12 August 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 second quarter report for period ended 30 June 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
Contact Person

(082) 235-8888
Company Telephone Number

1	2

Month

3	1

Day

Fiscal Year Ending

SEC FORM 17-Q
FORM TYPE

last Friday

4
Month

XX
Day

Annual Meeting

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

Dept. Requiring this Doc

N/A
Amended Articles Number/Section

69
Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, AS AMENDED

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

1.	For the quarterly period ended:	30 June 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 30 June 2022:	Php74,456,274.842.00

11. Are any or all of the securities listed on the Stock Exchange?	Yes [✓] No [ ]
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:	Philippine Stock Exchange Common Shares Preferred Shares

12. Check whether the issuer has:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports):	Yes [✓] No [ ]
(b) has been subject to such filing requirements for the past ninety (90) days:	Yes [✓] No [ ]

TABLE OF CONTENT

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
UNAUDITED as of JUNE 30, 2022
(With Comparative Figures as of December 31, 2021
(Amounts in Philippine Pesos)

	Notes	UNAUDITED JUNE 30, 2022	AUDITED December 31, 2021
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	P 7,007,935,670	4,903,236,346
Trade and other receivables - net	6	25,346,853,764	18,465,175,812
Inventories - net	7	3,625,959,469	4,991,935,017
Due from related parties - net	12	13,933,675	2,949,357
RESTRICTED DEPOSITS		77,399,689	77,399,689
INPUT VAT - NET		3,687,181,177	3,994,411,785
Prepayments and other current assets		4,369,817,362	2,477,687,008
Total Current Assets		44,129,080,806	34,912,795,014
NON-CURRENT ASSETS			
Property, plant and equipment - net	8	33,450,677,910	33,914,517,315
Right-of-use assets - net	8	954,954,749	1,009,821,339
Investment properties		687,151,965	687,151,965
Intangible assets - net	9	218,434,441	238,152,265
Investments in joint ventures		1,847,935,242	1,763,313,036
Goodwill - net		4,632,397,417	4,632,397,417
Deferred tax assets - net		1,475,785,637	1,016,669,281
Other non-current assets	5	6,511,383,558	7,343,694,173
Total Non-current Assets		49,778,720,919	50,605,716,791
NON-CURRENT ASSET CLASSIFIED AS HELD FOR DISPOSAL		977,750,597	79,116,467
TOTAL ASSETS		P 94,885,552,322	P 85,597,628,272
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	10	P 26,902,305,891	24,628,533,067
Trade and other payables		23,276,185,492	15,494,590,564
Derivative financial liabilities		474,538,331	82,524,602
Lease liabilities	11	67,067,874	74,329,867
Total Current Liabilities		50,720,097,588	40,279,978,100
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	10	20,316,363,242	21,508,069,843
Lease liabilities	11	1,024,534,071	1,034,334,811
Deferred tax liabilities - net		1,027,173,989	917,125,517
Other non-current liabilities	5	1,368,105,952	1,378,676,540
Total Non-current Liabilities		23,736,177,254	24,838,206,711
Total Liabilities		74,456,274,842	65,118,184,811
EQUITY			
Equity attributable to parent company			
Capital stock	13	1,456,570,932	1,456,415,332
Additional paid-in capital		10,885,646,679	10,884,918,470
Revaluation reserves		2,587,554,401	2,362,007,586
Retained earnings		5,346,418,149	5,763,700,576
		20,276,190,161	20,467,041,964
Non-controlling interest		153,087,318	12,401,498
Total Equity		20,429,277,479	20,479,443,462
TOTAL LIABILITIES AND EQUITY		P 94,885,552,321	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 JUNE 30, 2022 AND 2021
UNAUDITED
(Amounts in Philippine Pesos)

	Notes	YTD January-June		April to June	
		2022	2021	2022	2021
REVENUES					
Sale of goods	4	**P 75,204,480,475**	67,796,811,158	**39,189,176,013**	39,091,924,790
Fuel service and other revenues	4	**861,896,457**	667,021,379	**438,605,942**	593,598,024
Rent income	4	**118,945,250**	61,469,339	**75,752,506**	29,388,496
		76,185,322,182	68,525,301,876	**39,703,534,461**	39,714,911,310
COST AND EXPENSES					
Cost of sales and services	5	**72,308,763,348**	64,720,080,890	**37,611,185,095**	37,525,212,901
Selling and administrative expenses	5	**2,864,239,201**	2,742,751,083	**1,359,027,825**	1,438,767,058
		75,173,002,549	67,462,831,973	**38,970,212,920**	38,963,979,959
OTHER CHARGES (INCOME)					
Finance costs		**1,519,785,422**	937,976,807	**736,028,211**	744,832,758
Finance income		**(32,961,448)**	(61,605,904)	**(22,188,419)**	(51,056,997)
Equity share in net income of joint ventures		**(80,922,204)**	(26,932,259)	**(42,247,167)**	4,126,961
Others - net		**(49,690,238)**	(20,107,888)	**(44,042,429)**	(32,200,903)
		1,356,211,532	829,330,756	**627,550,196**	665,701,819
PROFIT BEFORE TAX		**(343,891,899)**	233,139,147	**105,771,345**	85,229,532
TAX EXPENSE/(TAX INCOME)		**(281,778,564)**	(19,962,119)	**(94,794,935)**	(46,609,339)
NET PROFIT/(LOSS)		**(62,113,335)**	253,101,266	**200,566,280**	131,838,871
NET PROFIT ATTRIBUTABLE TO:					
Parent company		**(120,805,685)**	251,211,898	**143,481,727**	130,407,171
Non-controlling interest		**58,692,350**	1,889,368	**57,084,553**	1,431,700
		(62,113,335)	253,101,266	**200,566,280**	131,838,871
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will be reclassified subsequently to profit or loss					
Translation adjustment related to a foreign subsidiary		**307,540,286**	(34,344,503)	**211,666,537**	(25,974,108)
TOTAL COMPREHENSIVE INCOME (LOSS)		**245,426,951**	218,756,763	**412,232,817**	105,864,763
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Parent company		**113,926,234**	216,867,395	**298,279,899**	104,433,063
Non-controlling interest		**131,500,716**	1,889,368	**113,952,918**	1,431,700
		245,426,951	218,756,763	**412,232,817**	105,864,763
Basic Earnings per share		**(0.29)**	(0.03)		
Diluted Earnings per share		**(0.29)**	(0.03)		

