238 |
| | P 76,771,358,402 | P 1,398,596,723 | P 78,169,955,125 |
| Major goods/service lines | | | |
| Fuel and by-products | P 66,782,179,516 | P - | P 66,782,179,516 |
| LPG | 8,950,133,225 | - | 8,950,133,225 |
| Merchandise | 617,849,647 | - | 617,849,647 |
| Lubricants | 421,196,014 | - | 421,196,014 |
| Management service | - | 1,139,288,653 | 1,139,288,653 |
| Hauling and into-plane | - | 171,794,611 | 171,794,611 |
| Others | - | 87,513,459 | 87,513,459 |
| | P 76,771,358,402 | P 1,398,596,723 | P 78,169,955,125 |

| | Trading (point in time) | Depot and Logistics (over time) | Total |
|---|---|---|---|
| December 31, 2019 | | | |
| Primary geographical markets | | | |
| Philippines | P 70,608,485,903 | P 1,076,337,219 | P 71,684,823,122 |
| Singapore | 23,930,537,249 | 129,118,676 | 24,059,655,925 |
| Vietnam | 1,962,630,037 | 289,092 | 1,962,919,129 |
| | P 96,501,653,189 | P 1,205,744,987 | P 97,707,398,176 |
| Major goods/service lines | | | |
| Fuel and by-products | P 88,384,504,235 | P - | P 88,384,504,235 |
| LPG | 6,658,249,908 | - | 6,658,249,908 |
| Merchandise | 1,261,783,677 | - | 1,261,783,677 |
| Lubricants | 197,115,369 | - | 197,115,369 |
| Management service | - | 686,538,216 | 686,538,216 |
| Hauling and into-plane | - | 299,614,442 | 299,614,442 |
| Others | - | 219,592,329 | 219,592,329 |
| | P 96,501,653,189 | P 1,205,744,987 | P 97,707,398,176 |

All of the Group's revenues except revenues from management service, hauling and into-plane services and franchise fees (insignificant in amount), which are presented as part of Fuel Services and Other Revenues are recognized at a point in time.

***b. Contract Balances***

A reconciliation of the movements of contract liabilities is shown below.

| | Note | **2021** | 2020 |
|---|---|---|---|
| Balance at beginning of year | | **P 269,430,381** | P 16,102,117 |
| Revenue recognized that was included in contract liabilities at the beginning of year | | **( 269,430,381 )** | ( 16,102,117) |
| Increase due to cash received excluding amount recognized as revenue during the year | | **133,518,955** | 269,430,381 |
| Balance at end of year | 21 | **P 133,518,955** | P 269,430,381 |

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. However, the management assess that contract assets, if any, are of insignificant amounts.

Changes in the contract assets and contract liabilities are recognized by the Group when the right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

### 24.2 Cost of Sales and Services

#### a. Costs of Sales and Services

This account is composed of the following:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Cost of fuels and lubricants | | **P 119,676,961,066** | P 68,443,668,682 | P 81,968,236,723 |
| Cost of LPG | | **4,464,274,180** | 2,654,744,531 | 3,884,245,585 |
| Cost of merchandise | | **243,415,931** | 138,362,677 | 958,804,773 |
| Cost of services | | **31,369,993** | 17,194,349 | - |
| | 25 | **P 124,416,021,170** | P 71,253,970,239 | P 86,811,287,081 |

#### b. Cost of Fuels, Lubricants, LPG and Merchandise Sold

The cost of inventories sold are broken down as follows:

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Inventories at beginning of year | | **P 4,769,315,701** | P 11,679,616,905 | P 11,135,494,286 |
| Net purchases during the year | | **124,635,373,479** | 64,279,890,225 | 87,272,448,848 |
| Overhead costs | 11.2 | **3,267,007** | 63,778,810 | 65,183,757 |
| Business combination | 1.4 | **-** | - | 17,777,095 |
| Goods available for sale | | **129,407,956,187** | 76,023,285,940 | 98,490,903,986 |
| Inventories at end of year | 8 | **( 4,991,935,017)** | ( 4,769,315,701) | ( 11,679,616,905) |
| | | **P 124,416,021,170** | P 71,253,970,239 | P 86,811,287,081 |

## 25. COSTS AND EXPENSES BY NATURE

The details of the Group's costs and expenses by nature are shown below.

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Cost of inventories sold | | **P 124,416,021,170** | P 71,251,618,016 | P 86,746,103,324 |
| Depreciation and amortization | 11.2,12.1,13,16 | **1,330,595,696** | 1,361,592,449 | 1,436,858,782 |
| Salaries and employee benefits | 27.1 | **1,087,506,495** | 1,139,766,868 | 1,105,276,877 |
| Freight and trucking charges | | **582,234,361** | 753,162,077 | 903,075,451 |
| Taxes and licenses | 16 | **581,756,562** | 449,446,715 | 533,449,335 |
| Rent | 12.3,17, 30.3 | **505,764,358** | 581,171,863 | 650,422,093 |
| Advertising and promotions | | **253,309,557** | 281,415,849 | 506,812,297 |
| Service fees | | **185,234,794** | 156,357,285 | 242,782,883 |
| Repairs and maintenance | | **154,434,551** | 202,240,283 | 108,313,018 |
| Outside services | | **119,758,387** | 66,165,722 | 90,809,455 |
| Utilities | | **118,280,122** | 118,165,596 | 173,645,341 |
| Security fees | | **111,487,531** | 113,031,427 | 119,510,213 |
| Professional fees | | **104,848,234** | 115,207,489 | 152,814,551 |
| Dues and subscriptions | | **96,742,083** | 88,366,775 | 58,014,578 |
| Provision for loss on lost cylinders | 11 | **50,474,762** | 42,528,021 | - |
| Insurance | | **45,861,240** | 64,385,856 | 72,622,096 |
| Fuel, oil and lubricants | | **16,773,186** | 29,945,028 | 94,388,831 |
| Office supplies | | **16,362,158** | 30,329,153 | 40,475,106 |
| Management fee | | **7,700,000** | 11,299,286 | 40,916,557 |
| Donations and contributions | 30.13 | **7,440,424** | 14,310,775 | 22,720,000 |
| Representation | | **6,749,964** | 18,357,583 | 27,338,499 |
| Royalties | 34.4*(a)* | **4,720,342** | 7,137,623 | 13,203,844 |
| Sales incentives | | **4,508,173** | 20,191,473 | 4,330,921 |
| Travel and transportation | | **4,421,930** | 26,671,570 | 92,173,989 |
| Deficiency taxes | | **985,136** | - | - |
| Impairment losses on trade and other receivables | 7, 30.4 | **-** | 82,210,745 | 26,176,493 |
| Miscellaneous | | **141,095,883** | 30,834,816 | 67,118,451 |
| | | **P 129,955,067,099** | P 77,055,910,343 | P 93,329,352,985 |

The expenses are classified in the consolidated statements of comprehensive income as follows:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Cost of sales and services | 24.2*(a)* | **P124,416,021,170** | P 71,253,970,239 | P 86,811,287,081 |
| Selling and administrative expenses | | **5,539,045,929** | 5,801,940,104 | 6,518,065,904 |
| | | **P129,955,067,099** | P 77,055,910,343 | P 93,329,352,985 |

## 26. FINANCE COSTS AND FINANCE INCOME

The breakdown of these accounts follows:

### *26.1 Finance Costs*

| | Notes | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Interest expense on bank loans and other borrowings | 19.5 | **P 2,265,042,096** | P 1,849,005,676 | P 2,582,918,502 |
| Finance cost due to extended inventory settlement | 19.1 | **946,210,274** | - | - |
| Foreign currency exchange losses – net | | **309,702,671** | - | 18,882,435 |
| Bank charges | | **87,855,356** | 11,671,191 | 140,127,818 |
| Interest expense from lease liabilities | 12.4 | **67,612,428** | 159,714,001 | 80,990,270 |
| Interest expense from security deposits | 23 | **14,746,966** | 12,465,194 | 15,375,962 |
| Interest expense from post-employment defined benefit obligation – net | 27.3 | **5,070,607** | 3,872,848 | - |
| Interest expense on deficiency taxes | | **2,521,027** | - | - |
| Foreign currency exchange loss – net | | **90,765** | - | - |
| | | **P 3,698,952,190** | P 2,036,728,910 | P 2,838,294,987 |

### *26.2 Finance Income*

| | Notes | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Interest income from cash in banks and cash advances | 6 | **P 22,645,865** | P 48,663,207 | P 30,008,994 |
| Interest income on amortization of rental deposits | 17 | **35,902,130** | 28,349,080 | 3,109,626 |
| Interest income from restricted deposits | 9 | **19,643,840** | 1,740,335 | 2,178,826 |
| Hedging and financing income | 22 | **871,008** | 262,796,899 | - |
| Foreign currency exchange gains – net | | **-** | 18,244,247 | 51,070,736 |
| Interest income on retirement benefits | 27.3 | **-** | - | 120,023 |
| Others | | **-** | - | 107,585 |
| | | **P 79,062,813** | P 359,793,768 | P 86,595,790 |

## 27. EMPLOYEE BENEFITS

### *27.1 Salaries and Employee Benefits Expense*

Expenses recognized for salaries and employee benefits are presented below.

| | Notes | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Short-term benefits: | | | | |
| Salaries and wages | | **P 708,560,889** | P 902,964,671 | P 827,449,755 |
| Employee welfare and other benefits | | **275,979,983** | 142,259,025 | 189,633,713 |
| 13th month pay and bonuses | | **57,948,220** | 86,881,232 | 57,299,929 |
| Post-employment defined benefit | 27.3 | **41,916,804** | - | 22,037,668 |
| Employee share options | 27.2 | **3,100,599** | 7,661,940 | 8,855,812 |
| | 25 | **P 1,087,506,495** | P 1,139,766,868 | P 1,105,276,877 |

Negative past service cost, net of current service cost of post-employment defined benefit amounted to P0.3 million in 2020, and is presented as part of Others under Other Charges (Income) in the 2020 consolidated statement of comprehensive income (see Note 27.3).

### *27.2 Employee Share Option Plan (ESOP)*

On January 24, 2013, the BOD of the Parent Company approved the ESOP. Under the ESOP program, the Parent Company will allocate up to a total of 2.20% of its issued and outstanding common shares to be granted to eligible employees. Share options benefit expense included as part of Salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income amounted to P3.1 million, P7.7 million and P8.9 million in 2021, 2020 and 2019, respectively, (see Note 27.1), while the corresponding credit to Retained Earnings of the same amount are presented under the Equity section of the consolidated statements of financial position. Other information related to the ESOP are presented in Note 31.7.

### *27.3 Post-employment Defined Benefit Plan*

*(a) Characteristics of the Defined Benefit Plan*

The Group has maintained a partially funded, tax-qualified, noncontributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. Normal retirement benefit is an amount equivalent to 75.00% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

*(b) Explanation of Amounts Presented in the Consolidated Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from an independent actuary in 2021, 2020 and 2019.

The amounts of post-employment defined benefit obligation, which is presented as part of Other Non-current Liabilities account (see Note 23) in the consolidated statements of financial position, are determined as follow:

| | **2021** | 2020 |
|---|---|---|
| Present value of obligation | **P 351,236,775** | P 319,468,558 |
| Fair value of plan assets | **( 192,062,396 )** | ( 190,118,443 ) |
| | **P 159,174,379** | P 129,350,115 |

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **P 319,468,558** | P 243,226,068 |
| Current service cost | **42,223,574** | 36,583,472 |
| Remeasurements: | | |
| Actuarial losses (gains) arising from: | | |
| Changes in financial assumptions | **( 48,798,812 )** | 45,658,973 |
| Experience adjustments | **30,628,455** | ( 5,576,410 ) |
| Changes in demographic assumptions | **( 4,495,238 )** | 29,756,060 |
| Interest expense | **12,517,008** | 12,150,836 |
| Past service cost – plan curtailment | **( 306,770 )** | ( 36,905,335 ) |
| Benefits paid from: | | |
| Plan assets | **-** | ( 4,661,072 ) |
| Book reserves | **-** | ( 764,034 ) |
| Balance at end of year | **P 351,236,775** | P 319,468,558 |

The movements in the fair value of plan assets are presented below.

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **P 190,118,443** | P 184,478,289 |
| Interest income | **7,446,401** | 8,277,988 |
| Gain (Loss) on plan assets (excluding amounts included in net interest) | **( 5,502,448 )** | 2,023,238 |
| Benefits paid from plan assets | **-** | ( 4,661,072 ) |
| Balance at end of year | **P 192,062,396** | P 190,118,443 |

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | P 24,695,352 | P 11,452,983 |
| Quoted equity securities: | | |
| Holding | 4,968,600 | 5,047,000 |
| Property | 4,111,800 | 4,179,600 |
| Construction | - | 2,726,565 |
| Telecommunications | - | 2,202,420 |
| Manufacturing (Preferred) | 16,664,510 | 5,115,560 |
| | 25,744,910 | 19,271,145 |
| Government bonds | 81,628,728 | 68,512,948 |
| Unit investment trust funds (UITF) | 33,664,147 | 45,849,258 |
| Corporate Bonds | 25,873,304 | 44,058,667 |
| Others | 455,955 | 973,442 |
| | P 192,062,396 | P 190,118,443 |

The fair value of the above investments are determined based on quoted market prices in active markets (classified as Level 1 in the fair value hierarchy). Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| *Reported in profit or loss:* | | | | |
| Current service cost | 27.1 | P 42,223,574 | P 36,583,472 | P 22,037,668 |
| Past service cost – | | | | |
| Plan curtailment | 27.1 | ( 306,770) | ( 36,905,335) | - |
| | | 41,916,804 | ( 321,863) | 22,037,668 |
| Net interest | | | | |
| expense (income) | 26.1, 26.2 | 5,070,607 | 3,872,848 | ( 120,023) |
| | | P 46,987,411 | P 3,550,985 | P 21,917,645 |

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| *Reported in other comprehensive loss (income):* | | | |
| Actuarial gains or losses arising from changes in: | | | |
| Financial assumptions | **(P 48,916,044)** | P 45,658,973 | P 41,582,356 |
| Demographic assumptions | **( 4,465,811)** | 29,756,060 | 834,124 |
| Experience adjustments | **30,628,455** | ( 5,576,410) | 33,621 |
| Effect of asset ceiling | **-** | ( 3,830,918) | - |
| Return (loss) on plan assets (excluding amounts included in net interest expense) | **5,502,448** | ( 2,023,238) | ( 2,560,261) |
| | **(P 17,250,952)** | P 63,984,467 | P 39,889,840 |

In 2021 and 2020, there were curtailments on the plan of PFM and the Parent Company, respectively, which significantly reduced the headcount compared to that at the beginning of the year, in relation to the Group's rationalization of workforce (see Note 1.6) to which resulted in the recognition of past service cost. Negative past service cost, net of current service cost, is presented as part of Others – net under Other Charges (Income) in the 2020 consolidated statement of comprehensive income.

Current service cost is presented as part of salaries and employee benefits under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25).

The net interest expense in 2021 and 2020 and interest income in 2019 is included as part of Finance Income and Finance Costs, respectively, under the Other Charges (Income) (see Note 26.1).

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Discount rates | **5.08% to 5.09%** | 3.86% to 3.95% | 5.06% to 5.22% |
| Expected rate of salary increases | **2.00% to 5.00%** | 2.00% to 5.00% | 5.00% |

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 for both males and females is 25.6, 18.9 and 29.2 for the Parent Company, PLPI and PFM, respectively.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

*(c) Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

*(i) Investment and Interest Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, quoted equity securities, government and corporate bonds, and UITF.

*(ii) Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

*(d) Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described in the below.

*Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31:

| | **2021** | | |
|---|---|---|---|
| | **Impact on Post-employment Benefit Obligation** | | |
| | **Change in Assumption** | **Increase in Assumption** | **Decrease in Assumption** |
| **Discount rate** | **+/- 1.00%** | **(P 33,283,454 )** | **P 39,943,370** |
| **Salary increase rate** | **+/- 1.00%** | **36,315,651** | **( 34,606,711 )** |

| | 2020 | | |
|---|---|---|---|
| | Impact on Post-employment Benefit Obligation | | |
| | Change in Assumption | Increase in Assumption | Decrease in Assumption |
| Discount rate | +/- 1.00% | (P 33,315,568 ) | P 39,391,964 |
| Salary increase rate | +/- 1.00% | 38,598,957 | ( 33,321,115 ) |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

*(i) Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. Large portion of the plan assets as of December 31, 2021 and 2020 are allocated to government and corporate bonds, UITF and equity securities.

*(ii) Funding Arrangements and Expected Contributions*

As of December 31, 2021, the plan is underfunded by P159.2 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 21 years' time when a significant number of employees is expected to retire.

The Group expects to make no contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan within ten years as of December 31 follows:

| | **2021** | 2020 |
|---|---|---|
| Within one year | **P 20,582,948** | P 13,847,228 |
| More than one year to five years | **89,748,075** | 86,207,574 |
| More than five years to ten years | **208,917,106** | 195,002,134 |
| | **P 319,248,129** | P 295,056,936 |

The weighted average duration of the defined benefit obligation at the end of the reporting period is ten years.

## 28. REGISTRATION WITH THE BOARD OF INVESTMENTS

The Parent Company was registered with the Board of Investments (BOI) for certain terminal and facilities that entitled the entities certain tax and non-tax incentives. Terminal and facitlities registered with the BOI are as follows:

| Location of Project | Note | Entity Registered | Date of Registration | Income Tax Holiday (ITH) Period | Expiry |
|---|---|---|---|---|---|
| Tayud, Consolacion | *28.1* | PPPI | Nov 24, 2017 | 5 Years | Nov 24, 2022 |
| Calapan,Oriental Mindoro | *28.2* | PPPI | Sep 9, 2017 | 5 Years | Sep 9, 2022 |
| Villanueva, Misamis Oriental | *28.3* | PPPI | Oct 12, 2017 | 5 Years | Oct 12, 2022 |
| Calaca, Batangas Expansion | *28.4* | PPPI | Dec 22, 2017 | 5 Years | Dec 22, 2022 |
| Calaca, Batangas Expansion 2 | *28.4* | PPPI | April 3, 2019 | 5 Years | April 3, 2024 |
| General Santos City | *28.5* | PPPI | March 14, 2019 | 5 Years | March 14, 2024 |

### *28.1 BOI Registration for New Investment in Tayud, Consolacion, Cebu Oil Depot*

On September 19, 2017, the Parent Company has registered with BOI under Registration No. 2017-267 its new project for the Bulk Marketing of Petroleum Products in Tayud, Consolacion, Cebu Oil Depot with 16.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Cebu Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from September 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

### *28.2 BOI Registration for New Investment in Calapan, Oriental Mindoro Oil Depot*

On October 12, 2017, the Parent Company has registered with BOI under Registration No. 2017-287 its new project for the Bulk Marketing of Petroleum Products in Calapan, Oriental Mindoro Oil Depot with 5.0 million liters combined capacity of two storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Calapan, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from October 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

### *28.3 BOI Registration for New Investment in Villanueva, Misamis Oriental Oil Depot*

On November 24, 2017, the Parent Company has registered with BOI under Registration No. 2017-320 its new project for the Bulk Marketing of Petroleum Products in Villanueva, Oriental Mindoro Oil Depot with 49.7 million liters combined capacity of six storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Villanueva, Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from November 2017 or date of registration whichever is earlier but in no case earlier than the date of registration.

### *28.4 BOI Registration for New Investment in Calaca, Batangas Oil Depot*

On December 22, 2017, the Parent Company has registered with BOI under Registration No. 2017-353 its new project for the Bulk Marketing of Petroleum Products in Calaca, Batangas Oil Terminal with 78.3 million liters combined capacity of seven storage tanks. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to Oriental Mindoro Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from January 2018 or date of registration whichever is earlier but in no case earlier than the date of registration.

On April 3, 2019, the Parent Company has registered with BOI under Registration No. 2019-068 its expansion for the Bulk Marketing of Petroleum Products in Calaca, Batangas Terminal, which pertains to the additional one storage tank with capacity of 16.1 million liters. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to the additional one storage tank are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from April 2019 or date of registration whichever is earlier but in no case earlier than the date of registration.

### *28.5 BOI Registration for New Investment in General Santos City Oil Depot*

On March 14, 2019, the Parent Company has registered with BOI under Registration No. 2019-051 its new project for the Bulk Marketing of Petroleum Products in General Santos City Oil Depot. Under its new registration, the Parent Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. The Parent Company's transactions relating to General Santos City Oil Depot are entitled to avail the incentives which include, among others, ITH for a period of five years without extension from March 2019 or date of registration whichever is earlier but in no case earlier than the date of registration.

As of December 31, 2021 and 2020, the Parent Company has complied with the terms and conditions under their ITH registrations.

## 29. TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Companies under the Group, would be lower by P10.7 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 consolidated profit or loss.

In 2021, the recognized net deferred tax assets as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax asset in 2020 by P139.0 million and such was recognized in the 2021 consolidated profit or loss (96.2 million) and in other comprehensive income (P42.8 million).

The components of tax income (expense) reported in the consolidated profit or loss and in the consolidated other comprehensive income is presented below.

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| *Reported in profit or loss:* | | | |
| Current tax expense: | | | |
| MCIT at 1.00% for 2021 and 2.00% for 2020 and 2019 | **(P 61,700,730)** | (P 51,020,470) | (P 1,428,924) |
| Effect of the change in income tax rates | **10,674,901** | - | - |
| Final tax at 20.00% and 7.50% | **( 8,106,971)** | ( 13,436,906) | ( 2,495,031) |
| Concessionary tax at 10.00% | **3,464,615** | ( 14,404,064) | ( 3,480,410) |
| RCIT at 25.00% and 17.00% for 2021, and 30.00% and 17.00% for 2020 | **-** | ( 66,735,254) | ( 374,022,871) |
| | **( 55,668,185)** | ( 145,596,694) | ( 381,427,236) |
| Deferred tax income (expense) arising from: | | | |
| Origination and reversal of temporary differences | **870,592,114** | 372,442,998 | 55,381,203 |
| Effect of the change in income tax rates | **( 96,156,729)** | - | - |
| | **774,435,385** | 372,442,998 | 55,381,203 |
| | **P 718,767,200** | P 226,846,304 | (P 326,046,033) |
| *Reported in other comprehensive income:* | | | |
| Deferred tax expense relating to arising from: | | | |
| Origination and reversal of temporary differences | **(P 72,725,623)** | (P 339,148,737) | (P 53,260,240) |
| Effect of the change in income tax rates | **( 42,842,691)** | - | - |
| | **(P 115,568,314)** | (P 339,148,737) | (P 53,260,240) |

A reconciliation of tax on pretax loss(profit) computed at the applicable statutory rates to tax expense reported in the consolidated profit or loss is as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Tax on pretax loss (profit) at 25.00% and 17.00% in 2021 30.00% and 17.00% in 2020 | **P 257,455,152** | P 83,879,307 | (P 578,296,893) |
| Adjustment for income subjected to lower income tax rates | **( 59,183,467)** | 17,725,699 | ( 5,128,568) |
| Tax effects of: | | | |
| Adjustment for income and expenses under ITH | **676,188,523** | 216,231,068 | 319,235,104 |
| Unrecognized deferred tax asset | **( 142,823,623)** | ( 15,649,082) | - |
| Effect of the change in income tax rates | **( 85,481,828)** | - | - |
| Non-taxable income | **77,736,450** | 31,244,482 | 36,005,434 |
| Non-deductible expenses | **( 5,230,482)** | ( 36,833,703) | ( 98,250,449) |
| Share benefit expense on on exercised stock options | **3,518,902** | 3,571,819 | 2,656,016 |
| Reversal of MCIT | **( 3,412,427)** | ( 4,637,073) | ( 2,266,677) |
| Reversal of net operating loss carry over (NOLCO) | **-** | ( 81,744,810) | - |
| Derecognition of previously recognized deferred tax assets | **-** | 13,058,596 | - |
| Tax expense reported in consolidated statements of comprehensive income | **P 718,767,200** | P 226,846,303 | (P 326,046,033) |

The net deferred tax assets and liabilities as of December 31, 2021 and 2020 pertain to the following:

| | Consolidated Statements of Financial Position | | Consolidated Statements of Comprehensive Income | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Profit or Loss | | | Other Comprehensive Income (Loss) | | |
| | **2021** | 2020 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| Deferred tax assets: | | | | | | | | |
| NOLCO | **P 803,257,299** | P 299,540,509 | **P 503,716,790** | P 281,080,061 | P 11,492,684 | **P -** | P - | P - |
| Provision for losses on lost cylinders | **63,775,399** | 76,530,479 | **(12,755,080)** | (2,384,022) | - | - | - | |
| MCIT | **56,508,855** | 52,471,681 | **4,037,174** | 46,262,317 | 4,638,732 | - | - | - |
| Unrealized foreign currency loss – net | **44,544,450** | 4,955,897 | **4,955,897** | (5,528,202) | (2,428,684) | - | - | - |
| Post-employment benefit obligation | **30,300,660** | 38,610,505 | **(3,997,107)** | 285,843 | 6,575,296 | **(4,312,738)** | 19,195,340 | 11,966,951 |
| Unamortized past service cost | **18,282,618** | 22,268,397 | **(3,985,795)** | (314,900) | (10,482,808) | - | - | - |
| | **1,016,669,281** | 494,377,468 | **526,604,551** | 319,401,097 | (3,670,436) | **(4,312,738)** | 19,195,340 | 11,966,951 |
| Deferred tax liabilities: | | | | | | | | |
| Gain on revaluation of land | **(1,033,249,189)** | (1,018,005,034) | **96,011,421** | 9,726,569 | 35,559,049 | **(111,255,576)** | (358,344,077) | (43,933,439) |
| Lease liabilities | **306,199,830** | 281,482,403 | **24,717,427** | 56,907,361 | 224,575,042 | - | - | - |
| Right-of-use assets | **(206,471,288)** | (242,117,661) | **35,646,373** | (39,581,640) | (202,536,021) | - | - | - |
| Impairment losses on trade and other receivables | **157,183,963** | 216,704,700 | **(59,250,737)** | 17,879,173 | 26,199,454 | - | - | - |
| Fair value gains on investment property | **(126,330,670)** | (278,965,887) | **152,635,217** | (12,833,863) | (21,151,456) | - | - | (21,293,752) |
| Accrued rent income | **(21,447,345)** | (24,917,654) | **3,470,309** | (338,928) | (10,590,921) | - | - | - |
| Unrealized foreign currency gains – net | **(6,989,182)** | 12,118,358 | **(5,129,176)** | 21,283,229 | 6,996,492 | - | - | - |
| | **(917,125,517)** | (1,053,700,775) | **247,830,834** | 53,041,901 | 59,051,639 | **(111,255,576)** | (358,344,077) | (65,227,191) |
| Net deferred liabilities | **(P 99,543,764)** | (P 559,323,307) | | | | | | |
| Net deferred tax income (expense) | | | **P 774,435,385** | P 372,442,998 | P 55,381,203 | **(P 115,568,314)** | (P 339,148,737) | (P 53,260,240) |

The amounts of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below.

| Taxable Years | Original Amount | Tax Effect | Valid Until |
|---|---|---|---|
| 2021 | P 1,620,033,472 | P 405,008,368 | 2026 |
| 2020 | 1,101,095,487 | 330,328,646 | 2025 |
| 2019 | 226,400,950 | 67,920,285 | 2022 |
| | P 1,489,529,909 | P 803,257,299 | |

Ordinarily, the Group's NOLCO is allowed as a deduction form taxable income in the next three consecutive years. However, pursuant to Section 4 (bbb) of the R.A. No. 11494 and as implemented under Revenue Regulation 25-2020, the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five years following the year of such loss.

