107312019006650

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000039274
Company Name	PHINMA ENERGY CORPORATION
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	107312019006650
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2019
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET
for
SEC FORM 17-Q

SEC Registration Number

0	6	9	-	0	3	9	2	7	4	

COMPANY NAME

PHINMA ENERGY CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Level 11, PHINMA Plaza, 39 Plaza DriVe, Rockwell Center, Makati CiTy

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	870-0100	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,168	04/12	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Yolanda D. Añonuevo	anonuevo. yd@acenergy.com.ph	870-0100	–

CONTACT PERSON's ADDRESS

Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Philippines 1200

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2019**

2. Commission identification number **39274**

3. BIR Tax Identification No. **000-506-020-000**

4. Exact name of issuer as specified in its charter **PHINMA ENERGY CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code
Level 11 Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City, 1210

8. Issuer's telephone number, including area code **(632) 870-0100**

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Number of shares of common stock outstanding	**7,521,775 shares**
Amount of debt outstanding	**Php5.28 billion**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [**X**] No [ ]

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

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 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 [**X**] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached ANNEX "A"

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to attached ANNEX "B"

PART II--OTHER INFORMATION

Please refer to attached ANNEX "C"

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on July 29, 2019.

PHINMA ENERGY CORPORATION

JOHN ERIC T. FRANCIA
President & Chief Executive Officer

MARIA CORAZON G. DIZON
Treasurer & Chief Financial Officer

Annex A

PHINMA Energy Corporation
and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
June 30, 2019 (With comparative audited figures as at December 31, 2018)
and the Six Months Ended June 30, 2019 and 2018

PHINMA ENERGY CORPORATION
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	June 30, 2019 ***(Unaudited)***	December 31, 2018 *(Audited)*
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 23)	**₱2,113,367**	₱1,022,366
Short-term investment (Note 23)	–	35,326
Financial assets at fair value through profit or loss (FVTPL; Notes 23)	**1,487,478**	743,739
Receivables (Notes 6 and 23)	**3,108,297**	2,627,291
Fuel and spare parts - at cost (Note 7)	**245,691**	413,673
Current portion of:		
Input VAT	**26,331**	26,332
Creditable withholding taxes	**67,958**	79,443
Other current assets (Note 8)	**111,185**	182,766
	7,160,307	5,130,936
Assets held for sale	**3,546**	34,328
Total Current Assets	**7,163,853**	5,165,264
Noncurrent Assets		
Property, plant and equipment (Note 9)	**5,596,754**	5,760,963
Investments and advances (Note 10)	**4,045,762**	4,322,684
Financial assets at:		
Fair value through other comprehensive income (FVOCI; Notes 23)	**14,405**	257,995
FVTPL (Notes 23)	**5,272**	5,452
Investment properties	**13,085**	13,085
Goodwill and other intangible assets (Note 11)	**284,549**	320,219
Deferred income tax assets – net	**220,170**	261,346
Net of current portion:		
Input VAT	**335,759**	335,759
Creditable withholding taxes	**771,162**	704,726
Other noncurrent assets (Note 12)	**1,796,559**	1,777,202
Total Noncurrent Assets	**13,083,477**	13,759,431
TOTAL ASSETS	**₱20,247,330**	₱18,924,695

(Forward)

	June 30, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 13 and 23)	**₱2,759,817**	₱2,269,398
Short term loans (Note 14)	**400,000**	400,000
Income and withholding taxes payable	**29,427**	11,762
Due to stockholders (Notes 21 and 23)	**15,182**	16,651
Current portion of long-term loans (Notes 15 and 23)	**269,803**	265,460
Total Current Liabilities	**3,474,229**	2,963,271
Noncurrent Liabilities		
Long-term loans - net of current portion (Notes 15 and 23)	**5,011,195**	6,071,473
Pension and other employee benefits	**44,344**	40,246
Deferred income tax liabilities – net	**88,111**	95,180
Other noncurrent liabilities (Note 16)	**1,348,537**	1,383,077
Total Noncurrent Liabilities	**6,492,187**	7,589,976
Total Liabilities	**9,966,416**	10,553,247
Equity		
Capital stock (Note 17)	**₱7,521,775**	₱4,889,775
Additional paid-in capital	**83,768**	83,768
Other equity reserve (Note 17)	**(72,336)**	18,338
Unrealized fair value gains on equity instruments at FVOCI	**(3,544)**	59,772
Remeasurement losses on defined benefit plan	**536**	536
Accumulated share in other comprehensive income of a joint venture (Note 10)	**(2,107)**	(2,193)
Retained earnings (Note 17)	**2,802,627**	3,303,708
Treasury shares (Note 17)	**(27,704)**	(27,706)
Total equity attributable to equity holders of Parent Company	**10,303,015**	8,325,998
Non-controlling interests	**(22,101)**	45,450
Total Equity	**10,280,914**	8,371,448
TOTAL LIABILITIES AND EQUITY	**₱20,247,330**	₱18,924,695

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA ENERGY CORPORATION
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Amounts in Thousands, Except Per Share Figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	**2019**	2018
REVENUES				
Revenue from sale of electricity	**₱4,925,775**	₱4,411,117	**₱8,310,370**	₱8,105,236
Dividend income	**5,474**	6,625	**7,585**	7,384
Rental income	**1,145**	161	**1,377**	316
	4,932,394	4,417,903	**8,319,332**	8,112,936
COSTS AND EXPENSES				
Costs of sale of electricity (Note 18)	**4,939,644**	4,690,795	**8,298,978**	8,328,549
General and administrative expenses (Note 19)	**144,583**	194,659	**281,065**	350,347
	5,084,227	4,885,454	**8,580,043**	8,678,896
INTEREST AND OTHER FINANCE CHARGES	**(121,116)**	(107,049)	**(235,839)**	(213,848)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES AND JOINT VENTURES	**(136,991)**	284,564	**(60,035)**	410,211
OTHER INCOME (LOSS) - NET (Note 20)	**19,547**	23,772	**51,429**	54,308
INCOME BEFORE INCOME TAX	**(390,393)**	(266,264)	**(505,156)**	(315,289)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**7,394**	8,953	**15,130**	17,355
Deferred	**12,440**	(158,464)	**36,167**	(256,238)
	19,834	(149,511)	**51,297**	(238,883)
NET INCOME	**(₱410,227)**	(₱116,753)	**(₱556,453)**	(₱76,406)
Net Income (Loss) Attributable To:				
Equity holders of the Parent Company	**(₱406,601)**	(₱91,570)	**(₱551,865)**	(₱48,257)
Non-controlling interests	**(3,626)**	(25,183)	**(4,588)**	(28,149)
	(₱410,227)	(₱116,753)	**(₱556,453)**	(₱76,406)
Basic/Diluted Earnings Per Share (Note 22)	**(₱0.08)**	(₱0.02)	**(₱0.11)**	(₱0.01)

See accompanying Notes to Interim Condensed Consolidated Financial Statements

PHINMA ENERGY CORPORATION
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in Thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	**2019**	2018
NET INCOME FOR THE YEAR	**(₱410,227)**	(₱116,753)	**(₱556,453)**	(₱76,406)
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) not to be reclassified directly to profit or loss in subsequent periods				
Net changes in the fair market value of equity instruments at FVOCI	**(11,001)**	39	**(14,959)**	3,508
Income tax effect	**2,321**	(540)	**2,427**	(996)
	(8,680)	(501)	**(12,532)**	2,512
Share in other comprehensive income (loss) of joint venture and an associate – net of deferred income tax				
Share in other comprehensive income of an associate - net of deferred income tax	**–**	–	**86**	216
	–	–	**86**	216
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(8,680)**	(501)	**(12,446)**	2,728
TOTAL COMPREHENSIVE INCOME	**(₱418,907)**	(₱117,254)	**(₱568,899)**	(₱73,678)
Total Comprehensive Income (Loss) Attributable To:				
Equity holders of the Parent Company	**(₱415,281)**	(₱92,071)	**(₱564,311)**	(₱45,529)
Non-controlling interests	**(3,626)**	(25,183)	**(4,588)**	(28,149)
	(₱418,907)	(₱117,254)	**(₱568,899)**	(₱73,678)

See accompanying Notes to Interim Condensed Consolidated Financial Statements

PHINMA ENERGY CORPORATION
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SEMESTERS ENDED JUNE 30, 2019 AND 2018
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 17)	Additional Paid-in Capital	Other Equity Reserve (Note 17)	Unrealized Fair Value Gains on AFS Investments	Unrealized Fair Value Gains (Losses) on Equity Investments at FVOCI	Remeasurement Gains (Losses) on Defined Benefit Plan	Accumulated Share in Other Comprehensive Gain (Losses) of a Joint Venture	Retained Earnings (Note 17)	Treasury Shares (Note 17)	Total	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2018	**₱4,889,775**	**₱83,768**	**₱18,338**	**₱–**	**₱59,772**	**₱536**	**(₱2,193)**	**₱3,303,708**	**(₱27,706)**	**₱8,325,998**	**₱45,450**	**₱8,371,448**
Net income (loss)	–	–	–	–	–	–	–	**(551,865)**	–	**(551,865)**	**(4,588)**	**(556,453)**
Other comprehensive income (loss)	–	–	–	–	**(63,316)**	–	**86**	**50,784**	–	**(12,446)**	–	**(12,446)**
Total comprehensive income (loss)	–	–	–	–	**(63,315)**	–	**86**	**(501,081)**	–	**(564,311)**	**(4,588)**	**(568,899)**
Sale of equity investments at FVOCI	–	–	–	–	–	–	–	–	–	–	–	–
Issuance of stocks	**2,632,000**	–	–	–	–	–	–	–	–	**2,632,000**	–	**2,632,000**
Purchase of stocks	–	–	**(90,674)**	–	–	–	–	–	–	**(90,674)**	**(62,963)**	**(153,637)**
Dividends declared (Note 17)	–	–	–	–	–	–	–	–	–	–	–	–
Disposal of treasury shares (Note 22)	–	–	–	–	–	–	–	–	**2**	**2**	–	**2**
	–	–	**(90,674)**	–	–	–	–	–	**2**	**2,541,328**	**(62,963)**	**2,478,365**
BALANCES AT JUNE 30, 2019	**₱7,521,775**	**₱83,768**	**(₱72,336)**	**₱–**	**(₱3,544)**	**₱536**	**(₱2,107)**	**₱2,802,627**	**(₱27,704)**	**₱10,303,015**	**(₱22,101)**	**₱10,280,914**
BALANCES AT DECEMBER 31, 2017	₱4,889,775	₱83,768	₱18,338	₱85,924	₱–	(₱3,130)	(₱3,413)	₱4,018,980	(₱28,793)	₱9,061,449	₱78,110	₱9,139,559
Net income	–	–	–	–	–	–	–	(48,257)	–	(48,257)	(28,149)	(76,406)
Other comprehensive income (loss)	–	–	–	2,512	–	–	216	–	–	2,728	–	2,728
Total comprehensive income (loss)	–	–	–	2,512	–	–	216	(48,257)	–	(45,529)	(28,149)	(73,678)
Dividends declared	–	–	–	–	–	–	–	(195,591)	–	(195,591)	–	(195,591)
Cost of original issuance of stocks	–	–	–	–	–	–	–	–	–	–	–	–
Issuance of stock options	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	(195,591)	–	(195,591)	–	(195,591)
BALANCES AT JUNE 30, 2018	₱4,889,775	₱83,768	₱18,338	₱88,436	₱–	(₱3,130)	(₱3,197)	₱3,775,132	(₱28,793)	₱8,820,329	₱49,961	₱8,870,290

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHINMA ENERGY CORPORATION
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	For the Semesters Ended	
	June 30, 2019 ***(Unaudited)***	June 30, 2018 *(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**(₱505,156)**	(₱315,289)
Adjustments for:		
Equity in net earnings of associates and joint ventures (Note 10)	**60,035**	(410,211)
Interest and other finance charges	**235,839**	213,848
Depreciation and amortization	**197,220**	200,494
Amortization of trading revenue	**(193,644)**	(197,916)
Provision for probable losses	**34,493**	48,263
Interest and other financial income (Note 20)	**(33,693)**	(35,777)
Foreign exchange loss – net	**1,353**	(20,902)
Pension and other employee benefits	**2,092**	6,822
PPE donated	**47**	–
Reversal of allowance for obsolescence	**(96)**	–
Dividend income	**(7,585)**	(7,384)
Loss (gain) on sale of:		
Asset held for sale	**(14,289)**	–
Derivatives	**–**	19,038
Investments	**(1,375)**	–
Inventories	**4**	–
Property, plant and equipment	**(161)**	–
Marketable Securities	**(27,912)**	(20)
Operating income before working capital changes	**(252,828)**	(499,034)
Decrease (increase) in:		
Receivables	**(480,438)**	29,559
Fuel and spare parts - at cost	**167,159**	(57,126)
Other current assets	**(54,863)**	(886,613)
Increase in accounts payable and other current liabilities	**776,100**	480,546
Net cash generated from (used in) operations	**155,130**	(932,668)
Income taxes paid	**–**	(13,407)
Net cash flows from (used in) operating activities	**155,130**	(946,075)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment (Note 9)	**(₱26,111)**	(₱54,346)
Investments in subsidiaries, associates and joint venture	**(278,636)**	(12,500)
Deferred exploration costs (Note 11)	**(4,147)**	(3,120)
Financial assets	**–**	(32)
Proceeds from:		
Sale and redemption of investments held for trading	**(681,692)**	853,184
Sale of investments	**343,348**	–
Sale of available-for-sale investments	**188,661**	–
Sale of asset held for sale	**61,858**	–
Short-term investments	**35,326**	478,362

Forward

	For the Semesters Ended	
	June 30, 2019 ***(Unaudited)***	June 30, 2018 *(Unaudited)*
Proceeds from:		
Sale of property, plant and equipment	**1,310**	–
Sale of inventories	**891**	–
Insurance claim	**–**	17,448
Settlement of currency forward contracts	**–**	(9,190)
Increase in other noncurrent assets	**(71,694)**	159,212
Cash dividends received	**7,585**	229,890
Interest received	**16,961**	27,789
Net cash flows from investing activities	**(406,340)**	1,686,697
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term debt (Note 14)	–	–
Long-term debt – net of issuance costs	–	–
Issuance of capital stock	**2,632,000**	–
Payments of:		
Interest on short-term and long-term loans	**(180,182)**	(208,127)
Long-term loans (Note 15)	**(1,066,374)**	(107,181)
Cash dividends	–	(195,591)
Finance leases	**(13,586)**	(4,227)
Decrease in due to stockholders	**(1,470)**	(3)
Increase (decrease) in pension and other employee benefits and other noncurrent liabilities	**(26,824)**	(49,414)
Net cash flows used in financing activities	**1,343,564**	(564,543)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,353)**	20,902
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,091,001**	196,981
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,022,366**	1,300,999
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱2,113,367**	₱1,497,980

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information and Status of Operations

PHINMA Energy Corporation ("PHINMA Energy or the Parent Company"), incorporated on September 8, 1969, and registered with the Philippine Securities and Exchange Commission (SEC), is engaged in power generation and trading, oil and mineral exploration, development and production. The Parent Company is a licensed Retail Electricity Supplier (RES). As a RES, the Parent Company is allowed to supply electricity to the contestable market pursuant to the Electric Power Industry Reform Act. Other activities of the Parent Company include investing in various operating companies and financial instruments.

On February 7, 2019, Philippine Investment Management (PHINMA), Inc., PHINMA Corporation and AC Energy, Inc. (AC Energy) signed an investment agreement for AC Energy's acquisition of the PHINMA, Inc. and PHINMA Corporation's combined 51.476% stake in PHINMA Energy via a secondary share sale through the Philippine Stock Exchange (PSE).

On April 15, 2019, the Philippine Competition Commission (PCC) approved the sale of the combined stake of PHINMA, Inc. and PHINMA Corporation in PHINMA Energy to AC Energy. AC Energy made a tender offer for other shareholders on May 20, 2019 to June 19, 2019, with a total of 156,476 public shares of PHINMA Energy tendered during the tender offer period..

On June 24, 2019, the PSE confirmed the special block sale of PHINMA Energy shares to AC Energy. On the same day, AC Energy subscribed to 2.632 billion shares of PHINMA Energy. As of June 30, 2019, AC Energy directly owns 66.34% of the Parent Company's total outstanding shares of stock.

The direct parent company (or intermediate parent company) of PHINMA Energy is AC Energy, while the ultimate parent company is Mermac, Inc. PHINMA Energy is managed by AC Energy under an existing management agreement, which was assigned by PHINMA, Inc. to AC Energy on June 24, 2019. PHINMA Energy, AC Energy and Mermac, Inc. are all incorporated and domiciled in the Philippines. PHINMA Energy and its subsidiaries below are collectively referred to as "the Company".

The registered office address of the Parent Company is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

<u>The Subsidiaries</u>
PHINMA Power Generation Corporation (PHINMA Power)
PHINMA Power, formerly Trans-Asia Power Generation Corporation, was incorporated and registered with the SEC on March 18, 1996. PHINMA Power is engaged in power generation. In October 2006, the Philippine Electricity Market Corporation (PEMC) approved PHINMA Power's application for registration as trading participant for both generation and customer categories in the Wholesale Electricity Spot Market (WESM). Both the Parent Company and PHINMA Power obtained membership in the WESM which allows them to participate in electricity trading managed by PEMC, including selling of excess generation to the WESM. Effective December 26, 2013, PHINMA Power entered into a Power Administration and Management Agreement (PAMA) valid for ten (10) years with PHINMA Energy for the administration and management by PHINMA Energy of the entire capacity and net output of PHINMA Power starting 2014. In addition to the

capacity fee, PHINMA Energy is billed by PHINMA Power for transmission and fuel costs. On January 12, 2018, PHINMA Power and the Parent Company amended the PAMA, providing for a higher capacity rate based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMA became effective on March 26, 2018.

On January 23, 2017, PHINMA Power's Board of Directors (BOD) approved the amendment of the Articles of Incorporation to change the corporate name to PHINMA Power Generation Corporation. The amended Articles of Incorporation were issued by the SEC on June 2, 2017 while the Certificate of Registration was issued by the BIR on June 8, 2017.

One Subic Power Generation Corporation (One Subic Power)
One Subic Power was incorporated and registered with the SEC on August 4, 2010 to engage in the business of owning, constructing, operating, developing and maintaining all types of power generation plants. On November 18, 2010, PHINMA Energy and One Subic Power entered into a PAMA wherein PHINMA Energy administers and manages the entire generation output of the 116 MW diesel power plant in Subic, Olongapo City. The PAMA became effective on February 17, 2011 and shall be valid throughout the term of the lease agreement with Subic Bay Metropolitan Authority (SBMA). On May 12, 2014, PHINMA Power purchased from Udenna Energy Corporation (UDEC) the entire outstanding shares of stock of One Subic Power. Prior to the acquisition, One Subic Power was a wholly owned subsidiary of UDEC, a company incorporated and domiciled in the Philippines.

On January 23, 2017, One Subic Power's BOD approved the amendment of the Articles of Incorporation for the change in the primary purpose to include exploration, discovery, development, processing, and disposal of any and all kind of petroleum products. The amended Articles of Incorporation were approved by the SEC on June 19, 2017.