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 JUNE 30, 2022 AND 2021
(Amounts in Philippine Pesos)

	Capital Stock										
	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Common Treasury Stock - At Cost	Total Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Retained Earnings	Total Equity Attributable to the Shareholders of Parent Company	Non-controlling Interest	Total Equity
Balance at January 1, 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								**(296,476,750)**	**(296,476,750)**		**(296,476,750)**
Employee Share Options					**-**				**-**		**-**
Stock Options Exercised			**155,600**		**155,600.00**	**728,208**			**883,808**		**883,808**
Total comprehensive income									**-**		**-**
for the year									**-**		**-**
Net Income								**(120,805,685)**	**(120,805,685)**	**58,692,350**	**(62,113,325)**
Comprehensive Income							**225,546,815**		**225,546,815**	**81,993,471**	**307,540,286**
Balance at June 30, 2022	**24,500,000**	**(10,000,000)**	**1,442,070,932**	**-**	**1,456,570,932**	**10,885,646,678**	**2,587,554,401**	**5,346,418,141**	**20,276,190,152**	**153,087,319**	**20,429,277,479**
Balance at January 1, 2021	**24,500,000**	**(10,000,000)**	**1,438,977,232**		**1,453,477,232**	10,862,198,461	1,992,470,928	6,815,756,881	21,123,903,502	37,430,285	21,161,333,787
Cash dividends								(295,285,000)	(295,285,000.00)		(295,285,000.00)
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							(34,344,503)		(34,344,503.00)		(34,344,503.00)
Total comprehensive income								251,211,898	251,211,898.00	1,889,368.00	253,101,266.00
for the year									-		-
Balance at June 30, 2021	24,500,000	- 10,000,000	1,439,788,232	-	1,454,288,232	10,865,993,942	1,958,126,425	6,771,683,779	21,050,092,378	39,319,653	21,089,412,031

PHOENIX PETROLEUM PHILIPPINES INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2022 AND 2021
(Amounts in Philippine Pesos)

	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	(343,891,897)	233,139,149
Adjustments for:		
Interest expense on bank loans and other borrowings	1,479,315,177	908,017,069
Interest expense from lease liabilities	54,455,469	-
Depreciation and amortization	699,724,110	644,917,988
Unrealized foreign currency exchange losses (gains) - net	71,106,614	113,023
Equity share in net loss (income) of joint ventures and an associate	(80,922,204)	(26,932,259)
Impairment losses on trade and other receivables	55,200,906	44,906,194
Impairment losses on other non-current assets	-	-
Interest income	(283,443,249)	(64,171,776)
Translation adjustment	(105,050,787)	-
Loss (gain) on disposal of property and equipment	-	-
Operating profit (loss) before working capital changes	1,546,494,139	1,739,989,388
Decrease (increase) in trade and other receivables	(6,936,878,858)	(4,970,648,524)
Decrease (increase)in inventories	1,365,975,548	1,246,941,296
Decrease(increase) in Input value-added tax - net	307,230,608	
Decrease (increase) in restricted deposits	-	
Decrease (increase) in prepaymnets and other current assets	(1,470,025,970)	(477,245,922)
Decrease in trade and other payables	7,742,126,805	6,429,103,627
Increase (decrease) in other Non-current liabilities	-	-
Cash generated from operations	2,554,922,272	3,968,139,865
Cash paid for income taxes	(24,196,334)	(15,672,542)
Net Cash From Operating Activities	2,530,725,938	3,952,467,323
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of new subsidiaries	-	-
Acquisitions of property, plant and equipment	(480,732,135)	(1,084,101,941)
Advances for future stock subscription	-	
Acquisitions of investment properties	-	(1,548,655)
Advances to related parties	(14,815,680)	(13,277,888)
Collections from related parties	3,831,362	
Decrease (Increase) in other non-current assets	(70,023,510)	(384,701,430)
Acquisitions through business combinations, net of cash acquired	-	-
Dividend Share Income from JV	-	(73,251,603)
Return on investmemt in JV	-	-
Additional investments in joint ventures	-	(15,000,000)
Proceeds from disposal of property and equipment	3,313,770	16,494,968
Interest received	283,443,249	64,171,776
Proceeds from disposal of intangibles	-	158,541
Acquisitions of intangible assets	(935,521)	(5,685,783)
Net Cash Used in Investing Activities	(275,918,465)	(1,496,742,015)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from additional loans and borrowings	19,080,735,398	26,790,375,481
Repayments of interest-bearing loans and borrowings	(17,998,669,175)	(27,431,740,716)
Interest paid	(1,479,315,177)	(908,017,069)
Employee Share Optons	155,600	811,000
Payment of Cash Dividends	(296,476,750)	(295,285,000)
Advances from related parties	-	-
Sale of treasury shares	-	-
Increase (decrease) in other non-current liabilities	317,186,932	(35,039,018)
Deposit for future stock subscription	-	-
Increase (Decrease) in revaluation reserves	225,546,815	(45,310,118)
Proceeds from issuance for shares of stock	-	-
Increase/decrease in APIC	728,209	3,795,481
Redemption of Preferred Stock	-	-
Proceeds from total return equity swap (TRES) transaction	-	-
Net Cash From Financing Activities	(150,108,148)	(1,920,409,959)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,104,699,325	535,315,349
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 7,007,935,671	P 6,323,706,026