Except for foreign subsidiaries, which are governed by taxes as prescribed by tax authorities of the countries they are domiciled, in 2021, the Group is subject to MCIT, which is computed at 1.00% (2.00% in 2020 and 2019), of gross income net of allowable deductions, as defined under the tax regulations, or RCIT, whichever is higher. MCIT was higher than RCIT for all the years presented for PGMI, PPMI and SPTT, respectively.

The amounts of MCIT and the applicable years that are valid and deductible from future regular income tax payable are shown below.

| Taxable Years | Normal Income Tax | MCIT | Excess of MCIT over Income Tax | Tax Effect | Valid Until |
|---|---|---|---|---|---|
| 2021 | P - | P 1,494,335 | P 1,494,335 | P 1,494,335 | 2024 |
| 2020 | - | 50,911,787 | 50,911,787 | 50,911,787 | 2023 |
| 2019 | - | 7,950,118 | 7,950,118 | 7,950,118 | 2022 |
| | P - | P 68,186,375 | P 68,186,375 | P 68,186,375 | |

As of December 31, 2021, certain subsidiaries did not recognize deferred tax assets on MCIT amounting to P11.7 million, which management does not expect to recover. This compares to the unrecognized deferred tax assets on NOLCO and MCIT amounting to P164.4 million and P5.7 million, respectively, as of December 31, 2020.

In 2021, 2020 and 2019, the Group claimed itemized deductions in computing for its income tax due.

## 30. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate Parent Company, PPHI, stockholders, the Group's key management personnel, entities under common ownership by the ultimate parent Company and others as described in the succeeding pages.

The summary of the Group's transactions with its related parties as of December 31, 2021, 2020, and 2019 is presented in the next page.

| Related Party Category | Notes | Amount of Transactions 2021 | 2020 | 2019 | Outstanding Balance 2021 | 2020 |
|---|---|---|---|---|---|---|
| **Other related parties under common ownership** | | | | | | |
| Sale of goods | 7,30.1 | **P 8,507,658 ,731** | P11,650,256,159 | P7,480,791,892 | **P 3,339,166,472** | P 4,253,248,292 |
| Purchase of goods | 21,30.2 | **3,257,918,757** | 1,169,220,884 | 3,438,172,675 | **32,672,884** | 92,101,075 |
| Purchase of services | 21,30.2 | **265,809,393** | 59,115,314 | - | **-** | 176,891,916 |
| Advances to suppliers | 7,17,30.2 30.11 | **2,653,361,471** | 15,400,370 | 1,154,125,041 | **3,343,433,441** | 143,008,845 |
| Rentals | 10,17,30.3 | **58,830,197** | 63,090,812 | 101,414,780 | **-** | 20,821,805 |
| Due from related parties | 30.4 | **(27,953,834)** | 29,033,906 | 2,073,628 | **2,949,357** | 30,903,191 |
| Management fees | 7,30.6 | **139,300,446** | (15,174,900) | 281,173 | **101,674,322** | 71,440,007 |
| Sale of subsidiaries | 7,30.9 | **-** | - | - | **500,000,000** | 500,000,000 |
| Sale of services | 7,30.10 | **419,715,150** | 1,204,678,839 | 686,538,216 | **2,148,899,278** | 1,729,184,128 |
| Prepaid rent | 10, 30.3 | **12,020,426** | 2,492,132 | 9,362,671 | **12,020,426** | 2,492,132 |
| Advances for option to purchase properties | 30.11 | **(2,364,361,471)** | - | (77,036,191) | **-** | 2,364,361,471 |
| Transfer of retail stations | 7, 18, 30.12 | **57,747,748** | 438,589,421 | - | **368,539,040** | 402,956,398 |
| Donations | 25,30.13 | **7,440,424** | 14,310,775 | 22,720,000 | **-** | - |
| **Ultimate parent** | | | | | | |
| Sale of goods | 7,30.1 | **943,946** | 860,099 | 795,636 | **288,187** | 137,551 |
| Advances to suppliers | 17,30.2 | **813,537,639** | 259,121,861 | 950,752,328 | **2,015,794,376** | 1,551,337,639 |
| Lease liability | 12,25,26.1,30.3 | | 126,000,000 | 167,656,447 | | 41,656,447 |
| Rentals | 10,17,30.3 | **10,593,725** | - | - | **7,946,237** | 776,442 |
| Sale of services | 7,30.10 | **446,950,967** | 1,329,954,835 | 443,569,686 | **1,837,833,232** | 1,551,337,801 |
| Advances for option to purchase properties | 17, 30.11 | **-** | - | 200,000,000 | **200,000,000** | 200,000,000 |
| **Key management personnel** | | | | | | |
| Salaries and employee benefits | 25,30.7 | **1,037,445,149** | 264,918,985 | 264,741,615 | **-** | - |

### *30.1 Sale of Goods*

The Group sells products to certain related parties under common ownership and its ultimate parent. Goods are sold on the basis of the price lists in force with non-related parties. Revenues arising from these transactions are presented as part of Sale of Goods in the consolidated statements of comprehensive income. The outstanding receivables from sales of goods to other related parties are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured, do not bear any interest and collectible in cash on demand. No impairment loss was recognized in 2021, 2020 and 2019 based on management's assessment.

### *30.2 Purchases of Goods and Services*

The Group purchased goods and services from related parties under common ownership on the basis of price lists in force with non-related parties. Total purchase of goods and services from related parties is presented as part of Cost of Sales and Services in the consolidated statements of comprehensive income and the related outstanding payables for goods purchased and services obtained are presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 21). 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 under common ownership and also to the ultimate parent for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. The outstanding balances amounting to P23.5 million and P92.1 million are presented as part of Advances to suppliers under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7). Further, the Group has also made advances to certain related parties for future acquisition of real properties and materials for the construction of retail stations and is presented as part of Advances to suppliers under Other Non-Current Assets (see Note 17).

### *30.3 Rentals*

The Group has the following lease agreements with the following related parties under common ownership:

*(a)* Udenna Corporation – of which total rent expense incurred in 2021 amounted to P10.6 million. There was no rent expense incurred in relation to rentals with Udenna Corporation in 2020 and 2019. Refundable rental deposits amounted to P0.8 million as of both December 31, 2021 and 2020, and is presented as part of Refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).

*(b)* Udenna Land, Inc. (ULI) – there were no rent expense incurred in relation to rentals with Udenna Land, Inc. in 2021, 2020, and 2019. However, rental deposit for the lease amounted to P6.9 million as of December 31, 2021, and 2020, is presented as part of Refundable rental deposits under Other Non-current Assets in the consolidated statements of financial position (see Note 17).

*(c)* Valueleases, Inc. (VLI) – of which total rent expense on short-term leases in the years 2021, 2020 and 2019 amounted to P30.5 million, P63.0 million and P78.4 million, respectively. Prepaid rent amounted to P12.0 million and P2.5 million as of December 31, 2021 and 2020, respectively (see Note 10). Refundable rental deposits amounted to P12.0 million and P13.9 million as of December 31, 2021 and 2020, respectively, and is presented as part of refundable rental deposits under Prepayments and Other Current Assets and Other Non-current Assets, respectively, in the consolidated statements of financial position (see Note 17).

The rent expenses aforementioned are presented as part of Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25) and the related outstanding rent payables are presented as part of Accrued Expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 21).

In 2019, PFM entered into lease agreement with Udenna Corporation for 15 years. PFM recognized lease liability of P164.5 million at initial recognition. PFM also recognized depreciation expense amounting to P130.6 million, P130.6 million and P130.6 million and interest expense amounting to P12.1 million, P11.3 million and P4.5 million in 2021, 2020 and 2019, respectively (see Notes 12, 25 and 26.1).

### *30.4 Due from Related Parties*

The Group grants unsecured advances to and from related parties under common ownership for working capital requirements and other purposes.

As of December 31, 2021 and 2020, the outstanding receivable from related parties are shown as Due from Related Parties in the consolidated statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year.

The breakdown of the Due from Related Parties as of December 31 is as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| PSPC | | **P 990,161** | P 1,253,889 |
| P-H-O-E-N-I-X Philippines Foundation, Inc. (PPFI) | | **624,077** | 523,546 |
| FEC | | **520,941** | 6,518,500 |
| PNMC | | **388,159** | 3,929,751 |
| CJI | | **277,871** | 678,459 |
| TCQPC | | **254,278** | 11,678,227 |
| Galaxi | | **-** | 2,542,780 |
| PAPI | | **-** | 2,192,345 |
| EPDC | | **-** | 1,447,069 |
| ZFEC | | **-** | 912,399 |
| CISC | | **-** | 11,210 |
| | | **3,055,487** | 31,688,175 |
| Allowance for impairment | 4.2(*b*) | **( 106,130)** | ( 784,984) |
| | | **P 2,949,357** | P 30,903,191 |

The movement of Due from Related Parties as of December 31 is as follows:

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Balance at beginning of year | | **P 30,903,191** | P 1,986,811 |
| Collections | | **( 27,914,809)** | ( 15,584,888 ) |
| Reclassification | 7 | **( 139,078)** | ( 54,853 ) |
| Additions | | **100,053** | 45,286,252 |
| Impairment loss for the year | 25 | **-** | ( 730,131 ) |
| Balance at end of year | | **P 2,949,357** | P 30,903,191 |

### *30.5 Loan Collaterals*

The TLA with DBP, OLSA with BDO and PBComm, loan agreement with HSBC and CBC and certain banks loans of the Parent Company were guaranteed by certain stockholders through a surety agreement with the respective banks (see Note 19.2).

In 2021, the TLA with BOC was secured by a real estate mortgage on certain terminal assets (including land and improvements) of CISC [see Note 19.2(i)].

### *30.6 Management Fees*

The Parent Company's non-trade receivables include receivable from CSIC representing management fees for the services rendered by the Parent Company to CSIC when the latter is still a wholly-owned subsidiary by the former. Under the Management Contract entered into by the Parent Company and CSIC, the former will manage CSIC:

*(a)* to secure and maintain a strong market position for CSIC in the real estate industry;
*(b)* sustain the long-term profitability of CSIC; and,
*(c)* develop a core of competent and effective management professionals in CISC.

In return, CSIC will pay a certain amount of management fee annually. Previous to the deconsolidation, the outstanding balance pertaining to the management fees were being eliminated in the consolidated financial statements. Total receivable from CISC is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7) and are unsecured, non-interest bearing, payable on demand and normally settled in cash.

### *30.7 Key Management Compensations*

The compensation of key management personnel are broken down as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Salaries and wages | **P 219,957,161** | P 209,483,010 | P 209,333,343 |
| 13th month pay and bonuses | **22,873,035** | 21,783,843 | 21,772,957 |
| Post-employment benefits | **17,642,762** | 16,802,630 | 16,794,233 |
| Honoraria and allowances | **13,772,969** | 13,117,113 | 13,110,558 |
| Share-based payment | **3,919,008** | 3,732,389 | 3,730,524 |
| | **P 278,164,935** | P 264,918,985 | P 264,741,615 |

### *30.8 Retirement Plan*

The Group's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and composition of the plan assets as of December 31, 2021 and 2020 is shown in Note 27.3. As of December 31, 2021 and 2020, the retirement plan has no investment in shares of stocks of the Parent Company and other listed related parties.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The details of the contributions of the Group and the benefits paid out by the plan are presented in Note 27.3.

### *30.9 Sale of Subsidiaries*

In 2016, the Parent Company disposed its equity share in CSC to Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC), and in CISC to ULI. Total consideration of the sale of subsidiaries amounted to P3,000.0 million, in which a total P500.0 million is still receivable as of both December 31, 2021 and 2020. The outstanding receivables arising from the sale of subsidiaries is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statement of financial position (see Note 7) and is unsecured, non-interest bearing and expected to be collected in 2022.

### *30.10 Sale of Services*

The Group entered into a service agreement with certain related parties to temporarily operate and manage the related parties' operations. Total service income recognized in 2021, 2020 and 2019 amounted to P866.7 million, P1,139.3 million and P686.5 million, respectively. The outstanding balance from services rendered to related parties amounted to P3,986.7 million and P3,280.5 million in 2021 and 2020, respectively.

The service income is presented as part of Fuel Service and Other Revenues in the consolidated statements of comprehensive income and the related outstanding receivables are presented as part of Non-trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (Note 7). The outstanding balances are unsecured, non-interest bearing, payable on demand and normally settled in cash.

### *30.11 Advances for Option to Purchase Properties*

In 2020, DUTA entered into a Reservation with Option Agreement with Global Gateway Development Corporation (GGDC) for the purchase of the leasehold rights over the 22,000 sqm. property of GGDC in Clark Global City. The advances for option to purchase properties made by DUTA to GGDC will be applied to the payment for the future purchase of property. The related advances are presented as part of Advances to suppliers under Other Non-current Assets in the 2020 consolidated statement of financial position (see Note 17).

In 2021, the plan to purchase leasehold rights over the 22,000 sqm. property of GGDC was cancelled. The full amount of advances to suppliers amounting to P2,352.9 million remained outstanding as of December 31, 2021 and was reclassified to Advances to suppliers under Trade and Other Receivables in the 2021 consolidated statement of financial position (see Note 7). The full amount of advances will be collected by the DUTA in 2022.

Certain advances to the Group's ultimate parent amounting to P200.0 million were also made in 2019 for the purchase of properties and is presented as part of Advances to suppliers under Other Non-current Assets in the consolidated statement of financial position (see Note 17).

### *30.12 Transfer of Retail Stations*

In 2020, the Group transferred retail stations to certain JVs amounting to P438.6 million (see Note 18), part of which amounting to P14.9 million was invested in FEC (see Note 14.2). In 2021, certain retail stations of the Group with carrying amount of P57.7 million were transferred to the JVs at cost (see Note 18).

The related receivable from the sale of the retail stations amounting to P368.6 million and P403.0 million is still outstanding as of December 31, 2021, and 2020, respectively, and is presented as part of Non-trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7). The receivable is non-interest bearing, due on demand, to be settled in cash, and is secured by the related retail stations.

### *30.13 Donation*

The Group granted P7.4 million, P14.3 million and P22.7 million donations to Udenna Foundation, Inc. in 2021, 2020 and 2019, respectively. These are presented as Donations and Contributions under the Selling and Administrative expenses account in the consolidated statements of comprehensive income (see Note 25).

## 31. EQUITY

### *31.1 Capital Stock*

Capital stock consists of:

| | Shares | | | Amount | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| Preferred – cumulative, nonvoting, non-participating, non-convertible into common shares - P1 par value | | | | | | |
| Authorized: | **50,000,000** | 50,000,000 | 50,000,000 | **P 50,000,000** | P 50,000,000 | P 50,000,000 |
| Issued: | | | | | | |
| Balance at beginning of year | **37,000,000** | 37,000,000 | 32,000,000 | **P 37,000,000** | P 37,000,000 | P 32,000,000 |
| Issuance during the year | **-** | - | 7,000,000 | **-** | - | 7,000,000 |
| Redemption | **( 12,500,000)** | ( 12,500,000) | ( 2,000,000) | **( 12,500,000)** | ( 12,500,000) | ( 2,000,000) |
| Balance at end of year | **24,500,000** | 24,500,000 | 37,000,000 | **24,500,000** | 24,500,000 | 37,000,000 |
| Treasury shares | **( 10,000,000)** | ( 10,000,000) | ( 10,000,000) | **( 10,000,000)** | ( 10,000,000) | ( 10,000,000) |
| Issued and outstanding | **14,500,000** | 14,500,000 | 27,000,000 | **P 14,500,000** | P 14,500,000 | P 27,000,000 |

| | Shares | | | Amount | | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2020** | 2019 | 2018 |
| Common – P1 par value | | | | | | |
| Authorized: | **2,500,000,000** | 2,500,000,000 | 2,500,000,000 | **P2,500,000,000** | P2,500,000,000 | P2,500,000,000 |
| Issued: | | | | | | |
| Balance at beginning of year | **1,438,977,232** | 1,437,204,232 | 1,434,304,232 | **P1,438,977,232** | P1,437,204,232 | P1,434,304,232 |
| Issuance during the year | **2,938,100** | 1,773,000 | 2,900,000 | **2,938,100** | 1,773,000 | 2,900,000 |
| Balance at end of year | **1,441,915,332** | 1,438,977,232 | 1,437,204,232 | **1,441,915,332** | 1,438,977,232 | 1,437,204,232 |
| Treasury shares | | | | | | |
| Balance at beginning of year | **-** | ( 31,000,000) | ( 31,000,000) | **-** | ( 344,300,000) | ( 344,300,000) |
| Sale of treasury shares | **-** | 31,000,000 | - | **-** | 344,300,000 | - |
| Balance at end of year | **-** | - | ( 31,000,000) | **-** | - | ( 344,300,000) |
| Issued and outstanding | **1,441,915,332** | 1,438,977,232 | 1,406,204,232 | **P1,441,915,332** | P1,438,977,232 | P1,092,904,232 |
| | | | | **P1,456,415,332** | P1,453,477,232 | P1,119,904,232 |

*(b)* On April 23, 2012, the SEC approved the Parent Company's increase in authorized capital stock from P800.0 million divided into 750.0 million common shares with a par value of P1 and P50.0 million preferred shares with par value of P1 per share to P2,550.0 million divided into 2,500.0 common shares with par value of P1 per share and 50.0 million preferred shares with par value of P1 per share.

*(c)* In 2016, the Parent Company's BOD approved the buy-back share program of PNX (common) shares of up to P450.0 million. In various dates in 2016, the Parent Company purchased its 54.4 million of its shares with corresponding total cost of P330.7 million.

*(d)* In 2017, the Parent Company purchased 15.8 million of its shares with corresponding total cost of P109.4 million. Subsequently, the Parent Company sold all of its treasury shares amounting to P440.1 million. The total consideration received on November 6, 2017 for the sale of treasury shares amounted to P807.2 million which resulted to an additional paid-in capital of P367.1 million (see Note 31.4).

*(e)* In 2018, the Parent Company purchased a total of 31.0 million of its common shares with corresponding total cost of P344.3 million.

*(f)* On December 20, 2013, the Parent Company redeemed the preferred shares issued in 2010 (1st and 2nd tranche) and re-issued the same amount of P5.0 million (5.0 million shares at P1 par value).

The preferred shares shall have the following features as provided in the subscription agreement:

- Non-convertible into common shares;

- Non-participating in any other corporation activities or other further dividends, non-voting, except in cases specified by law;

- No pre-emptive rights over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The BOD shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; and,

- The preferred shares shall be redeemable at the Parent Company's option under such terms as the BOD may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

- Dividends on the preferred shares shall have a fixed rate of 8.25% per annum calculated in respect of each share with reference to the Issue Price thereof in respect to each dividend period.

- Dividends shall be payable every September 21, December 21, March 21 and June 21 of each year (each a “Dividend Payment Date”). The dividends onthe Preferred Shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each 3-month dividend period (each a Dividend Payment Date), as and if declared by the BOD. If the Dividend Payment Date is not a banking day, dividends shall be paid on the next succeeding banking day, without adjustment as to the amounts of dividends to be paid.

- The preferred shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of liquidation and dissolution of the Parent Company. As such, the BOD to the extent permitted by law shall declare dividends each quarter sufficient to pay the equivalent dividend. Dividends on the shares shall be cumulative. If for any reason the Parent Company’s BOD does not declare a dividend on the Preferred Shares for a particular dividend period, the Parent Company shall not pay a dividend for said dividend period. However, on any future Dividend Payment Date on which dividends are declared, the holders of the shares shall receive the dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date. Holders of Preferred Shares shall not be entitled to participate in any other further dividends beyond the dividends specifically payable on the Preferred Shares.

Moreover, the subscription agreement requires that the Parent Company undertakes to maintain a debt-to-equity ratio of 3:1 throughout the life of the preferred shares. The Parent Company complied with this requirement in all applicable years presented.

*(g)* On December 18, 2015, the Parent Company issued and listed its 20.0 million perpetual preferred shares (P1.0 par value) Series 3 with the PSE (the 3rd tranche). The preferred shares’ offer price is P100 per share and issued to various subscribers in two subseries – PNX3A and PNX3B (see Note 31.2).

The 3rd tranche of preferred shares have the same features with the 1st and 2nd tranche of preferred shares except for the following:

| | | |
|---|---|---|
| Dividend rates: | PNX3A | 7.43% per annum |
| | PNX3B | 8.11% per annum |

Dividend payment dates: Dividends shall be payable on March 18, June 18, September 18 and December 18 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company’s BOD.

The subscription agreement does not include financial, affirmative and negative covenants.

*(h)* On December 3, 2018, the Parent Company entered into a Subscription Agreement for a perpetual preferred shares with RCBC Capital Corporation, which was taken from the unissued portion of the authorized capital stock of the Parent Company. The preferred shares with the same features under Note 31.1*(e)* were issued on December 5, 2018. The issuance was by way of private placement of P2,000.0 million, consisting of 2,000.0 million preferred shares at an offered price of P1,000.0 per share. Initial dividend rate is at 8.25% per annum. The subscription agreement does not include financial, affirmative and negative covenants.

*(i)* On November 7, 2019, the Parent Company issued and listed its 7.0 million perpetual preferred shares (P1.0 par value) Series 4 with the PSE. The preferred shares’ offer price is P1,000.00 per share and issued to various subscribers (see Note 31.2).

The Series 4 of preferred shares have the same features with the 3 tranches of preferred shares except for the following:

Dividend rates: PNX4 7.5673% per annum (Initial dividend rate)

Unless the preferred shares are redeemed by the Parent Company on the 3rd anniversary of the issue date, the applicable dividend rate shall be adjusted to the higher of the initial dividend rate and the simple average of the yield designated as “Final BVAL YTM” for the 7-year Republic of the Philippines peso-denominated domestic government bonds, for three (3) business days immediately preceding (and including) the 3rd anniversary of the issue date plus 850 basis points.

Dividend payment dates: Dividends shall be payable on February 7, May 7, August 7 and November 7 on each year. The dividends on these shares shall be calculated on a 30/360 day basis and shall be paid quarterly in arrears on the last day of each three-month dividend period based on the offer price calculated in respect of each share for each dividend period, as and if declared by the Parent Company’s BOD.

*(j)* On December 18, 2020, the Parent Company redeemed its listed perpetual preferred shares Series 3 Tranche A at P100.00 per share (see Notes 31.2 and 31.4).

The subscription agreement does not include financial, affirmative and negative covenants.

### *31.2 Listing with PSE*

On July 11, 2007, the Parent Company offered a portion of its common stocks for listing with the PSE. Number of common shares registered was 29.0 million with an issue price of P9.80.

The Parent Company’ successfully listed its perpetual preferred shares Series 3 with the PSE on December 18, 2015 (see Note 31.1).

On November 7, 2019, the Parent Company has listed its Series 4 preferred shares with the PSE (see Note 31.1).

On December 18, 2020, the Parent Company redeemed is listed perpetual preferred shares Series 3 Tranche A at P100.00 per share (see Notes 31.1 and 31.4).