CIP II Power Corporation (CIPP)
CIPP was incorporated and registered with the SEC on June 2, 1998. CIPP is a utilities enterprise, the primary purpose of which was to develop and operate a power supply and distribution system at Carmelray Industrial Park II Special Economic Zone in Calamba, Laguna. In April 2009, CIPP sold its distribution assets resulting in the cessation of CIPP's operations and separation of substantially all of its employees effective January 31, 2010. On February 22, 2010 and March 24, 2010, the Parent Company's BOD and stockholders, respectively, approved the proposed merger of the Parent Company and CIPP subject to the approval by the SEC. In December 2010, CIPP's BOD approved the transfer of its 21 MW bunker C-fired power plant from Laguna to Barangay Quirino, Bacnotan, La Union which was completed in 2012. In 2013, CIPP and PHINMA Energy entered into a PAMA valid for ten (10) years for the latter's administration and management of the entire capacity and net output of CIPP. On January 12, 2018, CIPP and the Parent Company amended the PAMA, providing for the same capacity rate based on nominated capacity and billing of fuel recovery and utilization fee. The new PAMA became effective on March 26, 2018 and valid for then (10) years and is subject to regular review. As July 23, 2019, the Parent Company and CIPP have not filed their application for merger with the SEC and have deferred their plan for merger.

PHINMA Renewable Energy Corporation (PHINMA Renewable)
PHINMA Renewable, formerly Trans-Asia Renewable Energy Corporation, was incorporated and registered with the SEC on September 2, 1994. It was established with the primary purpose of developing and utilizing renewable energy and pursuing clean and energy-efficient projects. On May 20, 2013, the Department of Energy (DOE) confirmed the Declaration of Commerciality of PHINMA Renewable's 54 MW San Lorenzo Wind Power project (SLWP) in Guimaras. On October 7, 2014, the SLWP started delivering power to the grid and on February 16, 2015, PHINMA Renewable received from the DOE the confirmation of start of Commercial Operations declared on

December 27, 2014. On December 1, 2015, PHINMA Renewable received its Certificate of Compliance from the ERC. On December 8, 2015, PHINMA Renewable's BOD approved to increase its authorized capital stock from ₱2,000.00 million divided into 2 billion shares with par value of ₱1.00 per share to₱5,000.00 million composed of ₱2,000.00 million common shares with par value of ₱1.00 per share and ₱3,000.00 million preferred shares with a par value of ₱1.00 per share. The increase in authorized capital stock was approved by the SEC on March 31, 2017. On January 30, 2017, PHINMA Renewable's BOD approved the amendment of the Articles of Incorporation to change the corporate name to PHINMA Renewable Energy Corporation. The amended Articles of Incorporation were issued by the SEC on June 13, 2017 while the Certificate of Registration was issued by the BIR on June 21, 2017.

One Subic Oil Distribution Corporation (One Subic Oil)
One Subic Oil, formerly Trans-Asia Gold and Minerals Development Corporation, was incorporated and registered with the SEC on July 2, 2007 to primarily engage in the business of mining and mineral exploration within the Philippines and other countries. On February 16, 2009, the BOD approved the suspension of exploration activities of One Subic Oil effective March 31, 2009. On August 9, 2017, One Subic Oil's BOD approved the amendment of the Articles of Incorporation to change the corporate name to One Subic Oil Distribution Corporation, to change its primary purpose to importation, storage, transportation, distribution and disposal of any and all kinds of fuel and petroleum products, and to change the principal office of the corporation to Causeway Extension, Subic Gateway District, Subic Bay Freeport Zone, Subic. The amended Articles of Incorporation were issued by the SEC on September 20, 2017 while the Certificate of Registration was issued by BIR on June 27, 2018. As at July 23, 2019, One Subic Oil has not started commercial operations for its petroleum distribution business.

PHINMA Petroleum and Geothermal, Inc. (PHINMA Petroleum)
PHINMA Petroleum, formerly Trans-Asia Petroleum Corporation, was incorporated and registered with the SEC on September 28, 1994. PHINMA Petroleum is engaged in oil exploration and well development. On November 28, 2012, the SEC approved the increase in authorized capital stock of PHINMA Petroleum from ₱40 million divided into 4 billion shares with a par value of ₱0.01 per share to ₱1 billion divided into 100 billion shares with a par value of ₱0.01 per share. It also approved the change in its name to Trans-Asia Petroleum Corporation and the primary purpose from power generation to oil and gas exploration and production.

On April 22, 2013, PHINMA Petroleum's BOD and stockholders voted to increase the par value of capital stock from ₱0.01 to ₱1.00 per share, which reduced the number of authorized capital stock from 100 billion to 1 billion and the issued and outstanding shares from 25 billion to 250 million. The increase in par value per share was approved by the SEC on June 3, 2013.

PHINMA Petroleum listed its shares with the PSE by way of introduction on August 28, 2014. On April 10, 2017, PHINMA Petroleum's BOD approved the amendment of its Articles of Incorporation to change PHINMA Petroleum's corporate name to PHINMA Petroleum and Geothermal, Inc. and to include in its primary and secondary purposes the exploration and development of geothermal resources. The amended Articles of Incorporation were issued by the SEC on May 31, 2017 while the Certificate of Registration was issued by the BIR on June 14, 2017.

PHINMA Energy conducted a Voluntary Tender Offer of PHINMA Petroleum shares on May 20, 2019 to June 19, 2019, with 3,332 PHINMA Petroleum public shares tendered during the tender offer period at ₱2.44 per share. On June 24, 2019, PHINMA Energy acquired the shares of PHINMA Inc and PHINMA Corporation in PPG representing 25.18% of PPG's total outstanding stock, thereby increasing PHINMA Energy's direct ownership of PHINMA Petroleum to 75.92%.

As at July 23, 2019, PHINMA Petroleum has not started commercial operations. The registered office address of PHINMA Petroleum is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

Palawan55 Exploration & Production Corporation (Palawan 55)
Palawan55 was incorporated and registered with the SEC on November 16, 2012. Palawan55 is engaged in the development and utilization of crude oil, natural gas, natural gas liquids and other forms of petroleum. As at November 6, 2018, Palawan55 has not started its commercial operations. The registered office address of Palawan55 is 11th Floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

Material Interest in Joint Ventures
PHINMA Solar Energy Corporation (PHINMA Solar)
PHINMA Solar, formerly Trans-Asia Wind Power Corporation and a wholly owned subsidiary of the Parent Company, was incorporated and registered with the SEC on July 26, 2013. Its primary purpose is to construct, develop, own, operate, manage, repair and maintain wind power generation plants, to generate electricity from such power plants and to market and sell the electricity produced thereby. On January 30, 2017, PHINMA Solar's BOD approved the amendment of the Articles of Incorporation to change the corporate name to PHINMA Solar Energy Corporation, to include in its primary and secondary purposes the development, operation and maintenance of solar power generation plants and the development of solar products and to increase the number of directors to nine. The amended Articles of Incorporation were issued by the SEC on June 27, 2017 while the Certificate of Registration was issued by the BIR on June 30, 2017.

On December 11, 2018, the Parent Company and Union Galvasteel Corporation (UGC), a company under common control of PHINMA, Inc., entered into a Deed of Sale for the sale of the Parent Company's 50% interest in PHINMA Solar to UGC amounting to ₱225 million. As a result of the sale transaction, PHINMA Solar ceased to be a subsidiary of the Parent Company. In 2018, PHINMA Solar completed installation and commenced operations of two (2) solar panel projects.

On June 19, 2019, the Parent Company sold its remaining 50% interest in PHINMA Solar to PHINMA Corp for P218.3 million

South Luzon Thermal Energy Corporation (SLTEC)
On June 29, 2011, the Parent Company entered into a 50-50 joint venture agreement with AC Energy Holdings, Inc. (AC Energy) to form SLTEC, the primary purpose of which is to generate, supply and sell electricity to the public through the operation of a two (2) x 135 MW coal fired power plant in Calaca, Batangas. SLTEC was incorporated on July 29, 2011. The construction, testing and commissioning of the first unit of SLTEC Circulating Fluidized Bed Coal-fired Power Plant was completed during the first half of 2015 and started its commercial operations on April 24, 2015. The second unit started its commercial operation on February 21, 2016. On December 20, 2016, the Parent Company sold 5% interest in SLTEC to Axia Power Holdings Philippines Corporation (APHPC), which also purchased a 15% interest in SLTEC from AC Energy. The current ownership structure of SLTEC is as follows: 45% PHINMA Energy, 35% AC Energy, and 20% APHPC. The registered office address of SLTEC is KM. 117 National Road, Phoenix Industrial Park Phase II Puting Bato West, Calaca, Batangas.

ACTA Power Corporation (ACTA)
The Parent Company has 50% interest in ACTA, a joint venture with AC Energy. ACTA is engaged in the business of owning, developing, constructing, operating and maintaining power generation facilities as well as generation and sale of electricity. ACTA was incorporated on February 9, 2012

and has not started commercial operations as at July 23, 2019. The registered office address of the Parent Company is Level 11, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The interim condensed consolidated financial statements of the Company were authorized for issuance by the Parent Company's BOD on July 23, 2019.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation and Statement of Compliance
The interim condensed consolidated financial statements of the Company for the six months ended June 30, 2019 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual consolidated financial statements as at December 31, 2018.

The interim condensed consolidated financial statements were prepared on a historical cost basis, except for investments held for trading/ financial assets at fair value through profit or loss (FVTPL), derivative financial instruments, and available-for-sale (AFS) investments/ equity instruments at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The interim condensed consolidated financial statements are presented in Philippine peso which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest thousands (000), except par values, per share amounts, number of shares and when otherwise indicated.

Basis of Consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2019 and December 31, 2018. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring its accounting policies in line with the Parent Company's accounting policies.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the interim condensed consolidated statement of income. Any investment retained is recognized at fair value.

NCI represents the interests in the subsidiaries not held by the Parent Company, and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the NCI in the subsidiary.

The interim condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at June 30, 2019 and December 31, 2018:

As at June 30, 2019

		Percentage of Ownership (%)	
	Principal Activities	**Direct**	**Indirect**
PHINMA Power	Power generation	**100.00**	**–**
CIPP	Power generation	**100.00**	**–**
PHINMA Renewable	Renewable energy generation	**100.00**	**–**
One Subic Oil	Distribution of petroleum products*	**100.00**	**–**
One Subic Power	Power generation	**–**	**100.00**
PHINMA Petroleum	Oil, gas, and geothermal exploration	**75.92**	**0.40**
Palawan55	Oil and gas exploration	**30.65**	**52.93**

**Mineral exploration in 2016*

As at December 31, 2018

		Percentage of Ownership (%)	
		Direct	**Indirect**
PHINMA Power	Power generation	**100.00**	**–**
CIPP	Power generation	**100.00**	**–**
PHINMA Renewable	Renewable energy generation	**100.00**	**–**
One Subic Oil	Distribution of petroleum products*	**100.00**	**–**
One Subic Power	Power generation	**–**	**100.00**
PHINMA Petroleum	Oil, gas, and geothermal exploration	**50.74**	**0.40**
Palawan55	Oil and gas exploration	**30.65**	**35.46**

**Mineral exploration in 2016*

3. Summary of Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements either did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

4. Operating Segments

The Company is divided into two reportable operating segments based on the nature of the services provided - Power and Petroleum. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements.

	For the six months ended June 30, 2019				
	Power	Petroleum	Segment Total	Adjustments and Eliminations	Consolidated
Revenue	**₱8,310,370**	**₱–**	**₱8,310,370**	**₱8,962**	**₱8,319,332**
Costs and expenses	**8,471,384**	**14,418**	**8,485,802**	**94,241**	**8,580,043**
Other income (expense) – net					
Equity in net earnings of associates and joint ventures	**(60,035)**	**–**	**(60,035)**	**–**	**(60,035)**
Interest and other financial charges	**(63,551)**	**–**	**(63,551)**	**(172,288)**	**(235,839)**
Interest and other financial income	**–**	**–**	**–**	**33,693**	**33,693**
Gain (loss) on sale of:					
Asset held for sale	**14,289**	**–**	**14,289**	**–**	**14,289**
Investments	**1,375**	**–**	**1,375**	**–**	**1,375**
Property, plant and equipment	**158**	**–**	**158**	**3**	**161**
Inventory	**(4)**	**–**	**(4)**	**–**	**(4)**
Foreign exchange loss	**–**	**–**	**–**	**(1,020)**	**(1,020)**
Marked-to-market gain on derivatives	**–**	**–**	**–**	**–**	**–**
Others	**108**	**–**	**108**	**2,827**	**2,935**
Segment profit	**(268,674)**	**(14,418)**	**(283,092)**	**(222,064)**	**(505,156)**
	As at June 30, 2019				
Operating assets	**₱15,606,688**	**₱43,773**	**₱15,650,461**	**₱4,596,869**	**₱20,247,330**
Operating liabilities	**₱4,428,483**	**₱18,468**	**₱4,446,951**	**₱5,519,465**	**₱9,966,416**
Other disclosure					
Capital expenditures	**₱26,036**	**₱–**	**₱26,036**	**₱75**	**₱26,111**
Disposal of assets	**7,444**	**–**	**7,444**	**4,370**	**11,814**
Investments and advances	**4,045,131**	**–**	**4,045,131**	**631**	**4,045,762**
Depreciation and amortization	**187,989**	**225**	**188,214**	**9,006**	**197,220**
Provision for income tax	**–**	**–**	**–**	**51,297**	**51,297**

	For the six months ended June 30, 2018				
	Power	Petroleum	Segment Total	Adjustments and Eliminations	Consolidated
Revenue	₱8,123,040	₱–	₱8,123,040	₱7,700	₱8,130,740
Costs and expenses	(8,501,411)	(96,285)	(8,597,696)	(99,004)	(8,696,700)
Other income (expense) – net					
Interest and other financial charges	(66,382)	–	(66,382)	(147,466)	(213,848)
Interest and other financial income	–	–	–	35,777	35,777
Equity in net earnings of associates and joint ventures	410,211	–	410,211	–	410,211
Gain on sale of AFS investments	–	–	–	20	20
Marked-to-market gain on derivatives	–	–	–	(19,038)	(19,038)
Foreign exchange loss	–	–	–	35,304	35,304
Others	83	–	83	2,162	2,245
Segment profit	(34,459)	(96,285)	(130,744)	(184,545)	(315,289)

	As at June 30, 2018				
Operating assets	₱15,570,035	₱34,821	₱15,604,856	₱4,030,923	₱19,635,779
Operating liabilities	₱5,459,919	₱6,944	₱5,466,863	₱5,298,626	₱10,765,489
Other disclosure					
Capital expenditures	₱48,468	₱4,709	₱53,177	₱1,169	₱54,346
Disposal of assets	115	–	115	–	115
Investments and advances	4,257,392	–	4,257,392	631	4,258,023
Depreciation and amortization	190,921	228	191,149	9,345	200,494
Provision for income tax	–	–	–	(238,883)	(238,883)

Adjustments and Eliminations

Interest and other financial income, including fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Likewise, certain operating expenses and finance-related charges are managed on a group basis and are not allocated to operating segments.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditures consist of additions to property, plant and equipment. Investments and advances consist of investments and cash advances to the Company's associates and joint ventures.

Reconciliation of profit

	Jan-Jun 2019	Jan-Jun 2018
Segment total profit before adjustments and eliminations	**(₱283,092)**	(₱130,744)
Dividend income	**7,585**	7,384
Rent Income	**1,377**	316
General and administrative expense	**(94,241)**	(99,004)
Interest and other financial charges	**(172,288)**	(147,466)
Interest and other financial income	**33,693**	35,777
Other income – net	**1,810**	18,448
Income before income tax	**(₱505,156)**	(₱315,289)

Other income - net include foreign exchange gain (loss), gain(loss) on sale of property, plant and equipment and AFS investments/ financial assets at FVOCI, provision for probable losses, gain (loss) on derivatives and other miscellaneous income (expense) which are managed on a group basis and are not allocated to operating segments.

Reconciliation of assets

	June 2019	December 2018
Segment operating assets	**₱15,650,461**	₱16,155,385
Current assets		
Cash and cash equivalents	**2,113,367**	1,022,366
Short-term investments	–	35,326
Financial assets at FVTPL	**1,487,478**	743,739
Receivables and other current assets	**399,663**	69,781
Noncurrent assets		
Property, plant and equipment	**16,612**	47,361
Investments in an associate, financial assets at FVOCI and financial assets at FVTPL	**20,308**	264,078
Investment property	**13,085**	13,085
Deferred income tax asset - net	**220,170**	261,346
Other noncurrent assets	**326,186**	312,228
Total assets	**₱20,247,330**	₱18,924,695

Reconciliation of liabilities

	June 2019	December 2018
Segment operating liabilities	**₱4,446,951**	₱5,177,760
Current liabilities		
Accounts payable and other current liabilities	**1,242,449**	107,502
Income and withholding taxes payable	**29,427**	11,762
Due to stockholders	**15,181**	16,651
Short-term loan		400,000
Current portion of long-term loans	**557,683**	157,683
Noncurrent liabilities		
Long term loans - net of current portion	**3,542,270**	4,546,463
Deferred income tax liabilities - net	**88,111**	95,180
Pension and other employee benefits	**44,344**	40,246
Total liabilities	**₱9,966,416**	₱10,553,247

5. Cash and Cash Equivalents

	June 2019	December 2018
Cash on hand and in banks	**₱990,179**	₱151,317
Short-term deposits	**1,123,188**	871,049
	₱2,113,367	₱1,022,366

Cash in banks earn interest at the respective bank deposit rates for its peso and dollar accounts.

Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Short-term deposits include debt service reserves amounting to ₱54.77 million as at June 30, 2019 and December 31, 2018 for the wind project loan facility (see Note 15).

6. Receivables

	June 2019	December 2018
Trade	**₱2,370,157**	₱2,168,099
Due from related parties (see Note 21)	**613,566**	333,576
Receivables from:		
Third parties	**178,292**	179,550
Assignment of Mineral Production Sharing Agreement (MPSA) (see Note 11)	**39,365**	39,365
Consortium - SC 50	**20,000**	20,000
Consortium - SC 52 (see Note 11)	**19,444**	19,444
Employees	**6,884**	2,881
Others	**5,674**	9,461
	3,253,382	2,772,376
Less allowance for doubtful accounts	**145,085**	145,085
	₱3,108,297	₱2,627,291

Trade receivables mainly represent receivables from PEMC, NGCP, National Transmission Corporation (TransCo) for the FIT and from the Company's bilateral customers. Trade receivables consist of noninterest-bearing and interest-bearing receivables. The term is generally 30 to 60 days.

Receivables from third parties as at December 31, 2018 mainly represent the current portion of the Company's non-interest bearing receivables from NGCP (see Note 12).