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2022.

1.2 Subsidiaries, Joint Ventures and their Operations

As of June 30, 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)	**85.00%**	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%
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 six months ended June 30, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the six months ended June 30, 2021, were authorized for issue by the Parent Company's Board of Directors (BOD) on August 11, 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 six months ended June 30, 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 55.21 million as part of the depreciation and an interest expense of P 54.46 million as part of the finance cost were recorded during the six 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 251.33 million was recognized as rent expense for short term leases during the six months of the year.

The Group as a lessor

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

Finance leases

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

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

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

Operating leases

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

The Group as a lessor

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

2.3 Financial Instruments

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

(a) Financial Assets

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

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

(i) Classification, Measurement and Reclassification of Financial Assets

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

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

(ii) Impairment of Financial Assets

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

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

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

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

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

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

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

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

(iii) Derecognition of Financial Assets

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

(b) Financial Liabilities

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

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

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

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

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

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

The Group purchases LPG cylinders, which are loaned to dealers upon payment by the latter of an amount equivalent to 44.00-79.00% of the acquisition cost of the cylinders. At the end of each reporting date, customers' cylinder deposits, shown under Other Non-Current Liabilities in the consolidated statements of financial position, are reduced for estimated non-returns. Estimated non-returns are determined through amortization of the balance over the estimated useful life of cylinders and/or estimated proportion of the provision for lost cylinders (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 six months ended June 30, 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)

	Six Months June 30, 2022			
	Sale of Goods	Fuel Service & Other Revenue		
	Trading	Depot and Logistics	Real Estate	Total
Primary Geographical Markets				
Philippines	P 25,097,881	P 973,793	P 7,049	P 26,078,722
Singapore	47,676,081	-		47,676,081
Vietnam	2,430,519			2,430,519
	P 75,204,480	P 973,793	P 7,049	P 76,185,322
Major goods/service lines				
Fuels	P 67,975,403	P	P	P 67,975,403
LPG	6,709,303			6,709,303
Merchandise	294,029			294,029
Lubricants	222,794			222,794
Terminalling/hauling	-	50,867		50,867
Rentals	-	111,896	7,049	118,945
POS Device	2,952			2,952
Others	-	811,030		811,030

	P 75,204,480	P 973,793	P 7,049	P 76,185,322

	Six Months June 30, 2021			
	Sale of Goods	Fuel Service & Other Revenue		
	Trading	Depot and Logistics	Real Estate	Total
Primary Geographical Markets				
Philippines	P 33,236,764	P 724,249	P 4,242	P 33,965,255
Singapore	32,878,233	-	-	32,878,233
Vietnam	1,681,814	-	-	1,681,814
	P 67,796,811	P 724,249	P 4,242	P 68,525,302
Major goods/service lines				
Fuels	P 61,888,206	P	P	P 61,888,206
LPG	5,433,486			5,433,486
Merchandise	205,628			205,628
Lubricants	257,815			257,815
Terminalling/hauling	-	10,156		10,156
Rentals	-	57,227	4,242	61,469
POS Device	11,675			11,675
Others	-	656,865		656,865
	P 67,796,811	**P 724,249**	**P 4,242**	**P 68,525,302**

5. SEGMENT INFORMATION

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

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

As of June 30, 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 six months ended June 30, 2022 and June 30, 2021 and certain asset and liability information regarding segments as at June 30, 2022 and December 31, 2021 (amounts in thousands).