The market prices of the shares as of December 31 are as follows:

| | | **2021** | | 2020 | | 2019 |
|---|---|---|---|---|---|---|
| PNX (Common) | **P** | **10.86** | P | 12.50 | P | 11.94 |
| PNX 3A (Preferred) | | **-** | | - | | 100.60 |
| PNX 3B (Preferred) | | **102.50** | | 103.60 | | 106.70 |
| PNX 4 (Preferred) | | **998.00** | | 1,007.00 | | 1,022.00 |

### *31.3 Track Registration of Shares*

The number of shareholders as of December 31 are as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Common | **60** | 65 | 62 |
| Preferred | | | |
| a) First tranche | **-** | - | - |
| b) Second tranche | **1** | 1 | 1 |
| c) PNX 3A | **-** | - | 5 |
| d) PNX 3B | **4** | 4 | 4 |
| e) PNX 4 | **5** | 5 | 3 |

In accordance with the Revised Securities Regulation Commission Rule 68, Annex 68-K; presented below is a summary of the Parent Company's track record of registration of securities.

| Transaction | Type of Stock Common or Preferred | No. of Shares Registered | Issue/Offer Price and Par Value | | Date of Approval | Issued and Outstanding |
|---|---|---|---|---|---|---|
| Registered, not listed | Common | 10,000,000 | P 1 | Par value | 1/11/2004 | 2,500,000 |
| | | | 1 | Issue price | | |
| Registered, not listed | Common | 40,000,000 | 1 | Par value | 1/12/2006 | 25,000,000 |
| | | | 1 | Issue price | | |
| Registered, not listed | Common | 50,000,000 | 1 | Par value | 8/7/2006 | 13,500,000 |
| | | | 1 | Issue price | | |
| Registered, not listed | Common | 300,000,000 | 1 | Par value | 12/29/2006 | 75,000,000 |
| | | | 1 | Issue price | | |
| Initial public offering | Common | | 1 | Par value | 7/11/2007 | 29,000,000 |
| | | | 9.80 | Issue price | | |
| 30% stock dividends | Common | | 1 | Par value | 8/6/2008 | 43,000,198 |
| 40% stock dividends | Common | | 1 | Par value | 8/3/2009 | 73,660,476 |
| Placement SSS | Common | | 1 | Par value | 11/13/2009 | 7,500,000 |
| | | | 5.60 | Issue price | | |
| Increase | Common | 350,000,000 | 1 | | 9/7/2010 | |
| Increase | Preferred | 50,000,000 | 1 | | 9/7/2010 | |
| 40% stock dividends | Common | | 1 | | 10/20/2010 | 107,664,266 |
| 30% stock dividends | Common | | 1 | | 5/6/2011 | 113,047,475 |
| Increase | Common | 1,750,000,000 | 1 | | 4/23/2012 | |
| 50% stock dividends | Common | | 1 | | 4/26/2012 | 244,936,203 |
| CSC Acquisitions | Common | | 1 | Par value | 9/6/2012 | 171,250,798 |
| | | | 1.01 | Issue price | | |
| Placements | Common | | 1 | Par value | 3/11/2013 | 130,000,000 |
| | | | 9.40 | Issue price | | |
| 30% stock dividends | Common | | 1 | | 6/10/2013 | 329,717,816 |
| Payment for PPHI subscription | Common | | 1 | Par value | 10/8/2013 | 63,000,000 |
| | | | 5.10 | Issue price | | |
| Issuance | Preferred | | 1 | Par value | 9/21/2010 | 5,000,000 |
| | | | 100 | Issue price | | |
| Redeemed treasury shares | Treasury Shares | | 1 | | 12/20/2013 | ( 5,000,000 ) |
| Issuance | Preferred | | 1 | Par value | 12/20/2013 | 5,000,000 |
| Issuance | Preferred | | 1 | Par value | 12/18/2015 | 20,000,000 |
| | | | 100 | Issue price | | |
| Redeemed treasury shares | Common | | 1 | | 5/31/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | | 6/13/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | | 6/21/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | | 6/23/2016 | ( 1,100,000 ) |
| Redeemed treasury shares | Common | | 1 | | 6/27/2016 | ( 250,000 ) |
| Redeemed treasury shares | Common | | 1 | | 6/28/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | | 6/30/2016 | ( 900,000 ) |
| Redeemed treasury shares | Common | | 1 | | 7/1/2016 | ( 897,700 ) |
| Redeemed treasury shares | Common | | 1 | | 7/4/2016 | ( 1,900 ) |
| Redeemed treasury shares | Common | | 1 | | 7/5/2016 | ( 498,900 ) |
| Redeemed treasury shares | Common | | 1 | | 7/7/2016 | ( 228,400 ) |
| Redeemed treasury shares | Common | | 1 | | 7/8/2016 | ( 2,650,000 ) |
| Redeemed treasury shares | Common | | 1 | | 7/11/2016 | ( 4,001,700 ) |
| Redeemed treasury shares | Common | | 1 | | 7/12/2016 | ( 2,000,000 ) |
| Redeemed treasury shares | Common | | 1 | | 7/14/2016 | ( 3,000,000 ) |
| *(Amounts carried forward)* | | 2,550,000,000 | | | | P1,436,248,632 |

| Transaction | Type of Stock Common or Preferred | No. of Shares Registered | Issue/Offer Price and Par Value | Date of Approval | Issued and Outstanding |
|---|---|---|---|---|---|
| *(Amounts brought forward)* | | 2,550,000,000 | | | P1,436,248,632 |
| Redeemed treasury shares | Common | | 1 | 7/15/2016 | ( 3,600,700 ) |
| Redeemed treasury shares | Common | | 1 | 7/19/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 7/22/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/1/2016 | ( 150,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/2/2016 | ( 203,600 ) |
| Redeemed treasury shares | Common | | 1 | 8/5/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/11/2016 | ( 200,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/12/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/18/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/19/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/23/2016 | ( 200,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/26/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/30/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 8/31/2016 | ( 287,300 ) |
| Redeemed treasury shares | Common | | 1 | 9/1/2016 | ( 700,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/2/2016 | ( 760,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/6/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/7/2016 | ( 200,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/8/2016 | ( 298,800 ) |
| Redeemed treasury shares | Common | | 1 | 9/9/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/13/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/19/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/20/2016 | ( 300,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/21/2016 | ( 600,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/23/2016 | ( 200,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/26/2016 | ( 100,000 ) |
| Redeemed treasury shares | Common | | 1 | 9/27/2016 | ( 386,600 ) |
| Redeemed treasury shares | Common | | 1 | 9/28/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/3/2016 | ( 1,029,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/4/2016 | ( 700,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/5/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/6/2016 | ( 600,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/7/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/10/2016 | ( 650,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/12/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/13/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/17/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/20/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/21/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/24/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/26/2016 | ( 850,000 ) |
| Redeemed treasury shares | Common | | 1 | 10/27/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 11/2/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 11/7/2016 | ( 300,000 ) |
| Redeemed treasury shares | Common | | 1 | 11/9/2016 | ( 300,000 ) |
| Redeemed treasury shares | Common | | 1 | 11/10/2016 | ( 100,000 ) |
| Redeemed treasury shares | Common | | 1 | 11/16/2016 | ( 100,000 ) |
| Redeemed treasury shares | Common | | 1 | 11/17/2016 | ( 300,000 ) |
| Redeemed treasury shares | Common | | 1 | 12/8/2016 | ( 198,700 ) |
| Redeemed treasury shares | Common | | 1 | 12/9/2016 | ( 700,000 ) |
| *Amounts carried forward)* | | 2,550,000,000 | | | P1,406,233,932 |

| Transaction | Type of Stock Common or Preferred | No. of Shares Registered | Issue/Offer Price and Par Value | Date of Approval | Issued and Outstanding |
|---|---|---|---|---|---|
| *(Amounts brought forward)* | | **2,550,000,000** | | | **P1,406,233,932** |
| Redeemed treasury shares | Common | | 1 | 12/19/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 12/20/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 12/21/2016 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 12/22/2016 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 12/23/2016 | ( 3,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 12/27/2016 | ( 513,100 ) |
| Redeemed treasury shares | Common | | 1 | 12/28/2016 | ( 336,900 ) |
| Redeemed treasury shares | Common | | 1 | 1/4/2017 | ( 300,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/5/2017 | ( 18,800 ) |
| Redeemed treasury shares | Common | | 1 | 1/5/2017 | ( 209,200 ) |
| Redeemed treasury shares | Common | | 1 | 1/9/2017 | ( 111,800 ) |
| Redeemed treasury shares | Common | | 1 | 1/9/2017 | ( 88,200 ) |
| Redeemed treasury shares | Common | | 1 | 1/10/2017 | ( 200,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/10/2017 | ( 300,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/12/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/6/2017 | ( 93,800 ) |
| Redeemed treasury shares | Common | | 1 | 1/6/2017 | ( 206,200 ) |
| Redeemed treasury shares | Common | | 1 | 1/12/2017 | ( 10,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/12/2017 | ( 125,500 ) |
| Redeemed treasury shares | Common | | 1 | 1/12/2017 | ( 14,500 ) |
| Redeemed treasury shares | Common | | 1 | 1/13/2017 | ( 200,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/11/2017 | ( 999,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/11/2017 | ( 107,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/11/2017 | ( 193,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/16/2017 | ( 286,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/17/2017 | ( 200,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/23/2017 | ( 300,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/24/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/25/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/27/2017 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 1/31/2017 | ( 300,000 ) |
| Redeemed treasury shares | Common | | 1 | 2/2/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 2/6/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 2/16/2017 | ( 800,000 ) |
| Redeemed treasury shares | Common | | 1 | 2/23/2017 | ( 750,000 ) |
| Redeemed treasury shares | Common | | 1 | 2/24/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 2/27/2017 | ( 300,000 ) |
| Redeemed treasury shares | Common | | 1 | 3/21/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 3/23/2017 | ( 187,100 ) |
| Redeemed treasury shares | Common | | 1 | 3/27/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 3/31/2017 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 3/31/2017 | ( 1,000,000 ) |
| Redeemed treasury shares | Common | | 1 | 3/31/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 4/12/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 4/18/2017 | ( 500,000 ) |
| Redeemed treasury shares | Common | | 1 | 5/3/2017 | ( 1,000,000 ) |
| Issuance | Common | | 1 | 7/1/2017 | 2,160,000 |
| Issuance | Common | | 1 | 7/1/2017 | 601,000 |
| Sale of treasury shares | Common | | 1 | 11/6/2017 | 70,193,400 |
| *Amounts carried forward)* | | **2,550,000,000** | | | **P1,456,538,232** |

| Transaction | Type of Stock Common or Preferred | No. of Shares Registered | Issue/Offer Price and Par Value | | Date of Approval | Issued and Outstanding |
|---|---|---|---|---|---|---|
| *(Amounts brought forward)* | | 2,550,000,000 | | | | P1,456,538,232 |
| Issuance | Common | | 1 | | 5/23/2018 | 73,000 |
| Issuance | Common | | 1 | | 6/30/2018 | 2,128,000 |
| Redeemed treasury shares | Common | | 1 | | 9/12/2018 | ( 25,000,000 ) |
| Issuance | Common | | 1 | | 9/30/2018 | 447,000 |
| Redeemed treasury shares | Common | | 1 | | 11/21/2018 | ( 3,500,000 ) |
| Redeemed treasury shares | Common | | 1 | | 11/21/2018 | ( 2,500,000) |
| Issuance | Preferred | | 1 | Par value | 12/5/2018 | 2,000,000 |
| | | | 1,000 | Issue price | | |
| Issuance | Common | | 1 | | 12/31/2018 | 118,000 |
| Redeemed treasury shares | Treasury Shares | | 1 | | 12/20/2018 | ( 5,000,000 ) |
| Issuance | Common | | 1 | Par value | 7/1/2019 | 2,572,000 |
| Redeemed treasury shares | Preferred | | 1 | Par value | 8/15/2019 | ( 500,000 ) |
| | | | 1,000 | Issue price | | |
| Issuance | Common | | 1 | Par value | 11/4/2019 | 328,000 |
| Redeemed treasury shares | Preferred | | 1 | Par value | 11/6/2019 | ( 1,500,000 ) |
| | | | 1,000 | Issue price | | |
| Issuance | Preferred | | 1 | Par value | 11/8/2019 | 7,000,000 |
| | | | 1,000 | Issue price | | |
| Issuance | Common | | 1 | Par value | 7/31/2020 | 1,773,000 |
| Sale of treasury shares | Treasury Shares | | 1 | | 12/1/2020 | 31,000,000 |
| Redeemed preferred shares | Preferred | | 1 | Par value | 12/18/2020 | ( 12,500,000 ) |
| Issuance | Common | | 1 | Par value | 3/31/2021 | 811,000 |
| Issuance | Common | | 1 | Par value | 9/22/2021 | 1,773,900 |
| Issuance | Common | | 1 | Par value | 12/29/2021 | 353,200 |
| **Total** | | 2,550,000,000 | | | | P1,456,415,332 |

### *31.4 Additional Paid-in Capital*

In 2021, the Parent Company issued 2.9 million of its common shares for a total consideration amounting to P25.6 million. Additional paid in capital as a result of the issuance amounted to P22.7 million. The fair value of stock options exercised in 2021, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P3.3 million, which is computed at P3.05 per stock option.

On December 18, 2020, the Parent Company redeemed its listed perpetual preferred shares Series 3 Tranche A at P100.00 per share for a total consideration paid of P1,250.0 million (see Notes 31.1 and 31.2). The payment in excess of the par value of the redeemed share was recorded as reduction under the Additional Paid-in Capital account amounting to P1,237.5 million.

On December 1, 2020, the Parent Company sold 31,000,000 treasury common shares at market price of P12.50 per share, at the exchange facilities, resulting to an additional premium of P43.2 million (see Note 31.1).

In 2020, the Parent Company issued 1.8 million of its common shares at exercise price of P5.68 per stock option resulting in additional premium of P13.7 million (Notes 31.1 and 31.7). The fair value of stock options exercised in 2020, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P5.4 million, which is computed at P3.05 per stock option.

In 2019, the Parent Company issued 7.0 million of its preferred shares at P1,000.00 per share. Premiums received in excess of the par value amounting to P6,784.7 million, net of stock issue cost of P208.3 million, were recorded as part of Additional Paid-in Capital account in the 2019 consolidated statement of financial position. In addition, the Parent Company also redeemed 2.0 million shares at P1,000.0 per share for a total consideration paid of P2,000.0 million. The payment in excess of the par value of the redeemed share was recognized as reduction under the Additional Paid-in Capital account amounting to P1,998.0 million.

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Also, in 2019, the Parent Company issued 2.9 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P22.4 million (Notes 31.1 and 31.7). The fair value of stock options exercised in 2019, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P8.9 million, which is computed at P3.05 per stock option.

In 2018, the Parent Company issued 2.0 million of its preferred shares at P1,000.0 per share. Premiums received in excess of the par value amounting to P1,998.0 million were recorded as part of Additional Paid-in Capital account in the 2018 consolidated statement of financial position. In addition, the Parent Company also redeemed 5,000.0 million shares at P100.0 per share for a total consideration paid of P500.0 million. The payment in excess of the par value of the redeemed share was recorded as reduction under the Additional Paid-in Capital account amounting to P495.0 million.

In 2018 and 2017, the Parent Company issued 2.8 million of its common shares at exercise price of P5.68 per stock option resulting to an additional premium of P21.4 million and P12.9 million, respectively (see Notes 31.1 and 31.7). The fair value of stock options exercised in 2018 and 2017, which was previously recorded as part of Retained Earnings was reclassified to Additional Paid-in Capital account in the consolidated statements of financial position. The total amount reclassified from Retained Earnings amounted to P8.4 million, which is computed at P3.05 per stock option.

In 2017, the Parent Company redeemed 70.2 million of its treasury shares at a total cost of P807.2 million. Premiums received in excess of the cost of treasury shares amounting to P367.1 million were recorded under Additional Paid-in Capital account in the 2017 consolidated statement of financial position (see Note 31.1).

In 2015, the Parent Company issued 20.0 million of its preferred shares at P100.0 per share. Premiums received in excess of the par value during the public offering amounting to P1,952.9 million were recorded under Additional Paid-in Capital account in the 2015 consolidated statement of financial position.

In 2013, the Parent Company issued 130.0 million of its common shares at P9.40 per share and 63.0 million common shares at P5.10 per share. The excess of the par value for such subscriptions amounting to P1,350.3 million was recorded as part of Additional Paid-in Capital account in the 2013 consolidated statement of changes in equity. In addition, direct cost of the share issuances amounting to P34.1 million was deducted from the Additional Paid-in Capital account.

In 2012, the Parent Company issued 171.3 million shares in favor of Udenna Management and Resources Corporation (UMRC) in relation to the share-for-share swap acquisition of Chelsea Shipping Corporation (CSC). The business combination under common control was accounted for under pooling of interest-type method. The excess of par value of such issuance amounted to P1,248.9 million was recorded as part of the beginning balance of the Additional Paid-in Capital account.

In 2010, the Parent Company issued 5.0 million of its preferred shares at P100 per share. The excess of par value for such subscription amounting to P495.0 million was recorded as part of Additional Paid-in Capital account in the consolidated statements of financial position. In addition, the excess of the selling price over the acquisition cost of the treasury shares sold in 2010 also constitutes the Additional Paid-in Capital account. The preferred shares issued in 2010 were redeemed on December 20, 2013 and on the same date, the same share and value of preferred shares were issued, except for the reduced rate.

In 2009, the Social Security System has bought an initial 2.83% stake in the Parent Company representing 7.5 million subscribed common shares for P42.0 million or at P5.60 per share. The excess of par value for such subscription amounting to P34.5 million was recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

In 2007, the Parent Company listed its shares of stock with PSE. Premiums received in excess of the par value during the public offering amounting to P227.1 million were recorded under Additional Paid-in Capital account in the consolidated statements of financial position.

### 31.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

| | Revaluation of Land | Actuarial Gain or Loss on Defined Benefit Obligation | Accumulated Translation Adjustment | Total |
|---|---|---|---|---|
| Balance as of January 1, 2021 | P 2,223,302,268 | (P 99,093,818 ) | (P 131,737,522 ) | P 1,992,470,928 |
| Revaluation increment | 445,022,305 | - | - | 455,022,305 |
| Remeasurements of post-employment defined benefit obligation | - | 17,250,952 | - | 17,250,952 |
| Translation adjustment | - | - | 1,435,082 | 1,435,082 |
| Tax expense | ( 111,255,576 ) | ( 4,312,738 ) | - | ( 115,568,314 ) |
| Other comprehensive income (loss) after tax | 2,503,598,562 | ( 86,155,604 ) | ( 130,302,440 ) | 2,287,140,518 |
| Translation adjustment attributable to non-controlling interests | - | - | 21,396,633 | 21,396,633 |
| Balance as of December 31, 2021 | **P 2,557,068,997** | **(P 86,155,604 )** | **(P 108,905,807 )** | **P 2,362,007,586** |
| Balance as of January 1, 2020 | P 1,387,166,088 | (P 54,304,691 ) | (P 44,799,122 ) | P 1,288,062,275 |
| Revaluation increment | 1,194,480,257 | - | - | 1,194,480,257 |
| Remeasurements of post-employment defined benefit obligation | - | ( 63,984,467 ) | - | ( 63,984,467 ) |
| Translation adjustment | - | - | ( 87,219,875 ) | ( 87,219,875 ) |
| Tax income (expense) | ( 358,344,077 ) | 19,195,340 | - | ( 339,148,737 ) |
| Other comprehensive income (loss) after tax | 836,136,180 | ( 44,789,127 ) | ( 87,219,875 ) | 704,127,178 |
| Translation adjustment attributable to non-controlling interests | - | - | 281,475 | 281,475 |
| Balance as of December 31, 2020 | P 2,223,302,268 | (P 99,093,818 ) | (P 131,737,522 ) | P 1,992,470,928 |
| Balance as of January 1, 2019 | P 1,284,654,730 | (P 26,381,802 ) | P 24,928,394 | P 1,283,201,322 |
| Revaluation increment | 217,423,972 | - | - | 217,423,972 |
| Remeasurements of post-employment defined benefit obligation | - | ( 39,889,840 ) | - | ( 39,889,840 ) |
| Translation adjustment | - | - | ( 69,712,613 ) | ( 69,712,613 ) |
| Tax income (expense) | ( 65,227,191 ) | 11,966,951 | - | ( 53,260,240 ) |
| Other comprehensive income (loss) after tax | 152,196,781 | ( 27,922,889 ) | ( 69,712,613 ) | 54,561,279 |
| Transfer to retained earnings due to change in the use of land (see Notes 11 and 16) | ( 49,685,423 ) | - | - | ( 49,685,423 ) |
| Translation adjustment attributable to non-controlling interests | - | - | ( 14,903 ) | ( 14,903 ) |
| | ( 49,685,423 ) | - | ( 14,903 ) | ( 49,700,326 ) |
| Balance as of December 31, 2019 | P 1,387,166,088 | (P 54,304,691 ) | (P 44,799,122 ) | P 1,288,062,275 |

### 31.6 Retained Earnings

In 2021, a total of P589.3 million cash dividends were declared by the Parent Company's BOD and distributed to 2nd, 3rd and 4th tranche preferred stockholders. No cash dividends on common shares and stock dividends were declared and distributed in 2021.

In 2020, a total of P683.3 million cash dividends were declared by the Parent Company's BOD and distributed to 2nd, 3rd and 4th tranche preferred stockholders. No cash dividends on common shares and stock dividends were declared and distributed in 2020.

On March 14, 2019, the Parent Company's BOD approved the declaration and payment of common share cash dividends of 15 centavos per share totalling to P210.5 million, record date of April 8, 2019. A total of P312.5 million cash dividends were also declared and distributed to 2nd and 3rd tranche, and private placement preferred stockholders in 2019. No stock dividends were declared and distributed in 2019.

The Group's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

### *31.7 ESOP*

On January 24, 2013, the Parent Company's BOD approved the ESOP for its eligible employees.

The initial offering date of the option was on July 1, 2016 and will vest five years from the date of grant. Pursuant to this ESOP, on July 1, 2016, the Parent Company granted share options to certain key executives to subscribe to 24.5 million common shares of the Parent Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.68 per share.

Stock options were granted in two tranches until July 1. 2021. The allocation for Tranche 1 every year was computed at 10.0% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 was 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 Parent Company's shares over a period of time consistent with the option life.

A total of P3.1 million, P7.7 million and P8.9 million share-based executive compensation is recognized in 2021, 2020 and 2019, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in the consolidated statements of comprehensive income, (see Note 27.2) with a corresponding credit to Retained Earnings account.

### *31.8 Capital Management Objectives, Policies and Procedures*

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and,
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

| | **2021** | 2020 |
|---|---|---|
| Total liabilities | **P 65,118,184,811** | P 61,371,130,390 |
| Total equity | **20,479,443,461** | 21,161,333,787 |
| Debt-to-equity ratio | **3.2 : 1.0** | 2.9 : 1.0 |

In 2021, the increase in total liabilities is attributable to the increase of trade payables amounting to P6.5 million due to the increase in inventory levels as a result of easing COVID-19 travel and community restrictions. The decrease in equity is due to cash dividends declared to preference shares during the year and the absorption of net loss during the year.

The Group's goal in capital management is to maintain a debt-to-equity structure ratio that is in line with the Group's covenants related to its bank borrowings. As of December 31, 2021, the Group was able to comply with the outstanding debt covenants with the Bank using the separate audited financial statements of the Parent Company and PLPI (see Note 19.2).

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## 32. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share were computed as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| *a)* Net profit (loss) pertaining to common shares | **(P 1,053,089,324)** | (P 488,940,386) | P 803,551,296 |
| *b)* Net profit (loss) attributable to common shares and potential common shares | **( 1,053,089,324)** | ( 488,940,386) | 803,551,296 |
| *c)* Weighted average number of outstanding common shares | **1,440,265,058** | 1,438,191,470 | 1,404,437,174 |
| *d)* Weighted average number of outstanding common and potential common shares | **1,440,791,113** | 1,438,435,515 | 1,405,612,929 |
| Basic earnings (loss) per share (a/c) | **(P 0.73)** | (P 0.34) | P 0.57 |
| Diluted earnings (loss) per share (b/d) | **(P 0.73)** | (P 0.34) | P 0.57 |

Net profit (loss) pertaining to common shares is the remaining net profit (loss) attributable to the Parent Company after deducting annual dividends on outstanding preferred shares.

The potential dilutive common shares totalling 526,055, 244,045 and 1,175,755 shares in relation to the unexercised share warrants were considered in the computation of diluted EPS in 2021, 2020 and 2019.

## 33. SEGMENT REPORTING

### *33.1 Business Segments*

In identifying its operating segments, management generally follows the Group's product and service lines, which represent the main products and services provided by the Group, namely fuels and lubricant sales (trading segment), depot and logistics services, shipping and cargo services and real estate sales. These are also the bases of the Group in reporting its primary segment information.

*(a)* Trading segment is engaged in marketing, merchandising, purchasing, selling, dealing, acquiring, disposing and distribution of goods and wares such as but not limited to petroleum products (on wholesale basis), adhesives, glues, bonding agents, epoxy resins, lubricants and other products.

*(b)* Depot and logistics services segment is engaged in operating of oil depots, storage facilities and provides logistics services to various entities.

*(c)* Real estate segment is involved in real estate development, management and operations.

### *33.2 Segment Assets and Liabilities*

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, and other assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, and other liabilities. Segment assets and liabilities do not include deferred tax assets or liabilities.

### *33.3 Intersegment Transactions*

Segment revenues, expenses and performance include sales and purchases between segments and between geographical segments. Such sales and purchases are eliminated upon combination.