The aging analysis of receivables is as follows:

	June 2019						
		Neither Past Due nor	**Past Due but not Impaired**				**Past Due and**
	Total	**Impaired**	**<30 Days**	**30–60 Days**	**61–90 Days**	**More than 90 Days**	**Impaired**
Trade	**₱2,370,157**	**₱1,553,862**	**₱26,219**	**₱182,195**	**₱44,861**	**₱501,157**	**₱51.603**
Due from related parties	**613,566**	**303,392**	**–**	**–**	**–**	**310,174**	**10,260**
Others	**269,659**	**179,807**	**–**	**516**	**32**	**6,082**	**83,222**
	₱3,253,382	**₱2,037,061**	**₱26,219**	**₱182,711**	**₱44,893**	**₱817,413**	**₱145,085**

	December 2018						
		Neither Past Due nor	Past Due but not Impaired				Past Due and
	Total	Impaired	<30 Days	30–60 Days	61–90 Days	More than 90 Days	Impaired
Trade	₱2,168,099	₱1,712,945	₱40,844	₱19,387	₱191,896	₱148,354	₱51,603
Due from related parties	333,576	320,642	–	–	–	2,674	10,260
Others	270,701	183,751	8	106	39	6,645	83,222
	₱2,772,376	₱2,217,338	₱40,852	₱19,493	₱191,935	₱157,673	₱145,085

The movements in the allowance for credit losses on individually impaired receivables is as follows:

	Trade	Others	Total
Balances at January 1, 2018	₱38,763	₱82,103	₱120,867
Effect of adoption of PFRS 9	–	–	–
Provision for the year - net	23,098	1,120	24,218
Balances at December 31, 2018	61,861	83,223	145,085
Provision for the semester	–	–	–
Balances at June 30, 2019	**₱61,861**	**₱83,223**	**₱145,085**

7. Fuel and Spare Parts

	June 2019	December 2018
Fuel - at cost	**₱153,652**	₱317,923
Spare parts - at net realizable value	**92,039**	95,750
	₱245,691	₱413,673

Fuel charged to "Costs of sale of electricity" in the interim condensed consolidated statements of income amounted to ₱904.17 million and ₱543.75 million during the first half of 2019 and 2018, respectively (see Note 18).

8. Other Current Assets

	June 2019	December 2018
Deposits	**₱60,720**	₱100,185
Prepaid expenses	**49,607**	82,577
Derivative asset (see Note 23)	**4**	4
Other current assets	**854**	–
	₱111,185	₱182,766

Prepaid expenses pertain to insurance, taxes, rent and other expenses paid in advance.

Deposits include advances to suppliers and land owners and deposits to distribution utilities.

9. Property, Plant and Equipment

The details and movements of this account as of June 30 and for the year ended December 31 are shown below:

June 2019

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	₱252,241	₱489,170	₱6,863,611	₱38,971	₱68,746	₱51,179	₱419	₱7,764,337
Additions	–	2,141	19,259	–	2,332	2,379	–	26,111
Retirement	–	–	–	–	–	–	–	–
Insurance claim	–	–	–	–	–	–	–	–
Disposal	–	–	–	(11,525)	(23)	(266)	–	(11,814)
Reclassification	–	–	–	–	–	–	–	–
Balance at end of the quarter	252,241	491,311	6,882,870	27,446	71,055	53,292	419	7,778,634
Accumulated depreciation								
Balance at beginning of year	1,236	363,926	1,466,138	20,642	33,968	40,859	–	1,926,769
Depreciation	–	11,121	170,781	3,300	1,859	2,064	–	189,125
Disposal	–	–	–	(10,406)	(14)	(199)	–	(10,619)
Retirement	–	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–	–
Balance at end of the quarter	1,236	375,047	1,636,919	13,537	35,813	42,725	–	2,105,275
Accumulated impairment loss								
Balance at beginning of year	–	933	75,672	–	–	–	–	76,605
Depreciation	–	–	–	–	–	–	–	–
Disposal	–	–	–	–	–	–	–	–
Retirement	–	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–	–
Balance at end of the quarter	–	933	75,672	–	–	–	–	76,605
Net Book Value	₱251,005	₱115,331	₱5,170,280	₱13,909	₱35,243	₱10,567	₱419	₱5,596,754

December 2018								
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	₱252,241	₱476,418	₱6,881,019	₱38,869	₱54,662	₱60,750	₱419	₱7,764,378
Additions	–	10,907	83,571	2,891	15,705	2,070	4,536	119,680
Disposals	–	–	–	(2,789)	(1,125)	(11,525)	–	(15,439)
Deconsolidation	–	–	(6,083)	–	–	(116)	(4,536)	(10,735)
Insurance claim	–	–	(90,146)	–	–	–	–	(90,146)
Transfer to asset held for sale	–	–	(4,750)	–	(496)	–	–	(5,246)
Transfer from investment property	–	1,845	–	–	–	–	–	1,845
Balance at end of year	252,241	489,170	6,863,611	38,971	68,746	51,179	419	7,764,337
Accumulated depreciation								
Balance at beginning of year	1,236	288,599	1,175,938	15,942	29,201	47,589	–	1,558,505
Depreciation	–	75,327	290,354	7,489	6,388	4,813	–	384,371
Disposals	–	–	–	(2,789)	(1,125)	(11,518)	–	(15,432)
Deconsolidation	–	–	(154)	–	–	(25)	–	(179)
Transfer to asset held for sale	–	–	–	–	(496)	–	–	(496)
Balance at end of year	1,236	363,926	1,466,138	20,642	33,968	40,859	–	1,926,769
Accumulated impairment loss								
Balance at beginning of year	–	–	75,672	–	–	–	–	75,672
Allowance for impairment loss	–	933	1,133	–	–	–	–	2,066
Transfer to asset held for sale	–	–	(1,133)	–	–	–	–	(1,133)
Balance at end of year	–	933	75,672	–	–	–	–	76,605
Net Book Value	₱251,005	₱124,311	₱5,321,801	₱18,329	₱34,778	₱10,320	₱419	₱5,760,963

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Category	Years
Buildings and improvements	6-25 years
Machinery and equipment	9-25 years
Transportation equipment	3-5 years
Land improvements	10 years
Mining and other equipment	10 years
Office furniture, equipment and others	3-10 years

Purchase of Power Barges
On July 8, 2015, Power Barges 101, 102 and 103 were officially transferred from Power Sector and Liabilities Management Corporation (PSALM) to PHINMA Energy after its sale in 2014. In February 2016, Power Barges 101 and 102 received their respective Certificates of Compliance and started operations and all related capitalized costs were reclassified from "Construction in Progress" to "Machinery and Equipment". As at December 31, 2017, the total costs capitalized to Power Barges 101 and 102 included under "Machinery and Equipment" account amounted to ₱386.42 million. These costs include the purchase price and all other dry-docking and repair costs.

In October 2017, Power Barge 103 received its Certificate of Compliance from the ERC. All related costs capitalized to Power Barge 103 were reclassified from Construction in Progress to Machineries and Equipment. The carrying amount of Power Barge 103 included in Machinery and Equipment amounted to ₱171.83 million and ₱161.97 million as at June 30, 2019 and December 31, 2018, respectively.

Wind Projects
On October 7, 2014, the 54 MW Wind Power project in San Lorenzo, Guimaras started delivering power to the grid. Commercial operations started on December 27, 2014. The carrying amounts of the wind farm included under "Machinery and equipment" account as at June 30, 2019 and December 31, 2018 amounted to ₱4,208.28 million and ₱4,310.28 million , respectively, while those under "Land and land improvements" account as at June 30, 2019 and December 31, 2018 amounted to ₱197.18 million.

PHINMA Renewable commissioned wind measuring devices in several sites. Three devices were already decommissioned earlier due to low wind regime and typhoon damage. Wind masts in Aparri and Ballesteros were decommissioned in January and February 2016, respectively, due to their deteriorated condition, rendering both structures unsafe. Wind masts located in Sibunag and San Lorenzo, Guimaras were likewise decommissioned in May and June 2016, respectively, also due to their deteriorated condition.

On December 23, 2016, a new wind mast was installed in San Lorenzo, Guimaras for wind resource analysis and correlation with the 54 MW San Lorenzo Wind Farm. In May 2017, the wind mast in Nueva Valencia was decommissioned due to its deteriorated condition. As at November 6, 2018, PHINMA Renewable' remaining wind measuring device continue to gather wind resource measurements at San Lorenzo.

Sale of Transmission Assets
PHINMA Renewable and CIPP executed Deeds of Sale with the NGCP on April 22, 2016 and May 23, 2016, respectively, for the disposition of transmission assets and PHINMA Renewable's submarine cable pursuant to Section 8 of RA No. 9136 or the EPIRA and the ERC decisions.

As at date of sale, the carrying value of transmission assets and submarine cables sold by PHINMA Renewable and CIPP amounted to ₱660.15 million and ₱65.17 million, respectively. Receivables from NGCP arising from these sales are included under "Receivables" and "Other noncurrent assets" (see Notes 6 and 12).

Land Held under Finance Leases
The Company entered into finance leases of land in Barangay Suclaran and Cabano in San Lorenzo, Guimaras and Barangay Zaldivar and Sawang in Buenavista, Guimaras to facilitate the construction of the San Lorenzo wind farm. The carrying amount of land held under finance leases, included under "Land and land improvements", as at June 30, 2019 and December 31, 2018 amounted to ₱116.81 million.

Mortgaged Property and Equipment
PHINMA Renewable's wind farm with carrying value of ₱4,208.28 million and ₱4,310.28 million included under "Machinery and Equipment" account is mortgaged as security for the long term loan as at June 30, 2019 and December 31, 2018 (see Note 15).

10. Investments and Advances

Details of investments in associates and interests in joint ventures and the carrying amounts as at June 30 and December 31 are as follows:

	Percentage of Ownership	**June 2019**	December 2018
Investments in associates:			
Maibarara Geothermal, Inc. (MGI)	25.00	**₱681,665**	₱630,173
Asia Coal Corporation (Asia Coal)*	28.18	**631**	631
Union Aggregates Corporation (UAC)**	31.25	**–**	–
		682,296	630,804
Interests in joint ventures:			
SLTEC	45.00	**3,327,121**	3,438,199
PHINMA Solar	50.00	**–**	217,005
ACTA	50.00	**36,345**	36,676
		3,363,466	3,691,880
		₱4,045,762	₱4,322,684

**Shortened corporate life to October 31, 2009.*
***Ceased operations.*

The details and movements of investments as well as the advances in associates and interests in joint ventures accounted for under the equity method are as follows:

	June 2019	December 2018
Investment in an associate and interests in joint ventures		
Acquisition costs:		
Balance at beginning of the period	**₱3,911,572**	₱3,675,257
Additions	**–**	236,315
Disposal	**(225,000)**	–
Balance at end of the period	**3,686,572**	3,911,572
Accumulated equity in net earnings (losses):		
Balance at beginning of the period	**397,633**	370,086
Equity in net earnings for the period	**(59,949)**	532,460
Disposal	**8,027**	–
Dividend received	**–**	(504,913)
Balance at end of the period	**345,711**	397,633

	June 2019	December 2018
Accumulated share in OCI:		
Balance at beginning of the period	**(2,193)**	(3,413)
Share in OCI (loss)	**–**	1,220
Balance at end of the period	**(2,193)**	(2,193)
Other equity transactions:		
Balance at beginning of the period	**17,231**	17,231
Accumulated impairment losses	**1,559**	(1,559)
	4,045,762	4,322,684
Advances to an associate and a joint venture		
Balance at beginning of the period	**–**	–
Additions	**–**	–
Advances converted to investment*	**–**	–
Balance at end of the period	**–**	–
Total investments and advances	**₱4,045,762**	₱4,322,684

* *ACTA's application for increase in authorized capital stock was approved on January 25,2016. Consequently, the advances were reclassified to investments in joint ventures. In 2017, advances to MGI were converted to an investment in associate.*

Investments in Associates

MGI

The Parent Company subscribed to 25% of the capital stock of MGI which was incorporated and registered with the SEC on August 11, 2010, to implement the integrated development of the Maibarara geothermal field in Calamba, Laguna and Sto. Tomas, Batangas for power generation. MGI's registered business address is 7th F JMT Building, ADB Avenue, Ortigas Center, Pasig City.

The summarized financial information of MGI, a material associate of the Parent Company, as at and for the six months ended June 30, 2019 and for the year ended December 31, 2018 and the reconciliation with the carrying amount of the investments and advances in the interim condensed consolidated financial statements are shown below:

Summarized Statements of Financial Position

	June 2019	December 2018
Current assets	**₱1,315,219**	₱997,778
Noncurrent assets	**4,667,001**	4,860,066
Total assets	**5,982,220**	5,857,844
Current liabilities	**(383,865)**	(450,925)
Noncurrent liabilities	**(2,871,695)**	(2,887,058)
Net assets	**2,726,660**	2,519,861
Proportion of the Company's ownership	**25%**	25%
Carrying amount of investments	**₱681,665**	₱629,965

Summarized Statements of Income

	For the six months ended June 30	
	2019	2018
Revenue from sale of electricity	**₱617,237**	₱476,236
Costs of sale of electricity	**(296,198)**	(230,671)
Gross profit	**321,039**	245,565
Interest expense - net	**(96,556)**	(74,209)
General and administrative expenses	**(20,061)**	(19,092)
Other income (charges) - net	**46**	235
Income before income tax	**204,468**	152,499
Provision for income tax	**(1,154)**	69
Net income	**₱205,622**	₱152,430
OCI	**346**	864
Total comprehensive income	**₱205,968**	₱153,294

On September 16, 2011, the Parent Company entered into an ESA with MGI under which the Parent Company will purchase the entire net electricity output of MGI's power plant for a period of 20 years at an agreed price, subject to certain adjustments. Commercial operations of MGI started in February 2014.

The Parent Company is also a Project Sponsor for MGI's ₱2.40 billion Term Loan Facility for the 20 MW Maibarara Geothermal Power Plant and ₱1.40 billion Project Loan Facility for its 12 MW Maibarara Expansion Project. In the event of a default of MGI, as a Project Sponsor, the Company is obligated to:

- assign, mortgage or pledge all its right, title and/or interest in and its shares of stocks in MGI, including those that may be issued in the name of the Parent Company;
- assign its rights and/or interests in the Joint Venture Agreement executed on May 19, 2010 with PNOC Renewables Corporation;
- secure the debt service reserve account (DSRA) with a standby letter of credit , when reasonably required and pursuant to the terms of the facilities;
- guarantee the completion of the projects and for this purpose, the Parent Company undertakes to:
  - i. contribute to MGI its pro-rata share of the funds necessary to enable MGI to complete the construction of its projects; and
  - ii. make cash advances or otherwise arrange to provide MGI with funds sufficient to complete construction, in the event that MGI does not have sufficient funds available to cover the full cost of constructing and completing the project due to costs overrun.

The loan covenants covering the outstanding debt of MGI include, among others, maintenance of debt-to-equity and debt-service ratios. As at September 30, 2018 and December 31, 2017, MGI is in compliance with the said loan covenants.

In 2015, the construction of Phase 2 of the project commenced. Upon completion, Phase 2 will add 12 MW to MGI's capacity. Phase 2 started its commercial operation on April 30, 2018.

The advances of ₱45.00 million granted by the Parent Company in 2015 were converted to investments in associates in 2017. In 2017, the Parent Company invested additional capital amounting to ₱80.25 million and received dividend of ₱25.00 million from MGI. No dividend was received by the Company in 2016 and 2015. In 2018, the Parent Company invested additional capital amounting to ₱12.50 million.

Asia Coal
On March 19, 2009, the directors and stockholders of Asia Coal approved the shortening of its corporate life to October 31, 2009. Asia Coal shall be dissolved and liquidated, the date of which is subject to the approval of the SEC. As at November 6, 2018, Asia Coal is still in the process of securing a tax clearance with the BIR in connection with the filing with the SEC of its application for dissolution.

Asia Coal had no activities since it filed for the shortening of its corporate life.

Interests in Joint Ventures
The summarized financial information of SLTEC, a material joint venture of the Parent Company, as at and for the six months ended June 30, 2019 and year ended December 31, 2018 and the reconciliation with the carrying amount of the investment in the interim condensed consolidated financial statements are shown below:

Summarized Statements of Financial Position

	June 2019	December 2018
Current assets	**₱3,360,380**	₱4,219,021
Noncurrent assets	**16,236,426**	16,497,811
Current liabilities	**(1,671,942)**	(3,024,932)
Noncurrent liabilities	**(10,576,870)**	(10,098,160)
Net assets	**7,347,994**	7,593,740
Proportion of the Company's ownership	**45%**	45%
Parent Company's share in the net assets	**3,306,597**	3,417,183
Other adjustments*	**20,524**	21,016
Carrying amount of investment	**₱3,327,121**	₱3,438,199

**Alignment of accounting policies on excess revenue over costs of testing and commissioning.*

Additional Information

	June 2019	December 2018
Cash and cash equivalents	**₱1,809,434**	₱1,337,712
Current financial liabilities*	**254,047**	1,556,016
Noncurrent financial liabilities	**10,560,408**	10,082,253

**Excluding trade and other payables and provision.*

Summarized Statements of Income

	For the six months ended June 30	
	2019	2018
Revenue from sale of electricity	**₱2,313,739**	₱3,954,183
Costs of sale of electricity	**2,178,072**	(2,701,987)
Gross profit	**135,667**	1,252,196
General and administrative expenses	**(81,622)**	(58,330)
Interest expenses - net	**(559,265)**	(369,291)
Other income - net	**260,029**	14,442
Income (loss) before income tax	**(245,191)**	839,017
Provision for income tax	**555**	10,830
Net income	**(245,746)**	828,187
Other comprehensive income	**–**	–
Total comprehensive income	**₱(245,746)**	₱828,187

Additional Information

	For the six months ended June 30	
	2019	2018
Depreciation and amortization	**₱381,729**	₱370,950
Dividend received	–	222,506
Interest income	**44,068**	25,005
Interest expense	**603,333**	391,328

The Company received a dividend from SLTEC in the year 2018 amounting to ₱492.42 million.

On October 29, 2011, SLTEC signed the Omnibus Loan and Security Agreement with its local third party creditor banks with the Parent Company and AC Energy as Project Sponsors.

Under the terms of the Agreement, the Parent Company shall:

- enter into supply agreements with end users sufficient to cover such capacity required by SLTEC to break-even for two years, within 18 months from first drawdown. The consequence of failure is a draw-stop, which means SLTEC will not be able to draw on the loan;
- commit to provide advances to SLTEC in proportion to the Parent Company's equity interest in SLTEC to fund the project cost of the SLTEC power plant project;
- guarantee jointly with AC Energy to redeem the loan in the event that SLTEC defaults on the loan, and lenders are not able to consolidate title to the project site because title to the properties have not been issued; and
- pledge its shares in SLTEC as security, and assign its offtake contracts to the lenders sufficient to cover such capacity required by SLTEC to break-even.

In accordance with the Joint Venture Agreement, AC Energy made an additional investment in SLTEC amounting to ₱61.08 million in 2011. The Company's share in the additional investment made by AC Energy amounting to ₱30.54 million was recorded under "Other equity reserve" account in the 2011 consolidated statement of changes in equity. From 2012 to 2014, SLTEC incurred stock issuance costs totaling ₱22.80 million which were recognized by SLTEC as a reduction from its APIC and Retained earnings. Of this amount, ₱11.40 million which represents the Company's share in the said costs, was recognized equally as a reduction from the Company's other equity reserve account and retained earnings.