	Trading		Fuel Service & Other Revenues Depot & Logistics		Real Estate		Total	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
TOTAL REVENUES	**(Unaudited)**	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales to external customers	**75,204,480**	67,796,811	**973,793**	724,249	**7,049**	4,242	**76,185,322**	68,525,302
Intersegment Sales	**4,967,711**	8,739,828	**4,433**	179	**14,487**	12,439	**4,986,631**	8,752,445
	80,172,191	76,536,639	**978,226**	724,427	**21,536**	16,681	**81,171,953**	77,277,747
COST AND OTHER OPEX								
Cost of Sales and services	**79,443,816**	75,562,051	**14,200**	6,326	**1,920**	1,982	**79,459,936**	75,570,359
excluding depreciation and amortization							**-**	-
Depreciation and amortization	**556,817**	513,627	**142,881**	131,291	**-**	-	**699,698**	644,918
	80,000,632	76,075,678	**157,081**	137,617	**1,920**	1,982	**80,159,634**	76,215,277
SEGMENT OPERATING PROFIT (LOSS)	**171,559**	460,961	**821,145**	586,810	**19,616**	14,699	**1,012,320**	1,062,470

	Trading		Fuel Service & Other Revenues Depot & Logistics		Real Estate		Total	
	June 30, 2022	December 31, 2021	**June 30, 2022**	December 31, 2021	**June 30, 2022**	December 31, 2021	**June 30, 2022**	December 31, 2021
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
ASSETS & LIABILITIES								
Segment Assets	79,836,990	98,525,496	6,977,721	1,820,097	8,071,442	5,504,055	94,885,552	105,849,648
Segment Liabilities	69,777,618	75,777,144	1,586,389	1,586,389	3,092,268	2,384,178	74,456,275	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).

		June 30, 2022		June 30, 2021
Revenues				
Total segment revenues	P	**81,171,953**	P	77,277,747
Elimination of Intersegment revenues		**(4,986,631)**		(8,752,445)
Revenue as reported in profit or loss	P	**76,185,322**	P	68,525,302
Profit or loss				
Segment Operating profit	P	**1,012,320**	P	1,062,470
Other Unallocated income		**-**		-
Other Unallocated expense		**-**		-
Operating profit as reported in profit and loss		**1,012,320**		1,062,470
Finance costs		**(1,519,785)**		(937,977)
Finance income		**163,574**		108,646
Profit before tax as reported in profit or loss	**P**	**(343,892)**	P	233,139

		June 30, 2022		December 31, 2021
Assets				
Segment Assets	P	**117,599,222**	P	105,849,648
Right -of-use assets-net		**954,955**		1,009,821
Deferred tax assets-net		**1,475,786**		1,016,669
Elimination of Intercompany accounts		**(25,144,410)**		(22,278,510)
Total Assets reported in the consolidated Statement of Financial Position	**P**	**94,885,552**	P	85,597,628

Liabilities				
Segment Liabilities		**89,112,393**		79,747,711
Lease Liability		**1,091,602**		1,108,665
Deferred tax Liabilities - net		**1,027,174**		917,126
Elimination of Intercompany accounts		**(16,774,894)**		(16,655,317)
Total Liabilities as reported in the consolidated Statement of Financial Position	**P**	**74,456,275**	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.

	June 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
Financial Assets	**Carrying Values**	**Fair Values**	**Carrying Values**	**Fair Values**
Cash and cash equivalents	P 7,007,935,670	P 7,007,935,670	P 4,903,236,346	P 4,903,236,346
Trade and other receivables - net *	22,061,747,881	22,061,747,881	15,160,567,319	15,160,567,319
Due from related parties	13,933,675	13,933,675	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	1,227,252,082	1,227,252,082	249,647,969	249,647,969
Refundable rental deposits	151,244,618	151,244,618	337,296,642	337,296,642
	P 30,546,291,280	**P 30,546,291,280**	**P 20,737,874,986**	**P 20,737,874,986**
Financial Liabilities				
Derivative financial liability	P 474,538,331	P 474,538,331	P 82,524,602	P 82,524,602
		-		-
Interest -bearing loans and borrowings	47,218,669,133	47,218,669,133	46,136,602,910	44,633,730,434
Trade and other payables**	23,177,639,317	23,177,639,317	14,043,056,621	14,043,056,621
Lease liabilities	1,091,601,945	1,091,601,945	1,108,664,678	852,522,579
Customers' cylinder deposits	747,151,495	747,151,495	839,688,099	611,635,184
Security deposits	122,904,512	122,904,512	205,221,552	167,091,835
Cash bond deposits	236,865,804	236,865,804	60,655,443	44,181,885
	P 73,069,370,537	**P 73,069,370,537**	**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.