The tables presented in the succeeding page present revenue and profit information regarding business segments of the Group for the years ended December 31, 2021 and 2020 and certain asset and liability information regarding industry segments as of December 31, 2021 and 2020 (in thousands).

| | Sale of Goods Trading | | | Fuel Service and Other Revenue Depot and Logistics | | | Real Estate | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| **TOTAL REVENUES** | | | | | | | | | | | | |
| Sales to external customers | **P130,578,125** | P 76,771,358 | P 96,501,653 | **P 1,521,960** | P 1,398,597 | P 1,205,745 | **P 183,993** | P 129,556 | P 115,711 | **P 132,284,078** | P 78,299,511 | P 97,823,109 |
| Intersegment sales | **20,076,753** | 23,580,070 | 42,720,298 | **152,357** | 366,243 | 333,355 | **25,424** | 32,016 | 18,519 | **20,254,534** | 23,978,329 | 43,072,172 |
| Total revenues | **150,654,878** | 100,351,428 | 139,221,951 | **1,674,317** | 1,764,840 | 1,539,100 | **209,417** | 161,572 | 134,230 | **152,538,612** | 102,277,840 | 140,895,281 |
| **COSTS AND OTHER OPERATING EXPENSES** | | | | | | | | | | | | |
| Cost of sales and services excluding depreciation and amortization | **147,229,957** | 97,989,820 | 134,268,949 | **1,745,082** | 1,674,917 | 674,835 | **173,966** | 7,910 | 20,882 | **148,879,005** | 99,672,647 | 134,964,666 |
| Depreciation and amortization | **1,303,621** | 1,312,584 | 1,429,361 | **24,146** | 48,844 | 6,849 | **2,829** | 165 | 649 | **1,330,596** | 1,361,593 | 1,436,859 |
| | **148,533,578** | 99,302,404 | 135,698,310 | **1,499,228** | 1,723,761 | 681,684 | **176,795** | 8,075 | 21,531 | **150,209,601** | 101,034,240 | 136,401,525 |
| **SEGMENT OPERATING PROFIT** | **P 2,121,300** | P 1,049,024 | P 3,523,641 | **P 175,089** | P 41,079 | P 857,416 | **P 32,622** | P 153,497 | P 112,699 | **P 2,329,011** | P 1,243,600 | P 4,493,756 |
| **ASSETS AND LIABILITIES** | | | | | | | | | | | | |
| Segment assets | **P 98,525,496** | P 93,589,655 | | **P 1,820,097** | P 3,005,150 | | **P 5,504,055** | P 4,642,999 | | **P 105,849,648** | P 101,237,804 | |
| Segment liabilities | **75,777,144** | 70,220,127 | | **1,586,389** | 2,396,149 | | **2,384,178** | 4,511,459 | | **79,747,711** | 77,127,735 | |
| **OTHER SEGMENT INFORMATION** | | | | | | | | | | | | |
| Interest expense | **P 2,339,251** | P 2,025,572 | P 2,582,919 | **P -** | P - | P - | **P -** | P 312 | P 80,990 | **P 2,339,251** | P 2,025,884 | P 2,663,909 |
| Interest income | **78,156** | 53,595 | 32,307 | **-** | - | - | **35** | ( 122) | 3,110 | **78,191** | 53,471 | 35,417 |
| Income tax expense | **698,300** | 64,038 | 338,042 | **18,122** | - | 4,310 | **2,368** | 8,357 | 5,307 | **718,790** | 72,395 | 347,659 |
| Equity share in net income of joint venture | **4,103** | 92,620 | 16,510 | **15,759** | 2,243 | - | **-** | - | - | **19,862** | 94,863 | 16,510 |
| Fair value loss on financial liabilities at FVTPL | **540,620** | ( 262,797) | 464,161 | **-** | - | - | **-** | - | - | **540,620** | ( 262,797) | 464,161 |

### 33.4 Reconciliations

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

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | | | |
| Total segment revenues | **P 152,538,612** | P 102,277,840 | P 140,895,281 |
| Elimination of intersegment revenues | **( 20,254,534)** | ( 23,978,329) | ( 43,072,172) |
| Revenues as reported in profit or loss | **P 132,284,078** | P 78,299,511 | P 97,823,109 |
| **Profit or loss** | | | |
| Segment operating profit | **P 2,329,011** | P 1,243,600 | P 4,493,756 |
| Fair value gains (losses) on investment properties | **86,838** | 42,780 | ( 474) |
| Equity share in net income of joint ventures | **19,862** | 94,863 | 16,510 |
| Other unallocated income (expense) | **( 791)** | 131,406 | 12,100 |
| Operating profit as reported in profit or loss | **2,434,920** | 1,512,649 | 4,521,892 |
| Finance costs | **( 3,698,952)** | ( 2,036,729) | ( 2,838,295) |
| Finance income | **79,063** | 359,794 | 86,596 |
| Profit (loss) before tax as reported in profit or loss | **(P 1,184,969)** | (P 164,286) | P 1,770,193 |
| **Assets** | | | |
| Segment assets | **P 105,849,648** | P 101,237,804 | |
| Right-of-use assets – net | **1,009,821** | 792,829 | |
| Deferred tax assets – net | **1,016,669** | 494,377 | |
| Elimination of intercompany accounts | **( 22,278,510)** | ( 19,992,546) | |
| Total assets reported in the consolidated statements of financial position | **P 85,597,628** | P 82,532,464 | |
| **Liabilities** | | | |
| Segment liabilities | **P 79,747,711** | P 77,127,735 | |
| Lease liabilities | **1,108,665** | 984,401 | |
| Deferred tax liabilities – net | **917,126** | 1,053,701 | |
| Elimination of intercompany accounts | **( 16,655,317)** | ( 17,794,707) | |
| Total liabilities as reported in the consolidated statements of financial position | **P 65,118,185** | P 61,371,130 | |

### 33.5 Geographical Segments

The Group has identified three geographical areas as operating segments, which represent the location of the Group's operations in 2021, 2020 and 2021. The Group is operating in the Philippines, Singapore and Vietnam.

Presented below are the reportable geographical segments of the Group (in thousands).

| | Philippines | Singapore | Vietnam | Total |
|---|---|---|---|---|
| **December 31, 2021** | | | | |
| **TOTAL REVENUES** | | | | |
| Sales to external customers | P 66,138,780 | P 61,920,971 | P 4,224,327 | P 132,284,078 |
| Intersegment sales | 40,775 | 20,213,759 | - | 20,254,534 |
| Total revenues | 66,179,555 | 82,134,730 | 4,224,327 | 152,538,612 |
| **COSTS AND OTHER OPERATING EXPENSES** | | | | |
| Cost of sales and services excluding depreciation and amortization | 62,655,552 | 82,038,689 | 4,184,765 | 148,879,006 |
| Depreciation and amortization | 1,242,981 | 70,146 | 17,468 | 1,330,595 |
| | 63,898,533 | 82,108,835 | 4,202,233 | 150,209,601 |
| **SEGMENT OPERATING PROFIT** | **P 2,281,022** | **P 25,895** | **P 22,094** | **P 2,329,011** |
| **ASSETS AND LIABILITIES** | | | | |
| Segment assets | P 95,533,197 | P 9,529,612 | P 786,838 | P 105,849,648 |
| Segment liabilities | 71,581,444 | 7,405,567 | 760,700 | 79,747,711 |
| December 31, 2020 | | | | |
| TOTAL REVENUES | | | | |
| Sales to external customers | P 48,296,115 | P 26,786,974 | P 3,216,422 | P 78,299,511 |
| Intersegment sales | 443,437 | 23,534,892 | - | 23,978,329 |
| Total revenues | 48,739,552 | 50,321,866 | 3,216,422 | 102,277,840 |
| COSTS AND OTHER OPERATING EXPENSES | | | | |
| Cost of sales and services excluding depreciation and amortization | 46,455,975 | 50,004,900 | 3,211,771 | 99,672,647 |
| Depreciation and amortization | 1,221,662 | 74,708 | 65,223 | 1,361,593 |
| | 47,677,637 | 50,079,608 | 3,276,994 | 101,034,240 |
| SEGMENT OPERATING PROFIT (LOSS) | P 1,061,915 | P 242,258 | (P 60,572) | P 1,243,600 |
| ASSETS AND LIABILITIES | | | | |
| Segment assets | P 90,517,760 | P 9,411,830 | P 1,308,214 | P 101,237,804 |
| Segment liabilities | 68,517,350 | 7,833,457 | 776,928 | 77,127,735 |
| December 31, 2019 | | | | |
| TOTAL REVENUES | | | | |
| Sales to external customers | P 71,800,534 | P 24,059,656 | P 1,962,919 | P 97,823,109 |
| Intersegment sales | 496,997 | 42,575,175 | - | 43,072,172 |
| Total revenues | 72,297,531 | 66,634,831 | 1,962,919 | 140,895,281 |
| COSTS AND OTHER OPERATING EXPENSES | | | | |
| Cost of sales and services excluding depreciation and amortization | 24,234,193 | 109,153,582 | 1,576,891 | 134,964,666 |
| Depreciation and amortization | 1,265,861 | 106,909 | 64,089 | 1,436,859 |
| | 25,500,054 | 109,260,491 | 1,640,980 | 136,401,525 |
| SEGMENT OPERATING PROFIT (LOSS) | P 46,797,477 | (P 42,625,660) | P 321,939 | P 4,493,756 |
| ASSETS AND LIABILITIES | | | | |
| Segment assets | P 87,300,573 | P 13,026,609 | P 1,501,912 | P 101,829,094 |
| Segment liabilities | 62,476,882 | 11,283,239 | 1,339,882 | 75,100,003 |

## 34. COMMITMENTS AND CONTINGENCIES

### *34.1 Capital Commitments*

As of December 31, 2021, the Group has commitments of more than P800.0 million for expansion on petroleum retail network, depot, terminalling and logistics facilities, information technology infrastructure and other major expansions related to its business development. The Group has a network of 690 operating retail service stations as of December 31, 2021. An additional of three retail service stations are under various stages of completion as of December 31, 2021.

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.

### *34.2 Unused LCs*

As of December 31, 2021 and 2020, the Parent Company has unused LCs amounting to P11,569.6 million and P5,694.2 million, respectively (see Note 19.4).

### *34.3 Operating Lease Commitments – Group as Lessor*

The Group is a lessor under several operating leases with third parties. The leases have terms ranging from one to five years, with renewal options, and include annual escalation rates ranging from 5.00% to 10.00%. The future minimum rentals receivables under these cancelable operating leases are presented below.

| | **2021** | 2020 |
|---|---|---|
| Within one year | **P 133,607,654** | P 127,378,780 |
| After one year but not more than two years | **114,435,895** | 104,083,597 |
| After two years but not more than three years | **88,517,527** | 89,336,957 |
| After three years but not more than four years | **46,707,800** | 67,552,547 |
| After four years but not more than five years | **22,353,729** | 42,149,419 |
| More than five years | **72,844,642** | 213,008,617 |
| | **P 478,467,247** | P 643,509,917 |

Rent income in 2021, 2020 and 2019 amounting to P184.0 million, P129.6 million and P115.7 million, respectively, is presented as Rent Income in the consolidated statements of comprehensive income.

Rent income recognized on lease of investment properties amounted to P38.9 million, P11.3 million and P20.2 million in 2021, 2020 and 2019, respectively (see Note 16), and rent income on sublease of right-of-use assets amounted to P169.3 million, P118.3 million and P95.5 million in 2021, 2020 and 2019, respectively. No impairment on right-of-use assets related to subleased properties was recognized in 2021, 2020 and 2019.

Although the risks associated with rights the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimize these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear-and-tear during the lease term, the property was damaged and beyond repair, and/or the property was modified without the express consent conveyed in the contract.

### *34.4 PFM's Franchise*

### *(a) PFM as Franchisee*

PFM has area franchise agreement with FamilyMart Co. Ltd., whereby the latter will grant exclusive rights to the PFM for operating the FamilyMart stores in the Philippines as an Area Franchisor using the FamilyMart System for a period of ten years and six months, renewable at the option of the PFM. The agreement provides for an initial franchise fee of US$1.0 million and royalty fees amounting to 1.00% of gross sales, exclusive of VAT, of all FamilyMart stores computed at the end of every month. On January 2, 2013, the PFM paid the initial franchise fee amounting to P41.1 million.

On December 11, 2017, as part of the acquisition of PFM by the Parent Company, the franchise agreement was renewed for ten years starting on the date of renewal at no additional cost to PFM. As of December 31, 2021 and 2020, the carrying value of the franchise fee amounted to P5.8 million and P9.7 million, respectively, and is presented as part of Intangible Assets in the consolidated statements of financial position (see Note 13).

Royalty expense recognized by PFM in 2021, 2020 and 2019, amounted to P4.7 million, P7.1 million, and P13.2 million, respectively, and is presented under Selling and Administrative Expenses in the consolidated statements of comprehensive income (see Note 25). As of December 31, 2021 and 2020, PFM recognized royalty payable amounting to P3.0 million and P3.1 million, respectively, as part of Others under Trade and Other Payables in the consolidated statements of financial position (see Note 21).

### *(b) PFM as Franchisor*

In December 2014, PFM started entering into franchise agreements whereby, as an Area Franchisor, PFM grants exclusive rights to qualified persons and entities (Franchisees) to own and operate FamilyMart stores at locations in the Philippines approved by it. The agreement is for a term of five years unless earlier terminated by either party and provides for a one-time franchise fee plus monthly royalties to PFM equivalent to a percentage of gross profit. Cash receipts of the franchised stores from merchandise sales are initially deposited to PFM. Deductions are made from this fund for the cost of merchandise sales, share of PFM on the store's monthly gross profit and other costs. The remaining balance is subsequently remitted to the franchisees.

One-time franchise fees, which pertain to the initial investment of the franchisees are also presented as part of Non-trade Payables under Trade and Other Payables in the consolidated statements of financial position until PFM has performed initial services as franchisor as agreed under the agreement. As of December 31, 2021 and 2020, there are no outstanding liabilities. Revenues from franchise fees in 2021, 2020 and 2019 amounted to P18.5 million, P37.2 million and P64.6 million, respectively, and is presented as part of Fuel service and other revenues in the consolidated statements of comprehensive income with the corresponding outstanding receivable from the franchisees as of December 31, 2021 and 2020 amounting to P14.7 million and P50.2 million, presented as part of Non-trade Receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 7).

### *34.5 Lawsuits*

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and its results of operations.

*(a)* In May 2011, the Bureau of Customs (BOC) filed before the Department of Justice (DOJ) a complaint against the Group's President and Chief Executive Officer and other respondents for alleged violation of Sections 3602, 2501(l)(1) & (5), 1801, 1802 and 3604 of the Tariff and Customs Code of the Philippines. In November 2012, the DOJ dismissed the case for lack of probable cause against all respondents. In April 2013, the DOJ, upon motion for reconsideration filed by the BOC, reversed its earlier resolution and recommended the filing of Criminal Information against the respondents. Criminal Information for alleged violations of Section 3602, in relation to Sections 3601, 2530 1 (l) & 5, 1801 and 3604 of the Tariff and Customs Code of the Philippines were filed before the Regional Trial Courts (RTC) of Batangas and Davao City in August 2013. Separately, in September and October 2013, RTC Batangas and Davao City, respectively, have dismissed all charges against the Parent Company's President and Chief Executive Officer.

*(b)* On October 7, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge Ruben A. Galvez dated October 7, 2013 with RTC Batangas. On the other hand, on November 15, 2013, the DOJ filed a Motion for Reconsideration with Motion for Inhibition of Judge George A. Omelio dated November 15, 2013 with RTC Davao. On December 6, 2013, RTC Batangas issued an Order dated December 6, 2013 denying the DOJ's Motion for Reconsideration with Motion for Inhibition. On July 7, 2014, RTC Batangas issued a Certificate of Finality of even date stating that its Order dated December 6, 2013 affirming the Order dated September 17, 2013 is now final and executory since no appeal was filed.

*(c)* On August 18, 2014, RTC Davao issued an order of even date denying the DOJ's Motion for Reconsideration. The Office of the Solicitor General, on behalf of the People of the Philippines, filed the Petition for Certiorari dated October 27, 2014 with the Court of Appeals seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by public respondents Judges Omelio and Hon. Loida S. Posadas-Kahulugan. On October 24, 2016, the Group received the decision of the Court of Appeals denying the Petition for Certiorari dated October 27, 2014. On November 10, 2016, Mr. Uy received a copy of the Motion for Reconsideration filed with the CA.

A Motion for Reconsideration filed by the DOJ and the BOC, seeking the reversal of the decision dated July 25, 2014 of the Court of Appeals' Special Former Special Tenth (10th) Division in the Consolidated Petitions of Dennis Uy, docketed as CA-G.R. SP No. 131702, and Jorlan Cabanes, docketed as CA-G.R. SP No. 129740, with the Court of Appeals, which involve the same basic facts and issues as those raised in CA-G.R. SP No. 06500-MIN. On July 23, 2015, the Group received a resolution denying the said Motion for Reconsideration.

On October 8, 2015, the SOJ and the BOC filed a Petition for Review on Certiorari with the Supreme Court (SC), seeking to set aside the Decision dated July 24, 2014 and Resolution dated July 2, 2015 issued by the CA. On October 12, 2016, the Court denied the Petition for Certiorari and further denied petitioner's Motion for Reconsideration on January 25, 2017.

On April 4, 2017, the Group received a copy of the Petition for Review on Certiorari dated March 27, 2017 filed by petitioner docketed as GR No. 229705 with the SC, Manila, 3rd Division. As of December 31, 2017, the Group is awaiting for the SC's issuance on the resolution directing the Group to file Comment to the Petition for Review.

In a "Manifestation in Lieu of Reply" filed by the Office of the Solicitor General on July 10, 2019, the SOJ has prayed that their manifestation be duly considered and to dismiss all three (3) petitions without prejudice to the possible filing, if the Court desires, of supplemental memoranda from the parties.

On February 10, 2020, the case was set for the continuation of plaintiff's evidence. The counsel for the defendant, on the other hand, moves to defer his cross examination as they requested for an opportunity with the plaintiffs to discuss possible means of settling the case. The defendant's counsel requested for a June 2020 setting of the defendant to have ample time to exhaust this opportunity for amicable settlement, and the same was granted by the court.

Finally, on December 10, 2021, a final verdict has been issued by the Third Division of the Supreme Court on the petitions for Review on Certiorari filed by former DOJ Secretary Leila De Lima, BOC, and the People of the Philippines (De Lima, et. Al), wherefore, denying the petitions of the later parties and affirming the Court of Appeal Decisions and Resolutions in CA-G.R SP No. 129740 and CA-G.R. SP No. 131702 and CA-G.R. SP No. 06500-MIN for the dismissal of alleged violations of the Tariff and Customs Code.

Other court cases typical and customary in the course of the business operations of the Group such as those, among others, involving collection, qualified theft and reckless imprudence have been filed by and against the Group by and against its employees and/or third parties.

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not given recognition in the consolidated financial statement. As of December 31, 2021 and 2020, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the consolidated financial statements.

## 35. EVENT AFTER THE END OF THE REPORTING PERIOD

### *35.1 Declaration of Cash Dividends*

On February 4, 2022, the Company's BOD approved the declaration of cash dividends amounting to P132.4 million or P18.92 per share to the holders of Series 4 redeemable preferred shares on record as of February 18, 2022. The dividends, which is payable on February 22, 2022, shall be taken out of the unrestricted earnings of the Company as of December 31, 2021.

On March 9, 2022, the Company's BOD approved the declaration of cash dividends amounting to P16.4 million or P2.18 per share to the holders of Series 3B redeemable preferred shares on record as of March 23, 2022. The dividends, which is payable on March 25, 2022, shall be taken out of the unrestricted earnings of the Company as of December 31, 2021.

### *35.2 Russia-Ukraine Conflict*

Global and domestic oil prices have sharply rebounded so far in 2022 from historic lows in 2020 during the peak of the pandemic on advances made in global vaccination and gradual opening of economies. However, in late January this year, there was heightened volatility in the oil and gas markets on growing geopolitical tension between Russia and Ukraine. These risks materialized in late February when Russia invaded Ukraine, and subsequently with Russia being sanctioned heavily by the West. Russia is the second largest crude oil exporter next to Saudi Arabia and any disruption rattles the markets. By March 2022, Dubai crude climbed to a high of $123.71 per barrel from $76.85 per barrel at the start of the year, and as of today these volatile movements continue. Overall, the impact of the Russia and Ukraine conflict is far reaching for economies, markets, and businesses.

The invasion of Ukraine takes place at a significant time in history with the world emerging from the COVID-19 pandemic. While the outcome is unclear, it is expected weigh on global economies, with ramifications for interest rates, foreign exchange, commodities, and more. For example, with the Philippines importing approximately 90% of its oil requirements, higher oil prices are putting pressure on foreign exchange as well. As of March 08, the peso has depreciated to a low of P52.35:$1 from below P50.97 at the start of the year. A weaker peso makes prices of imported products more expensive.

Since the crisis broke out, domestic pump prices have risen more than 30% and are at their highest levels since 2008. Higher fuel prices will most certainly drive inflation higher and may dampen consumption even as COVID-19 restrictions are eased to Alert Level 1 in the country.

The Group, being an independent trader and importer of fuel and oil, is heavily affected by the increasing prices of oil in the global market. The prevailing high oil prices are expected to further drive the cost of sales and working capital requirements higher in the first quarter of 2022. As a response, the Group has put in place risk management measures to mitigate the impact, including initiatives that will reduce the working capital requirement for the Group as well as by actively managing inventories and optimizing volume to maximize sales and profitability.

P&A
Grant Thornton

# Report of Independent Certified Public Accountants to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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**The Board of Directors and Stockholders**
**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated May 13, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

**By: Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8852340, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024

May 13, 2022

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**
**List of Supplementary Information**
**December 31, 2021**

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**

**Schedule A - Financial Assets**

**December 31, 2021**

| ***Description*** | ***Carrying Value*** | | ***Fair Value*** | |
|---|---|---|---|---|
| Loans and receivables: | | | | |
| Cash and cash equivalents | P | 4,903,236,346 | P | 4,903,236,346 |
| Trade and other receivables - net | | 15,160,567,319 | | 15,160,567,319 |
| Due from related parties - net | | 2,949,357 | | 2,949,357 |
| Construction bond | | 6,777,664 | | 6,777,664 |
| Restricted deposits | | 77,399,689 | | 77,399,689 |
| Security Deposits | | 249,647,969 | | 249,647,969 |
| Refundable rental deposits | | 337,296,642 | | 337,296,642 |
| | **P** | **20,737,874,986** | **P** | **20,737,874,986** |

Notes:

1) There are no other financial assets applicable to the Group, except for loans and receivables.
2) Trade and other receivables excludes advances to suppliers, advances subject to liquidation and other receivables.
3) Construction bond is included as part of Others under Prepayments and Other Current Assets.
4) Net of allowance for impairment losses on trade and other receivables and due from related parties is P678,320,331 and P106,130, respectively .

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

**December 31, 2021**

| | | | | | Ending Balance | | |
|---|---|---|---|---|---|---|---|
| ***Name and Designation of debtor*** | ***Balance at Beginning of Period*** | ***Additions*** | ***Amounts collected*** | ***Reclassification*** | ***Current*** | ***Non-current*** | ***Balance at End of Period*** |
| Calaca Industrial Seaport Corporation | P 11,210 | P - | P 11,210 | P - | P - | P - | P - |
| P-H-O-E-N-I-X Philippines Foundation, Inc. | 523,546 | 100,053 | - | ( 478 ) | 624,077 | - | 624,077 |
| Phoenix Asphalt Philippines, Inc. | 2,192,345 | - | 2,192,345 | - | - | - | - |
| Galaxi Petroleum Fuels, Inc. | 2,542,780 | - | 2,542,780 | - | - | - | - |
| Top Concord Quality Petroleum Corp. | 11,678,227 | - | 11,284,393 | 139,556.48 | 254,278 | - | 254,278 |
| F1rstEnergy Corp. | 6,518,500 | - | 5,997,559 | - | 520,941 | - | 520,941 |
| Phoenix Northern Mindanao Corp. | 3,929,751 | - | 3,541,592 | - | 388,159 | - | 388,159 |
| Eastan Prime Development Corp. | 1,447,069 | - | 1,447,069 | - | - | - | - |
| Phoenix Southern Petroleum Corp. | 1,253,889 | - | 263,728 | - | 990,161 | - | 990,161 |
| Zae Falco Energy Corp. | 912,399 | - | 912,399 | - | - | - | - |
| CJI Fuels Corp. | 678,459 | - | 400,588 | - | 277,871 | - | 277,871 |
| | **P 31,688,175** | **P 100,053** | **P 28,593,663** | **P 139,078** | **P 3,055,487** | **P -** | **P 3,055,487** |

Notes:
1) There are no amounts written-off and balance at end of period net of allowance for impairment losses amounted to P2,949,357.
2) All are related parties under common ownership.