On April 24, 2015, Unit 1 of the two 135 MW coal fired units commenced its commercial operations. Unit 2 of the power plant declared its commercial operations on February 21, 2016.

On December 20, 2016, the Parent Company sold 5% interest in SLTEC to APHPC. As a result of the sale, the Company's interest in SLTEC was reduced from 50% to 45% and recognized a gain amounting to ₱444.21 million. As a result, the other equity reserve was reduced to ₱17.23 million.

11. Goodwill and Other Intangible Assets

Changes in goodwill and other intangible assets for the six months ended June 30, 2019 and for the year ended December 31, 2018 are as follows:

	June 2019			
	Leasehold Rights	**Deferred Exploration Costs**	**Goodwill**	**Total**
Cost:				
Balance at beginning of year	**₱99,839**	**₱136,975**	**₱234,152**	**₱470,966**
Cash calls	**–**	**6,917**	**–**	**6,917**
Balance at end of the period	**99,839**	**143,892**	**234,152**	**477,883**
Accumulated depreciation:				
Balance at beginning of year	**74,880**	–	**–**	**74,880**
Amortization	**8,094**	–	**–**	**8,094**
Balance at end of the period	**82,974**	–	**–**	**82,974**
Accumulated impairment				
Balance at beginning of year	–	**75,868**	**–**	**75,868**
Provisions	–	**34,492**	**–**	**34,492**
Balance at end of the period	–	**110,360**	**–**	**110,360**
Net book value	**₱16,865**	**₱33,532**	**₱234,152**	**₱284,549**

	December 2018			
	Leasehold Rights	Deferred Exploration Costs	Goodwill	Total
Cost:				
Balance at beginning of year	₱99,839	₱132,450	₱234,152	₱466,441
Cash calls	–	4,526	–	4,526
Balance at end of year	99,839	136,976	234,152	470,967
Accumulated depreciation:				
Balance at beginning of year	58,690	–	–	58,690
Amortization	16,190	–	–	16,190
Balance at end of year	74,880	–	–	74,880
Accumulated impairment:				
Balance at beginning of year	–	27,605	–	27,605
Provisions	–	48,263	–	48,263
Balance at end of year	–	75,868	–	75,868
Net book value	₱24,959	₱61,108	₱234,152	₱320,219

<u>Leasehold Rights and Goodwill</u>

The leasehold rights and goodwill arose from PHINMA Power’s acquisition of the entire outstanding shares of stocks of One Subic Power in 2014. One Subic Power and SBMA has an existing Facilities Lease Agreement (FLA) for a period of five (5) years up to July 19, 2020, as amended, with the option to extend subject to mutually acceptable terms and conditions. On December 21, 2017, the SBMA Board approved and ratified the amendment of the Facilities Lease Agreement extending the lease term until July 19, 2030.

As at June 30, 2019 and December 31, 2018, the leasehold rights have a remaining useful life of 1.25 years and 1.5 years, respectively.

Impairment Testing of Goodwill

The goodwill acquired through business combination was allocated for impairment testing to One Subic Power's power plant operations, this being the CGU. The recoverable amount of the CGU was determined using the value in use approach calculated using all cash flow projections related to CGU based on the financial budgets and forecasts approved by the BOD, which management believes are reasonable and are management's best estimate of the ranges of economic conditions that will exist over the remaining useful life of the asset. The pre-tax discount rates of 10.20% in 2018, were applied based on the weighted average cost of capital adjusted for the difference in currency and specific risks associated with the business of the CGU.

The recoverable amount exceeded the carrying amount of the CGU and, as a result, no impairment was recognized for the six months ended June 30, 2019 and for the year ended December 31, 2018.

The Company factors the discount rate in the calculation of the value in use of its goodwill.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

The excess of value in use over the carrying amount of the CGU amounted to ₱485.20 million as at December 31, 2018. An increase of 100 basis points in the Company's pre-tax discount rate will not result in an impairment of goodwill.

<u>Deferred Exploration Costs</u>

Details of deferred exploration costs are as follows:

	June 2019	December 2018
Petroleum and gas:		
SC 51/Geophysical Survey and Exploration Contract (GSEC) No. 93 (East Visayas)	**₱32,666**	₱32,666
SC 69 (Camotes Sea)	**15,597**	15,597
SC 6 (Northwest Palawan)	**27,692**	27,460
SC 55 (Southwest Palawan)	**10,731**	6,817
SC 52 (Cagayan Province)	**10,994**	10,994
SC 50 (Northwest Palawan)	**11,719**	11,719
Geothermal:		
SC 8 (Mabini, Batangas)	**34,493**	31,723
	143,892	136,976
Allowance for impairment losses	**(110,360)**	(75,868)
Net book value	**₱33,532**	₱61,108

The foregoing deferred exploration costs represent the Company's share in the expenditures incurred under petroleum SCs with the DOE. The contracts provide for certain minimum work and expenditure obligations and the rights and benefits of the contractor. Operating agreements govern the relationship among co-contractors and the conduct of operations under an SC.

In 2019, the Company provided for probable losses on deferred exploration costs for GSC 8 amounting to ₱34.5 million due to the Company's withdrawal from the SC.

In 2018, the Company provided for probable losses on deferred exploration costs for SC 51 amounting to ₱32.67 million due to deemed expiration of the exploration period, and for SC 69 amounting to ₱15.6 million, due to vigorous opposition of stakeholders and recent issuances of concerned LGUs declaring the Visayan Sea as a protected area and marine reserve.

In 2017, the Company assessed and fully provided for probable losses for deferred exploration costs pertaining to SC 6-B amounting to ₱4.89 million due to the relinquishment of PHINMA Petroleum's participating interest, but not the carried interest, to its partners. The Company also fully provided for probable losses on the deferred exploration costs of SC 50 and SC 52 amounting to ₱11.72 million and ₱10.99 million, respectively, in 2016 due to the expiration of their terms and subsequent denial of the DOE of the request for Force Majeure.

In 2016, the Company also wrote-off deferred exploration costs related to its hydropower service contracts amounting to ₱1.19 million due to the expiration of the pre-development term of two years and non-appeal on the denial by the DOE of the Company's request for increase in capacity.

No impairment was recognized for the other SCs as management believes that extensions and moratoriums requested that are pending approval by the DOE as of November 6, 2018 will be eventually approved based on prior years' experience.

The following summarizes the status of the foregoing projects:

a. SC 51/GSEC 93 (East Visayas)

   In April 2012, the Operator, Otto Energy Investments Ltd. (Otto Energy) [formerly "NorAsian Energy Ltd."] commenced a 100-kilometer (km) 2D seismic program in the town of San Isidro, Leyte primarily to pick the optimum location for the drilling of the Duhat prospect, which reservoir objective was not reached by the Duhat-1 and Duhat-1A wells in 2011.

   In mid-May 2012, the foreign seismic acquisition contractor unilaterally suspended its field operations as instructed by its government.

   In view of said development, the DOE granted on September 30, 2012 the consortium's request for a six-month extension of the current Sub-Phase 4 to January 31, 2013.

   The 2D seismic survey resumed after a one-month suspension and was completed on October 1, 2012. Data processing was completed by December 31, 2012.

   The consortium elected to enter Sub-Phase 5 (January 31, 2013 to January 31, 2014) with the drilling of Duhat-2 well in Northwest Leyte as work commitment.

   Swan Oil and Gas Ltd. (Swan) withdrew from SC 51 in September 2012 after settling disputes over the North Block (Northwest Leyte) and the South Block (Cebu Strait) with Otto Energy and Filipino partners (remaining members of the consortium), respectively. Consequently, the 40% participating interest of Swan in the North Block reverted to Otto Energy, and as between Otto Energy and Filipino partners, the latter retained 100% interest in the South Block.

The Filipino partners signed a Farm-in Option Agreement with Frontier Oil Corporation (Frontier Oil) over the South Block on October 23, 2012. Under the said Agreement, Frontier Oil has the option to acquire 80% participating interest in the area by undertaking to drill the Argao-1 well at its sole cost during Sub-Phase 6 of SC 51 (January 31, 2015 to July 8, 2015). Frontier Oil may exercise its option not later than January 31, 2013, which was extended to February 28, 2013. The Farm-in Option Agreement lapsed since the option was not exercised by Frontier Oil.

On July 24, 2013, Otto Energy spudded the Duhat-2 well in Northwest Leyte but prematurely plugged and abandoned the well on July 26, 2013 at a depth of 201 meters for safety and environmental reasons, after encountering a high-pressure water zone. Otto Energy completed the demobilization for the Duhat-2 well on August 30, 2013 and conducted post-well studies. The new information will be considered in any future decisions on SC 51. The consortium requested the DOE a six-month extension of the current exploration Sub-Phase 5 to July 31, 2014 to be able to conduct post-well geological, geophysical and drilling studies. The DOE approved the foregoing request on November 7, 2013.

On May 5, 2014, Otto Energy notified PHINMA Petroleum and the other partners in the consortium that it has elected to withdraw from SC 51. Otto Energy's withdrawal from SC 51 and the transfer of its participating interest to the remaining parties are subject to the approval of the DOE.

On June 28, 2014, the Filipino partners requested the DOE for suspension of the exploration of Sub-Phase 5 from the date Otto Energy notified the DOE of its withdrawal from SC 51 until the DOE approves the transfer of Otto Energy's participating interest to the Filipino partners.

On May 11, 2015, DOE approved the request for an extension of Sub-Phase 5 to July 8, 2016.
On March 3, 2017 and December 20, 2017, the Filipino partners reiterated their intent to carry on with the exploration of SC 51, following Otto Energy's withdrawal from the block and consequent resignation as Operator. They further signed and executed a Deed of Undertaking to pay the outstanding financial obligation of Otto Energy amounting to US$124,763, subject to the approval of the transfer of interest from Otto Energy to the continuing parties, the extension of the term of the contract, and the revision of work program from drilling of a well to the conduct of pore pressure prediction study and gravity survey. Of this amount, PHINMA Petroleum's share is US$41,596, which is equivalent to the pro-rata amount of liability using its post-adjustment ownership interest.

On May 15, 2018, PHINMA Petroleum notified the DOE of its withdrawal from SC 51 and advised the latter that it would no longer pursue its entitlement to Otto Energy's participating interest under the Deed of Undertaking dated March 2, 2017. The DOE acknowledge this formal notification from PHINMA Petroleum on May 23, 2018.

On June 1, 2018, the the DOE approved the transfer of Otto Energy's participating interests in SC 51to the Filipino Partners. PHINMA Petroleum's participating interest was adjusted from 6.67% to33.34% after the DOE's approval of the withdrawal of Otto Energy.

On July 4, 2018, the SC 51 Consortium, noting that the attendant requested conditions that would allow full implementation of the proposed work program were not covered in the said approval (i.e., SC 51 term extension, revision of work program), notified the DOE of their decision to relinquish SC 51 block, to withdraw from SC 51 and to waive their rights to Otto Energy's interest.

The SC 51 Consortium met with the DOE on several occasions to craft the best way forward in SC 51. On December 17, 2018, as had been agreed in a number of meetings, the Consortium provided further justification for waiver to pay the outstanding financial obligation of Otto Energy, as executed in the Deed of Undertaking, given that the aforementioned conditions were not met. The matter is still being evaluated by the DOE and the aforementioned requests are pending as at July 23, 2019.

In 2018, the Company recognized full provision for probable loss on deferred exploration costs pertaining to SC 51 amounting to ₱32.67 million due to the relinquishment of PHINMA Petroleum's participating interest.

b. SC 69 (Camotes Sea)

Interpretation of the 229-square kilometers (sq. km.) 3D seismic data acquired in June 2011 generated three drillable prospects.

The DOE granted the consortium's request for a nine-month extension of Sub-Phase 3 to May 7, 2013 to allow completion of technical studies.

On April 4, 2013, the DOE granted the consortium's request for a further six-month extension of Sub-Phase 3 to November 6, 2013 to allow completion of technical studies and initiate farm-out efforts.

On August 23, 2013, the Operator, Otto Energy (Philippines) Inc. (Otto Philippines), confirmed to PHINMA Petroleum that it did not intend to enter Sub-Phase 4 of SC 69 and will reassign 9% participating interest in SC 69 to PHINMA Petroleum pursuant to the Assignment Agreement dated February 3, 2011.

Following an unsuccessful campaign to farm out its participating interest, Otto Philippines notified PHINMA Petroleum and Frontier Gasfields Pty. Ltd. (Frontier Gasfields) of its withdrawal in SC 69 on October 4, 2013. PHINMA Petroleum and Frontier Gasfields subsequently jointly requested the DOE a six-month extension of the October 7, 2013 deadline to elect to enter the next exploration sub-phase, which started on November 7, 2013. An additional extension of the contract term to December 31, 2014 was requested due to the delays in the transfer of participating interests and operatorship to the remaining partners.

Following DOE approval of the assignment of Otto Philippines' interests to PHINMA Petroleum and Frontier Gasfields on October 14, 2014, PHINMA Petroleum's participating interest in SC 69 was adjusted from the current 6% to 50%.

On March 17, 2014, the parent Company and Frontier Gasfields jointly requested the DOE an extension of the term of SC 69 until December 31, 2014. The DOE extended the term of Sub-Phase 3 to May 7, 2014 to enable the remaining parties to proceed with planned exploration activities and PHINMA Petroleum was designated as Operator of SC 69.

On April 17, 2015, the consortium entered Sub-Phase 4 (May 2015 to May 2016) which entails a commitment to either undertake a 3D seismic program or drill an exploratory well. The DOE approved the consortium's requests that participation in a proposed multi-client 2D seismic survey be credited as fulfillment of its work obligation under the current Sub-Phase and a 6-month extension of the term of SC 69 to November 2016.

On June 30, 2016, PHINMA Petroleum signed a licensing agreement with a seismic contractor for the acquisition of 750 km of seismic data under the multi-client survey. The seismic contractor in a letter dated August 18, 2016 informed PHINMA Petroleum that it could not proceed with the PHINMA Petroleum's leg of the survey due to permitting and weather constraints. The consortium requested an extension of the term of SC 69 due to Force Majeure.

As at December 29, 2017, the DOE approved the request for extension due to Force Majeure, effective until November 7, 2018, with an attendant work program of permitting and information and education campaigns to address impediments to the planned seismic survey.

On June 4, 2018, the SC 69 Consortium notified the DOE of its relinquishment of SC 69 block in view of the strong oppositions to the Project from various stakeholders, including several Local Government Units and Non-Government Organizations, making the conduct of petroleum exploration business in the area very challenging, if not impossible. The aforementioned request is still pending with the DOE as at July 23, 2019.

In 2018, the Company recognized full provision for probable loss on deferred exploration costs pertaining to SC 69 amounting to ₱15.60 million due to the relinquishment of PHINMA Petroleum's participating interest.

c. SC 6 (Northwest Palawan)

Block A
Pitkin Petroleum Plc. (Pitkin), the Operator, completed a geophysical review of the block.

The partners for SC 6 Block A approved the conduct of a new 500-sq. km. 3D seismic program over selected prospects and leads in the first half of 2013, subject to issuance of local government permits.

Under the Farm-in Agreement dated July 11, 2011, Pitkin shall carry PHINMA Petroleum and the other non-operating consortium members in the costs of said seismic program and the drilling of two wells, in exchange for the assigned 70% participating interest.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed bathymetry and 3D seismic survey over the area to the Palawan Council for Sustainable Development (PCSD).

Pitkin completed a 500-sq. km. 3D seismic survey over selected prospects and leads.

Pitkin notified the partners on August 28, 2014 that it shall not exercise its option under the Farm-in Agreement to drill a well in the block and will withdraw from the block by December 31, 2014. By December 31, 2014, Pitkin completed geological and geophysical work programs in fulfillment of its obligations under the first exploration phase. The remaining partners agreed to pursue the geological evaluation of the block.

PHINMA Petroleum's interest reverted to 7.78% from 2.334% following the withdrawal of Pitkin Petroleum, and subsequent approval of the assignment of interest by the DOE on June 24, 2015.

On August 28, 2015, the consortium completed its work program consisting of geological and geophysical evaluation.

On November 3, 2015, the DOE approved the 2016 work program consisting of specialized geophysical studies. The pertinent geophysical program commenced in November 2015 and was completed by December 31, 2016.

On December 20, 2016, the consortium submitted to the DOE its proposed 2017 work program consisting of advanced geophysical studies. On February 13, 2017, the program was approved by the DOE. The work program of advanced seismic data reprocessing and quantitative seismic inversion study was completed in December 2017. The studies yielded significant improvement in the imaging of complex and deeper geological structures.

On January 8, 2018, the consortium submitted to the DOE its proposed 2018 work program composed of seismic interpretation and mapping and integration of quantitative inversion results that would serve as input to preliminary well design and cost estimates.

The Consortium completed its 2018 work program and said undertaking have improved the resource evaluation of the mapped leads and prospects in the area.

On December 18, 2018, the Partners have approved and the Operator, Philodrill Corporation (Philodrill), submitted to the DOE the proposed 2019 SC 6A Work Program and Budget amounting to US$314,116 composed of geological and geophysical evaluation and engineering projects. The same was approved by the DOE on January 23, 2019.

As of June 30, 2019, farm-in negotiations are ongoing for the development of the Octon oil discovery and technical studies over the northern part of the block progressed.

No impairment was recognized for SC 6 Block A as the Company believes that the related deferred exploration costs are still recoverable.

Block B

Pursuant to a Farm-in Agreement dated February 4, 2011, Peak Oil and Gas Philippines Ltd. (Australia), Blade Petroleum Philippines Ltd. (Australia) and Venturoil Philippines, Inc. (“Farminees”) exercised their option to acquire 70% participating interest of the SC 6 Block B consortium, which includes PHINMA Energy (“Farmors”).

Under the Farm-in Agreement, the Farminees were supposed to shoulder all the Farmors’ share of exploration and development expenditures in the Block up to the production of first oil.

The DOE denied the applications for the transfer of participating interests to the Farminees and transfer of operatorship due to failure of the Farminees to comply with DOE requirements. Under the Farm-in Agreement, the Farminees would have been eligible to earn a combined 70% of the participating interest of the farming out parties. On August 7, 2013, the DOE directed the original Operator, The Philodrill Corporation, to submit a new and comprehensive work program and budget of exploration activities over the Block.

On September 13, 2013, the DOE approved the work program and budget for SC 6 Block B for the 5th year of extension period. The pertinent geological and geophysical program commenced in October 2013 and was completed in January 2014.

The consortium formulated a work program for the next five years of the extension period which started on March 1, 2014. Partners submitted, for the DOE’s approval, a 3-year work program consisting mainly of geophysical studies with a corresponding budget amounting to US$0.72 million. The geophysical studies were completed by the third quarter of 2016.

To improve the viability of the primary prospect, the consortium requested the DOE to reconfigure the contract area to include an adjoining block, which hosts an oil field where production had been suspended.

PHINMA Petroleum holds 7.78% and 14.063% participating interests in Block A and Block B, respectively. SC 6 is valid until February 28, 2024 subject to fulfillment of work commitments for each of the three 5-year terms comprising the 15-year extension period of SC 6 in respect of Block A and B and payment of training assistance, development assistance and scholarship funds to the DOE.