		June 30, 2022 (Unaudited)						
Financial Assets		**Level 1**		**Level 2**		**Level 3**		**Total**
Cash and cash equivalents	P	7,007,935,670	P		P		P	7,007,935,670
Trade and other receivables - net *						22,061,747,881		22,061,747,881
Due from related parties						13,933,675		13,933,675
Construction Bond***						6,777,664		6,777,664
Restricted deposits		77,399,689						77,399,689
Security Deposits						1,227,252,082		1,227,252,082
Refundable deposits						151,244,618		151,244,618
	P	**7,085,335,359**	**P**	**-**	**P**	**23,460,955,921**	**P**	**30,546,291,280**
Financial Liabilities								
Finacial liabilities at amortized cost								
Derivative financial liability	P		P		P	474,538,331	P	474,538,331
								-
Interest -bearing loans and borrowings						47,218,669,133		47,218,669,133
Trade and other payables**						23,177,639,317		23,177,639,317
Lease liabilities						1,091,601,945		1,091,601,945
Customers' cylinder deposits						747,151,495		747,151,495
Security deposits						122,904,512		122,904,512
Cash bond deposits						236,865,804		236,865,804
	P	**-**	**P**	**-**	**P**	**73,069,370,537**	**P**	**73,069,370,537**

		December 31, 2021 (Audited)						
		Level 1		**Level 2**		**Level 3**		**Total**
Financial Assets								
Cash and cash equivalents	P	4,903,236,346	P	-	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	4,980,636,035	P	-	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:

	June 30, 2022		
	U.S. Dollar	**Singapore Dollar**	**Vietnamese Dong**
Financial assets	**P 14,629,754,854**	**P 1,556,124**	**P 620,929,999**
Financial liabilities	**(22,240,952,164)**	**-**	**(861,398,778)**
Net exposure	**P 7,611,197,310)**	**P 1,556,124**	**P (240,468,778)**

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

	June 30, 2022		
	U.S. Dollar	**Singapore Dollar**	**Vietnamese Dong**
Reasonably possible change in rate	**2.969%**	**8.405%**	**8.745%**
Effect in profit before tax	**P (225,996,003)**	**P (20,212,161)**	**P 136,086**
Effect in equity after tax	**(158,197,202**	**(14,148,513)**	**95,260**

	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 June 30, 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 June 30, 2022 and December 31, 2021 follows:

		June 30, 2022		Dec. 31, 2021
Standby letter of credits	**P**	**304,528,476**	P	485,709,344
Retail Stations		**460,206,354**		460,261,245
Cash bond		**236,865,804**		245,352,846
Real estate mortgage		**74,192,730**		74,192,730
	P	**1,091,467,991**	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.

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash and cash equivalents	7,007,935,670	4,903,236,346
Trade and other receivables - net *	22,061,747,881	15,160,567,319
Due from related parties	13,933,675	2,949,357
Construction Deposit**	6,777,664	6,777,664
Restricted Deposit	77,399,689	77,399,689
Security Deposits	1,227,252,082	249,647,969
Refundable rental deposits	151,244,618	337,296,642
	30,546,291,280	**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 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	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		BBB	**0.11 – 0.47**	0.21 – 0.60

	business profile.	market.			
PRR 3B	Counterparties with a sustainable financial profile and adequate business profile.	Counterparties whose risk elements are sufficiently pronounced to withstand normal business cycles but any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.	BB	**0.54 – 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 June 30, 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	**55,200,906**	-
Credit loss allowance at June 30, 2022	**P 733,521,237**	**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 June 30, 2022 and December 31, 2021 are as follows:

June 30, 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	2,296,036,180	2,515,613
PRR 2A	BBB	0.11 – 0.47	5,166,209,108	23,809,791
PRR 1A	BBB	0.11 – 0.47	678,187,381	18,038,389
PRR 3B	BB	0.54 – 1.58	3,630,814,240	18,701,053
PRR 2B	BB	0.54 – 1.58	7,027,364	3,214,550
PRR 1B	B	3.06 – 6.42	2,547,845,102	120,395,883
PRR 3C	B	3.06 – 6.42	1,774,385,909	38,451,658
PRR 2C	B	3.06 – 6.42	252,039,994	2,201,677
PRR 1C/D/F	CCC/C	100	505,684,578	505,684,578
			P 16,858,407,811	P 733,521,237

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:

	June 30, 2022 (Unaudited)
Not more than one month	566,197,124
More than one month but not more than 2 months	472,918,783
More than two months but not more than 6 months	2,027,100,144
More than six months but not more than 1 year	1,949,512,272
More than one year	6,355,052,488
	11,370,780,811

6.3 Liquidity Risk

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

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

This compares to the maturity of the Group's financial liabilities as of June 30, 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	25,588,376,260	P	1,313,929,629	P	20,316,363,242	P	-
Trade and other payables		1,158,881,966		22,018,757,351				
(excluding tax-related								
payables)		-		-		-		-
Derivative financial liabilities		474,538,331		-		-		-
Security deposits		-		-		122,904,512		-
Customers' cylinder deposits		-		-		-		747,151,495
Cash bond		-		-		-		236,865,804
	P	**27,221,796,557**	**P**	**23,332,686,980**	**P**	**20,439,267,754**	**P**	**984,017,299**

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		-		-		-		
	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:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At cost:		
Fuels and by-products	**P 3,190,810,388**	P 4,584,760,049
Lubricants	**81,747,701**	110,360,901
Merchandise	**34,307,406**	63,709,858
LPG	**274,500,433**	173,625,260
Others	**44,593,540**	59,478,949
	P 3,625,959,469	P 4,991,935,017

Inventories with carrying amount of **P3,465.3** million and P4,363.0 million as of June 30, 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 June 30, 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.