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**
**Schedule C - Amounts of Receivable from Related Parties**
**which are Eliminated during Consolidation of Financial Statements**
**December 31, 2021**

| Creditor | Name and designation of debtor | Balance at beginning of period | Additions | Amounts Collected | Amounts Written Off | Current | Non- Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| P-H-O-E-N-I-X Petroleum Philippines, Inc. | | | | | | | | |
| *Advances to Subsidiaries* | Action.Able, Inc. | P 377,606,201 | P 20,000,000 | P 38,506,903 | P - | P 359,099,298 | P - | P 359,099,298 |
| | Duta, Inc. | 4,280,779,186 | 788,073,108 | 9,626,270 | - | 5,059,226,024 | - | 5,059,226,024 |
| | P-F-L Management, Inc. | 2,857,962,889 | 808,849,765 | 1,029,850,083 | - | 2,636,962,571 | - | 2,636,962,571 |
| | PHILIPPINE FAMILYMART CVS, INC | 1,140,069,310 | 119,807,633 | 70,041 | - | 1,259,806,902 | - | 1,259,806,902 |
| | P-H-O-E-N-I-X Global Mercantile, Inc. | 32,558,778 | 18,963,264 | 202,708 | - | 51,319,334 | - | 51,319,334 |
| | Phoenix LPG Philippines, Inc. | 49,226,978 | - | 49,226,978 | - | - | - | - |
| | Phoenix Pilipinas Gas and Power, Inc, | 300,830,278 | 1,547,680 | - | - | 302,377,958 | - | 302,377,958 |
| | Phoenix Road Transport Pilipinas | 20,661,432 | 731,113 | - | - | 21,392,545 | - | 21,392,545 |
| | PNX Energy International | 776,513,949 | 139,455,706 | 19,663,488 | - | 896,306,167 | - | 896,306,167 |
| | PHOENIX GAS (VIETNAM) LIMITED | - | 30,549,290 | - | - | 30,549,290 | - | 30,549,290 |
| | Subic Petroleum Trading & Transport Phils., Inc. | 330,176,579 | 328,238,498 | 413,012,615 | - | 245,402,462 | - | 245,402,462 |
| | | **P 10,166,385,580** | **P 2,256,216,057** | **P 1,560,159,086** | **P -** | **P 10,862,442,551** | **P -** | **P 10,862,442,551** |
| P-H-O-E-N-I-X Petroleum Philippines, Inc. | | | | | | | | |
| *Trade and Other Receivables* | P-H-O-E-N-I-X Global Mercantile, Inc. | P 11,089,507 | P 4,061,926 | P 11,089,507 | P - | P 4,061,926 | P - | P 4,061,926 |
| | PFL Petroleum Management, Inc. | 6,345,259 | 120,150,205 | 6,394,875 | - | 120,100,590 | - | 120,100,590 |
| | Phoenix LPG Philippines, Inc.- Trade | 381,226,272 | 1,206,096 | 381,236,672 | - | 1,195,696 | - | 1,195,696 |
| | PNX Petroleum Singapore, PTE Ltd. | - | - | - | - | - | - | - |
| | Philippine Familymart CVS, Inc. | 1,633,799 | 95,636,707 | 172,893 | - | 97,097,613 | - | 97,097,613 |
| | Action.Able, Inc.-Trade | 10,655,800 | 29,478,801 | 65,040 | - | 40,069,561 | - | 40,069,561 |
| | Duta, Inc. | - | 29,059,572 | 9,638 | - | 29,049,934 | - | 29,049,934 |
| | Phoenix Road Transport Pilipinas | - | 1,668,555 | - | - | 1,668,555 | - | 1,668,555 |
| | Subic Petroleum Trading & Transport Phils., Inc. | - | 19,685,351 | - | - | 19,685,351 | - | 19,685,351 |
| | Phoenix Pilipinas Gas and Power, Inc, | - | 166,209 | - | - | 166,209 | - | 166,209 |
| | | **P 410,950,637** | **P 301,113,422** | **P 398,968,625** | **P -** | **P 313,095,434** | **P -** | **P 313,095,435** |
| Phoenix LPG Philippines, Inc. | | | | | | | | |
| *Advances in Subsidiaries/Parent* | DUTA, Inc | P - | P 81,027,661 | P 30,060,114 | P - | P 50,967,547 | P - | P 50,967,547 |
| | P-H-O-E-N-I-X Petroleum Philippines, Inc. | - | 5,460,118,194 | 101,606,421 | - | 5,358,511,773 | - | 5,358,511,773 |
| | PNX Petroleum Singapore, PTE Ltd. | - | 54,883.44 | - | - | 54,883.44 | - | 54,883.44 |
| | | **P -** | **P 5,541,200,738** | **P 131,666,535** | **P -** | **P 5,409,534,203** | **P -** | **P 5,409,534,203** |
| Phoenix LPG Philippines, Inc. | | | | | | | | |
| *Trade and Other Receivables* | DUTA, Inc | P 180,000 | P - | P - | P - | P 180,000 | P - | P 180,000 |
| | PNX Petroleum Singapore, PTE Ltd. | 12,311,857 | - | 12,311,857 | - | - | - | - |
| | Phoenix Petroleum, Philippines, Inc. | 291,584,497 | - | 291,584,497 | - | - | - | - |
| | | **P 304,076,354** | **P -** | **P 303,896,354** | **P -** | **P 180,000** | **P -** | **P 180,000** |
| DUTA, Inc. | | | | | | | | |
| *Trade and Other Receivables* | Phoenix LPG Philippines, Inc. | **P 17,496,088** | **P -** | **P 17,496,088** | **P -** | **P -** | **P -** | **P -** |
| PFL Petroleum Management, Inc. | | | | | | | | |
| *Trade and Other Receivables* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | **P -** | **P -** | **P -** | **P -** | **P -** | **P -** | **P -** |
| PNX Petroleum Singapore, PTE Ltd. | | | | | | | | |
| *Trade and Other Receivables* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | P 720,071,495 | P 1,774,034,394 | P 388,819,549 | P - | P 2,105,286,340 | P - | P 2,105,286,340 |
| | Phoenix LPG Philippines, Inc. | 305,253,346 | 456,764,994 | 5,417,172 | - | 756,601,168 | - | 756,601,168 |
| | Subic Petroleum Trading & Transport Phils., Inc. | 3,458,592 | 1,055,184 | 858,336 | - | 3,655,440 | - | 3,655,440 |
| | PGV LLC | 321,962,347 | 89,692,530 | - | - | 411,654,877 | - | 411,654,877 |
| | | **P 1,350,745,780** | **P 2,321,547,102** | **P 395,095,057** | **P -** | **P 3,277,197,825** | **P -** | **P 3,277,197,825** |
| PNX Petroleum Singapore, PTE Ltd. | | | | | | | | |
| *Advances in subsidiaries/parent* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | **P -** | **P -** | **P -** | **P -** | **P -** | **P -** | **P -** |
| Action.Able, Inc. | | | | | | | | |
| *Trade and Other Receivables* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | **P 321,822** | **P -** | **P 321,822** | **P -** | **P -** | **P -** | **P -** |
| Philippine Familymart CVS, Inc. | | | | | | | | |
| *Trade and Other Receivables* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | **P 423,552** | **P -** | **P 423,552** | **P -** | **P -** | **P -** | **P -** |
| Philippine Familymart CVS, Inc. | | | | | | | | |
| *Advances in subsidiaries/parent* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | **P 1,136,264,647** | **P -** | **P 1,136,264,647** | **P -** | **P -** | **P -** | **P -** |
| P-H-O-E-N-I-X Global Mercantile, Inc. | | | | | | | | |
| *Trade and Other Receivables* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | P 32,558,778 | | P 32,558,778 | P - | P - | P - | P - |
| | Phoenix LPG Philippines, Inc. | 10,305,622 | - | 10,305,622 | - | - | - | - |
| | | **P 42,864,400** | **P -** | **P 42,864,400** | **P -** | **P -** | **P -** | **P -** |
| Philippine Familymart CVS, Inc. | | | | | | | | |
| *Advances in subsidiaries/parent* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | **P 1,136,264,647** | **P -** | **P 1,136,264,647** | **P -** | **P -** | **P -** | **P -** |
| Phoenix Gas Vietnam LLC | | | | | | | | |
| *Advances in subsidiaries/parent* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | **P 105,264,986** | **P -** | **P 105,264,986** | **P -** | **P -** | **P -** | **P -** |
| PT Indonesia | | | | | | | | |
| *Advances in subsidiaries/parent* | P-H-O-E-N-I-X Petroleum Philippines, Inc. | **P 9,808,922** | **P -** | **P 9,808,922** | **P -** | **P -** | **P -** | **P -** |

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**
**Schedule D - Long-Term Debt**
**December 31, 2021**

| *Title of issue and type of obligation* | *Amount authorized by indenture* | *Amount shown under caption"Current portion of long-term debt" in related balance sheet* | *Amount shown under caption"Long-Term Debt" in related balance sheet* | *Terms* |
|---|---|---|---|---|
| Installment, notes and loans payable | | | | |
| *Peso-denominated* | | | | |
| BDO Unibank, Inc. | P 5,384,000,000 | P - | P 5,282,602,412 | Interest rate of 5.8081%, ten-year term, maturing on April 23, 2028 |
| BDO Unibank, Inc. | 1,000,000,000 | 10,000,000 | 990,000,000 | Interest rate of 4.9968%, eight-year term, maturing on December 4, 2025 |
| BDO Unibank, Inc. | 1,000,000,000 | 10,000,000 | 990,000,000 | Interest rate of 4.9968%, eight-year term, maturing on December 4, 2025 |
| BDO Unibank, Inc. | 290,000,000 | - | 290,000,000 | Interest rate of 5.7500%, five-year term, maturing on September 16, 2025 |
| BDO Unibank, Inc. | 637,000,000 | - | 637,000,000 | Interest rate of 5.7500%, five-year term, maturing on September 17, 2025 |
| BDO Unibank, Inc. | 233,000,000 | - | 233,000,000 | Interest rate of 5.7500%, five-year term, maturing on September 17, 2025 |
| BDO Unibank, Inc. | 251,000,000 | - | 251,000,000 | Interest rate of 5.7500%, five-year term, maturing on October 23, 2025 |
| BDO Unibank, Inc. | 330,000,000 | - | 330,000,000 | Interest rate of 5.7500%, five-year term, maturing on November 18, 2025 |
| BDO Unibank, Inc. | 4,000,000,000 | - | 3,921,004,249 | Interest rate of 6.0526%, five-year term, maturing on December 4, 2025 |
| Land Bank of the Philippines | 5,328,200,171 | 453,200,171 | 4,800,000,000 | Interest rate of 6.500%, seven-year term, maturing on July 4, 2025 |
| Bank of China Limited | 1,152,624,800 | - | 1,146,450,142 | Interest rate of 6.14300%, two-year term, maturing on August 24, 2023 |
| Bank of China Limited | 347,375,200 | - | 347,375,200 | Interest rate of 6.15500%, two-year term, maturing on August 24, 2023 |
| Bank of the Philippine Islands | 417,223,572 | 10,715,297 | 406,508,275 | Interest rate of 10.0000%, three-year term, maturing on December 10, 2024 |
| Bank of the Philippine Islands | 282,304,612 | 7,581,142 | 274,723,470 | Interest rate of 10.0000%, three-year term, maturing on December 10, 2024 |
| Bank of the Philippine Islands | 356,910,196 | 9,314,223 | 347,595,973 | Interest rate of 10.0000%, three-year term, maturing on December 10, 2024 |
| Bank of the Philippine Islands | 119,974,067 | 9,919,644 | 110,054,423 | Interest rate of 10.0000%, three-year term, maturing on December 10, 2024 |
| Maybank Philippines, Inc. | 720,000,000 | - | 648,000,000 | Interest rate of 6.7500%, three-year term, maturing on April 30, 2024 |
| Eight River Shipping S.A. | 829,000,000 | 320,000,000 | 426,215,963 | Interest rate of 6.7600%, seven-year term, maturing on January 31, 2027 |
| CN Industrial Co., Ltd | 76,539,736 | - | 76,539,736 | Three-year term, maturing on June 30, 2023 |
| **TOTAL** | **P 22,755,152,354** | **P 830,730,477** | **P 21,508,069,843** | |

**P-H-O-E-N-I-X Petroleum Philippines, Inc.**
**Schedule G - Capital Stock**
**December 31, 2021**

| Title of Issue | Number of shares authorized | Number of shares issued and outstanding as shown under the related balance sheet caption | Number of shares reserved for options, warrants, coversion and other rights | Number of shares held by | | |
|---|---|---|---|---|---|---|
| | | | | Related parties | Directors, officers and employees | Others |
| Preferred shares - P1 par value | | | | | | |
| Non-voting, non-participating, | | | | | | |
| non-convertible into common shares | | | | | | |
| Issued and outstanding - 27,000,000 | 50,000,000 | 14,500,000 | - | - | - | 14,500,000 |
| Common shares - P1 par value | | | | | | |
| Issued and outstanding | 2,500,000,000 | 1,441,915,332 | 526,055 | 867,852,743 | 16,038,271 | 558,024,318 |

**UDENNA CORPORATION**
Group Structure

# Report of Independent Auditors on Components of Financial Soundness Indicators

**Punongbayan & Araullo**
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders**
**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group) for the years ended December 31, 2021 and 2020, on which we have rendered our report dated May 13, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for the years then ended and no material exceptions were noted.

**PUNONGBAYAN & ARAULLO**

**By: Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8852340, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

May 13, 2022

**P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries**
**Financial Soundness Indicators**
**December 31, 2021**

| Ratio | Formula | Amount 2021 | Amount 2020 | Ratio 2021 | Ratio 2020 |
|---|---|---|---|---|---|
| **Current Ratio** | Current Assets | 34,912,795,013 | 33,401,916,932 | **0.87** | **0.84** |
| | Current Liabilities | 40,279,978,100 | 39,727,011,193 | | |
| **Acid test ratio** | Cash and cash equivalents + Trade and other receivables - net + Due from related parties | 23,371,361,515 | 23,333,364,911 | **0.58** | **0.59** |
| | Current Liabities | 40,279,978,100 | 39,727,011,193 | | |
| **Cash Ratio** | Cash and Cash Equivalents | 4,903,236,346 | 5,788,390,677 | **0.12** | **0.15** |
| | Current Liablities | 40,279,978,100 | 39,727,011,193 | | |
| **Solvency Ratio** | After Tax Net Profit + Depreciation | 864,393,717 | 1,424,152,953 | **0.01** | **0.02** |
| | Long term liabilities + Short term Liabilities | 65,118,184,811 | 61,879,900,587 | | |
| **Debt to Equity Ratio** | Total Liabilities | 65,118,184,811 | 61,371,130,390 | **3.18** | **2.90** |
| | Equity | 20,479,443,462 | 21,161,333,787 | | |
| **Debt Service Coverage Ratio** | Revenue - Cost of Sales and Services - Selling and Administrative Expenses | 2,329,011,077 | 1,243,600,573 | **0.63** | **0.52** |
| | Net Interest Expense + Long-term repayments | 3,670,566,576 | 2,380,342,469 | | |
| **Asset to Equity Ratio** | Total Assets | 85,597,628,273 | 82,532,464,177 | **4.18** | **3.90** |
| | Equity | 20,479,443,462 | 21,161,333,787 | | |
| **Interest Rate Coverage Ratio** | Earnings Before Interest and Taxes | 1,080,072,917 | ( 115,912,706 ) | **0.48** | **(0.06)** |
| | Interest Expense | 2,265,042,096 | 2,025,571,557 | | |
| **Gross Profit Margin** | Sales - Cost of Goods Sold | 7,868,057,006 | 7,045,540,677 | **0.06** | **0.09** |
| | Sales | 132,284,078,176 | 78,299,510,916 | | |
| **Return on Assets** | Net Income | ( 466,201,979 ) | 62,560,504 | **(0.01)** | **0.00** |
| | Total Assets | 85,597,628,273 | 82,532,464,177 | | |
| **Return on Equity** | Net Income | ( 466,201,979 ) | 62,560,504 | **(0.02)** | **0.00** |
| | Equity | 20,479,443,462 | 21,161,333,787 | | |

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

PHOENIX

16 May 2022

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

**Philippine Stock Exchange**
Disclosure Department
6/F PSE Tower, 28th Street corner 5th Avenue,
BGC, Taguig City, Metro Manila

**Philippine Dealing & Exchange Corporation**
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. Alexandra D. Tom Wong**
Officer-in-Charge, 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 first quarter report for period ended 31 March 2022 (SEC 17-Q) in compliance with the Securities Regulation Code and Revised Disclosure Rules.

Thank you and warm regards.

Very truly yours,

**Atty. Socorro Ermac Cabreros**
Corporate Secretary

# COVER SHEET

| A | 2 | 0 | 0 | 2 | 0 | 7 | 2 | 8 | 3 |
|---|---|---|---|---|---|---|---|---|---|

S.E.C. Registration Number

| P- | H- | O- | E- | N- | I- | X | | P | E | T | R | O | L | E | U | M | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| P | H | I | L | I | P | P | I | N | E | S | | I | N | C | . | | | | |
| | | | | | | | | | | | | | | | | | | | |

**P-H-O-E-N-I-X Petroleum Philippines, Inc.**

(Company's Full Name)

| S | T | E | L | L | A | | H | I | Z | O | N | | R | E | Y | E | S | | R | D. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| B | O. | | P | A | M | P | A | N | G | A | | L | A | N | A | N | G | | | |
| D | A | V | A | O | | C | I | T | Y | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |

(Business Address: No. Street City / Town / Province)

| **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

| | |
|---|---|
| Dept. Requiring this Doc | Amended Articles Number/Section |

| | Total Amount of Borrowings | |
|---|---|---|
| **69** | | |
| Total No. of Stockholders | Domestic | Foreign |

---

To be accomplished by SEC Personnel Concerned

| | |
|---|---|
| File Number | LCU |
| Document I.D. | Cashier |

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION**

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

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

| | |
|---|---|
| 1. For the quarterly period ended: | 31 March 2022 |
| 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 | 1,442,070,932.00 |
| PREFERRED | 14,500,000.00 |

| | |
|---|---|
| Amount of Debt Outstanding as of <u>31 March 2022</u>: | Php69,358,192,137.00 |

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

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

Philippine Stock Exchange
Common Shares
Preferred Shares

12. Check whether the issuer has:

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

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

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**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**UNAUDITED as of MARCH 31, 2022**
***(With Comparative Figures as of December 31, 2021***
***(Amounts in Philippine Pesos)***

| | Notes | UNAUDITED MARCH 31, 2022 | AUDITED December 31, 2021 |
|---|---|---|---|
| **A S S E T S** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | P **4,701,028,962** | 4,903,236,346 |
| Trade and other receivables - net | 6 | **24,609,957,707** | 18,465,175,812 |
| Inventories - net | 7 | **2,824,367,056** | 4,991,935,017 |
| Due from related parties - net | 12 | **3,117,695** | 2,949,357 |
| RESTRICTED DEPOSITS | | **77,399,689** | 77,399,689 |
| INPUT VAT - NET | | **3,547,090,893** | 3,994,411,785 |
| Prepayments and other current assets | | **3,033,019,706** | 2,477,687,008 |
| Total Current Assets | | **38,795,981,708** | 34,912,795,014 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment - net | 8 | **33,940,129,658** | 33,914,517,315 |
| Right-of-use assets - net | 8 | **981,933,920** | 1,009,821,339 |
| Investment properties | | **687,151,965** | 687,151,965 |
| Intangible assets - net | 9 | **227,598,373** | 238,152,265 |
| Investments in joint ventures | | **1,811,988,073** | 1,763,313,036 |
| Goodwill - net | | **4,632,397,417** | 4,632,397,417 |
| Deferred tax assets - net | | **1,032,353,668** | 1,016,669,281 |
| Other non-current assets | 5 | **7,330,138,399** | 7,343,694,173 |
| Total Non-current Assets | | **50,643,691,473** | 50,605,716,791 |
| **NON-CURRENT ASSET CLASSIFIED AS HELD FOR DISPOSAL** | | **79,116,466** | 79,116,467 |
| **TOTAL ASSETS** | | **P 89,518,789,647** | P 85,597,628,272 |
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 10 | P **25,154,941,572** | 24,628,533,067 |
| Trade and other payables | | **19,953,175,152** | 15,494,590,564 |
| Derivative financial liabilities | | **153,583,477** | 82,524,602 |
| Lease liabilities | 11 | **72,822,373** | 74,329,867 |
| Total Current Liabilities | | **45,334,522,574** | 40,279,978,100 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing loans and borrowings | 10 | **20,878,479,253** | 21,508,069,843 |
| Lease liabilities | 11 | **1,028,899,229** | 1,034,334,811 |
| Deferred tax liabilities - net | | **736,350,899** | 917,125,517 |
| Other non-current liabilities | 5 | **1,379,940,182** | 1,378,676,540 |
| Total Non-current Liabilities | | **24,023,669,563** | 24,838,206,711 |
| Total Liabilities | | **69,358,192,137** | 65,118,184,811 |
| **EQUITY** | | | |
| Equity attributable to parent company | | | |
| Capital stock | 13 | **1,456,415,332** | 1,456,415,332 |
| Additional paid-in capital | | **10,884,918,471** | 10,884,918,470 |
| Revaluation reserves | | **2,438,725,740** | 2,362,007,586 |
| Retained earnings | | **5,350,588,671** | 5,763,700,576 |
| | | **20,130,648,214** | 20,467,041,964 |
| Non-controlling interest | | **29,949,296** | 12,401,498 |
| Total Equity | | **20,160,597,510** | 20,479,443,462 |
| **TOTAL LIABILITIES AND EQUITY** | | **P 89,518,789,647** | P 85,597,628,273 |

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

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE PERIOD ENDED MARCH 31, 2022 AND 2021**
***UNAUDITED***
***(Amounts in Philippine Pesos)***

| | Notes | MARCH YTD 2022 | MARCH YTD 2021 |
|---|---|---|---|
| **REVENUES** | | | |
| Sale of goods | 4 | **P 36,015,304,462** | 28,704,886,368 |
| Fuel service and other revenues | 4 | **423,290,515** | 73,423,355 |
| Rent income | 4 | **43,192,744** | 32,080,843 |
| | | **36,481,787,721** | 28,810,390,566 |
| **COST AND EXPENSES** | | | |
| Cost of sales and services | 5 | **34,697,578,253** | 27,194,867,989 |
| Selling and administrative expenses | 5 | **1,505,211,376** | 1,303,984,025 |
| | | **36,202,789,629** | 28,498,852,014 |
| **OTHER CHARGES (INCOME)** | | | |
| Finance costs | | **783,757,211** | **193,144,049** |
| Finance income | | **( 10,773,029 )** | ( 10,548,907 ) |
| Equity share in net income of joint ventures | | **( 38,675,037 )** | ( 31,059,220 ) |
| Others - net | | **( 5,647,809 )** | 12,093,015 |
| | | **728,661,336** | 163,628,937 |
| **PROFIT BEFORE TAX** | | **( 449,663,244 )** | 147,909,615 |
| **TAX EXPENSE/(TAX INCOME)** | | **( 186,983,629 )** | 26,647,220 |
| **NET PROFIT/(LOSS)** | | **( 262,679,615 )** | 121,262,395 |
| **NET PROFIT ATTRIBUTABLE TO:** | | | |
| Parent company | | **( 264,287,412 )** | 120,804,727 |
| Non-controlling interest | | **1,607,797** | 457,668 |
| | | **( 262,679,615 )** | 121,262,395 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| **Item that will be reclassified subsequently to profit or loss** | | | |
| Translation adjustment related to a foreign subsidiary | | **95,873,749** | ( 8,370,395 ) |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **( 166,805,866 )** | 112,892,000 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | |
| Parent company | | **( 184,353,664 )** | 112,434,332 |
| Non-controlling interest | | **17,547,798** | 457,668 |
| | | **( 166,805,866 )** | 112,892,000 |
| **Basic Earnings per share** | | **( P 0.30 )** | **( P 0.02 )** |
| **Diluted Earnings per share** | | **( P 0.30 )** | **( P 0.02 )** |

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

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE PERIOD ENDED MARCH 31, 2022 AND 2021**
***(Amounts in Philippine Pesos)***

| | Capital Stock | | | | | | | | Total Equity Attributable to the Shareholders of Parent Company | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | Preferred Treasury Stock - At Cost | Common Stock | Common Treasury Stock - At Cost | Total Capital Stock | Additional Paid-in Capital | Revaluation Reserves | Retained Earnings | | Non-controlling Interest | Total Equity |
| Balance at January 1, 2022 | 24,500,000 | (10,000,000) | 1,441,915,332 | | 1,456,415,332 | 10,884,918,470 | 2,362,007,586 | 5,763,700,576 | 20,467,041,964 | 12,401,498 | 20,479,443,462 |
| Cash dividends | | | | | | | | (148,824,500) | (148,824,500) | | (148,824,500) |
| Preferred Stock Redemption | | | | | - | | | | - | | - |
| Issuance of shares during the year | | | | | - | | | | - | | - |
| Sale of Treasury Shares | | | | | - | | | | - | | - |
| Total comprehensive income | | | | | | | | | - | | - |
| for the year | | | | | | | | | - | | - |
| Net Income | | | | | | | | (264,287,412) | (264,287,412) | (1,607,797) | (265,895,199) |
| Comprehensive Income | | | | | | | 76,718,154 | | 76,718,154 | 19,155,595 | 95,873,749 |
| Balance at March 31, 2022 | 24,500,000 | (10,000,000) | 1,441,915,332 | - | 1,456,415,332 | 10,884,918,470 | 2,438,725,740 | - 5,350,588,664 | 20,130,648,206 | 29,949,296 | 20,160,597,510 |
| | | | | | | | | | | | |
| **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 | | | | | | | | (147,642,500) | (147,642,500.00) | | (147,642,500.00) |
| Issuance of shares during the year | | | | | | | | | - | | - |
| Acquisition of shares during the year | | | | | - | | | | - | | - |
| Stock Options Exercised | | | 811,000 | | 811,000.00 | 3,795,481 | | | 4,606,481.00 | | 4,606,481.00 |
| Employee Share Options | | | | | | | | | - | | - |
| Transfer to Retained Earnings | | | | | | | | | - | | |
| Translation adjustments during the year | | | | | | | (8,370,395) | | (8,370,394.91) | | (8,370,394.91) |
| Total comprehensive income | | | | | | | | 120,804,727 | 120,804,726.79 | 457,668.21 | 121,262,395.00 |
| for the year | | | | | | | | | - | | - |
| Balance at March 31, 2021 | 24,500,000 | - 10,000,000 | 1,439,788,232 | - | 1,454,288,232 | 10,865,993,942 | 1,984,100,533 | 6,788,919,108 | 21,093,301,815 | 37,887,953 | 21,131,189,768 |

**PHOENIX PETROLEUM PHILIPPINES INC. AND SUBSIDIARIES**
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE PERIOD ENDED MARCH 31, 2022 AND 2021**
***(Amounts in Philippine Pesos)***

| | 2022 (Unaudited) | 2021 (Unaudited) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit (loss) before tax | ( 449,663,242 ) | 147,909,617 |
| Adjustments for: | | |
| Interest expense | 748,133,834 | 123,260,401 |
| Depreciation and amortization | 361,156,162 | 312,165,378 |
| Unrealized foreign currency exchange losses (gains) - net | 50,636,886 | 3,901,593 |
| Equity share in net loss (income) of joint ventures and an associate | ( 38,675,037 ) | (31,059,220) |
| Impairment losses on trade and other receivables | - | 10,721,957 |
| Impairment losses on other non-current assets | - | - |
| Interest income | ( 129,522,380 ) | (2,792,567) |
| Operating profit (loss) before working capital changes | 542,066,223 | 564,107,159 |
| Decrease (increase) in trade and other receivables | ( 6,144,781,895 ) | (343,153,966) |
| Decrease in inventories | 2,167,567,961 | 805,992,458 |
| Decrease (increase) in land held for sale and land development costs | - | - |
| Decrease in other current assets | ( 108,011,806 ) | (499,195,050) |
| Decrease in trade and other payables | 4,498,967,237 | 966,917,003 |
| Cash generated from operations | 955,807,720 | 1,494,667,604 |
| Cash paid for income taxes | ( 15,003,528 ) | (10,027,687) |
| Net Cash From Operating Activities | 940,804,192 | 1,484,639,917 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of property, plant and equipment | ( 275,534,135 ) | (839,478,063) |
| Additions to investment properties | - | (1,548,655) |
| Decrease (Increase) in other non-current assets | ( 294,093,219 ) | 162,068,188 |
| Translation of financial statement of foreign subsidiary | ( 72,387,637 ) | - |
| Dividend Share Income from JV | - | 26,276,486 |
| Additional investments in joint ventures | - | (15,000,000) |
| Proceeds from disposal of property and equipment | - | 14,224,320 |
| Interest received | 129,522,380 | 2,792,567 |
| Acquisitions of intangible assets | ( 405,422 ) | ( 2,981,313 ) |
| Net Cash Used in Investing Activities | ( 512,898,033 ) | ( 653,646,470 ) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from additional loans and borrowings | 10,578,098,724 | 13,074,021,974 |
| Repayments of interest-bearing loans and borrowings | ( 10,681,280,809 ) | (13,413,943,709) |
| Interest paid | ( 748,133,834 ) | (123,260,401) |
| Employee Share Optons | - | 811,000 |
| Payment of Cash Dividends | 148,824,500 | (147,642,500) |
| Advances to related parties | ( 168,338 ) | (15,723,718) |
| Sale of treasury shares | - | - |
| Increase (decrease) in other non-current liabilities | ( 4,171,940 ) | (64,317,767) |
| Deposit for future stock subscription | - | - |
| Decrease in revaluation reserves | 76,718,154 | (11,079,813) |
| Proceeds from issuance for shares of stock | - | - |
| Increase/decrease in APIC | - | 3,795,481 |
| Net Cash From Financing Activities | ( 630,113,542 ) | ( 697,339,453 ) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | ( 202,207,383 ) | 133,653,994 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 4,903,236,346 | 5,788,390,677 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | P 4,701,028,963 | P 5,922,044,671 |

**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**
***(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 40.84% 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 695 operating retail service stations as of March 31, 2022.