On February 20, 2017, PHINMA Petroleum gave notice to the consortium of relinquishment of its 14.063% participating interest in SC 6 Block B and the Operating Agreement, but said relinquishment shall not include its 2.475% carried Interest. The retained carried interest would entitle PHINMA Petroleum for a share in the gross proceeds from any production in the block, once all exploration costs have been recovered. The carried interest will be valued upon establishment of the commercial viability of the project.

In 2017, the Company recognized full provision for probable loss on deferred exploration costs pertaining to SC 6B amounting to ₱4.89 million due to PHINMA Petroleum's relinquishment of its participating interest, but not the carried interest, to its partners.

On April 12, 2018, the transfer of participating interest from PHINMA Petroleum to SC6 Block B continuing parties was approved by the DOE.

d. SC 50 (Northwest Palawan)

In 2013, PHINMA Petroleum commenced negotiations with Frontier Energy Limited (Frontier Energy), the Operator, regarding a Farm-in Agreement that would provide for PHINMA Petroleum's acquisition of 10% participating interest in SC 50.

Subject to execution of said Farm-in Agreement, PHINMA Petroleum has committed to subscribe to 136,000,000 in Frontier Oil shares through the latter's planned initial public offering.

On September 1, 2014, the parent Company made advances to Frontier Oil amounting to ₱20,000,000 pursuant to the Memorandum of Agreement with Frontier Energy and Frontier Oil dated August 22, 2014 subject to execution of a Farm-in Agreement and Loan Agreement among the parties not later than 30 days from date of execution of the MOA. The advances are due 24 months after the release of the funds. In the event a Loan Agreement for ₱136.00 million is signed between PHINMA Petroleum and Frontier Oil, the advances shall be considered as initial drawdown on the Loan.

On October 16, 2014, the parent Company signed the following agreements providing for its acquisition of 10% participating interest in SC 50:

1. Farm-in Agreement with Frontier Energy and Frontier Oil
2. Deed of Assignment with Frontier Energy
3. Loan Agreement with Frontier Oil

Frontier Oil, the Operator, applied for a Force Majeure in view of the unilateral cancellation of its rig contract by the other partners in the consortium.

On October 5, 2015, the DOE denied the Operator's request and, consequently, ruled that the contract effectively expired in March 2015. On October 20, 2015, Frontier Oil contested DOE's position and engaged the DOE in discussions aimed at a mutually acceptable resolution of the issue.

In 2016, the advances to Frontier Oil amounting to ₱20.00 million was fully provided with an allowance for credit losses account (see Note 6) and the deferred exploration costs amounting to ₱ 11.72 million was fully provided with an allowance for impairment, due to the expiration of the SC's term and denial by the DOE of the request for Force Majeure.

In January 2016, Frontier Oil requested a 2-year moratorium on contract obligations. A subsequent letter was sent to the DOE, dated December 14, 2016, requesting for reconsideration of the termination of SC 50.

As of July 23, 2019, approval of the assignment of 10% participating interest in SC 50 to the PHINMA Petroleum remains pending with the DOE.

e. SC 52 (Cagayan Province)

The Parent Company and Frontier Oil executed on January 12, 2012 a Farm-in Option Agreement which granted the Company the option to acquire 10% participating interest from Frontier, which may be exercised after completion of re-entry and testing of the Nassiping-2 well.

The Nassiping-2 well was drilled by Petro-Canada in 1994 but was not tested although gas shows were recorded.

Test operations conducted by Frontier Oil in February 2012 failed to establish a stable gas flow despite high surface pressure and strong initial flow rates. Frontier suspended the well for future re-entry after confirming the presence of movable gas in the target interval.

The Parent Company and Frontier Oil signed an Amendment Agreement extending the former's option to 90 days after completion of programmed re-testing operations on the Nassiping-2 well.

The DOE approved the consortium's entry into Sub-Phase 4 (July 8, 2012 to July 8, 2013) with the Nassiping-2 Stimulation and Testing Program as work commitment.

Frontier Oil suspended the Stimulation and Testing Program in December 2012 after repeated attempts to remove a plug that would have allowed acidization of the upper test zones failed. In view of this suspension of the Stimulation and Testing Program, the Company recognized impairment loss amounting to ₱12.87 million in 2012.

Frontier Oil elected to enter Sub-Phase 5 (ending July 2014) with the deepening of the Nassiping-2 well, including the testing of all prospective gas-bearing intervals in the borehole, as one of two well obligations.

The Parent Company and Frontier Oil signed a Second Amendment to their Farm-in Option. Agreement in July 2013 that extended the option period and expanded the coverage of the Parent Company's option to include the untested deeper prospective gas-bearing intervals identified in the well, under the following terms:

1) The Parent Company shall pay to Frontier Oil a total of US$0.40 million (Supplemental Option Fee) as follows:
   a. US$0.20 million shall be paid within five (5) working days of signing of the second (2nd) amendment agreement
   b. US$0.20 million shall be paid within five (5) working days of Company's receipt of a written notice from Frontier Oil which confirms that Frontier Oil has entered into a binding rig contract that will enable Frontier Oil to comply with the Workover Program

2) Upon payment of the Supplemental Option Fee, the Option Period shall be extended until ninety (90) days from the date of completion of the Workover Program.

On July 8, 2013, the first tranche of the supplemental option fee amounting to ₱8.7 million or US$0.20 million was paid.

In December 2013, Frontier Oil signed a drilling rig contract for the deepening and testing of the Nassiping-2 well. On account of this recent development, the Company reversed in full the impairment loss in 2013. Based on the quantification of an independent expert, the expected monetary value of the contingent resources attributable to the SC 52 portion of the Nassiping Dome is US$128.7 million.

As requested by Frontier Oil, the DOE approved the extension of Sub-Phase 5 to January 8, 2015. On January 3, 2014, the second tranche of ₱8.88 million or US$0.20 million was paid.

In letters dated February 10, 2015 and May 28, 2015, Frontier Oil Corporation requested the DOE a two-year moratorium on work obligations under Sub-Phase 5 which ended on July 8, 2015.

On February 2, 2016, the DOE denied Frontier Oil's request for moratorium of work commitments on the basis of Force Majeure. During 2016, the Company reclassified to receivables the option fee of ₱19.44 million recoverable upon expiration of the SC. The option fee was fully provided with an allowance for doubtful account (see Note 6).

In 2016, the Company assessed and fully provided for probable losses for deferred exploration costs pertaining to SC 52 amounting to ₱10.99 million due to the expiration of its terms and subsequent denial of the DOE of the request for Force Majeure.

In December 2016, Frontier Oil, as instructed by the DOE, submitted certain documents in support of its request for Force Majeure. As at July 23, 2019, the requests for Moratorium and appeal for contract reinstatement are still pending DOE's approval.

f. SC 55 (Southwest Palawan)

On May 2, 2012, the DOE approved a twelve-month extension of exploration Sub-Phase 4 to August 5, 2013 to enable BHP Billiton Petroleum (Philippines) Corporation (BHP Billiton), the Operator, to secure a drilling rig with specialized well control equipment for the committed Cinco-1 well. The Cinco-1 well will test a large interpreted carbonate structure in 1,400 meters of water.

Palawan55 6.82% participating interest will be carried in the drilling cost of two (2) wells in the block under its Participation Agreement dated March 15, 2005 with the predecessors-in-interest of Otto Energy [formerly "NorAsian Energy Ltd."] and an Agreement with NorAsian Energy Ltd. dated February 3, 2011.

In May 2013, BHP Billiton filed a Notice of Force Majeure under SC 55 with the DOE in order to preserve the term of the current exploration sub-phase that requires the drilling of one exploratory well. It is deemed that the Force Majeure event commenced on September 7, 2012, at which time the endorsement of the Sangguniang Panlalawigan of the province of Palawan and the Strategic Environmental Plan (SEP) Clearance from the PCSD would have been released in the ordinary course of business.

On June 4, 2013, the Sangguniang Panlalawigan of Palawan voted to favorably endorse the proposed Cinco-1 drilling to the PCSD. The PCSD approved the issuance of the SEP clearance for the drilling of Cinco-1 well but BHP Billiton sought amendment and clarification on certain conditions set by PCSD. The SEP was issued by the PCSD and signed by all parties in October 2013.

BHP Billiton requested from the DOE an extension of the current Sub-Phase 4 to

October 2014 to account for the Force Majeure period caused by the fourteen-month delay in issuance of the aforementioned PCSD clearance.

In November 2013, BHP Billiton verbally informed the partners of its decision not to drill a well under SC 55 and proposed to reassign its 60% participating interest to Otto Energy. Otto Energy subsequently signed a Letter of Intent with BHP Billiton providing for the termination of their Farm-out Agreement and the reassignment of BHP Billiton's participating interest, including a cash settlement.

In January 2014, BHP Billiton and Otto Energy signed definitive agreements for the reassignment of the former's participating interest to the latter. The DOE approved the transfer of the 60% participating interest of BHP Billiton to Otto Energy Philippines, Inc. and the transfer of Operatorship to Otto Energy. The approval formalized the exit of BHP Billiton in SC 55. Otto Energy submitted a revised work program to the DOE focused on the drilling of an ultra deepwater prospect and commenced a farm-out campaign. The new work program was subsequently approved by the DOE. On April 29, 2014, the DOE extended the term of Sub-Phase 4 to December 23, 2014. Otto Energy commenced preparations for exploratory drilling.

On October 15, 2014, Otto Energy requested the DOE a one-year extension of Sub-Phase 4 to December 23, 2015. The requested extension was approved by the DOE on November 7, 2014.

On July 31, 2015, Otto Energy commenced drilling of the Hawkeye-1 exploratory well and on August 17, 2015 completed the drilling to a total depth of 2,920 meters. The well discovered gas, which is deemed to be non-commercial. Otto Energy informed its partners of its decision to withdraw from the service contract.

On December 22, 2015, the consortium requested the DOE for a two-year contract moratorium and proposed technical studies that would assess the impact of the results of Hawkeye-1 on the remaining prospectively of the area.

On June 14, 2016, the DOE extended the term of SC 55 until December 23, 2017.

On November 21, 2016, Otto Energy and Otto Energy Philippines notified the DOE of their withdrawal from SC 55.

On November 22, 2017, Palawan55 notified the DOE of its willingness to assume its pro-rata, post-adjustment share (37.50%) amounting to US$ 64,613 of Otto Energy's outstanding training fund obligation of US$0.17 million in conjunction with the DOE's approval of the assignment of interests and favorable consideration for a reasonable extension of the moratorium period that would allow execution of the committed technical studies.

On March 26, 2018, the DOE approved the transfer of interests from Otto Energy to its Partners, Palawan55, Century Red and Pryce Gases, Inc. The Moratorium Period until April 26, 2019 was also approved with a budget of US$0.48 million for 3D seismic reprocessing and Quantitative Inversion Study.

On August 23, 2018, Palawan55 awarded the 3D Marine PreSTM and PreSDM Reprocessing and Quantitative Services Contract to a third party. The Notice to Proceed was issued on September 10, 2018. Said work program is currently ongoing.

On November 19, 2018, Palawan55 requested for an extension of the SC 55 Moratorium Period up to December 31, 2019 due to the fact that the Quantitative Interpretation Study and Resource Assessment will only be completed after April 2019. The DOE acknowledged the receipt of this request from Palawan55 on November 23, 2018. The said request is still pending approval as at

July 23, 2019.

In December 2018, a third-party Partner in the consortium advanced its payment for its share in the 2019 work program amounting to US$0.07 million or ₱3.66 million. This shall be applied to the third party's share in the subsequent expenditure of SC 55.

In 2018, Palawan55 accrued its share in the training obligations for SC55 payable to DOE amounting to ₱3.49 million.

As of June 30, 2019, seismic reprocessing of 1,000 sq. km. of 3D seismic data was completed while quantitative interpretation study aimed at identifying the gas-bearing zones in the service contract is still ongoing.

Palawan55's 6.82% participating interest in SC 55 was adjusted to 37.50% upon the DOE's approval of the withdrawal of Otto Energy.

No impairment was recognized for SC 55 as the Company believes that the related deferred exploration costs are still recoverable.

MPSA 252-2007-V (Camarines Norte)

On July 28, 2007, PHINMA Energy was awarded MPSA No. 252-2007-V by the Philippine Department of Environment and Natural Resources (DENR) covering parcels of land with an aggregate area of more or less 333 hectares, located in the municipality of Camarines Norte, Philippines (the "Property"). On February 14, 2008, One Subic Oil, then TA Gold, and PHINMA Energy entered into an Operating Agreement where PHINMA Energy granted unto and in favor of One Subic Oil the exclusive right to explore, develop and operate for commercial mineral production the Property under the MPSA.

In June 2009, PHINMA Energy received a notice of an Order of the Secretary of the DENR excising portions of the MPSA area that are covered by alleged mineral patents of a third party for which PHINMA Energy filed a Motion for Reconsideration for the said Order.

In December 2009, the DENR denied PHINMA Energy's Motion for Reconsideration. PHINMA Energy filed a timely Appeal of the DENR's ruling with the Office of the President, which was also denied. PHINMA Energy then elevated the case to the Court of Appeals.

PHINMA Energy signed an Agreement on October 18, 2011 for the assignment of the MPSA to Investwell Resources, Inc. (Investwell), subject to certain conditions for a total consideration of US$4.00 million payable in four tranches. The receipt of the first nonrefundable tranche amounting to US$0.50 million (₱21.93 million) was recognized as income in 2011. The receipt of the second and third nonrefundable tranches amounting to US$1.00 million (₱42.20 million), net of the related deferred exploration cost of ₱11.47 million, was also recognized as income in the year payments were received.

On October 30, 2012, the Court of Appeals granted PHINMA Energy's petition to reverse and set aside the resolutions of the DENR and the Office of the President that ordered and affirmed, respectively, excision of certain areas covered by alleged mining patents of a third party from the contract area of the MPSA. Subsequently, PHINMA Energy elevated the case to the Supreme Court.

In Agreements dated May 29, 2012, March 19, 2013, June 25, 2013 and December 18, 2013, PHINMA Energy and Investwell amended and restructured the payment of the fourth tranche of the total consideration.

The DENR approved on February 7, 2013 the assignment of the MPSA to Investwell, and PHINMA Energy recognized US$0.87 million (₱37.93 million) income representing a portion of the final tranche.

On January 12, 2015, the Supreme Court ruled that the rights pertaining to mining patents issued pursuant to the Philippine Bill of 1902 and existing prior to November 15, 1935 are vested rights that cannot be impaired by the MPSA granted by the DENR to PHINMA Energy on July 28, 2007.

As at December 31, 2016 and 2015, receivable from Investwell amounted to ₱39.37 million (see Note 7). In 2014, PHINMA Energy provided an allowance for impairment for the full amount of receivable from Investwell since the latter did not comply with the restructured payment schedule.

<u>Mabini Geothermal Service Contract (Batangas)</u>
On December 3, 2013, Parent Company signed a MOA with Basic Energy Corporation (Basic Energy), under which the Parent Company shall acquire from Basic Energy a 10% participating interest in the Mabini Geothermal Service Contract, which interest may be increased up to 40%, at the option of the Parent Company, after the Parent Company completes a gravity program in the contract area at its sole cost.

The DOE approved on September 1, 2015 a one-year extension of Contract Year 8 to July 10, 2016 with a one-well drilling obligation. On September 15, 2015, the DOE approved the transfer of 25% participating interest in subject GSC from Basic Energy to Parent Company.

Preparations for the drilling commenced in the fourth quarter of 2015. The consortium completed the drilling program of MAB-1 well in March 2017.

Other field operations were stopped indefinitely due to Cease-and-Desist Order issued by the Mabini Mayor in light of the series of earthquakes that hit the town in April 2017.

The Consortium invoked the Force Majeure provision in the Contract and requested the DOE for the suspension of work obligation due to Force Majeure. The request is still under DOE evaluation.

On November 29, 2017, the DOE approved the work program consisting of Information and Education Campaigns (IEC) and permitting works.

In 2018, the Consortium held continuing IEC together with the DOE and PHIVOLCS to obtain support from the local government units towards lifting of the Cease-and-Desist Order.

On July 3, 2018, the Parent Company formally notified Basic Energy, the Operator, of its withdrawal from the service contract and Joint Operating Agreement (JOA) for the block.

In August 2018, Basic Energy proposed to conduct the forward drilling program on its own, “Operation by Fewer than all the Parties: under the JOA) and carry the Parent Company’s share of attendant costs. The Parent Company expressed its willingness to consider the said proposal and requested Basic Energy’s key terms for the Parent Company’s consideration.

In June 2019, the Company decided to push through with the withdrawal from the SC and JOA.

<u>Pililia Hydropower Service Contract (Rizal)</u>
The Company requested for the reinstatement of Pililia Hydropower Service Contract and the DOE approved the reinstatement until July 7, 2016, subject to certain conditions.

The Parent Company also requested a three-year extension of the pre-development stage of the service contract and as at July 23, 2019, still waiting for the response from the DOE.

12. Other Non-current Assets

	June 2019	December 2018
Trade receivables (see Note 16)	**₱1,130,953**	₱1,123,511
Receivables from third parties	**502,168**	501,266
Deposit receivables from suppliers	**109,298**	102,346
Prepaid rent	**54,140**	50,079
Balance at end of the period	**₱1,796,559**	₱1,777,202

Trade receivables mainly represent the receivables from the WESM in 2013 which has a corresponding amount in Other Noncurrent Liabilities (see Note 16). Due to its interpretation of the WESM Rules, the PEMC allocates its uncollected receivables due from power purchasers in the WESM to the generators who sold power to the WESM. On December 23, 2013, the Supreme Court (SC) issued a 60-day Temporary Restraining Order ("TRO") enjoining the MERALCO and the ERC from implementing the Automatic Generation Rate Adjustment (AGRA) mechanism for the November 2013 billing period. The AGRA allows automatic pass through of the cost of power purchased from WESM. In turn, MERALCO did not pay PEMC a significant portion of its November and December 2013 power bills. PEMC in turn, did not pay the Company the full amount of its electricity sales. On April 22, 2014, the SC extended indefinitely the TRO it issued over the collection of the November 2013 power rate increase.

The ERC issued an Order (ERC Case No. 2014-021 MC) dated March 3, 2014 voiding the WESM prices of November and December 2013 bills. As directed by ERC, PEMC recalculated regulated prices and issued WESM adjustment bills in March 2014 which the Company recorded resulting to an increase in receivables and net trading revenues.

Certain market players filed motions for reconsideration resulting in ERC's issuance of another Order dated March 27, 2014 for PEMC to provide market participants an additional 45 days, or up to May 12, 2014 to settle their WESM bills covering the adjustments for the period October 26 to December 25, 2013. ERC extended the settlement of WESM bills to a non-extendible period of 30 days up to June 11, 2014 which resulted in a Multilateral Agreement where the WESM Trading Participants agreed to be bound to a payment schedule of 6 months or 24 months subject to certain conditions. The Company signed the Agreement on June 23, 2014. As of 2016, the Company collected a total of ₱1.1 billion, under the said Multilateral Agreement and was recognized as payable and included under "Trade Payables" in the "Other noncurrent liabilities" account in the interim condensed consolidated statements of financial position. In June 2016, the 24-month period of repayment prescribed; hence, the Company provided an allowance for doubtful accounts related to the receivables under the Multilateral Agreement amounting to ₱13.75 million.