	June 30,		**December 31,**
	2022	**2021**	**2021**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Bal. at Beg Period, Jan. 1	34,924,338,654	33,500,379,219	33,500,379,219
Business Combinations Net	-	1,076,387,579	
Additions	480,732,135	-	1,837,488,888
Revaluation Increments	-	-	445,022,305
Transfers	(422,104,383)	-	83,190,141
Disposals/Termination	(3,313,770)	(79,543)	(43,246,241)
PFRS 16		-	348,273,296
Write-off	(3,415)	-	-
Depreciation	(678,820,805)	(613,389,206)	(1,288,627,196)
Translation /Adjustment	104,804,242	10,767,221	92,333,002
Provision for loss cylinders	-	-	(50,474,762)
Balance at the end of the period	**34,405,632,659**	33,974,065,270	34,924,338,654

9. INTANGIBLE ASSETS

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

	June 30,		December 31,
	2022 (Unaudited)	2021 (Unaudited)	2021 (Audited)
Bal. at Beg Period, Jan. 1	**238,152,265**	278,730,291	278,730,290
Additions	**935,521**	5,685,783	1,549,017
Disposals	-	(158,542)	
Transfers from PPE	-	-	-
Amortization Expense for the period	**(20,912,180)**	(23,714,038)	(41,968,500)
Translation Adjustment	**258,834**	198,394	(158,542)
Balance at the end of the period	**218,434,441**	260,741,888	238,152,265

10. INTEREST-BEARING LOANS AND BORROWINGS

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

		June 30, 2022 (Unaudited)		December 31, 2021 (Audited)
Current:				
Liabilities under LC and TR	**P**	**8,348,697,043**	P	6,314,559,412
Short-term loans		**16,999,640,247**		17,433,243,178
Current portion of long-term loans		**1,644,289,826**		880,730,477
Liabilities under short-term commercial papers		**-**		-
		26,992,627,115		24,628,533,067
Non-current:				
Term loans		**20,226,042,016**		21,508,069,843
	P	**47,218,669,131**	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 6.258% and 5.81% per annum as of June 30, 2022 and December 31, 2021, respectively.

10.2 Borrowings and Repayments

The Group has term loan with outstanding balance as of June 30, 2022 33,117.1 million. The loans bearing interest ranging from 4.997% to 10.00% 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 June 30, 2022, repayments of term loans amounting to P 6,978.2 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	**67,067,874**
Non-Current	**1,024,534,071**
Total	**1,091,601,945**

Additional Information on lease liabilities are broken down as follows:

	Land	Warehouse	Office	Store Premises	TOTAL
Lease Liabilities	1,194,904,462	24,631,965	3,277,660	40,599,025	1,091,601,945

As of June 30, 2022, the Group is not committed to leases which have not commenced.

A total of P 54.5 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 June 30, 2022 and 2021 and the related outstanding balances as of June 30, 2022 and December 31, 2021 is presented below.

	Amount of Transactions		Outstanding Balance	
	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Other related parties under common ownership				
Sale of goods	3,921,374,203	3,788,318,862	4,009,550,563	3,339,166,472
Purchase of goods	2,366,784,972	5,249,100	-	32,672,884
Purchase of services	175,799,875	187,923,544	34,682,531	-
Advances to suppliers	489,162,764	50,223,995	3,838,726,205	3,343,433,441
Rentals	828,528	16,514,853	-	-
Due from related parties	10,802,682	4,641,120	13,933,675	2,949,357
Management fees	-	-	-	101,674,322
Sale of subsidiaries	-	-	-	500,000,000
Sale of services	390,876,164	225,925,139	2,710,194,025	2,148,899,278
Other Income	19,899,021	120,000,000	22,286,903	-
Prepaid rent	-	-		12,020,426
Transfer of retail stations		-		368,539,040
Donations		-		-

Ultimate Parent				
Sale of goods	1,039,394	274,126	482,053	288,187
Advances to suppliers	53,000,000	-	2,162,794,376	2,015,794,376
Lease Liability		-		
Rentals		4,516,704		7,946,237
Sale of services	262,537,880	200,646,851	2,111,875,657	1,837,833,232
Advances for option to				
purchase properties		-		200,000,000
Key management personnel				
Salaries and	126,988,242	126,988,242	-	-
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 six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, (Unaudited)		For the year ended December 31, 2021 (Audited)	For the six months ended June 30, (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	**155,600**	811,000	2,938,100	**155,600**	811,000	2,938,100
Balance at end of year	**1,442,070,932**	1,439,788,232	1,441,915,332	**1,442,070,932**	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	**1,442,070,932**	1,439,788,232	1,441,915,332	**P 1,442,070,932**	P 1,439,788,232	P 1,441,915,332
				P 1,456,570,932	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 six months ended June 30 (unaudited) are as follows:

	2022	2021
Common shares	**P -**	P -
Preferred shares	**296,476,750**	295,285,000
	P 296,476,750	P 295,285,000