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

As of March 31, 2022, the Parent Company holds ownership interests in the following entities, presented below and in the succeeding page, which are all incorporated and domiciled in the Philippines or otherwise stated:

| Subsidiaries/Joint Venture | Explanatory Notes | Percentage of Ownership 2022 | 2021 |
|---|---|---|---|
| **Direct interest:** | | | |
| *Subsidiaries* | | | |
| P-F-L Petroleum Management, Inc. (PPMI) | (a) | **100.00%** | 100.00% |
| P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI) | (b) | **100.00%** | 100.00% |
| Subic Petroleum Trading and Transport Phils., Inc. (SPTT) | (c) | **100.00%** | 100.00% |
| PNX Petroleum Singapore Pte. Ltd. (PNX SG) | (d) | **100.00%** | 100.00% |
| Phoenix LPG Philippines, Inc. (PLPI) | (e) | **100.00%** | 100.00% |
| Duta, Inc.(Duta)[4] | (f) | **100.00%** | 100.00% |
| Philippine FamilyMart CVS, Inc. (PFM) | (g) | **100.00%** | 100.00% |
| PNX Energy International Holdings, Pte. Ltd. (PNX Energy) | (h) | **100.00%** | 100.00% |

| | | | |
|---|---|---|---|
| Phoenix Pilipinas Gas and Power, Inc. | (i) | **100.00%** | 100.00% |
| Phoenix Road Transport Pilipinas, Inc. (PNXRT) | (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 2020 | 2019 |
|---|---|---|---|
| **Direct interest:** | | | |
| *Joint venture* | | | |
| Phoenix Asphalt Philippines, Inc. (PAPI)[2] | (m) | **40.00%** | 40.00% |
| **Indirect interest:** | | | |
| *Subsidiaries* | | | |
| Kaparangan, Inc. (Kaparangan)[1, 3] | (n) | **100.00%** | 100.00% |
| PNX (Vietnam) Pte. Ltd. (PNX Vietnam)[4] | (o) | **100.00%** | 100.00% |
| PT Phoenix Petroleum Indonesia (PNX Indonesia)[6] | (p) | **100.00%** | 100.00% |
| Phoenix Gas (Vietnam) Limited Liability Company (PGV LLC)[5] | (q) | **75.00%** | 75.00% |
| *Joint ventures* | | | |
| Galaxi Petroleum Fuel, Inc. (Galaxi)[7] | (r) | **51.00%** | 51.00% |
| Phoenix Southern Petroleum Corp. (PSPC)[7] | (s) | **49.00%** | 49.00% |
| Top Concord Quality Petroleum Corp. (TCQPC)[7] | (t) | **49.00%** | 49.00% |
| CJI Fuels Corp. (CJI)[7] | (u) | **49.00%** | 49.00% |
| Firebird Evzon Fuels Corp. (FEFC)[7] | (v) | **49.00%** | 49.00% |
| Eastan Prime Development Corporation (EPDC)[7] | (w) | **49.00%** | 49.00% |
| Zae Falco Energy Corp. (ZFEC)[7] | (x) | **49.00%** | 49.00% |
| Tarlac Black Gold Petroleum Corporation[7] | (y) | **49.00%** | 49.00% |
| Abound Business Ventures Corporation[7] | (z) | **49.00%** | 49.00% |
| F1rstEnergy Corp. (FEC)[7] | (aa) | **49.00%** | 49.00% |
| Phoenix Northern Mindanao Corp. (PNMC)[7] | (bb) | **49.00%** | 49.00% |
| JV Hauling and Trucking Corp. (JHTC)[8] | (cc) | **49.00%** | 49.00% |
| NGT Ventures Incorporated (NGTVI)[9] | (dd) | **49.00%** | - |
| Petrocontinental and Energy Corporation (PEC)[7] | (ee) | **49.00%** | **-** |

Notes:
*1 Wholly-owned subsidiary of Duta*
*2 Joint venture of Parent Company*
*3 Duta and Kaparangan, collectively known as Duta Group*
*4Subsidiary of PNX Energy*
*5 Subsidiary of PNX Vietnam*
*6Subsidiary of PGMI*
*7 Joint venture of PPMI*
*8 Joint venture of PNXRT*
*9 Joint venture of PLPI*

*(a)* Incorporated on January 31, 2007 and is engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of services-oriented companies such as petroleum service stations.

*(b)* Incorporated on July 31, 2006 to engage in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation. PGMI started commercial operations in 2007 and temporarily ceased its operation in 2008 but has resumed its business in October 2015 through selling of acid oil and coconut fatty acid distillates, both are by-products from manufacturing of coconut methyl ester (CME).

*(c)* Incorporated on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use.

*(d)* Incorporated on October 30, 2012 in Singapore and started operations in October 2017. It is the regional trading arm of the Group. It currently holds office in Singapore and is able to buy directly from the refineries in the region due to its bigger requirements. It also sells to other local and regional buyers.

*(e)* Incorporated on June 20, 1995 to engage in the buying, selling, storing, distributing, and marketing at wholesale of all kinds of goods, including but not limited to liquefied petroleum gas (LPG) and other petroleum products.

*(f)* Incorporated on November 9, 1994 to engage in the business of buying, investing, exchanging, selling securities of every kind and description and leasing of land.

*(g)* Incorporated on November 29, 2012. PFM is engaged in the business of operating convenience stores (CVS) under the trademark "FamilyMart" either by direct operation and/or by franchise system in the Philippines and to conduct business activities related to and in support to the aforesaid CVS platforms including importation and export, advertisement and promotion, and in general, to exercise and perform any and all powers necessary, incidental, or convenient to the business.

*(h)* Incorporated on October 29, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses but has not yet started commercial operations as of December 31, 2019.

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

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

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

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

*(m)* Incorporated on March 23, 2018 and was established to import, store, manufacture, sell market, distribute bitumen, bitumen-related products and such other by-products of crude oil and such other petroleum products including the operation of terminals and depots.

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

*(o)* Incorporated on October 30, 2018 in Singapore to engage in activities related to investment in downstream and upstream energy activities and businesses and has not yet started its commercial operations as of December 31, 2020.

*(p)* Incorporated on September 10, 2018 in Indonesia to serve as an avenue for the Parent Company to explore business opportunities in different parts of Indonesia. PNX Indonesia has not yet started its commercial operations as of December 31, 2020.

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

*(r)* Incorporated on August 2, 2017 and is a joint venture with its previous owners. Galaxi owns and operates a number of petroleum service stations in different parts of the Philippines.

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

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

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

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

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

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

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

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

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

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

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

*(dd)* Incorporated on January 29, 2021 to buy, refill, and sell liquefied petroleum gas (LPG) and various kinds of products; to operate, manage and carry out LPG refilling plants, selected dealership within an area as authorized by PLPI, and such other services necessary, incidental and complementary to the business; and to operate other LPG-related businesses that may complement the business of operating an LPG Plant Facility and, buy and sell such other

merchandise, wares, goods, and services that may complement the business activities of the NGTVI. NGTVI started its commercial operation in May 2021.

*(ee)* Incorporated on February 23, 2019 to operate petroleum service stations

### *1.3 Other Corporate Information*

The registered office and principal place of business of the existing subsidiaries and joint ventures, except those presented below, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

| | | |
|---|---|---|
| SPTT | – | Room 203 Greenwoods Park, Central Business District, Subic Bay Freeport Zone, Zambales |
| PNX SG, PNX Energy and PNX Vietnam | – | 350 Orchard Road, #17-05/06 Shaw House, Singapore |
| Duta and Kaparangan | – | 15th Floor, Citibank Tower, Valero St., Salcedo Village, Makati City |
| PFM | – | 4th Floor, Tara Building, No. 389 Sen. Gil Puyat Avenue, Makati City, Metro Manila |
| AAI | – | 2nd Floor, Crown Center, 158 Jupiter Street Corner N. Garcia Street, Bel-Air Village, Makati City |
| TAL | – | Room 1902, WWilson House, 19-27 Wyndham Street, Central, Hong Kong |
| PAPI and PSPC | – | 25th Floor Fort Legend Tower, 3rd Avenue Fort corner 31st Street, Bonifacio Global City, Taguig City |
| PNX Indonesia | – | The Prominence Office Tower, 12th Floor B, Jl. Jalur Sutera Barat No. 15, Alam Sutera, Indonesia |
| Galaxi | – | 1846 FB Harrison Street Pasay City |
| PGV LLC | – | No. 456 Phan Xich Long Street, Ward 2, Phu Nhuan District, Ho Chi Minh City, Vietnam |
| JHTC | – | Pookni Banal, San Pascual, Batangas |
| NGTVI | – | Purok 1, Barangay Alasas, San Fernando City, Pampanga |

### *1.4 Business Combinations*

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

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

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

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

c) On May 25, 2018, the Parent Company entered into a deed of absolute sale of shares with Wildlemon, Inc. and Seawood Prime Limited for the acquisition of the voting rights for AAI and TAL, respectively (referred to as "AAI Group"). The Parent Company acquired 74.90% equity ownership interest in AAI Group for total consideration of P72.0 million.

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

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

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

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

| | | Entities Acquired | | |
|---|---|---|---|---|
| | | 2019 | 2018 | |
| | Reference | PGV LLC 75.00% | PFM 100.00% | AAI Group 74.90% |
| Fair value of assets acquired and liabilities assumed | | | | |
| Cash and cash equivalents | | P 71,849,432 | P 21,601,695 | P 6,687,746 |
| Trade and other receivables | (i) | 102,525,465 | 22,534,222 | 1,482,807 |
| Inventories | | 23,702,793 | 80,744,545 | 1,031,489 |
| Prepayments and other current assets | | 20,507,347 | 158,786,825 | 4,518,678 |
| Property, plant and equipment | (ii) | 952,310,893 | 369,603,000 | 537,357 |
| Intangible asset | | - | 21,476,320 | - |
| Other non-current assets | | 169,579,990 | 46,832,213 | 640,304 |
| Total assets | | 1,340,475,920 | 721,578,820 | 14,898,381 |
| Trade and other payables | | 197,630,783 | 642,639,484 | 125,779,164 |
| Short-term loans and borrowings | | 321,141,124 | - | - |
| Deferred tax liabilities | | 110,446,823 | | |
| Other non-current liabilities | | 85,569,455 | - | - |
| Total liabilities | | 714,788,185 | 642,639,484 | 125,779,164 |
| Total identifiable net assets (liabilities) | | 625,687,735 | 78,939,336 | ( 110,880,783) |
| Fair value of cash consideration transferred | | 682,820,388 | 352,070,202 | 71,995,652 |
| Share of non-controlling interests | | 156,421,934 | - | ( 27,831,076) |
| | | 839,242,322 | 352,070,202 | 44,164,576 |
| Goodwill | | P 213,554,587 | P 273,130,866 | P 155,045,359 |
| Excess of fair value of net assets acquired over cash consideration transferred | | n/a | n/a | n/a |
| Cash consideration settled in cash | | P 682,820,388 | P 352,070,202 | P 71,995,652 |
| Cash and cash equivalents acquired | | 71,849,432 | 21,601,695 | 6,687,746 |
| Less: Share of non-controlling interests | | 17,962,358 | - | 1,678,624 |
| | | 53,887,074 | 21,601,695 | 5,009,122 |
| Net Cash Flow of Acquisition | | P 628,933,314 | P 330,468,507 | P 66,986,530 |
| Acquisition costs charged to expenses | | P 1,458,944 | P 6,440,651 | P 1,738,116 |
| Pre-acquisition income (loss) | (iii) | ( 7,821,881) | - | 1,628,790 |
| Revenue contribution | | 1,472,189,346 | 1,307,944,277 | 34,957,821 |
| Net loss contribution | | ( 43,127,051) | ( 193,507,767) | ( 36,310,130) |

(i) The carrying amount of the acquired trade and other receivables is determined to be the reasonable approximation of fair value as these are only short-term and are expected to be collectible in whole.

(ii) The property, plant and equipment of PGV LLC and PFM were appraised by an independent appraiser [see Note 3.2*(i)*]. The fair values of the said properties are determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between the knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transactions as at the valuation date.

(iii) The 2020, 2019 and 2018 consolidated statements of comprehensive income are presented net of the pre-acquisition income of the entities acquired.

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

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

In 2020 and 2021, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business:

- Secured the safety and health of the organization by placing most of its workforce on a work-from-home (WFH) arrangement, while the staff at terminal and depot operations are on a two-week on, two-week off rotation. The HSE (Health, Safety, and Environment) Group, along with the Leadership, monitor and look after the physical and mental wellbeing of the employees.

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

- Preserved resources by managing importations and maintaining significantly lower level of inventories, which allowed the Group to minimize losses from falling prices and abrupt slowdown in demand. In 2021, the Group likewise scaled back its capital expenditures spending by 95.41%, while benefiting from the structural cost actions implemented years prior, which included streamlining supply chains and rationalization of road transport operations.

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

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

As a result of the actions taken by management, the Group's operations improved in 2021 as discussed below.

- Increase in total revenues amounting to P53,984.1 million or 68.95% as compared to that of 2020, as a result of continuation of business operations despite the different quarantine classifications imposed by the government in 2021, except when brief lockdowns were implemented on March and September 2021, as compared to when the Group had temporary closure of certain warehouses from March to June 2020;

- Increase in gross profit by P1,085.4 million or 87.28% as compared to prior year, as a result of increase in manpower able to work onsite resulting to boost in marketing and sales;

- recognition of impairment on financial assets is lower as compared to 2020; and,

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the pandemic.

***Approval of Interim Consolidated Financial Statements***

The consolidated financial statements of the Group as of and for the three months ended March 31, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the three months ended March 31, 2021, were authorized for issue by the Parent Company's Board of Directors (BOD) on May 13,2022.

## 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, 2021.

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

These interim condensed consolidated financial statements for the three months ended March 31, 2022 and 2021 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, 2021.

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 2021 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, 2021:

| | | |
|---|---|---|
| PFRS 7, PFRS 9, and PFRS 16 (Amendments) | : | Financial Instruments: Disclosures, Financial Instrument and Leases – Interest Rate Benchmark Reform Phase 2 |
| PFRS 16 (Amendments) beyond | : | Leases – COVID-19-Related Rent Concession June 30, 2021 |

Discussed below are the relevant information about these amendments.

i. PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 9 (Amendments), *Financial Instruments,* and PFRS 16 (Amendments)*, Leases - Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship and, in the case of a cash flow hedge, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative reference rate. The Phase 2 amendments are relevant to the Group because it is exposed to the effects of the LIBOR reform on its interest-bearing loan and the designated hedging instruments that use LIBOR as interest benchmark rates. Management assessed that the exposure is minimal as the benchmark rate of the hedging instruments will likely follow the benchmark rate of the interest-bearing loans.

ii. PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021* (effective from April 1, 2021). The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 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 application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessors in 2021.

*(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. PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)

ii. PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

iii. 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:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*

- Illustrative Examples Accompanying PFRS 16*, Leases – Lease Incentives*

iv. PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

v. PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

vi. PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

vii. PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

viii. 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 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 28.02 million as part of the depreciation and an interest expense of P 27.55 million as part of the finance cost were recorded during the three months of 2022.

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 136.59 million was recognized as rent expense for short term leases during the three 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 q Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument.

All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income, except for interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) which are capitalized as part of the cost of such asset (see Note 2.18).

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables (excluding tax-related payables), security deposits, customers' cylinder deposits and cash bond deposits are recognized initially at their fair values and subsequently measured

at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.
Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognized in profit of loss. Derivative financial assets are set off against derivative financial liabilities and the net financial instruments are presented as either Derivative Financial Assets or Derivative Financial Liabilities in the consolidated statement of financial position (see Note 5.6).

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

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-79.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the consolidated statements of financial position, are reduced for estimated non-returns. Estimated non-returns are determined through amortization of the balance over the estimated useful life of cylinders and/or estimated proportion of the provision for lost cylinders (see Note 2.7). 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, 2021.

The Group performed its annual impairment test of goodwill and other intangible assets with indefinite useful life at year end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that for the three months ended March 31, 2022 and as of December 31, 2021, goodwill arising from business combination and other intangible assets with indefinite useful life are not impaired.

## 4. REVENUES

All of the Group's revenues except for rentals (covered under PFRS 16, *Leases*) are transferred at a point in time.

The Group's revenue disaggregated by primary geographical markets and major goods/service lines are presented in the next page (in thousands)

| | Three Months March 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Sale of Goods | | Fuel Service & Other Revenue | | | | | |
| | | Trading | | Depot and Logistics | | Real Estate | | Total |
| ***Primary Geographical Markets*** | | | | | | | | |
| **Philippines** | P | 12,417,026 | P | 462,871 | P | 3,612 | P | 12,883,509 |
| **Singapore** | | 22,399,534 | | - | | | | 22,399,534 |
| **Vietnam** | | 1,198,745 | | | | | | 1,198,745 |
| | P | 36,015,304 | P | 462,871 | P | 3,612 | P | 36,481,788 |
| ***Major goods/service lines*** | | | | | | | | |
| **Fuels** | P | 32,427,098 | P | | P | | P | 32,427,098 |
| **LPG** | | 3,375,983 | | | | | | 3,375,983 |
| **Merchandise** | | 121,195 | | | | | | 121,195 |
| **Lubricants** | | 88,981 | | | | | | 88,981 |
| **Terminaling/hauling** | | - | | 23,120 | | | | 23,120 |
| **Rentals** | | - | | 39,580 | | 3,612 | | 43,193 |
| **POS Device** | | 2,047 | | | | | | 2,047 |
| **Others** | | - | | 400,171 | | | | 400,171 |

| | | | | |
|---|---|---|---|---|
| | P 36,015,304 | P 462,871 | P 3,612 | P 36,481,788 |

| | Three Months March 31, 2021 | | | |
|---|---|---|---|---|
| | Sale of Goods | Fuel Service & Other Revenue | | |
| | Trading | Depot and Logistics | Real Estate | Total |
| ***Primary Geographical Markets*** | | | | |
| **Philippines** | P 14,300,695 | P 103,533 | P 1,971 | P 14,406,199 |
| **Singapore** | 13,599,106 | - | - | 13,599,106 |
| **Vietnam** | 805,086 | - | - | 805,086 |
| | P 28,704,886 | P 103,533 | P 1,971 | P 28,810,391 |
| ***Major goods/service lines*** | | | | |
| **Fuels** | P 26,003,776.79 | P | P | P 26,003,777 |
| **LPG** | 2,495,179.04 | | | 2,495,179 |
| **Merchandise** | 93,669.76 | | | 93,670 |
| **Lubricants** | 105,335.74 | | | 105,336 |
| **Terminalling/hauling** | - | 5,179 | | 5,179 |
| **Rentals** | - | 30,110 | 1,971 | 32,081 |
| **POS Device** | 6,925.04 | | | 6,925 |
| **Others** | - | 68,244 | | 68,244 |
| | **P 28,704,886** | **P 103,533** | **P 1,971** | **P 28,810,391** |

## 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 March 31, 2022, there have been no change from prior periods in the measurement methods used to determine operating segments and reported segment revenues, expenses and performance.

The succeeding tables present revenue and profit information regarding segments for the three months ended March 31, 2022 and March 31, 2021 and certain asset and liability information regarding segments as at March 31, 2022 and December 31, 2021 (amounts in thousands).

| | Trading | | Fuel Service & Other Revenues Depot & Logistics | | Real Estate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **March 31, 2022** | March 31, 2021 | **March 31, 2022** | March 31, 2021 | **March 31, 2022** | March 31, 2021 | **March 31, 2022** | March 31, 2021 |
| **TOTAL REVENUES** | **(Unaudited)** | (Unaudited) | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Sales to external customers | **36,015,304** | 28,704,886 | **462,871** | 103,533 | **3,612** | 1,971 | **36,481,788** | 28,810,391 |
| Intersegment Sales | **1,709,479** | 4,620,400 | **3,670** | 179 | **7,028** | 6,219 | **1,720,177** | 4,626,798 |
| | **37,724,783** | 33,325,286 | **466,541** | 103,712 | **10,640** | 8,191 | **38,201,964** | 33,437,188 |
| **COST AND OTHER OPEX** | | | | | | | | |
| Cost of Sales and services | **37,552,072** | 32,805,212 | **8,138** | 6,326 | **1,600** | 1,947 | **75,570,359** | 32,813,484 |
| excluding depreciation and amortization | | | | | | | **-** | - |
| Depreciation and amortization | **289,682** | 250,832 | **71,474** | 61,333 | **-** | - | **361,156** | 312,165 |
| | **37,841,754** | 33,056,044 | **79,612** | 67,659 | **1,600** | 1,947 | **37,922,966** | 33,125,650 |
| **SEGMENT OPERATING PROFIT (LOSS)** | **( 116,970)** | 269,242 | **386,928** | 36,053 | **9,040** | 6,244 | **278,998** | 311,539 |

| | Trading | | Fuel Service & Other Revenues Depot & Logistics | | Real Estate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **March 31, 2022** | December 31, 2021 | **March 31, 2022** | December 31, 2021 | **March 31, 2022** | December 31, 2021 | **March 31, 2022** | December 31, 2021 |
| | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) |
| **ASSETS & LIABILITIES** | | | | | | | | |
| Segment Assets | 77,847,717 | 98,525,496 | 6,375,687 | 1,820,097 | 5,295,386 | 5,504,055 | 89,518,790 | 105,849,648 |
| Segment Liabilities | 65,523,895 | 75,777,144 | 1,586,389 | 1,586,389 | 2,247,908 | 2,384,178 | 69,358,192 | 79,747,711 |

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

| | | March 31, 2022 | | March 31, 2021 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Total segment revenues | P | **38,201,964** | P | 33,430,790 |
| Elimination of Intersegment revenues | | **(1,720,177)** | | (4,620,400) |
| Revenue as reported in profit or loss | P | **36,481,788** | P | 28,810,391 |
| **Profit or loss** | | | | |
| Segment Operating profit | P | **278,998** | P | 311,539 |
| Other Unallocated income | | **-** | | - |
| Other Unallocated expense | | **-** | | - |
| Operating profit as reported in profit and loss | | **278,998** | | 311,539 |
| Finance costs | | **(783,757)** | | (193,144) |
| Finance income | | **55,096** | | 29,515 |
| **Profit before tax as reported in profit or loss** | **P** | **( 449,663 )** | P | 147,910 |

| | | March 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| Segment Assets | P | **109,734,052** | P | 105,849,648 |
| Right -of-use assets-net | | **981,934** | | 1,009,821 |
| Deferred tax assets-net | | **1,032,354** | | 1,016,669 |
| Elimination of Intercompany accounts | | **(22,229,550)** | | (22,278,510) |
| **Total Assets reported in the consolidated Statement of Financial Position** | **P** | **89,518,790** | P | 85,597,628 |

**Liabilities**

| | | | | |
|---|---|---|---|---|
| Segment Liabilities | | **83,308,982** | | 79,747,711 |
| Lease Liability | | **1,101,722** | | 1,108,665 |
| Deferred tax Liabilities - net | | **730,084** | | 917,126 |
| Elimination of Intercompany accounts | | **(15,795,129)** | | (16,655,317) |
| **Total Liabilities as reported in the consolidated Statement of Financial Position** | **P** | **69,358,192** | P | 65,118,185 |

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

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

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

| | March 31, 2022 (Unaudited) | | December 31, 2021 (Audited) | |
|---|---|---|---|---|
| ***Financial Assets*** | **Carrying Values** | **Fair Values** | **Carrying Values** | **Fair Values** |
| Cash and cash equivalents | P 4,701,028,962 | P 4,701,028,962 | P 4,903,236,346 | P 4,903,236,346 |
| Trade and other receivables - net * | 20,169,610,950 | 20,169,610,950 | 15,160,567,319 | 15,160,567,319 |
| Due from related parties | 3,117,695 | 3,117,695 | 2,949,357 | 2,949,357 |
| Construction Bond*** | 6,777,664 | 6,777,664 | 6,777,664 | 6,777,664 |
| Restricted deposits | 77,399,689 | 77,399,689 | 77,399,689 | 77,399,689 |
| Security Deposits | 494,131,981 | 494,131,981 | 249,647,969 | 249,647,969 |
| Refundable rental deposits | 146,222,806 | 146,222,806 | 337,296,642 | 337,296,642 |
| | **P 25,598,289,746** | **P 25,598,289,746** | **P 20,737,874,986** | **P 20,737,874,986** |
| ***Financial Liabilities*** | | | | |
| Derivative financial liability | P 153,583,477 | P 153,583,477 | P 82,524,602 | P 82,524,602 |
| Interest -bearing loans and borrowings | 46,033,420,825 | 46,033,420,825 | 46,136,602,910 | 44,633,730,434 |
| Trade and other payables** | 19,852,750,362 | 19,852,750,362 | 14,043,056,621 | 14,043,056,621 |
| Lease liabilities | 1,101,721,602 | 1,101,721,602 | 1,108,664,678 | 852,522,579 |
| Customers' cylinder deposits | 745,650,868 | 745,650,868 | 839,688,099 | 611,635,184 |
| Security deposits | 122,672,738 | 122,672,738 | 205,221,552 | 167,091,835 |
| Cash bond deposits | 243,480,130 | 243,480,130 | 60,655,443 | 44,181,885 |
| | **P 68,253,280,002** | **P 68,253,280,002** | **P 62,476,413,905** | **P 60,434,743,140** |

**     Excluding advances to suppliers, advances subject to liquidation and other receivables **   Included as part of Others under Prepayments and Other Current Assets*
**** Excluded tax-related payables*

### 5.2 Fair Value Hierarchy

The Group uses the following hierarchy level in determining the fair values that will be disclosed for its financial instruments.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

### 5.3 Valuation Methods and Assumptions

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale. The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The valuation requires management to use unobservable inputs in the model. Management regularly assesses a range of reasonably possible alternatives for the significant unobservable inputs and determines their impact on the total fair value.