Receivables from third parties include an interest bearing receivable collectible until April 2021 and non-interest bearing receivables from NGCP arising from the sale of transmission assets, which are collectible annually within 3 years, discounted using the Philippine Dealing System Treasury Reference Rate (PDST-R2) on transaction date from 3%.

Deposit receivables include deposits to distribution utilities outstanding as at June 30, 2019 and December 31, 2018.

Prepaid rent pertains to easements and right of way agreements with land owners in Guimaras for the transmission lines connecting its 54 MW wind farm project located in San Lorenzo, Guimaras to the grid.

13. Accounts Payable and Other Current Liabilities

	June 2019	December 2018
Trade (see Note 23)	**₱1,660,891**	₱519,505
Due to related parties (see Note 21)	**317,551**	801,165
Output VAT	**239,889**	144,366
Deferred revenue - current portion	**193,644**	387,289
Nontrade (see Note 23)	**150,454**	192,154
Accrued interest expenses	**109,571**	79,297
Accrued expenses	**69,413**	121,534
Finance lease obligations - current portion	**14,534**	14,803
Deposit payable	**1,323**	–
Retention payables	**748**	1,096
Accrued directors' and annual incentives (see Note 21)	**–**	–
Others	**1,799**	8,189
	₱2,759,817	₱2,269,398

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on 30 to 60-day terms.

Trade payables refer to liabilities to suppliers of electricity and fuel purchased by the Company.

Deferred revenue pertains to the upfront payment received from a customer in consideration of the contract amendments and modifications. The deferred revenue shall be amortized over the remaining term of the contract.

Nontrade payables include liabilities for various purchases such as additions to property, plant and equipment and spare parts.

Accrued expenses include insurance, sick and vacation leave accruals, station use and One Subic Power variable rent at SBMA and accruals for incentive pay.

Finance lease obligations refer to lease agreements entered into by the Company with individual land owners. These leases have terms of 20 to 25 years.

Retention payables pertain to amounts retained from liabilities to suppliers and contractors.

Others consist of liabilities to employees, statutory payables, and a derivative liability.

14. Short-term Loans

On August 14, 2018, PHINMA Energy availed of 178-day unsecured short-term loan from local banks, with interest rate of 5.25% per annum.

Total interest expense on short-term loan recognized amounted to ₱8.65 million for the six months ended June 30, 2019.

15. Long-term Loans

As at June 30 and December 31, this account consists of:

	June 2019	December 2018
PHINMA Renewable term loan facility	**₱1,590,398**	₱1,644,743
PHINMA Energy long term loans	**3,716,841**	4,728,870
	5,307,239	6,373,613
Add premium on long-term loans (embedded derivative)	**3,344**	4,247
Less unamortized debt issue costs	**29,585**	40,927
	5,280,998	6,336,933
Less current portion of long-term loans (net of unamortized debt issue costs)	**269,803**	265,460
Noncurrent portion	**₱5,011,195**	₱6,071,473

Movements in derivatives and debt issue costs related to the long-term loans follow:

	Derivatives	Debt Issue Costs
As at January 1, 2018	₱6,009	₱45,482
Additions	–	6,975
Amortization for the period	(1,763)	(11,530)
As at December 31, 2018	₱4,246	₱40,927
Additions	–	–
Amortization for the period	(902)	(11,342)
As at June 30, 2019	**₱3,344**	**₱29,585**

PHINMA Renewable

On December 18, 2013, PHINMA Renewable entered into a ₱4.3 billion Term Loan Facility with Security Bank Corporation (SBC) and Development Bank of the Philippines (DBP). The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 27 2 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2.15 billion each - DBP as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest is to be fixed at the higher of 10-year PDS Treasury Fixing (PDST-F) plus a spread of 1.625% or 6.25% for the first 10 years, to be repriced at higher of 5-year PDST-F plus a spread of 1.25% or 6.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. In 2013, the Company did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

On April 1, 2015, the publication of PDST-F rates ceased pursuant to the memo of the Bankers Association of the Philippines (BAP) dated January 8, 2015. Subsequently, the parties agreed to adopt PDST-R2 as benchmark rate in lieu of PDST-F rates.

The loan facility also contains a prepayment provision which allows PHINMA Renewable to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of a) the principal amount of the loan being prepaid, or b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corporation (PDEx) Market Page, Reuters and the PDS website (www.pds.com.ph) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, PHINMA Renewable is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

On April 28, 2016, the Company prepaid ₱150.50 million of its long-term debt in accordance with the terms of the Agreement as follow:

- the Company shall effect a mandatory prepayment of the loan, without premium or penalty, within three (3) business days from receipt by the Company of any transmission line proceeds;
- prepay the loan to the extent of seventy percent (70%) of the transmission line proceeds;
- the remaining thirty percent (30%) shall be transferred directly into the Company controlled distribution account for further distribution to the Project Sponsor.

On December 20, 2016, the BOD resolved to amend the Omnibus Loan and Security Agreement (OLSA) to allow the Company to prepay a portion of the long-term debt to SBC and DBP without penalties. On January 11, 2017, the Company prepaid ₱2,350.00 million of its long-term debt.

Under the terms of the Agreement, PHINMA Energy, as the Project Sponsor, shall:

- Provide equity contributions equivalent to 30% of the project cost;
- Fund any cost overruns on the project and the required debt service reserve amount (DSRA) in the event of delays in obtaining Feed-in-Tariff eligibility or Renewable Energy Payment Agreement; and
- Redeem the loan in the event that PHINMA Renewable defaults on the loan and titles to the project properties have not been issued to PHINMA Renewable or notwithstanding such titles, lenders fail to acquire title to the project properties due to lack of annotation or third party claims.

The loan agreement provides loan disbursement schedule for the drawdown of the loan. PHINMA Renewable made the following drawdowns during the years 2015 and 2014 with the corresponding carrying values as at June 30, 2019 and December 31, 2018:

	June 2019			
	Tranche A (DBP)		**Tranche B (SBC)**	
Drawdown date	**Gross Amount**	**Carrying value [a]**	**Gross Amount**	**Carrying value [b]**
February 14, 2014	**₱114,657**	**₱115,253**	**₱114,657**	**₱113,810**
May 27, 2014	**203,423**	**203,296**	**203,423**	**202,130**
August 5, 2014	**203,423**	**204,973**	**203,423**	**202,195**
September 2, 2014	**184,930**	**185,460**	**184,930**	**183,880**
July 30, 2015	**88,766**	**85,041**	**88,766**	**85,007**
	₱795,199	**₱794,023**	**₱795,199**	**₱787,022**

	December 2018			
	Tranche A (DBP)		Tranche B (SBC)	
Drawdown date	Gross Amount	Carrying value [a]	Gross Amount	Carrying value [b]
February 14, 2014	₱118,574	₱118,917	₱118,574	₱117,620
May 27, 2014	210,374	209,952	210,374	208,908
August 5, 2014	210,374	211,452	210,374	208,979
September 2, 2014	191,249	191,458	191,249	190,052
July 30, 2015	91,800	87,739	91,800	87,709
	₱822,371	₱819,518	₱822,371	813,268

[a] *Net of unamortized debt issue costs of ₱3.71 million.*
[b] *Net of unamortized debt issue costs of ₱9.58 million..*

During the first six months of 2019 and for the year 2018, PHINMA Renewable made the following payments with their corresponding carrying values:

	Tranche A (DBP)		Tranche B (SBC)	
Payment date	Gross Amount	Carrying value	Gross Amount	Carrying value
April 28, 2016	₱75,250	₱63,722	₱75,250	₱69,364
January 11, 2017	1,175,000	1,157,367	1,175,000	1,155,281
February 14, 2017	16,735	16,422	16,735	16,558
August 14, 2017	16,735	15,093	16,735	15,809
February 24, 2018	16,735	15,047	16,735	15,786
August 14, 2018	27,174	25,491	27,174	26,231
February 14, 2019	27,172	25,466	27,172	26,224
	₱1,354,801	₱1,318,608	₱1,354,801	₱1,325,253

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio (DSCR) and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable FIT rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing FIT rate of ₱7.40/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

Under the loan facility agreement, PHINMA Renewable must maintain a debt service account into which will be paid the maximum interest forecasted to be due and payable for the next two following payment dates that will fall within the construction period and the amount of debt service after the construction period. The funds in the debt service reserves can be used by the Company provided that 30 days prior to payment, the fund is replenished. Debt service reserves are included in the consolidated statements of financial position under "Cash and cash equivalents" and "Financial assets at FVTPL" (see Notes 5, and 23).

Covenants. The Term Loan Facility includes, among others, certain restrictive covenants and requirements with respect to the following, effective upon commercial operations of PHINMA Renewable:

(a) Historical DSCR post dividend declaration of 1.20x and Debt to Equity Ratio not exceeding 70:30 throughout the term of the loan;
(b) Equity infusion amounting to ₱328.13 million for retention and contingencies;
(c) Limitation on investments (not to enter into joint ventures, partnership; create subsidiary/branch); and
(d) Restricted payments (not to distribute dividends, make payments to affiliates).

PHINMA Renewable is in compliance with loan covenants as at June 30, 2019 and December 31, 2018.

The loan facility is secured by PHINMA Renewable's wind farm, included in "Machinery and equipment" account under "Property, plant and equipment" with carrying value amounting to ₱4,360.90 million and ₱4,310.28 million as at June 30, 2019 and December 31, 2018, respectively (see Note 9). In addition, as a security for the timely payment, discharge, observance and performance of the obligations, PHINMA Energy entered into a Pledge Agreement covering the subscriptions of stocks of PHINMA Energy and its nominees.

PHINMA Energy
The relevant terms of the long-term loans of the Parent Company are as follows:

Description	Interest Rate (per annum)	Terms	June 2019	December 2018
₱1.50 billion loan with China Banking Corporation (CBC)	The higher of 7-year PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years, the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate.	Availed on April 14, 2014, payable in quarterly installment within 10 years to commence 1 year after the first interest payment date with final repayment in April 10, 2024; contains negative pledge	**₱1,373,708**	₱1,388,693
₱0.50 billion loan with Banco De Oro Unibank, Inc. (BDO)	The higher of 7Y PDST-F at interest rate setting date which is one (1) banking day prior to issue date plus a spread of 1.625% or 5.675% for the first 7 years; repricing for the last 3 years), the higher of 3-year PDST-F plus a spread of 1.625% or initial interest rate	Availed on April 30, 2014, payable in quarterly installments within 10 years to commence 1 year after the first interest payment date with final repayment in January 30, 2024; contains negative pledge	**456,774**	461,467
₱1.18 billion loan with SBC	Fixed at a rate of 6.50% per annum which shall be payable at the end of the interest period of six months	Availed on January 11, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the drawdown Date and every 6 months thereafter with final repayment in July 11, 2029; contains negative pledge	**934,736**	965,456
₱1.18 billion loan with DBP	Fixed at a rate of 6.00% for the first 7 years; repricing for the last 5.5 years, the higher of 5-year PDST-R2 plus a spread of 1.625% or 6.25%	Availed on January 10, 2017 payable in semi-annual installments within 12.5 years to commence 6 months after the Drawdown Date and every 6 months thereafter with final repayment in July 10, 2029; contains negative pledge	**934,736**	965,469
₱0.93 billion loan with SBC	The applicable peso benchmark (based on BVAL) plus minimum of 2.0% spread, with quarterly repricing, which shall be payable quarterly in arrears.	Availed on December 28, 2018 payable on June 28, 2020; up to 18 months from drawdown date	–	923,061
Carrying value (net of unamortized debt issue costs and embedded derivatives)			**₱3,699,954**	₱4,704,146

In the first six months of 2019 and for the year 2018, principal repayments made relative to PHINMA Energy's loans amounted to ₱1,012.03 million and ₱107.18 million, respectively.

PHINMA Energy's long-term loans also contain prepayment provisions as follows:

Description	Prepayment provision
₱1.50 billion loan with CBC	Early redemption is at the option of the issuer exercisable anytime at par plus break-funding cost. Break-funding cost on principal repayment shall be based on the difference between the contracted interest rate and the comparable benchmark rate. The negative difference shall be multiplied by the prepaid amount and the remaining tenor to come up

Description	Prepayment provision
	with break-funding cost, which in no case is less than zero.
₱0.50 billion loan with BDO	Early redemption is at the option of the issuer exercisable on an interest payment date every anniversary starting from the 7th year from Issue date. Prepayment amount is at par. Transaction cost is minimal.
₱1.18 billion loan with SBC	Early redemption is at the option of the issuer exercisable on an interest payment date at par plus break-funding cost. Transaction cost is minimal.
₱1.18 billion loan with DBP	Early redemption is at the option of the issuer exercisable on the interest repricing date (8th anniversary of the drawdown date). Prepayment amount is at par. If redemption is exercised on a date that is not the interest repricing date, prepayment amount is at par plus break-funding cost. Transaction cost is minimal.
₱0.93 billion loan with SBC	Early redemption is at the option of the issuer exercisable on the interest payment date at par plus break-funding cost. Break-funding cost on principal repayment shall be based on the difference between the contracted interest rate and the comparable benchmark rate. The negative difference shall be multiplied by the prepaid amount and the remaining tenor to come up with break-funding cost, which in no case is less than zero.

The prepayment option on all loans except for the ₱1.00 billion loan with SBC were assessed as closely related and, thus, not required to be bifurcated. For the ₱1.00 billion loan with SBC, the prepayment option was assessed as not closely related but was not bifurcated because the prepayment option has nil or very minimal value since it is deeply out of the money.

Covenants. Under the loan agreements, PHINMA Energy has certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control.

Description	Covenants
₱1.50 billion loan with CBC	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times
₱0.50 billion loan with BDO	(a) Minimum DSCR of 1.0 times after Grace Period up to Loan Maturity (b) Maximum Debt to Equity ratio of 1.5 times

Description	Covenants
₱1.18 billion loan with SBC	(a) Minimum DSCR of 1.0 times (b) Maximum Consolidated Debt to Equity ratio of 1.5 times (c) Minimum Current ratio of 1.0 times
₱1.18 billion loan with DBP	(a) Minimum DSCR of 1.0 times (b) Maximum Consolidated Debt to Equity ratio of 1.5 times

	(c) Minimum Current ratio of 1.0 times
₱0.93 billion loan with SBC	(a) Minimum DSCR of 1.0 times (b) Maximum Consolidated Debt to Equity ratio of 1.5 times (c) Minimum Current ratio of 1.0 times

In addition, there is also a restriction on the payment or distribution of dividends to its stockholders other than dividends payable solely in shares of its capital stock if payment of any sum due the lender is in arrears or such declaration, payment or distribution shall result in a violation of the financial ratios prescribed.

Total interest expense recognized on PHINMA Energy's and PHINMA Renewable's loans amounted to ₱212.29 million, and ₱206.00 million for the first six months ended June 30, 2019 and 2018, respectively.

16. Other Noncurrent Liabilities

	June 2019	December 2018
Trade payables (see Note 12)	**₱1,123,506**	₱1,123,511
Deposit payable	**145,834**	174,370
Finance lease obligation- noncurrent portion	**66,391**	72,299
Accrued expenses	**12,806**	12,897
	₱1,348,537	₱1,383,077

Deposit payables consist of security deposits from RES Customers refundable at the end of the contract.

Finance lease obligations refer to lease agreements entered into by the Company with individual land owners. These leases have terms of 20 to 25 years.

Accrued expenses pertains to accrual of asset retirement obligation and various provisions.

17. Equity

Capital Stock

Following are the details of the Parent Company's capital stock:

	Number of Shares	
	June 2019	December 2018
Authorized capital stock - ₱1 par value	**8,400,000,000**	8,400,000,000
Issued shares:		
Balance at beginning of the period	**4,889,774,922**	4,889,774,922
Issuance during the period - New shares	**2,632,000,000**	–
Balance at end of the period	**7,521,774,922**	4,889,774,922

The issued and outstanding shares as at June 30, 2019 and December 31, 2018 are held by 3,168 and 3,191 equity holders, respectively.

On November 16, 2009, in a special stockholders' meeting, the Parent Company's stockholders approved the increase in the Parent Company's authorized capital stock from ₱2.0 billion divided into 2 billion shares, to ₱4.2 billion divided into 4.2 billion shares which shall be funded through stock rights offering (SRO). On March 30, 2011, the SEC approved the SRO of 1.165 billion shares of the Parent Company at the rate of seven shares for every 10 shares held as at record date of May 18, 2011, at a price of ₱1 per share. The offer period commenced on May 30, 2011 and ended on June 3, 2011. Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.15 billion. The proceeds were used to partially finance the Company's equity investment in SLTEC and MGI.

On March 20, 2012, the Parent Company's stockholders approved the increase in the authorized capital stock from ₱4.2 billion divided into 4.2 billion shares with par value of ₱1 per share to ₱8.4 billion divided into 8.4 billion shares with a par value of ₱1 per share which shall be funded by a stock rights offering.

On September 26, 2012, the Parent Company filed with the SEC Form 10.1 Notice of / Application for Confirmation of Exempt Transaction covering the common shares to be issued relative to the Company's Rights Offer, pursuant to Sections 10.1 (e) and 10.1 (i) of the Securities Regulations Code (SRC) under which the exemption is based. On October 3, 2012, the SEC approved the stock rights offering of 1.42 billion shares of the Parent Company at the rate of one (1) share for every two (2) shares held as at record date of November 7, 2012 at a price of ₱1 per share. The offer period commenced on November 14, 2012 and ended on November 20, 2012. The Parent Company also offered an additional 212.25 million shares to meet additional demand from eligible stockholders ("Overallotment Option"). Total proceeds raised from the SRO, net of direct costs incurred, amounted to ₱1.61 billion.

The proceeds were used to finance its equity investments in PHINMA Renewable's 54 MW wind energy project in San Lorenzo, Guimaras and SLTEC's second 135 MW clean coal-fired power plant in Calaca, Batangas, among other power project opportunities.

The following table presents the track record of registration of capital stock:

Date of SEC Approval	No. of shares Registered	No. of shares Issued	Par Value	Issue/ Offer Price
08-Feb-69	2,000,000,000	1,000,000,000	₱0.01	₱0.01
22-Jul-75	2,000,000,000	937,760,548	0.01	0.01
16-Jul-79	6,000,000,000	6,058,354,933	0.01	0.01
12-Feb-88	10,000,000,000	7,643,377,695	0.01	0.02
08-Jun-93	10,000,000,000	8,216,141,069	0.01	0.01
15-Jul-94	70,000,000,000	50,170,865,849	0.01	0.01
24-Aug-05	1,000,000,000	264,454,741	1.00	1.00
06-Jun-11	2,200,000,000	1,165,237,923	1.00	1.00
12-Nov-12	4,200,000,000	2,027,395,343	1.00	1.00

<u>Retained Earnings</u>

The Company's retained earnings balance amounted to ₱2.80 billion and ₱3.30 billion, respectively, as at June 30, 2019 and December 31, 2018. Retained earnings not available for declaration, computed based on the guidelines provided in SRC Rule 68, As Amended (2011), to the extent of (a) undistributed earnings of subsidiaries, associates and joint venture included in the Company's retained earnings amounted to ₱1,095.34 million and ₱1,285.25 million as at June 30, 2019 and December 31, 2018, respectively; and (b) cost of treasury shares amounted to ₱27.70 million and ₱27.71 million as at June 30, 2019 and December 31, 2018.