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 six months ended June 30, (Unaudited)		For the year ended December 31,
		2022	2021	2021 (Audited)
a)	Net profit (loss) pertaining to common shares	**(P 417,282,435)**	(P 44,073,102)	(P 1,053,089,324)
b)	Net profit (loss) attributable to common shares and potential common shares	**(417,282,435)**	(44,073,102)	(1,053,089,324)
c)	Weighted average number of outstanding common shares	**1,441,915,332**	1,439,368,290	1,440,265,058
d)	Weighted average number of outstanding common and potential common shares	**1,441,915,332**	1,439,368,290	1,440,791,113
Basic earnings (loss) per share (a/c)		**(P .29)**	(P .03)	(P .73)
Diluted earnings (loss) per share (b/d)		**(P .29)**	(P .03)	(P .73)

14. COMMITMENTS AND CONTINGENCIES

As of June 30, 2022 and December 31, 2021, the Group has commitments of more than P **148.9** 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 June 30, 2022, and December 31, 2021, the Parent Company has unused approved LCs amounting to P 10,635.7 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

While the COVID-19 pandemic has had a lasting impact on global economies, significant progress has been made since 2020 in vaccinating populations worldwide against the infection. As a result, not only has the fatality and severity of the disease been brought down but also its magnitude and contagion despite constant threats of new variants and sub-variants. As such the economy gradually re-opened in 2021 with improving public health conditions. This was however, challenged by the discovery of new COVID variants like Delta that slowed the recovery in the second half with mobility restrictions briefly reimposed to curtail the transmission and outbreak. This affected the retail business and travel-related sectors served by the commercial and industry business. The spread of the Omicron COVID variant in January 2022 likewise posed renewed risks but was moderated by the nationwide COVID booster shot vaccinations. By first half of 2022, most mobility restrictions have been lifted and economic activities continue to ramp up.

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 has significant consequence to markets. At its peak in the first half, 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, emerging geopolitical risks, and threat of global recession drive volatility in global oil prices. In particular, the crisis in Ukraine and sharply rising prices globally present uncertainties, which are expected to weigh on 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 and threats to economic recovery, 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 June 30, 2022 vs. June 30, 2021.

Revenues, Cost of Sales and Gross Margins

The Group's **Revenues** during the 1st half of 2022 were higher by 11.2% at ₱76.185 billion compared to the ₱68.525 billion generated in the same period of 2021. This was despite to the 34.4% decrease in total volume sold for the comparative periods (2022: 1,694 million liters vs. 2021: 2,580 million liters). Volume from overseas subsidiaries shrank by 22.2%, while the domestic business contracted by 51.7%. Domestic volume during the period was dampened by the surge in COVID cases in January and further aggravated by the sustained increases in inventory costs and working capital limitations. Meanwhile, the average price of petroleum products was higher as a result of the 60.4% increase in the price of Dubai crude (benchmark crude of Asian refineries) average (YTD June 2022 vs 2021: US$101.80/ bbl. vs. US$63.47/ bbl).

Cost of Sales and Services increased by 11.7%, from ₱64.720 billion in the 1st half of 2021 to ₱72.309 billion in 2022, principally attributable to the increase in fuel prices.

In spite of the price movement, **Gross Margin** increased by 1.9% or ₱0.71 million 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 ₱2.864 billion, 4.4% higher than the ₱2.743 billion level comparing the same period of 2022 versus 2021 but 9.7% lower than the 1st quarter of 2022. The increase primarily came from business activities arising from the lifting of the mobility restrictions, as well as higher depreciation expenses and related real property taxes with the completion of major projects during the period.

On the other hand, **Net Non-operating Charges** of ₱1.356 billion was ₱0.527 billion higher than the ₱0.628 billion incurred in the same period of 2021. This is however, 13.9% lower than the 1st quarter of 2022. The 69.6% increase was driven by the ₱0.610 billion increase in the Net Finance Cost and Income on the back of higher average debt levels year-on-year to support growing working capital brought by the rising oil prices during the period. This was offset by the 147.1% increase in other Non-operating charges amounted to ₱0.030 million and 200% higher equity share in the JV income of ₱0.054.

Operating, Net and Comprehensive Incomes

The 1st half 2022 Operating Income of ₱1.012 billion decreased by 4.7% (₱0.0050 billion) from the prior year's ₱1.062 billion, mainly because of the increase in selling and administrative expenses (₱0.121 billion) tempered by the increase in gross margins (₱0.071 billion).

The Net Loss Before Tax of ₱0.345 billion during the period reversed by 247.5% (₱0.527 billion) vis-à-vis the prior year's Net Income Before Tax of ₱0.233 billion. The 2nd quarter of 2022 actually resulted to a Net Income before Tax of ₱0.106, though not enough to cover for the1st quarter's Net Loss before Tax of (₱0.450).

Meanwhile, the Company recorded a ₱0.308 billion translation adjustment gain related to the foreign subsidiaries as a result of the higher forex, 995.5% better than the ₱0.034 billion loss recorded in the same period of 2021. As such, Comprehensive Income of ₱0.245 billion was 12.2% higher than the ₱0.219 billion Comprehensive income reported in the 1st half of 2021.