### 5.4 Fair Value Hierarchy of Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the interim condensed consolidated statements of financial position but for which fair value is disclosed.

| | | March 31, 2022 (Unaudited) | | |
|---|---|---|---|---|
| ***Financial Assets*** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents | P 4,701,028,962 | P | P | P 4,701,028,962 |
| Trade and other receivables - net * | | | 20,169,610,950 | 20,169,610,950 |
| Due from related parties | | | 3,117,695 | 3,117,695 |
| Construction Bond*** | | | 6,777,664 | 6,777,664 |
| Restricted deposits | 77,399,689 | | | 77,399,689 |
| Security Deposits | | | 494,131,981 | 494,131,981 |
| Refundable deposits | | | 146,222,806 | 146,222,806 |
| | **P 4,778,428,651** | **P -** | **P 20,819,861,095** | **P 25,598,289,746** |

| | | | | |
|---|---|---|---|---|
| ***Financial Liabilities*** | | | | |
| Financial liabilities at amortized cost | | | | |
| Derivative financial liability | P | P | P 153,583,477 | P 153,583,477 |
| Interest -bearing loans and borrowings | | | 46,033,420,825 | 46,033,420,825 |
| Trade and other payables** | | | 19,852,750,362 | 19,852,750,362 |
| Lease liabilities | | | 1,101,721,602 | 1,101,721,602 |
| Customers' cylinder deposits | | | 745,650,868 | 745,650,868 |
| Security deposits | | | 122,672,738 | 122,672,738 |
| Cash bond deposits | | | 243,480,130 | 243,480,130 |
| | **P -** | **P -** | **P 68,253,280,002** | **P 68,253,280,002** |

| | | December 31, 2021 (Audited) | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial Assets*** | | | | |
| Cash and cash equivalents | P 4,903,236,346P | - | P - | P 4,903,236,346 |
| Trade and other receivables - net | - | - | 15,160,567,319 | 15,160,567,319 |
| Due from related parties | - | - | 2,949,357 | 2,949,357 |
| Construction Bond | - | - | 6,777,664 | 6,777,664 |
| Restricted deposits | 77,399,689 | - | - | 77,399,689 |
| Security Deposits | - | - | 249,647,969 | 249,647,969 |
| Refundable deposits | - | - | 337,296,642 | 337,296,642 |
| | P 4,980,636,035P | - | P 15,757,238,951 P | 20,737,874,986 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ***Financial Liabilities*** | | | | | | | | |
| Interest -bearing loans and borrowings | P | - | P | - | P | | P | |
| Trade and other payables | | - | | - | | 14,043,056,621 | | 14,043,056,621 |
| Lease liabilities | | - | | - | | 852,522,579 | | 852,522,579 |
| Customers' cylinder deposits | | - | | - | | 611,635,184 | | 611,635,184 |
| Security deposits | | - | | - | | 167,091,835 | | 167,091,835 |
| Cash bond deposits | | - | | - | | 44,181,885 | | 44,181,885 |
| | P | - | P | - | P | 60,434,743,140 | P | 60,434,743,140 |

For financial assets with fair value included in Level 1, management considers that the carrying amount of this short-term financial instrument approximates their fair values.

## 6. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 5. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

### *6.1 Market Risk*

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

*(a) Foreign Currency Risk*

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's sales to a certain customer and, fuel and tanker importations, which are primarily denominated in U.S. dollars (US$).

The liability covering the fuel importation is covered by letter of credits (LCs) which is subsequently closed to Philippine peso trusts receipts (TRs). Further, the Group has several U.S. dollar loans from certain banks, which were used to finance its capital expenditures.

The Group also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

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

| | March 31, 2022 | | |
|---|---|---|---|
| | **U.S. Dollar** | **Singapore Dollar** | **Vietnamese Dong** |
| **Financial assets** | **P 10,162,414,409** | **P 8,366,632** | **P 678,116,526** |
| **Financial liabilities** | **(7,502,102,602)** | **-** | **(906,229,028)** |
| **Net exposure** | **P 2,660,311,807** | **P 8,366,632** | **P (266,652,344)** |

| | December 31, 2021 (Audited) | | |
|---|---|---|---|
| | U.S. Dollar | Singapore Dollar | Vietnamese Dong |
| Financial assets | P 19,123,020 | P 4,847,440,999 | P 394,652,184 |
| Financial liabilities | ( 6,334,675,463) | - | ( 166,465,089) |
| Net exposure | (P 6,315,552,443) | P 4,847,440,999 | P 288,187,095 |

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

| | March 31, 2022 | | |
|---|---|---|---|
| | **U.S. Dollar** | **Singapore Dollar** | **Vietnamese Dong** |
| **Reasonably possible change in rate** | **1.847%** | **8.087%** | **10.465%** |
| **Effect in profit before tax** | **P 49,147,799** | **P 676,605** | **P (27,903,890** |
| **Effect in equity after tax** | **34,403,459** | **473,624** | **(19,532,723)** |

| | December 31, 2021 (Audited) | | |
|---|---|---|---|
| | U.S. Dollar | Singapore Dollar | Vietnamese Dong |
| Reasonably possible change in rate | 7.22% | 12.04% | 9.00% |
| Effect in profit before tax | (P 455,982,886) | P 583,631,896 | P 25,936,839 |
| Effect in equity after tax | ( 341,987,164) | 437,723,922 | 19,452,629 |

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 March 31, 2022, and 2021, the Group is exposed to changes in market interest rates through its cash and cash equivalents and certain interest-bearing loans and borrowings, which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates.

The Group's objectives and policies for managing interest rate risks are described in its recent annual consolidated financial statements.

*(c) Other Price Risk*

The Group's market price risk arises from its purchases of fuels. It manages its risk arising from changes in market prices by monitoring the daily movement of the market price of fuels and to some extent, using forward and other similar contracts to manage the fluctuation of the fuel price.

### *6.2 Credit Risk*

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting of loans and selling goods and services to customers including related parties; and placing deposits with banks.

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

Estimate of the fair value of collateral held against trade and other receivables as of March 31, 2022 and December 31, 2021 follows:

| | | **March 31, 2022** | | Dec. 31, 2021 |
|---|---|---|---|---|
| Standby letter of credits | **P** | **457,061,044** | P | 485,709,344 |
| Retail Stations | | **460,206,354** | | 460,261,245 |
| Cash bond | | **243,480,130** | | 245,352,846 |
| Real estate mortgage | | **74,192,730** | | 74,192,730 |
| | **P** | **1,234,940,258** | P | 1,265,516,165 |

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.

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|---|
| Cash and cash equivalents | 4,701,028,962 | 4,903,236,346 |
| Trade and other receivables - net * | 20,169,610,950 | 15,160,567,319 |
| Due from related parties | 3,117,695 | 2,949,357 |
| Construction Deposit** | 6,777,664 | 6,777,664 |
| Restricted Deposit | 77,399,689 | 77,399,689 |
| Security Deposits | 494,131,981 | 249,647,969 |
| Refundable rental deposits | 146,222,806 | 337,296,642 |
| | **25,598,289,746** | **20,737,874,986** |

**excluding advances to suppliers, advances subject to liquidation and other receivables*
***included as part of Others under Prepayments and Other Current Assets*

The Group's management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality. The Group's objectives and policies for managing credit risk are described in its recent annual consolidated financial statements.

*(a) Cash and Cash Equivalents*

The credit risk for cash and cash equivalents 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** | | **2021** | 2020 |
| PRR 3A | Counterparties with both very strong financial and business profiles. Lowest risk of default | 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 | BBB | **0.11 – 0.47** | 0.21 – 0.60 |

| | | | | | |
|---|---|---|---|---|---|
| | in the scale. | 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. | | | |
| PRR 2A | Counterparties with strong financial profile and very strong business profile or vice versa. | | BBB | **0.11 – 0.47** | 0.21 – 0.60 |
| PRR 1A | Counterparties with a strong to adequate financial profile and very strong to adequate business profile. | | BBB | **0.11 – 0.47** | 0.21 – 0.60 |
| 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 | **0.54 – 1.58** | 0.62 – 2.86 |
| PRR 2B | Counterparties with an average financial profile and sustainable business profile. | | BB | **0.54 – 1.58** | 0.62 – 2.86 |
| 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 | **3.06 – 6.42** | 3.12 – 8.85 |
| 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 | **3.06 – 6.42** | 3.12 – 8.85 |
| PRR 2C | Counterparties with a weak financial profile and adequate business profile. | | B | **3.06 – 6.42** | 3.12 – 8.85 |
| 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 March 31, 2022 and December 31, 2021 to the opening loss allowance is presented below:

| | Trade and Other Receivables | Due from Related Parties |
|---|---|---|
| Credit Loss allowance at January 1, 2022 | P 678,320,331 | P 106,130 |
| Recovery of bad debts | - | - |
| Written-off during the year | - | - |
| Reclassification | - | - |
| Impairment loss of the year | - | - |
| Credit loss allowance at March 31, 2022 | **P 678,320,331** | **P 106,130** |

| | Trade and Other Receivables | Due from Related Parties |
|---|---|---|
| Balance at beginning of year, as previously reported | P 734,384,427 | P 784,984 |
| Recovery of bad debts | ( 54,210,853) | ( 726,762) |
| Written-off during the year | ( 1,714,165) | |
| Reclassification | ( 139,078) | 47,907 |
| Impairment loss of the year | | |
| Credit loss allowance at December 31, 2021 | P 678,320,331 | P 106,130 |

The credit loss allowance provided as of March 31, 2022 and December 31, 2021 are as follows:

**March 31, 2022**

Trade & Other Receivables

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3A | BBB | 0.11 – 0.47 | 2,296,349,501 | 2,515,958 |
| PRR 2A | BBB | 0.11 – 0.47 | 5,037,352,035 | 23,634,911 |
| PRR 1A | BBB | 0.11 – 0.47 | 3,627,747,553 | 16,996,328 |
| PRR 3B | BB | 0.54 – 1.58 | 1,235,336,412 | 15,627,669 |
| PRR 2B | BB | 0.54 – 1.58 | 237,892,754 | 2,993,016 |
| PRR 1B | B | 3.06 – 6.42 | 2,256,644,506 | 115,850,360 |
| PRR 3C | B | 3.06 – 6.42 | 656,992,314 | 37,205,649 |
| PRR 2C | B | 3.06 – 6.42 | 28,725,935 | 1,649,800 |
| PRR 1C/D/F | CCC/C | 100 | 461,846,640 | 461,846,640 |
| | | | P 15,838,887,650 | P 678,320,331 |

Due From Related Parties

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3B | BB | 0.54 – 1.58 | 624,077 | 3,370 |
| PRR 2B | BB | 0.54 – 1.58 | 381,158 | 2,973 |
| PRR 1B | B | 3.06 – 6.42 | 286,919 | 11,620 |
| PRR 3C | B | 3.06 – 6.42 | 1,763,333 | 88,167 |
| | | | P 3,055,487 | P 106,130 |

**December 31, 2021**

Trade & Other Receivables

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3A | BBB | 0.11 – 0.47 | 2,296,349,501 | 2,515,958 |
| PRR 2A | BBB | 0.11 – 0.47 | 5,037,352,035 | 23,634,911 |
| PRR 1A | BBB | 0.11 – 0.47 | 3,627,747,553 | 16,996,328 |
| PRR 3B | BB | 0.54 – 1.58 | 1,235,336,412 | 15,627,669 |
| PRR 2B | BB | 0.54 – 1.58 | 237,892,754 | 2,993,016 |
| PRR 1B | B | 3.06 – 6.42 | 2,256,644,506 | 115,850,360 |
| PRR 3C | B | 3.06 – 6.42 | 656,992,314 | 37,205,649 |
| PRR 2C | B | 3.06 – 6.42 | 28,725,935 | 1,649,800 |
| PRR 1C/D/F | CCC/C | 100 | 461,846,640 | 461,846,640 |
| | | | P 15,838,887,650 | P 678,320,331 |

Due From Related Parties

| PRR | S&P Rating | Loss Rate Range | Estimated Gross Carrying amount at Default | Credit Loss Allowance |
|---|---|---|---|---|
| PRR 3B | BB | 0.54 – 1.58 | 624,077 | 3,370 |
| PRR 2B | BB | 0.54 – 1.58 | 381,158 | 2,973 |
| PRR 1B | B | 3.06 – 6.42 | 286,919 | 11,620 |
| PRR 3C | B | 3.06 – 6.42 | 1,763,333 | 88,167 |
| | | | P 3,055,487 | P 106,130 |

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:

| | March 31, 2022 (Unaudited) |
|---|---|
| Not more than one month | 776,782,056 |
| More than one month but not more than 2 months | 219,019,602 |
| More than two months but not more than 6 months | 1,109,926,760 |
| More than six months but not more than 1 year | 1,208,209,858 |
| More than one year | 6,359,943,343 |
| | **9,673,881,619** |

### 6.3 *Liquidity Risk*

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

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

This compares to the maturity of the Group's financial liabilities as of March 31, 2022 (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 24,404,314,473 | P 750,627,100 | P 15,593,060,243 | P 5,285,419,011 |
| Trade and other payables | 14,111,887,031 | 5,740,863,331 | | |
| (excluding tax-related | | | | |
| payables) | - | - | - | - |
| Derivative financial liabilities | 153,583,477 | - | - | - |
| Security deposits | - | - | 122,672,738 | - |
| Customers' cylinder deposits | - | - | - | 745,650,868 |
| Cash bond | - | - | - | 243,480,130 |
| | **P 38,669,784,981** | **P 6,491,490,431** | **P 15,715,732,981** | **P 6,274,550,009** |

As of December 31, 2021 (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 25,527,000,149 | P 887,091,159 | P 16,082,643,912 | P 4,538,913,612 |
| Trade and other payables | | | | |
| (excluding tax-related | | | | |
| payables) | 698,126,662 | 13,344,929,959 | - | - |
| Derivative financial liabilities | 82,524,602 | - | - | - |
| Security deposits | - | - | 205,221,552 | - |
| Customers' cylinder deposits | - | - | - | 839,688,099 |
| Cash bond | - | - | - | 60,655,443 |
| | P 26,307,651,413 | P 14,232,021,118 | P 16,287,865,464 | P 5,439,257,154 |

## 7. INVENTORIES

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

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|---|
| At cost: | | |
| Fuels and by-products | **P 2,439,945,638** | P 4,584,760,049 |
| Lubricants | **116,190,613** | 110,360,901 |
| Merchandise | **31,727,974** | 63,709,858 |
| LPG | **191,512,635** | 173,625,260 |
| Others | **44,990,195** | 59,478,949 |
| | **P 2,824,367,056** | P 4,991,935,017 |

Inventories with carrying amount of **P2,824** million and P4,363.0 million as of March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021.

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

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

| | **March 31,** | | **December 31,** |
|---|---|---|---|
| | **2022 (Unaudited)** | **2021 (Unaudited)** | **2021 (Audited)** |
| Bal. at Beg Period, Jan. 1 | 34,924,338,654 | 33,500,379,219 | 33,500,379,219 |
| Additions | 275,534,136 | 839,478,063 | 1,837,488,888 |
| Revaluation Increments | - | - | 445,022,305 |
| Transfers | 2,614,916 | - | 83,190,141 |
| Disposals/Termination | ( 334,372) | ( 14,224,320 ) | ( 43,246,241) |
| PFRS 16 | 65,255,046 | | 348,273,296 |
| Write-off | ( 12,289) | - | - |
| Depreciation | ( 350,097,049) | ( 300,537,143 ) | ( 1,288,627,196) |
| Translation /Adjustment | 4,764,536 | 2,636,167 | 92,333,002 |
| Provision for loss cylinders | - | - | ( 50,474,762) |
| Balance at the end of the period | **34,922,063,578** | 34,027,731,986 | 34,924,338,654 |

## 9. INTANGIBLE ASSETS

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

| | March 31, | | December 31, |
|---|---|---|---|
| | **2022** | **2021** | **2021** |
| | **(Unaudited)** | **(Unaudited)** | **(Audited)** |
| Bal. at Beg Period, Jan. 1 | **238,152,266** | 278,730,290 | 278,730,290 |
| Additions | **405,422** | 2,981,313 | 1,549,017 |
| Transfers from PPE | | - | - |
| Amortization Expense for the period | **( 11,059,113)** | ( 11,628,237 ) | (41,968,500) |
| Translation Adjustment | **99,799** | 73,251 | (158,542) |
| Balance at the end of the period | **227,598,373** | 270,156,617 | 238,152,265 |

## 10. INTEREST-BEARING LOANS AND BORROWINGS

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

| | | March 31, 2022 (Unaudited) | | December 31, 2021 (Audited) |
|---|---|---|---|---|
| Current: | | | | |
| Liabilities under LC and TR | **P** | **7,382,468,208** | P | 6,314,559,412 |
| Short-term loans | | **16,695,839,739** | | 17,433,243,178 |
| Current portion of long-term loans | | **1,076,633,626** | | 880,730,477 |
| Liabilities under short-term commercial papers | | **-** | | - |
| | | **25,154,941,572** | | 24,628,533,067 |
| Non-current: | | | | |
| Term loans | | **20,878,479,254** | | 21,508,069,843 |
| | **P** | **46,033,420,827** | P | 46,136,602,910 |

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

The Group avails of LC and TR lines with local banks to finance its purchases of inventories. These short-term trust receipts bear interests based on prevailing market interest rates at an average of 5.88% and 5.81% per annum as of March 31, 2022 and December 31, 2021, respectively.

### *10.2 Borrowings and Repayments*

The Group has term loan with outstanding balance as of March 31, 2022 P 38,650.95 million. The loans bearing interest ranging from 4.997% to 10% and is repayable in various dates until 2025. Term loans refer to all interest-bearing loans repayable both within the short-term and lone-term periods.

As of March 31, 2022, repayments of term loans amounting to P 9,572.06 million were made in line with previously disclosed repayment terms.

## 11. LEASE LIABILITIES

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

| | |
|---|---|
| **Current** | **72,822,373** |
| **Non-Current** | **1,028,899,229** |
| **Total** | **1,101,721,602** |

Additional Information on lease liabilities are broken down as follows:

| | Land | Warehouse | Office | Store Premises | TOTAL |
|---|---|---|---|---|---|
| Lease Liabilities | 1,198,995,904 | 27,094,559 | 4,759,938 | 44,871,255 | 1,101,721,602 |

As of March 31, 2022, the Group is not committed to leases which have not commenced.

A total of P 27.5 million finance cost was recognized related to the lease liabilities.

## 12. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate Parent Company, PPHI, stockholders, the Group's key management personnel, entities under common ownership by the ultimate parent Company and others as described below and in the succeeding pages.

Summary of the Group's transactions with its related parties for the periods ended March 31, 2022 and 2021 and the related outstanding balances as of March 31, 2022 and December 31, 2021 is presented below.

| | Amount of Transactions | | Outstanding Balance | |
|---|---|---|---|---|
| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
| **Other related parties under common ownership** | | | | |
| Sale of goods | 1,127,491,790 | 1,830,484,797 | 3,948,105,595 | 3,339,166,472 |
| Purchase of goods | 213,036,359 | | | 32,672,884 |
| Purchase of services | 860,926,987 | 48,788,129 | 16,609,809 | - |
| Advances to suppliers | 99,724,947 | 8,500,000 | 3,389,827,199 | 3,343,433,441 |
| Rentals | 268,669 | 17,533,977 | - | - |
| Due from related parties | | 22,751,598 | - | 2,949,357 |
| Management fees | - | - | - | 101,674,322 |
| Sale of subsidiaries | - | - | - | 500,000,000 |
| Sale of services | 192,572,467 | 101,153 | 2,510,029,639 | 2,148,899,278 |
| | - | | | |
| Other Income | 9,840,247 | - | 11,021,077 | - |
| Prepaid rent | - | - | | 12,020,426 |
| Transfer of retail stations | | - | | 368,539,040 |
| Donations | | - | | - |

**Ultimate Parent**

| | | | | |
|---|---|---|---|---|
| Sale of goods | 417,650 | 116,126 | 467,768 | 288,187 |
| Advances to suppliers | | - | 2,215,794,376 | 2,015,794,376 |
| Lease Liability | | - | | |
| Rentals | | 2,710,023 | 966,575 | 7,946,237 |
| Sale of services | 133,719,739 | - | 1,967,599,339 | 1,837,833,232 |
| Advances for option to | | | | |
| purchase properties | | - | | 200,000,000 |

**Key management personnel**

| | | | | |
|---|---|---|---|---|
| Salaries and | 63,494,121 | 63,494,121 | - | - |
| Employee benefits | | | | |

### *12.1 Sale of Goods*

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

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

No impairment loss was recognized for the three months ended March 31, 2022 and 2021 based on management's assessment.

### *12.2 Purchases of Goods and Services*

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

In addition, the Group advances certain amount to certain related parties for the purchase of services. The amount is credited upon the performance of the contractual obligation by the related parties. Management has assessed that there are no impairment losses required to be recognized on the advances to suppliers as of the three months ended March 31, 2022.

### *12.3 Due from Related Parties*

The Group grants unsecured advances to and from related parties under common ownership for working capital requirements and other purposes. The outstanding receivable from related parties are shown as Due from Related Parties in the consolidated statements of financial position. Due from Related Parties are either receivable in cash or paid through offsetting, unsecured non-interest-bearing liabilities and are expected to be paid within one year.

## 13. EQUITY

### *13.1 Capital Stock*

Capital stock consists of:

| | Shares | | | Amount | | |
|---|---|---|---|---|---|---|
| | For the three months ended March 31, (Unaudited) | | For the year ended December 31, 2021 (Audited) | For the three months ended March 31, (Unaudited) | | For the year ended December 31, 2021 (Audited) |
| | **2022** | 2021 | | **2022** | 2021 | |
| Preferred – cumulative, nonvoting, non-participating non-convertible into common shares – P1 par value | | | | | | |
| Authorized: | **50,000,000** | 50,000,000 | 50,000,000 | **P 50,000,000** | P 50,000,000 | P 50,000,000 |
| Issued: | | | | | | |
| Balance at beginning of year | **14,500,000** | 24,500,000 | 37,000,000 | **P 14,500,000** | P 24,500,000 | P 37,000,000 |
| Issuance during the year | **-** | - | - | - | - | - |
| Redemption | **-** | - | (12,500,000) | - | - | (12,500,000) |
| Balance at end of year | **14,500,000** | 24,500,000 | 24,500,000 | **14,500,000** | 24,500,000 | 24,500,000 |
| Treasury shares | | (10,000,000) | (10,000,000) | | (10,000,000) | (10,000,000) |
| Issued and outstanding | **14,500,000** | 14,500,000 | 14,500,000 | **14,500,000** | 14,500,000 | 14,500,000 |
| Common – P1 par value | | | | | | |
| Authorized: | **2,500,000,000** | 2,500,000,000 | 2,500,000,000 | **P 2,500,000,000** | P 2,500,000,000 | P 2,500,000,000 |
| Issued: | | | | | | |
| Balance at beginning of year | **1,441,915,332** | 1,438,977,232 | 1,438,977,232 | **P 1,441,915,332** | P 1,438,977,232 | P 1,438,977,232 |
| Issuance during the year | | 811,000 | 2,938,100 | | 811,000 | 2,938,100 |
| Balance at end of year | **1,441,915,332** | 1,439,788,232 | 1,441,915,332 | **1,441,915,332** | 1,439,788,232 | 1,441,915,332 |
| Treasury shares | | | | | | |
| Balance at beginning of year | **-** | - | - | **-** | - | - |
| Sale of Treasury Shares | **-** | - | - | **-** | - | - |
| Balance at end of year | **-** | - | - | **-** | - | - |
| Issued and outstanding | **1,441,915,332** | 1,439,788,232 | 1,441,915,332 | **P 1,441,915,332** | P 1,439,788,232 | P 1,441,915,332 |
| | | | | **P 1,456,415,332** | P 1,454,288,232 | P 1,456,415,332 |

### 13.2 Employee Stock Options

On January 24, 2013, the Parent Company's BOD approved the ESOP for its eligible employees.

The initial offering date of the option was on July 1, 2016 and will vest five years from the date of grant. Pursuant to this ESOP, on July 1, 2016, the Parent Company granted share options to certain key executives to subscribe to 24.5 million common shares of the Parent Company equivalent to 2.2% of the total issued shares, at an exercise price of P5.68 per share.
Stock options will be granted in two tranches until July 1. 2021. The allocation for Tranche 1 every year is computed at 10.0% of the total available shares for exercise. Meanwhile, the allocation for Tranche 2 is based on the forecasted assessment of the executives' performance rating for five years.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

| | |
|---|---|
| Life of the option | 5 years |
| Current share price at grant date | P 6.25 |
| Exercise price at grant date | P 5.68 |
| Standard deviation of the rate of return | 0.4 |
| Risk-free interest rate | 3.80% |

The underlying expected volatility was determined by reference to historical date of the Group's shares over a period of time consistent with the option life.

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of nil and P3.1 million share-based executive compensation are recognized in March 2022 and December 2021, respectively, and presented as part of Employee benefits under Selling and Administrative Expenses account in the consolidated statements of comprehensive income, respectively, with a corresponding credit to Retained Earnings account.