Treasury Shares
As a result of PHINMA Power becoming a wholly-owned subsidiary of PHINMA Energy effective January 1, 2013, the Parent Company's shares of stock held by PHINMA Power amounting to ₱28.79 million was considered as treasury shares.

Other Equity Reserve
This account consists of:

	June 2019	December 2018
Other equity reserves from joint venture [a]	**₱17,231**	₱17,231
Effect of distribution of property dividends - PHINMA Petroleum shares [b]	**1,107**	1,107
Effect of purchase of PHINMA Petroleum shares [c]	**(90,674)**	
	(₱72,336)	₱18,338

a. This relates to the accumulated share in expenses directly attributable to issuance of stocks of SLTEC, one of the Parent Company's joint ventures.

b. This represents the impact of the property dividend distribution in the form of PHINMA Petroleum shares on the equity attributable to equity holders of the Parent Company when the Parent Company's ownership interest decreased but did not result in loss of control. The Parent Company's effective ownership in PHINMA Petroleum decreased from 100% to 50.74% in 2014.

c. This represents the impact of the additional shares of PHINMA Petroleum purchased by the Parent Company on June 20, 2019. As of June 30, 2019, the Parent Company's effective ownership in PHINMA Petroleum increased from 50.74% to 75.92%,

Dividends Declared
Cash dividends declared in 2018, 2017, 2016 and after December 31, 2018 are as follows:

	Dividend			
Date of Declaration	Type	Rate	Amount *	Record Date
February 23, 2015	Cash	0.04 per share	194,602	March 9, 2015
February 23, 2016	Cash	0.04 per share	194,606	March 9, 2016
December 16, 2016	Cash	0.04 per share	195,436	January 4, 2017
March 3, 2017	Cash	0.04 per share	195,436	March 17, 2017
February 28, 2018	**Cash**	**0.04 per share**	**195,591**	**March 14, 2018**

**Includes dividends on shares held by PHINMA Power.*

18. Costs of Sale of Electricity

	For the six months ended June 30	
	2019	2018
Costs of power purchased	**₱6,857,562**	₱7,319,592
Fuel (see Note 7)	**904,170**	543,745
Depreciation and amortization	**186,208**	188,358
Repairs and maintenance	**77,508**	80,379
Stations used	**52,547**	2,678
Salaries	**44,991**	55,043
Transmission costs	**44,442**	5,671
Taxes and licenses	**39,803**	39,715
Rent	**37,031**	37,056
Insurance	**35,650**	34,704
Pension and employee benefits	**9,071**	11,377
Transporation and travel	**1,338**	1,295
Filing fees	**486**	540
Others	**8,170**	8,396
	₱8,298,977	₱8,328,549

19. General and Administrative Expenses

	For the six months ended June 30	
	2019	2018
Salaries and directors' fees	**₱75,240**	₱77,527
Taxes and licenses	**62,490**	68,911
Management and professional fees (see Note 21)	**53,017**	57,206
Provision for probable losses	**34,493**	48,263
Depreciation and amortization	**11,012**	12,136
Pension and employee benefits	**8,796**	11,399
Bank charges	**7,538**	8,976
Building maintenance and repairs	**7,329**	8,469
Insurance, dues and subscriptions	**4,622**	5,140
Corporate social responsibilities	**1,966**	1,482
Transportation and travel	**1,706**	4,916
Communication	**1,304**	2,304
Office supplies	**847**	2,850
Meeting and conferences	**600**	2,262

Forward

	For the six months ended June 30	
	2019	2018
Rent	**758**	1,404
Contractor's fee	**367**	2,993
Plug and abandonment	**202**	31,789
Others	**8,779**	2,320
	281,066	₱350,347

20. Other Income (Loss) - Net

	For the six months ended June 30	
	2019	2018
Interest and other financial income	**₱33,693**	₱35,777
Gain (loss) on sale of asset held for sale	**14,289**	–
Gain on sale of investment	**1,375**	–
Foreign exchange loss – net	**(1,020)**	35,304
Gain on sale of property, plant and equipment	**161**	–
Loss on sale of inventory	**(4)**	–
Gain on sale of financial assets	**–**	20
Gain (loss) on derivatives - net	**–**	(19,038)
Others	**2,935**	2,245
	₱51,429	**₱54,308**

Interest and Other Financial Income
The details of interest and other financial income are as follows:

	For the six months ended June 30	
	2019	2018
Interest income on:		
Cash in banks (see Note 5)	**₱81**	₱192
Short-term deposits (see Note 5)	**12,123**	12,044
Receivables and others	**6,496**	13,057
Net gains on investments held for trading	**14,993**	10,484
	₱33,693	₱35,777

Interest and Other Finance Charges
The details of interest and other finance charges are as follows:

	For the six months ended June 30	
	2019	2018
Interest expense on:		
Long-term loans (see Note 15)	**₱211,390**	₱206,000
Short-term loans	**8,653**	–
Finance lease obligations	**8,882**	8,178
Amortization of debt issue cost (see Note 15)	**8,738**	1,487
Asset retirement obligation	**–**	184
Others	**(2,216)**	(2,002)
Other finance charges	**392**	1
	₱235,839	₱213,848

21. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

Outstanding balances at period-end are unsecured and are to be settled in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. Provision for credit losses recognized for receivables from related parties is nil and amounted to ₱10.26 million for the six months ended June 30, 2019 and year ended December 31, 2018, respectively. The assessment of collectability of receivables from related parties is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply. The transactions and balances of accounts as at and for the six months ended June 30, 2019 and year ended December 31, 2018 related parties are as follows:

		June 2019			
Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
Ultimate Parent					
PHINMA, Inc.					
Rental and other income	**₱108**	Rent and share in expenses	**₱121**	30-60 day, non-interest bearing	Unsecured, no impairment
General and administrative expenses	**46,235**	Management fees and share in expenses	**(24,185)**	30-day, non-interest bearing	Unsecured
Purchase of shares of stocks	**74,738**	Purchase of shares of stocks	–		
Joint Venture					
SLTEC					
Revenue from sale of electricity, rental and other income	**18,213**	Sale of electricity, rent and share in expenses	**303,220**	30-day, non-interest bearing	Unsecured, no impairment
Dividend income	–	Dividend received	–		
Costs of sale of electricity	**2,298,820**	Purchase of electricity	**(179,716)**	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	–	Rental deposit	–	End of lease term	Unsecured
PHINMA Solar					
Rental income	**101**	Rental income	**25**	30-day, non-interest bearing	Unsecured
Associates					
Asia Coal					
Accounts payable and other current liabilities	–	Advances	**(254)**	Non-interest bearing	Unsecured
MGI					
Costs of sale of electricity	**599,305**	Trading cost	**(106,740)**	30-day, non-interest bearing	Unsecured
Investments	–	Additional investments	–	Noninterest-bearing	Unsecured, no impairment
Entities under common control					
PHINMA Property Holdings Corporation (PPHC)					
Accounts payable and other current liabilities	–	Advances	**(171)**	30-60 day, non-interest bearing	Unsecured

June 2019

Company	**Amount/ Volume**	**Nature**	**Outstanding Balance**	**Terms**	**Conditions**
PHINMA Corporation					
Other income	**₱316,273**	Share in expenses	**310,009**	30-60 day, non-interest bearing	Unsecured, no impairment
General and administrative expense	**426**	Share in expenses	**(69)**	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	**6,512**	Purchase of dollar	−	On demand	Unsecured
Purchase of shares of stocks	**79,254**	Purchase of shares of stocks	−		
Union Galvasteel Corp. (UGC)					
Dividend income	**1,951**	Cash dividend	−	30-60 day, non-interest bearing	Unsecured, no impairment
Rental income	**362**	Rent	**105**	30-60 day, non-interest bearing	Unsecured
Accounts payable and other current liabilties	−	Rental deposit	**(158)**	On demand	Unsecured
T-O Insurance, Inc.					
General and administrative expenses	**6,084**	Prepaid insurance and insurance expenses	**(6,259)**	30-60 day, non-interest bearing	Unsecured
General and administrative expenses	**44**	Refund of insruance premium	**44**	30–60 day terms; noninterest-bearing	Unsecured
Emar Corp.					
Other Income	64	Share in expenses	−	30–60 day terms; noninterest-bearing	Unsecured; no impairment
PhilCement					
Rental income	38	Rent	**42**	30–60 day terms; noninterest-bearing	Unsecured; no impairment
Other Related Parties					
Directors					
General and administrative expenses	**5,230**	Director's fee and annual incentives	−	On demand	Unsecured
Stockholders					
Due to stockholders	−	Cash dividend	**(15,181)**	On demand	Unsecured
Due from related parties (see Note 6)			**₱613,566**		
Due to related parties (see Note 13)			**(317,551)**		
Due to stockholders			**(15,181)**		

December 2018

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
<u>*Ultimate Parent*</u>					
PHINMA, Inc.					
Rental and other income	₱103	Rent and share in expenses	₱−	30-60 day, non-interest bearing	Unsecured, no impairment
Due to related parties/ General and administrative expenses	27,968	Management fees and share in expenses	(23,521)	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	49,308	Cash dividend	−	On demand	Unsecured
Due to related parties	−	Rental deposit	(186)	End of lease term	Unsecured
Joint Venture					
SLTEC					
Revenue from sale of electricity, rental and other income	517,911	Sale of electricity, rent and share in expenses	288,453	30-day, non-interest bearing	Unsecured, no impairment
Investments and advances (see Note 10)	−	Dividends received	−	30-day, non-interest bearing	Unsecured, no impairment
Due to related parties/ Costs of sale of electricity	6,283,516	Purchase of electricity	(508,808)	30-day, non-interest bearing	Unsecured
Due to related parties	−	Rental deposit	(497)	End of lease term	Unsecured
PHINMA Solar					
Due to related parties	−	Advances	(90,000)	Non-interest bearing	Unsecured

Company	Amount/ Volume	Nature	Outstanding Balance	Terms	Conditions
		December 2018			
Associates					
Asia Coal					
Accounts payable and other current liabilities	−	Advances	(254)	Non-interest bearing	Unsecured
MGI					
Due to related parties/ Costs of sale of electricity	1,142,885	Trading cost	(144,225)	30-day, non-interest bearing	Unsecured
Investments and advances (see Note 10)	12,500	Dividend received	−	Non-interest bearing	Unsecured, no impairment
Entities Under Common Control					
PHINMA Property Holdings Corporation (PPHC)					
Due to related parties	−	Advances	(171)	30-60 day, non-interest bearing	Unsecured
PHINMA Corporation					
Dividend and other income	5,804	Cash dividend and share in expenses	−	30-60 day, non-interest bearing	Unsecured, no impairment
Due to related parties/ Other expenses	3,778	Share in expenses	(490)	30-day, non-interest bearing	Unsecured
Accounts payable and other current liabilities	51,293	Cash dividend	−	On demand	Unsecured
Union Galvasteel Corp. (UGC)					
Due from related parties/ Accounts payable and other current liabilities	619	Rental deposit	123	30-60 day, non-interest bearing	Unsecured, no impairment
Receivables	225,000	Sale of 50% Interest in PHINMA Solar	45,000	Noninterest-bearing	Unsecured, no impairment
Dividend income	3,458	Cash dividend	−	30-60 day, non-interest bearing	Unsecured, no impairment
Due to related parties	−	Rental deposit	(158)		
General and administrative expenses	136	Roofing materials	−	30-60 day, non-interest bearing	Unsecured
T-O Insurance, Inc.					
Due to related parties/ General and administrative expenses	59,146	Insurance expense and membership fees	(32,857)	30-60 day, non-interest bearing	Unsecured
Other Related Parties					
Directors					
General and administrative expenses	10,145	Director's fee and annual incentives	−	On demand	Unsecured
Stockholders					
Due to stockholders	89,718	Cash dividend	(16,651)	On demand	Unsecured
Due from related parties (see Note 6)			₱333,576		
Due to related parties (see Note 13)			(801,165)		
Accrued directors' and annual incentives (see Note 13)			−		
Due to stockholders			(16,651)		

PHINMA, Inc.

The Parent Company and its subsidiaries PHINMA Power, CIPP, PHINMA Renewable and PHINMA Petroleum have management contracts with PHINMA, Inc. up to August 31, 2018 except for PHINMA Power whose contract was renewed in 2016 for another five (5) years prior to expiration. Under these contracts, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance, and other business activities of the Company. Under the existing management agreement, the Parent Company, PHINMA Power, CIPP, PHINMA Renewable and PHINMA Petroleum pay PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of each company's net income. On February 23, 2016, PHINMA Petroleum's BOD approved the suspension of the management contract starting 2016. The contract was not renewed upon expiration on January 1, 2018.

In 2018, CIPP's and PHINMA Renewable's BOD approved the renewal of its management contract with PHINMA, Inc. effective for another five (5) years.

Other expenses billed by PHINMA, Inc. include the Company's share in common expenses. The Company has a dividend payable to PHINMA, Inc. for cash dividends declared. The Company also bills PHINMA, Inc. for rent and the latter's share in common expenses.

<u>PHINMA Corporation</u>
PHINMA Corporation is likewise controlled by PHINMA, Inc. through a management agreement. PHINMA Corporation bills the Company for its share in expenses. The Company also receives cash dividends from PHINMA Corporation. The Company has a dividend payable to PHINMA Corporation for cash dividends declared.

<u>SLTEC</u>
SLTEC leased and occupied part of the office space owned by the Parent Company. Monthly rent is based on a pre-agreed amount subject to 5% escalation rate per annum. The lease agreement is for a period of five years commencing on October 10, 2011. The contract ended on October 15, 2016 and it was not renewed. The transactions with SLTEC also include the sale and purchase of electricity, reimbursements of expenses and receipt of dividends.

<u>MGI</u>
The Parent Company purchases the entire net electricity output of MGI. Other transactions with MGI include reimbursements of expenses and advances for future subscriptions. For the first six months of 2019 and in 2018, the Parent Company invested nil and additional capital amounting to ₱12.50 million to MGI, respectively.

<u>PPHC/ UGC/Asian Plaza, Inc./Asia Coal/ACTA</u>
PPHC, UGC and Asian Plaza, Inc., Asia Coal and ACTA are entities under common control. The transactions for these companies include cash dividends and/or advances.

In 2018, the Parent Company made additional investments in ACTA's capital stock amounting to ₱4.65 million.

<u>T-O Insurance, Inc.</u>
T-O Insurance, Inc. is likewise controlled by PHINMA, Inc. through a management agreement. The Company insures its properties through T-O Insurance, Inc. PHINMA Energy's transaction with T-O insurance, Inc. includes payment of insurance and membership fees, the receipt of refund for overpayment and purchase of U.S. dollars.

<u>PHINMA Education</u>
The Parent Company has payable to PHINMA Education for services rendered.

<u>Directors</u>
The Company recognizes bonus to directors computed based on net income before the effect of the application of the equity method of accounting.

<u>Retirement Fund</u>
The fund is managed by a trustee under the PHINMA Jumbo Retirement Plan.

22. Earnings (Loss) Per Share

Basic and diluted EPS are computed as follows:

	For the six months ended June 30 2019	2018
	(In Thousands, Except for Number of Shares and Per Share Amounts)	
(a) Net loss attributable to equity holders of Parent Company	**(₱551,865)**	(₱48,257)
Common shares outstanding at beginning of year (see Note 15)	**4,889,774,922**	4,889,774,922
Weighted average number of shares issued during the year	**87,248,619**	–
(b) Weighted average common shares outstanding	**4,977,023,541**	4,889,774,922
Basic/Diluted loss per share (a/b)	**(₱0.11)**	(₱0.01)

On June 25, 2019, AC Energy subscribed to 2,632,000,000 shares of PHINMA Energy at par value of ₱1.00 per share on closing date.

In the first six months of 2018, the Parent Company does not have any potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted earnings (loss) per share is the same as basic earnings (loss) per share in 2018.

23. Fair Values

The table below presents the carrying values and fair values of the Company's financial assets and financial liabilities, by category and by class, as at June 30, 2019 and December 31, 2018:

	June 2019			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Financial assets at FVTPL	**₱1,487,478**	**₱–**	**₱1,487,478**	**₱–**
Financial assets at FVOCI	**14,405**	**–**	**14,405**	**–**
Derivative asset	**4**	**–**	**4**	**–**
Refundable deposits**	**163,726**	**–**	**–**	**163,726**
Receivable from third parties**	**502,168**	**–**	**–**	**502,168**
	₱2,167,781	**₱–**	**₱1,501,887**	**₱665,894**
Liability				
Long-term debt	**₱5,280,998**	**₱–**	**₱5,280,998**	**₱–**
Short-term debt	**400,000**	**–**	**–**	**400,000**
Deposit payables and other liabilities****	**138,644**	**–**	**–**	**138,644**
	₱5,819,642	**₱–**	**₱5,280,998**	**₱538,644**

	December 2018			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Asset				
Financial assets at FVTPL	₱749,191	₱–	₱749,191	₱–
Financial assets at FVOCI	257,995	137,096	11,500	109,399
Derivative assets*	4	–	4	–
Refundable deposits**	154,010	–	–	136,129
Receivables from third parties**	517,757	–	–	518,071
	₱1,678,957	₱137,096	₱760,695	₱763,599
Liability				
Short-term loan	₱400,000	₱–	₱–	₱400,000
Long-term debt	6,336,933	–	6,114,507	–
Deposit payables and other liabilities****	4,603	–	–	4,202
	₱6,741,536	₱–	₱6,114,507	₱404,202

***** Included under "Other current assets" account.*
***** Included under "Other current assets" and "Other noncurrent assets" accounts.*
***** Included under "Accounts payable and other current liabilities" account.*
***** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.*

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investment, Receivables, Accounts Payable and Other Current Liabilities and Due to Stockholders
The carrying amounts of cash and cash equivalents, short-term investment, receivables, accounts payable and other current liabilities and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments.

Investments Held for Trading/ Financial Assets at FVTPL
Net asset value per unit has been used to determine the fair values of investments held for trading/ financial assets at FVTPL.

AFS Investments/ Financial Asset at FVOCI
Quoted market prices have been used to determine the fair values of quoted AFS investments/ financial assets at FVOCI. In 2018, the fair values of financial assets at FVOCI are determined based on the discounted free cash flows of the investee.

The fair value of derivative assets of freestanding forward currency transactions is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

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)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refundable Deposits, Deposits Payable and Other Liabilities
Estimated fair value is based on present value of future cash flows discounted using the prevailing PDST-R2 rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Long-Term Loans
The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread.

Finance Lease Obligation
The fair value of finance lease obligation is no longer determined as it consists of numerous individually insignificant lease agreements and the effect is not expected to be significant.