Financial Condition
(As of June 30, 2022 versus December 31, 2021)

Consolidated resources as of June 30, 2022 stood at ₱94.886 billion, 10.9% higher than ₱85.598 billion level as of December 31, 2021.

Cash and Cash Equivalents increased by 42.9% (from ₱4.903 billion in December 31, 2021 to ₱7.008 billion as of June 30, 2022), net of the interest paid, loan repayments and proceeds, inclusive of Pnx SG's short-term placements in relation to the subsidiaries' trade purchases.

Trade and Other Receivables increased by 37.4% (from ₱18.461 billion as of December 31, 2021 to ₱25.347 billion as of June 30, 2022) along with the increase in sales and lower intercompany transactions.

Inventory was 27.3% lower at ₱3.626 billion as of June 30, 2022 than the ₱4.992 billion as of December 31, 2021 driven by the the Company's inventory management strategies.

Interest-bearing Loans and Borrowings, both current and non-current of ₱47.219 billion as of June 30, 2022 increased by 2% from ₱46.137 billion as of December 31, 2021.

Trade and Other Payables increased by 50.22% from ₱15.494 billion as of December 31, 2021 to ₱25.147 billion as of June 30, 2022, as the oil prices increases.

Derivative Financial Liabilities increased by 475.0% from ₱0.082 billion as of December 31, 2021 to ₱0.474 billion as of June 30, 2022, in relation to the forward contracts entered into by Pnx SG.

Lease Liabilities both current and non-current amounting to ₱1.092 billion as of June 30, 2022 is 1.5% higher than the ₱1.109 billion as of December 31, 2021, as certain lease contracts were settled and amortized.

Total Stockholders' Equity decreased to ₱20.429 billion as of June 30, 2022 from ₱20.479 billion as of December 31, 2021. The decrease is due to the 7.2% reduction in retained earnings, which came from the ₱0.296 payment of dividends on Preferred shares and net loss for the period, and mitigated by the 9.5% increase in revaluation reserves related to the translation adjustment gain of ₱0.226.

Key Performance Indicators and Relevant Ratios

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

	June 30, 2022	December 31, 2021
Debt to Equity Ratio Debt to Equity Interest-Bearing[2]	3.64x : 1x 2.31x : 1x	3.18x : 1x 2.22x : 1x
Net Book Value per Share[3]	₱8.89	₱8.99
Earnings per Share[4]	₱(0.29)	₱(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 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 June 30, 2022 vs. December 31, 2021

43% increase in Cash and Cash Equivalents
Net of the interest paid, loan repayments and proceeds, and inclusive of Pnx SG's Short-term placements in relation to the subsidiaries' trade purchases.

37% increase in Trade and Other Receivables
In relation to the increase in revenues as oil prices rose while intercompany transactions declined versus the comparable period.

27% decrease in Inventory
Driven by the Company's strategic inventory management.

372% increase in Due from Related Party
Advances made to certain JVs for their working capital needs.

8% decrease in Input Vat Net
Due to the lower tax base value of the recent importations compared to the prior year's average.

76% increase in Prepayments and Other Assets
Due to new prepayments related to importations, security and rent deposits, as well as prepaid taxes and renewed licenses.

5% decrease in Right of use assets
In line with the Company's regular amortization schedule.

8% decrease in Intangible assets
In line with the Company's regular amortization schedule.

50% increase in Trade Payables
This is net of intercompany transactions, the increase of which is primarily attributable to global oil prices movement during the period.

475% increase in Derivative Financial Liabilities
In relation to the forward contracts entered into by PNX SG.

12% decrease in Deferred Tax Liabilities
As a result of the losses of certain subsidiaries.

10% increase in Revaluation Reserves
Due to recognized translation adjustments related to overseas subsidiaries.

7% decrease in Retained Earnings
Due to the payment of dividends on Preferred Shares as well as the Net Loss for the period.

Material (5% or more)changes to the Group's Income Statement as of June 30, 2022 vs. June 30, 2021

11% increase in revenues
Due to the 60% increase in global petroleum prices versus the same period of last year.

12% increase in Cost of Sales and Services
Driven by the higher global prices versus the prior period.

64% Net increase in Other income/(charges)
Mainly due to the lower allowable capitalization of certain finance costs on related projects under construction, as well as the increase in interest expense and forex loss.

1,312% decrease in Tax Expense
Due to the losses of certain subsidiaries during the period.

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

PART II – OTHER INFORMATION

1. The Parent Company held its virtual annual stockholders' meeting last June 17, 2022, 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 half of 2022 as follows:

Shares	Record Date	Payment Date	Interest Rate Per Annum
PNX3B	June 17, 2022	June 21, 2022	8.1078%
PNX4	May 20, 2022	May 25, 2022	7.5673%
PNX3B	March 23, 2022	March 25, 2022	8.1078%
PNX4	February 18, 2022	February 22, 2022	7.5673%

3. As of June 30, 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 DE CLARO
Chief Finance Officer

JONAREST Z. SIBOG
VP-Controller