### 13.3 Cash Dividends

The details of the Parent Company's cash dividend declarations, both for preferred and common shares, for the three months ended March 31 (unaudited) are as follows:

| | **2022** | 2021 |
|---|---|---|
| Common shares | **P -** | P - |
| Preferred shares | 148,824,500 | 147,642,500 |
| | **P 148,824,500** | P 147,642,500 |

### 13.4 Other Interim Disclosures

The Group's management is not aware of the following or is not applicable to the Group's interim operations:

- Unusual items that materially affect the Group's interim condensed consolidated assets, liabilities, equity, net income or cash flows because of their size, nature or incidents;
- Material changes in contingent liabilities or contingent assets since the last annual balance sheet date;
- Existence of material contingencies and other events of transactions that are material to an understanding of the current interim period;
- Events that will trigger direct or contingent material financial obligations to the Group;

- Material off-balance sheet transactions, arrangements, obligations (direct or contingent) and other relationships of the Group;
- Significant elements of income or loss that did not arise from the Group's continuing operations;
- Material events subsequent to end of the reporting period that have not been reflected in this report;
- Material changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries, restructurings and discontinuing operations; and,
- Any seasonal aspect that had a material effect on the consolidated financial condition or results of operation.

### *13.5 Earnings Per Share*

EPS were computed as follows:

| | | For the three months ended March, 31 (Unaudited) | | For the year ended December 31, 2021 (Audited) |
|---|---|---|---|---|
| | | **2022** | 2021 | |
| a) | Net profit (loss) pertaining to common shares | **(P 429,051,913)** | (P 26,837,773) | (P 1,194,719,767) |
| b) | Net profit (loss) attributable to common shares and potential common shares | **( 429,051,913)** | ( 26,837,773) | ( 1,194,719,767) |
| c) | Weighted average number of outstanding common shares | **1,441,915,332** | 1,439,166,095 | 1,440,265,058 |
| d) | Weighted average number of outstanding common and potential common shares | **1,441,915,332** | 1,439,166,095 | 1,440,265,058 |
| Basic earnings (loss) per share (a/c) | | **(P .30)** | (P .02) | (P .83) |
| Diluted earnings (loss) per share (b/d) | | **(P .30)** | (P .02) | (P .83) |

## 14. COMMITMENTS AND CONTINGENCIES

As of March 31, 2022 and December 31, 2021, the Group has commitments of more than P **676.1** million and P800.0 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 March 31, 2022, and December 31, 2021, the Parent Company has unused approved LCs amounting to P 5,682.3 million and P11,569.6 million, respectively.

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim condensed consolidated financial statements. Management of the Group is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial statements.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

## 15. 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.

While the economy gradually re-opened in the first half of 2021 as vaccinations picked up and COVID cases declined, the discovery of new COVID variants like Delta interrupted and slowed the recovery in the second half, particularly of the retail business and travel-related sectors served by the commercial and industry business. Mobility restrictions under Alert Level 4 were briefly reimposed across the country in the third quarter to limit the transmission and outbreak. This was eased back to Alert Level 2 by December 2021 as the level of infections abated. The spread of the Omicron COVID variant in January 2022 posed renewed risks but was moderated by the nationwide COVID booster shot vaccinations.

Meanwhile, as early as January 2022, heightened volatility was noted in the oil and gas markets on growing geopolitical tension between Russia and Ukraine. These risks materialized in late February when Russia invaded Ukraine, and subsequently with Russia being sanctioned heavily by the West. Russia is the second largest crude oil exporter next to Saudi Arabia and any disruption rattles the markets. By March, crude oil benchmarks had risen more than 60% to historic highs, and as of today these volatile movements continue. Overall, the impact of the Russia and Ukraine conflict is far reaching for economies, markets, and businesses.

As the global economies emerge from the pandemic, challenges from the new wave of COVID cases and emerging geopolitical risks drive volatility in global oil prices. In particular, the crisis in Ukraine presents uncertainties, which are expected to weigh on global economies, with ramifications for interest rates, foreign exchange, commodities, and more. The Company has been able to position itself well to navigate the downturn and for the eventual upturn from the COVID pandemic. In response to the intensifying geopolitical crisis, the Company has in place risk management measures to mitigate the impact, including initiatives that will reduce the working capital requirement as well as by actively managing inventories and optimizing volume to maximize sales and profitability.

Comparable discussion on Material Changes in Results of Operations for the Period Ended March 31, 2022 vs. March 31, 2021.

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

The Group's **Revenues** during the 1st quarter of 2022 were higher by 26.6% at ₱36.482 billion compared to the ₱28.810 billion generated in the same period of 2021. This was despite the 18.5% decrease in total volume sold for the comparative periods (2021: 906 million liters vs. 2020: 1,106 million liters). Volume from overseas subsidiaries shrank by 3.2%, while the domestic business contracted by 39.1%. Domestic demand in the 1st quarter was dampened by the surge in COVID cases in January and further aggravated by the Ukraine-Russia conflict which disrupted global supply, causing unpredictable demands as customers scale back on orders. Meanwhile, the average price of petroleum products was higher as a result of the 37.2% increase in the price of Dubai crude (benchmark crude of Asian refineries) average (YTD March 2022 vs 2021: US$95.56/ bbl. vs. US$60.01/ bbl).

**Cost of Sales and Services** increased by 27.6%, from ₱27.195 billion in the 1st quarter of 2021 to ₱34.698 billion in 2022, principally attributable to the increase in fuel prices.

In spite of the price movement, **Gross Margin** increased by 10.4% or ₱0.18 billion as augmented by the contribution from other revenue sources.

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

Meanwhile, the company's **Selling and Administrative Expenses** amounted to ₱1.505 billion, 15.4% higher than the ₱1.304 billion level comparing the same quarter of 2022 versus 2021 but is actually 0.7% lower than the 4$^{th}$ quarter of 2021. The increase primarily came from the additional business activities arising from the lifting of the community restrictions, in addition to the bigger depreciation expenses and related real property taxes as most of the major projects were completed.

On the other hand, **Net Non-operating Charges** of ₱0.729 billion was ₱0.565 billion less than the ₱0.164 billion incurred in the same period of 2021. This is, however, 54.8% lower than the 4$^{th}$ quarter of 2021. The 345.3% increase was driven by the ₱0.590 billion increase in the Finance Cost as average debt levels increased year-on-year as the need for higher working capital brought by the oil price increase during the period. This was offset by the 146.7% increase in other Non-operating charges amounting to ₱0.005 million and higher equity share in the JV income.

**Operating, Net and Comprehensive Incomes**

The 1st quarter 2022 Operating Income of ₱0.279 billion decreased by 10.4% (₱0.0032 billion) from the prior year's ₱0.312 billion, mainly because of the increase in selling and administrative expenses (₱0.201 billion) tempered by the increase in gross margins (₱0.169 billion).

The Net Loss Before Tax of ₱0.450 billion during the quarter reversed by 404.0% (₱0.598 billion) vis-à-vis the prior year's Net Income Before Tax of ₱0.148 billion.

Meanwhile, the Company recorded a ₱0.096 billion translation adjustment gain related to PNX SG's operations, 1245.4% better than the ₱0.008 billion loss recorded in the same period of 2021. As such, Comprehensive Loss of ₱0.167 billion was 247.8% lower than the ₱0.113 billion Comprehensive income reported in the 1st quarter of 2021.

**Financial Condition**
*(As of March 31, 2022 versus December 31, 2021)*

**Consolidated resources** as of March 31, 2022 stood at ₱89.519 billion, 4.5% higher than ₱85.598 billion level as of December 31, 2021.

**Cash and Cash Equivalents** decreased by 4.1% (from ₱4.903 billion in December 31, 2021 to ₱4.701 billion as of March 31, 2022), net of the interest paid, loan repayments and proceeds.

**Trade and Other Receivables** increased by 33.3% (from ₱18.461 billion as of December 31, 2021 to ₱24.610 billion as of March 31, 2022) along with the increase in sales.

**Inventory** was 43.4% lower at ₱2.824 billion as of March 31, 2022 than the ₱4.992 billion as of December 31, 2021, driven by the strategic inventory management executed.

**Interest-bearing Loans and Borrowings,** both current and non-current of ₱46.033 billion as of March 31, 2022 decreased by 0.2% from ₱46.137 billion as of December 31, 2021, with the reduction in cash cycle days, loan level was also decreased.

**Trade and Other Payables** increased by 28.8% from ₱15.494 billion as of December 31, 2021 to ₱19.953 billion as of March 31, 2022, as the oil prices increases.

**Total Stockholders' Equity** decreased to ₱20.161 billion as of March 31, 2022 from ₱20.479 billion as of December 31, 2021, (by 1.6%). The decrease is due to the 7.2% reduction in retained earnings which came from the ₱0.148 payment of dividends on Preferred shares, Net loss for the period.

**Key Performance Indicators and Relevant Ratios**

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

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | | |
| Debt to Equity Ratio<br>Debt to Equity Interest-Bearing[2] | 3.44x : 1x<br>2.29x : 1x | 3.18x : 1x<br>2.25x : 1x |
| Net Book Value per Share[3] | ₱8.77 | ₱8.99 |
| Earnings per Share[4] | ₱(0.30) | ₱(0.83) |
| | | |

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

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

**Material (5% or more) Changes to the Group's Balance Sheet as of March 31, 2022 vs. December 31, 2021**

33% increase in Trade and Other Receivables
In relation to the increase in revenues as oil prices increased.

43% decrease in Inventory
Due to supply bottlenecks brought about by the Ukrain-Russian War

6% increase in Due from Related Party
Advances made to certain JVs for their working capital needs.

11% decrease in Input Vat Net

Due to the decreased tax base value of the recent importations compared to the prior year average.

22% increase in Prepayments and Other Assets
Due to new prepayments related to importations as well as prepaid taxes and renewed licenses.

29% increase in Trade Payables
This is net of intercompany transactions, the increase of which is attributable to the global oil prices movement during the period

86% increase in Derivative Financial Liabilities
Related to the forward contracts entered into by PNX SG

20% decrease in Deferred Tax Liabilities
As a result of the losses of some subsidiaries.

**Material (5% or more)changes to the Group's Income Statement as of March 31, 2022 vs. March 31, 2021**

27% increase in revenues
Due to the 37% increase in global petroleum prices versus the same period of last year.

28% increase in Cost of Sales and Services
This reflects the higher global prices comparing the same periods.

15% decrease in Selling and Admin Expenses
The increase is a result the ease in restrictions which allowed more employee activities, renewal of taxes and licenses and additional depreciation.

345% Net increase in Other income/(charges)
Mainly due to the lower allowable capitalization of certain finance costs on related projects under construction, higher interest expense as a result of the higher working capital requirement due to the increase in oil prices.

802% decrease in Tax Expense
This came from the losses of certain subsidiaries during the period.

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

## PART II – OTHER INFORMATION

1. The Parent Company held its virtual annual stockholders' meeting last 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 for the first quarter of 2022 as follows:

| Shares | Record Date | Payment Date | Interest Rate Per Annum |
|---|---|---|---|
| PNX4 | May 20, 2022 | May 23, 2022 | 7.5673% |
| PNX3B | March 23, 2022 | March 25, 2022 | 8.1078% |
| PNX4 | February 18, 2022 | February 22, 2022 | 7.5673% |

3. As of March 31, 2022, there are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result, in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity issues. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

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

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

**SIGNATURES**

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

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

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

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

**JONAREST Z. SIBOG**
VP-Controller

**ANNEX "C-2"**

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

# Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

**The Board of Directors and Stockholders**
**P-H-O-E-N-I-X Petroleum Philippines, Inc.**
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. (the Company) for the year ended December 31, 2021, on which we have rendered our report dated May 13, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Reconciliation of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2021 is presented for purposes of additional analysis in compliance with the requirements under the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

**By: Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8852340, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-019-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

May 13, 2022

**P-H-O-E-N-I-X Petroleum Philippines, Inc.**
**Stella Hizon Reyes Road, Barrio Pampanga, Davao City**
**Reconciliation of Retained Earnings Available for Dividend Declaration**
**December 31, 2021**

| | | |
|---|---|---|
| **UNAPPROPRIATED RETAINED EARNINGS, BEGINNING** | | **P 5,827,968,932** |
| **Prior Year's Outstanding Reconciling Items, net of tax** | | |
| Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents) | | 34,812,531 |
| Other unrealized gains or adjustment to retained earnings as a result of day one loss on financial instrument - net | | ( 5,225,365 ) |
| Equity share in net loss of joint venture, net of tax | | ( 4,704,794 ) |
| **UNAPPROPRIATED RETAINED EARNINGS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING** | | 5,852,851,304 |
| **Net profit based on the audited Statement of Comprehensive Income** | P 423,324,429 | |
| **Less: Non-actual/unrealized income net of tax** | | |
| Other unrealized gains or adjustment to retained earnings as a result of day one gain on financial instrument | ( 7,591,622 ) | |
| Equity share in net profit of joint venture | ( 6,928,875 ) | |
| **Add: Non-actual losses** | | |
| Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents) | 181,819,902 | |
| Other unrealized loss or adjustment to retained earnings as a result of day one loss on financial instrument | 3,355,911 | |
| **Subtotal** | 170,655,316 | |
| **Net income actually earned during the period** | 593,979,745 | 593,979,745 |
| **Add/Less:** | | |
| Dividend declarations during the year – Preferred shares cash dividends | | ( 587,171,557 ) |
| **UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED, ENDING** | | **P 5,859,659,492** |

**“Annex D”**

**2022 ANNUAL STOCKHOLDERS’ MEETING**
**OF**
**P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**
**(“ASM”)**

**RULES AND PROCEDURE IN**

**PARTICIPATION IN THE ASM**
**BY REMOTE COMMUNICATION**

**AND**

**ELECTRONIC VOTING IN ABSENTIA**

1) **Participation in the ASM by Remote Communications**.
   a) Shareholders (SH) of record as of 23 May 2022 are entitled to attend and participate and vote in absentia during the ASM on 17 June 2022 provided, they:
      i) Register electronically at **http://asm.phoenixfuels.ph/PNX2022**
      ii) Have their shares authenticated and verified through the registration process and
      iii) Proxies, if any and applicable, accompanied by their respective authorities (Special Power of Attorney or Secretary’s Certificate) validated.
   b) Only SH who have registered and whose shares have been verified, proxies validated shall be counted in the determination of a quorum and other corporate actions.
   c) SH may send their questions, comments and/or remarks prior to or during the meeting to pnx.corpsec@phoenixfuels.ph or investors@phoenixfuels.ph. It is requested and encouraged that questions will be limited to the Annual Report, Financial Statements as of 31 December 2021 and the Definitive Information Statement sent to all stockholders of record as of 23 May 2022.
   d) Since there is only a limited technical capacity for shareholders, only a limited number of questions will be addressed directly during the ASM. However, the Company shall endeavor to answer the submitted questions or queries through the specified email provided by the SH.
   e) A link to the recorded webcast of the Meeting will be posted on the Company’s website, www.phoenixfuels.ph after the Meeting.

Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the Meeting conducted

**2) Voting *in Absentia***

a) In view of the fact that the ASM will be conducted virtually, voting shall be cast through the following means:

i) Electronic voting which will be provided through a link to all stockholders of record as of 23 May 2022 who are duly registered and shares have been authenticated and verified or their proxies, duly validated.

ii) Through submission of votes/ballots; Forms are downloadable in the Company's website at https://www.phoenixfuels.ph/annual-stockholders-meeting/, subject to the conditions set herein paragraph 1 (a), to any of the following addresses:

(1) Office of the Corporate Secretary
Stella Hizon Reyes Rd., Bo. Pampanga
Lanang, Davao City 8000

(2) Office of the Corporate Secretary
17/F Udenna Tower
Rizal Drive corner 4th Avenue
Bonifacio Global City, Taguig City

\- Or -

iii) Submission of the votes/ballots, forms are downloadable in the Company's website at https://www.phoenixfuels.ph/annual-stockholders-meeting/, subject to the conditions set herein paragraph 1 (a), through email to pnx.corpsec@phoenixfuels.ph

b) The registration, authentication and validation process shall be open starting 10:00AM of 06 June, 2022 and will close at 3:00PM on 16 June 2022. Thereafter, SH may no longer avail of the option to vote in absentia

c) To register, authenticate and validate SH's shares or proxies, as the case may be, simply follow the steps in the registration process until completion. For further help and information, please send an email to pnx.corpsec@phoenixfuels.ph. The Company shall approve and confirm authentication and validation, as the case may, be through the SH email.

d) Requirement for Registration:
   i) For Individual Stockholders with certificated shares:
      (1) Government issued ID with photo and signature
      (2) Recent photo with face fully visible. Must be JPEG, PNG, or PDF format (max 10 MB)
      (3) Valid and active email address
      (4) Valid and active contact number (preferably mobile phone)

   ii) For Shareholders, individual or corporate, with or under Broker Accounts
      (1) Authorization, duly notarized, from Broker **specifying the number of shares**, form is downloadable. However, other forms are acceptable provided that information on the number of shares is included as well as the name of the authorized representative is made evident in the authorization. A scanned copy is in PDF or JPEG format with file no larger than (10 MB)
      (2) Government issued ID with photo and signature
      (3) Recent photo with face fully visible. Must be JPEG, PNG, PDF (max 10 MB)
      (4) Valid and active email address
      (5) Valid and active contact number preferably mobile phone

   iii) For Corporate Shareholders
      (1) Secretary's Certificate, Board Resolution, forms downloadable at https://www.phoenixfuels.ph/annual-stockholders-meeting/, duly notarized, authorizing the registering SH to participate and vote in the ASM and specifying number of shares.However, other forms are acceptable provided that information on the number of shares is included as well as the name of the authorized representative is made evident in the authorization. A scanned copy is in PDF or JPEG format with file no larger than (10 MB)
      (2) Government issued ID with photo and signature
      (3) Recent photo with face fully visible. Must be JPEG, PNG, PDF (max 10 MB)
      (4) Valid and active email address
      (5) Valid and active contact number preferably mobile phone

(6) Valid and active email address of the corporation the registering SH is representing

**Note:** The Company reserves the right to reject processing of registration and deny access to ASM facilities for incomplete documents or for any discrepancy found in information provided. An email confirmation on the status of the SH's registration shall be sent to the registered email.

e) Voting or Polls shall commence on 10:00AM of 06 June, 2022 subject to the conditions set in paragraph 1(a) and shall be closed at 3:00 PM of 17 June 2022.
Once SH has submitted their ballots, the same can no longer be changed. In the event that multiple votes are cast representing the same shares, the Company shall count only the initial votes cast.

f) The Office of the Corporate Secretary shall tabulate all votes cast in electronically including proxies which shall be validated by the External and Internal Auditors.

g) For any questions or clarifications regarding the Internal Procedures, SH may e-mail pnx.corpsec@phoenixfuels.ph.

# PROXY/BALLOT
**(For Corporate Stockholder)**

The undersigned stockholder of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Company") hereby appoints ______________________________ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **June 17, 2022** and at any of the adjournments there of the purpose of acting on the following matters:

1. Approval of the minutes of 2021 Annual Stockholders Meeting.
   ☐ Yes ☐ No ☐ Abstain

2. Approval of 2021 Audited FS and Annual Report.
   ☐ Yes ☐ No ☐ Abstain

3. Approval of the following Corporate Actions:

   a. Proposed Amendment of the Corporation's By-Laws amending Article II Section 3 on Meetings of Stockholders particularly Place of Meeting which includes the conduct of meeting using digital or remote access communications platform;

   Yes ☐ No ☐ Abstain ☐

4. Ratification of all acts and resolutions of the Board of Directors and Management covering the period 01 February 2021 to 30 April 2022.
   Yes ☐ No ☐ Abstain ☐

5. Election of the Members of Board Directors

   ☐ Vote for all nominees listed below:
   - Domingo T. Uy
   - Dennis A. Uy
   - Cherylyn C. Uy
   - Romeo B. de Guzman
   - Henry Albert R. Fadullon
   - J. V. Emmanuel A. de Dios
   - Monico V. Jacob
   - Stephen T. CuUnjieng
   - Consuelo Ynares-Santiago (Ind. Director)
   - Nicasio I. Alcantara (Ind. Director)
   - Minoru Takeda (Ind. Director)

   ☐ Withhold authority to vote for all nominees listed above.

   ☐ Withhold authority to vote for the nominees listed below:

   ____________ ____________
   ____________ ____________
   ____________ ____________
   ____________ ____________

6. Election of Punongbayan & Araullo as independent auditors and fixing of their remuneration.
   Yes ☐ No ☐ Abstain ☐

7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
   Yes ☐ No ☐

______________________________
PRINTED NAME OF CORPORATE STOCKHOLDER

______________________________
NAME and SIGNATURE OF AUTHORIZED REPRESENTATIVE OF CORPORATE STOCKHOLDER

____________________
DATE

No. of Shares ____________________

Tell./Mobile No. of Stockholder ____________________

*THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **June 16, 2022**, THE DEADLINE FOR SUBMISSION OF PROXIES.*

*THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.*

*A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON.*

# PROXY/BALLOT
**(For Individual Stockholder)**

The undersigned stockholder of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Company") hereby appoints ________________________________ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **June 17, 2022** and at any of the adjournments there of the purpose of acting on the following matters:

1. Approval of the minutes of 2021 Annual Stockholders Meeting.
   ☐ Yes ☐ No ☐ Abstain

2. Approval of 2021 Audited FS and Annual Report.
   ☐ Yes ☐ No ☐ Abstain

3. Approval of the following Corporate Actions:

   a. Proposed Amendment of the Corporation's By-Laws amending Article II Section 3 on Meetings of Stockholders particularly Place of Meeting which includes the conduct of meeting using digital or remote access communications platform;
   Yes No Abstain
   ☐ ☐ ☐

4. Ratification of all acts and resolutions of the Board of Directors and Management covering the period 01 February 2021 to 30 April 2022.
   Yes No Abstain
   ☐ ☐ ☐

5. Election of the Members of Board Directors

   ☐ Vote for all nominees listed below:
   - Domingo T. Uy
   - Dennis A. Uy
   - Cherylyn C. Uy
   - Romeo B. de Guzman
   - Henry Albert R. Fadullon
   - J. V. Emmanuel A. de Dios
   - Monico V. Jacob
   - Stephen T. CuUnjieng
   - Consuelo Ynares-Santiago (Ind. Director)
   - Nicasio I. Alcantara (Ind. Director)
   - Minoru Takeda (Ind. Director)

   ☐ Withhold authority to vote for all nominees listed above.

   ☐ Withhold authority to vote for the nominees listed below:

   ____________ ____________
   ____________ ____________
   ____________ ____________
   ____________ ____________

6. Election of Punongbayan & Araullo as independent auditors and fixing of their remuneration.
   Yes No Abstain
   ☐ ☐ ☐

7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
   Yes No
   ☐ ☐

________________________________________
PRINTED NAME AND SIGNATURE OF INDIVIDUAL STOCKHOLDER

____________________
DATE

No. of Shares ____________________

Tel./Mobile No. of Stockholder ____________________

*THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **June 16, 2022**, THE DEADLINE FOR SUBMISSION OF PROXIES.*

*THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.*

*A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON.*

# PROXY/BALLOT
**(For PCD Participant/Broker)**

The undersigned stockholder of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Company") hereby appoints ________________________________ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **June 17, 2022** and at any of the adjournments there of the purpose of acting on the following matters:

1. Approval of the minutes of 2021 Annual Stockholders Meeting.
   ☐ Yes ☐ No ☐ Abstain
2. Approval of 2021 Audited FS and Annual Report.
   ☐ Yes ☐ No ☐ Abstain
3. Approval of the following Corporate Actions:

   a. Proposed Amendment of the Corporation's By-Laws amending Article II Section 3 on Meetings of Stockholders particularly Place of Meeting which includes the conduct of meeting using digital or remote access communications platform;

   Yes ☐ No ☐ Abstain ☐
4. Ratification of all acts and resolutions of the Board of Directors and Management covering the period 01 February 2021 to 30 April 2022.
   Yes ☐ No ☐ Abstain ☐
5. Election of the Members of Board Directors

   ☐ Vote for all nominees listed below:
   - Domingo T. Uy
   - Dennis A. Uy
   - Cherylyn C. Uy
   - Romeo B. de Guzman
   - Henry Albert R. Fadullon
   - J. V. Emmanuel A. de Dios
   - Monico V. Jacob
   - Stephen T. CuUnjieng
   - Consuelo Ynares-Santiago (Ind. Director)
   - Nicasio I. Alcantara (Ind. Director)
   - Minoru Takeda (Ind. Director)

   ☐ Withhold authority to vote for all nominees listed above.

   ☐ Withhold authority to vote for the nominees listed below:

   ____________ ____________
   ____________ ____________
   ____________ ____________
   ____________ ____________
6. Election of Punongbayan & Araullo as independent auditors and fixing of their remuneration.
   Yes ☐ No ☐ Abstain ☐
7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
   Yes ☐ No ☐

________________________________
PRINTED NAME OF BROKER/PCD PARTICIPANT

________________________________
NAME AND SIGNATURE OF AUTHORIZED SIGNATORY OF BROKER/PCD PARTICIPANT

________________
DATE

No. of Shares ________________

Tell./Mobile No. of Stockholder ________________

*THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **June 16, 2022**, THE DEADLINE FOR SUBMISSION OF PROXIES.*

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# PROXY

**(For Preferred Shareholders)**

The undersigned **Preferred Stockholder** of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Company") hereby appoints ______________________________ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **17 June 2022** and at any of the adjournments there of the purpose of acting on the following matters:

Approval of the following Corporate Actions:

- Proposed Amendment of the Corporation's By-Laws amending Article II Section 3 on Meetings of Stockholders particularly Place of Meeting which includes the conduct of meeting using digital or remote access communications platform;

| Yes | No | Abstain |
|---|---|---|
| ☐ | ☐ | ☐ |

______________________________________
PRINTED NAME OF STOCKHOLDER

______________________________________
SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY

No. of Shares:________________ Date:____________

*THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 16 June 2022, THE DEADLINE FOR SUBMISSION OF PROXIES.*

*THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.*

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