Derivative Assets

Foreign Currency Forwards
PHINMA Energy entered into a forward foreign currency forward contracts with a bank with an aggregate notional amount of US$8.50 million in 2017. The weighted average fixing rate amounted to ₱51.09 to US$1.00 in 2017. The net fair value of these currency forwards amounted to ₱9.85 million gains as at December 31, 2017. The foreign currency forward contracts were settled in 2018.

Embedded Derivatives
The Company has bifurcated embedded derivatives from its fuel purchase contracts. The purchases are denominated in U.S. dollar but the Company agreed to pay in Philippine peso using the average daily Philippine Dealing System weighted average rate of the month prior to the month of billing. These embedded derivatives are attributable to PHINMA Energy.

The Company's outstanding embedded forwards have an aggregate notional amount of US$0.03 million as at December 31, 2018. The weighted average fixing rate amounted to ₱52.35 to US$1.00 as at December 31, 2018. The net fair value of these embedded derivatives amounted to ₱ 0.20 million gains at December 31, 2018.

The net movements in fair value changes of the Company's derivative instruments (both freestanding and embedded derivatives) are as follows:

	June 2019	December 2018
Balance at beginning of year	**₱4**	₱9,652
Net changes in fair value during the year	–	(15,056)
Fair value of settled contracts	–	5,408
Balance at end of the period	**₱4**	₱4

The net changes in fair value during the year are included in the "Other income (loss) - net" account in the interim condensed consolidated statements of income (see Note 19).

The fair value of derivative assets is presented under "Other current assets" account in the interim condensed consolidated statement of financial position (see Note 8).

24. Supplemental Cash Flow Information

Movement in the Company's liabilities from financing activities are as follows:

	January 1, 2019	Dividend Declaration	Availments	Payments	Others	June 30, 2019
Current portion of:						
Short-term loans	₱400,000	₱–	₱–	₱–	₱-	₱400,000
Long-term loans	265,460	–	–	–	4,343	269,803
Finance lease obligation	14,803	–	–	–	(269)	14,534
Dividends payable	16,651	–	–	(1,470)	-	15,181
Noncurrent portion of:						
Long-term loans	6,071,473	–	–	(1,066,374)	6,096	5,011,195
Finance lease obligation	72,298	–	–	(13,586)	7,679	66,391
Total liabilities from financing activities	₱6,840,685	₱–	₱–	(₱1,081,430)	₱17,849	₱5,777,104

25. Contingencies

Tax assessments:

a. On September 5, 2017, CIPP received a Final Decision on Disputed Assessment from the BIR demanding the payment of a total amount of ₱341.73 million for various alleged deficiency taxes for taxable year 2013. On October 4, 2017, CIPP filed its request for reconsideration with the Office of the Commissioner. In the opinion of CIPP's management, in consultation with its outside counsel, these proceedings will not have material or adverse effect on the financial statements. The information usually required by PAS 37 is not disclosed on the ground that it can be expected to prejudice the outcome or CIPP's position with respect to these matters. As at July 23, 2019, the case is still pending.

b. On August 20, 2014, PHINMA Energy distributed cash and property dividends in the form of shares in PHINMA Petroleum after securing SEC's approval of the registration and receipt of Certificate Authorizing Registration (CAR) from the BIR.

   On October 22, 2014, PHINMA Energy received from the BIR a Formal Letter of Demand (FLD), assessing PHINMA Energy for a total donor's tax due of ₱157.75 million inclusive of penalty and interest up to September 30, 2014.

   On November 21, 2014, PHINMA Energy and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:

   1) The dividend distribution is a distribution of profits by PHINMA Energy to its stockholders and not a "disposition" as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of PHINMA Energy;
   2) PHINMA Energy did not realize any gain or increase its wealth as a result of the dividend distribution; and,
   3) There was no donative intent on the part of PHINMA Energy.

   On May 27, 2015, PHINMA Energy received from the BIR a Final Decision on Disputed Assessment (FDDA) dated May 26, 2015, denying the protest.

   On June 25, 2015, PHINMA Energy filed with the CTA a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment. In its decision dated September 28, 2018, the CTA cancelled and withdrew the FLD. On January 24, 2019, the CTA denied the BIR's motion for reconsideration.

On May 2, 2019, a Comment/Opposition was filed regarding the BIR's Petition for Review to the CTA En Banc. As of July 23, 2019, the Company awaits further orders from the Court.

c. On January 4, 2018, PHINMA Power received a formal letter of demand issued by the BIR demanding payment amounting to ₱19.72 million for deficiency income tax, value-added tax, withholding tax and compromise penalties for the taxable year 2013. On January 5, 2018, PHINMA Power paid the amount of ₱19.72 million as full settlement of the assessment.

Claim for tax refund

On August 15, 2016, PHINMA Renewable filed with the BIR a letter and application for tax credits or refund for the PHINMA Renewable's excess and unutilized input VAT for the period July 1, 2014 to June 30, 2015 amounting to ₱335.76 million attributable to PHINMA Renewable's zero-rated sales. On December 19, 2016, PHINMA Renewable received a letter from the BIR denying the administrative claim for refund of excess and unutilized input VAT for the period July 1, 2014 to December 31, 2014. On January 11, 2017, PHINMA Renewable filed with the CTA a Petition for Review. During 2018, PHINMA Renewable and the BIR presented their evidence and arguments. As at July 23, 2019, PHINMA Renewable awaits the CTA's decision.

ANNEX B

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial position and results of operations of PHINMA Energy Corporation and its subsidiaries should be read in conjunction with the unaudited interim consolidated financial statements as at June 30, 2019 and the audited consolidated financial statements as at December 31, 2018 and for the six months ended June 30, 2019 and 2018. The unaudited interim consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

The Company posted consolidated net loss amounting to **₱556.45 million** for the first half of 2019 compared to **₱76.41 million** net loss in the same period last year.

The tables below summarize the consolidated results of operations of PHINMA Energy's revenues, costs and expenses for the six months period ended June 30, 2019 and 2018.

Revenues

	April - June		Jan - June		April - June		Jan - June	
In thousands	2019	2018	2019	2018	Inc (Dec)	%	Inc (Dec)	%
Revenue from sale of electricity	4,925,775	4,411,116	8,310,370	8,105,236	514,659	12%	205,134	3%
Dividend income	5,474	6,625	7,585	7,384	(1,152)	-17%	201	3%
Rental income	1,145	161	1,377	316	984	610%	1,061	336%

- The increase in **revenue from sale of electricity** was attributable to the higher energy sales from the Parent Company's power supply business as a result of the higher WESM prices in the first semester of 2019.
- The **dividend income** received from the Company's various investments were lower in the second quarter of 2019 but higher for the first half of 2019 compared to the same period last year.
- **Rental income** increased as the Parent Company leased the previously used office space to a third party.

Costs and Expenses

In thousands	April - June 2019	April - June 2018	Jan - June 2019	Jan - June 2018	April - June Inc (Dec)	%	Jan - June Inc (Dec)	%
General & administrative expenses	144,583	194,660	281,065	350,347	(50,078)	-26%	(69,281)	-20%

- **General and administrative expenses** decreased due to reduction in transportation, contractors' fees, office supplies, communication, meetings and advertising. Also, there were plug and abandonment costs in the first semester of 2018.

Other Income and Expenses

In thousands	April - June 2019	April - June 2018	Jan - June 2019	Jan - June 2018	April - June Inc (Dec)	%	Jan - June Inc (Dec)	%
Interest & other finance charges	(121,116)	(107,049)	(235,839)	(213,848)	(14,068)	13%	(21,991)	10%
Equity in net income (losses) of associates & JV	(136,991)	284,564	(60,035)	410,211	(421,555)	-148%	(470,246)	-115%
Other income (loss) - net	19,547	23,772	51,429	54,308	(4,225)	-18%	(2,879)	-5%

- **Interest and other finance charges** went up due to availment of short-term loan in the third quarter of 2018 with higher interest rate.
- E**quity in net loss of associates and JV** was posted in the second quarter of 2019 as compared to 2018 due to lower generation from unscheduled shutdowns of SLTEC.
- **Other income – net** went down due to foreign exchange loss on foreign-currency denominated deposits in the first half of 2019 as compared to foreign exchange gain earned in the same period last year.

Provision for (benefit from) income tax

In thousands	April - June 2018	April - June 2017	Jan - June 2019	Jan - June 2018	April - June Inc (Dec)	%	Jan - June Inc (Dec)	%
Current	7,394	8,953	15,130	17,355	(1,558)	-17%	(2,225)	-13%
Deferred income tax	12,440	(158,464)	36,167	(256,238)	170,904	-108%	292,405	-114%

- The decrease in the **provision for income tax - current** was due to lower consolidated taxable income in the first semester of 2019.
- The **provision for deferred income tax** recorded in the first half of 2019 was due to the tax effect of deferred revenue and non-recognition of deferred tax asset on NOLCO.

Material changes in Consolidated Statements of Financial Position accounts

ASSETS				
In thousands	**June 2019**	**December 2018**	**Inc (Dec)**	**%**
Current Assets				
Cash and cash equivalents	2,113,367	1,022,366	1,091,001	107%
Short-term investments	-	35,326	(35,326)	-100%
Financial assets at fair value through profit or loss	1,487,478	743,739	743,739	100%
Receivables	3,108,297	2,627,291	481,006	18%
Fuel & spare parts - at cost	245,691	413,673	(167,982)	-41%
Curent portion of creditable witholding tax	67,958	79,443	(11,485)	-14%
Other current assets	111,185	182,766	(71,581)	-39%
Asset held for sale	3,546	34,328	(30,782)	-90%
Noncurrent Assets				
Investments and advances	4,045,762	4,322,684	(276,922)	-6%
Financial assets at fair value through other comprehensive income	14,405	257,995	(243,590)	-94%
Goodwill and intangible assets	284,549	320,219	(35,670)	-11%
Deferred income tax assets - net	220,170	261,346	(41,176)	-16%
Net current portion of creditable witholding tax	771,162	704,726	66,436	9%

- The Consolidated Statements of Cash Flows detail the material changes in cash and cash equivalents, short-term investments and financial assets at fair value through profit and loss.
- **Receivables** increased due to higher energy sales.
- **Fuel & spare parts** went down due to decrease in fuel purchases.
- Lower **current portion of creditable withholding tax** was brought about by the application of CWT as payment of income tax due.
- **Other current assets** decreased primarily due to the return of deposit receivable as a result of the expiration of certain contracts.
- Lower **asset held for sale** was due to the sale of the Guimaras Power Plant.
- The decrease in **investments and advances** and **financial assets at fair value through other comprehensive income** was due to the sale of the shares of stocks

held by the Company.

- The decrease in **goodwill and intangible assets** was brought about by the provision for probable losses set up in the second quarter of 2019.
- **Deferred income tax assets** decreased mainly due to the non-recognition of deferred tax asset of NOLCO and reversal of deferred income.
- The Parent Company has no tax payments in the first semester of 2019 which resulted in the increase in **noncurrent creditable withholding taxes** due to withholding from customer payments

LIABILITIES AND EQUITY				
	June	**December**		
In thousands	**2019**	**2018**	**Inc (Dec)**	**%**
Current Liabilities				
Accounts payable and other current liabilties	2,759,817	2,269,398	490,419	22%
Income and withholding taxes payable	29,427	11,762	17,665	150%
Due to stockholders	15,182	16,651	(1,469)	-9%
Noncurrent Liabilties				
Long-term loans - net of current portion	5,011,195	6,071,473	(1,060,278)	-17%
Pension & other employment benefits	44,344	40,246	4,098	10%
Deferred income tax liabilities - net	88,111	95,180	(7,069)	-7%
Equity				
Capital Stock	7,521,775	4,889,775	2,632,000	54%
Other equity reserve	(72,336)	18,338	(90,674)	-494%
Unrealized fair value gains on equity intruments at FVOCI	(3,544)	59,772	(63,316)	-106%
Retained earnings	2,802,627	3,303,708	(501,081)	-15%
Non-controlling Interests	(22,101)	45,450	(67,551)	-149%

- Higher **accounts payable and other current liabilities** was due to increase in purchases on account.
- The increase in **income and withholding taxes payable** was mainly due to higher tax withheld in the first semester of 2019.
- **Due to stockholders** account’s decrease was brought about by replacement of stale cash dividend checks.
- **Long-term loans – net of current portion** decreased due to the payment of loan.
- **Pension and other employees’ benefits** increased due to the accrual of retirement expense in the first half of 2019.

- Lower **deferred income tax liabilities – net was** due to the tax effect of the reversal of unrealized fair value gains on financial assets sold.

Key Performance Indicators

The key performance indicators of PHINMA Energy and its majority owned subsidiaries, as consolidated, are the following:

KPI	Formula	30-Jun-19 Audited	31-Dec-18 Audited	Increase (Decrease) Difference	%
Liquidity Ratios					
Current ratio	Current assets / Current liabiltiies	2.06	1.74	0.32	18
Acid test ratio	Cash + Short-term investments + Accounts Receivables + Other liquid assets / Current liabilities	1.93	1.49	0.44	29
Solvency Ratios					
Debt/Equity ratio	Total Liabilities / Total Equity	0.97	1.26	(0.29)	(23)
Asset to equity ratio	Total Assets / Total Equity	1.97	2.26	(0.29)	(13)
Interest coverage ratio	Earnings before interest & tax (EBIT) / Interest expense	(1.14)	(0.47)	(0.67)	141
Net debt to equity ratio	Debt - Cash & cash equivalents / Total equity	0.62	1.05	(0.43)	(41)

KPI	Formula	30-Jun-19 Unaudited	30-Jun-18 Unaudited	Increase (Decrease) Difference	%
Profitability Ratios					
Return on equity	Net income after tax / Average stockholder's equity	-5.97%	-0.85%	(5.12)	603
Return on assets	Net income after taxes / Total assets	-2.84%	-0.38%	(2.46)	651
Asset turnover	Revenues / Total assets	42.48%	40.17%	2.31	6

Current ratio & Acid test ratio

Current ratio & acid test ratio increased due to the higher cash & cash equivalents provided by issuance of capital stock. On the other hand, current liabilities increased by 17% due to increase in accounts payable and other current liabilities and income and withholding taxes payable.

Debt to equity ratio and Asset to equity ratio

Debt to equity ratio and asset to equity ratio decreased due to the 23% increase in equity resulting from issuance of new shares of stocks.

Interest coverage ratio

Interest coverage ratio dropped due to net loss before interest and tax incurred in the first semester of 2019.

Net debt to equity ratio

Net debt equity ratio decreased due to loan amortizations and settlement of loan during the second quarter.

Return on equity and assets

Return on equity and assets went down due to net loss incurred in the period.

Asset turnover

Asset turnover slightly increased as revenues and total assets decreased by 3%.

Material events and uncertainties

- There were no events that trigger direct or contingent financial obligation that was material to the Company. There were no contingent assets or contingent liabilities since the last annual balance sheet date.

- There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

- Capital expenditures are planned to rehabilitate and improve the availability and capacity of generation assets. These will be funded by internal resources.

- Any known trends, events or uncertainties that have had or that were reasonably expected to have material favorable or unfavorable impact on net revenues/income from continuing operations
  - The results of operations of the Company and its subsidiaries depend, to a significant extent, on the performance of the Philippine economy.
  - The current highly competitive environment and operation of priority-dispatch variable renewable energy have driven market prices of electricity downward, resulting in lower margins.
  - However, limitations in the supply side due to unscheduled outages of plants have driven WESM prices upwards. Movements in the WESM prices could have a significant favorable or unfavorable impact on the Company's financial results.

- Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way – Material to the Company's liquidity and profitability is the reduction in supply costs. The Company is also pursuing customer contracts at higher prices from both the retail and wholesale markets. The Company is also looking at cost optimization at the plant level as well as head office.

- There were no significant elements of income or loss that did not arise from continuing operations that had material effect on the financial condition or result of operations.

- There were no operations subject to seasonality and cyclicality except for the operation of PHINMA Renewable's wind farm. The wind regime is high during the northeast monsoon ("amihan") season in the first and fourth quarter when wind turbines generate more power to be supplied to the grid. The generation drops in the second and third quarter due to low wind regime brought about by the southwest monsoon ("habagat").

- On July 1, 2019, the Company received the DOE's approval of the relinquishment of SC51. The service contract's deferred exploration cost amounting to ₱32.7M, which was provided with an allowance for probable loss in 2018, will be written off.

ANNEX C

The Company filed the following reports on SEC 17-C during the second quarter ended June 30, 2019 covered by this report:

Date of filing — **Item Reported**

April 15, 2019

Advisory on the Philippine Competition Commission ("PCC") Approval of Sale of shares in PHINMA Energy Corporation ("PHEN") to AC Energy, Inc. ("AC Energy")

Please be informed that Philippine Investment Management (PHINMA), Inc. (PHI) have advised PHEN that they have received approval from the Philippine Competition Commission ("PCC") for the sale of its PHI and PHINMA Corporation's (PHN) combined 51.48% stake in PHEN to AC Energy.

This is an update on the company's disclosure with PSE reference number 0004785 - 2019 dated February 8, 2019.

PHN will sell 1,283,422,198 shares in PHEN to AC Energy, representing a 26.25% stake. PHI will likewise sell its 25.23% stake in PHEN to AC Energy. As part of the sale, AC Energy will also subscribe to approximately P2.632 billion worth of primary shares of PHEN at par value which will result in a total stake for AC Energy of around 68%, subject to the conduct of a tender offer for the shares of PHEN's minority shareholders.

April 15, 2019

Advisory on the Philippine Competition Commission ("PCC") Approval of Sale of shares in PHINMA Energy Corporation ("PHEN") to AC Energy, Inc. ("AC Energy")

Please be informed that Philippine Investment Management (PHINMA), Inc. (PHI) have advised PHEN that they have received approval from the Philippine Competition Commission ("PCC") for the sale of its PHI and PHINMA Corporation's (PHN) combined 51.48% stake in PHEN to AC Energy.

The disclosure was amended today to indicate the correct PSE reference number. This is an update on the company's disclosure with PSE reference number C00749 - 2019 dated February 11, 2019.

PHN will sell 1,283,422,198 shares in PHEN to AC Energy, representing a 26.25% stake. PHI will likewise sell its 25.23% stake in PHEN to AC Energy. As part of the sale, AC Energy will also subscribe to approximately P2.632 billion worth of primary shares of PHEN at par value which will result in a total stake for AC Energy of around 68%, subject to the conduct of a tender offer for the shares of PHEN's minority shareholders.

May 10, 2019

Matters approved at the board meeting of PHINMA Energy Corporation dated May 9, 2019.

The following items were approved at the board meeting of PHINMA Energy Corporation today:

1. Authority to issue 2,632,000,000 primary shares to AC Energy,

	Inc. at P 1.00 per share. 2. Authority to negotiate the purchase of PHINMA, Inc.'s and PHINMA Corp.'s shares in PHINMA Petroleum and Geothermal, Inc. (PPG) which represents 25.18% of PPG's total outstanding capital stock. 3. Authority to undertake a Voluntary Tender Offer (VTO) for the remaining common shares of PPG, the terms of which shall be announced separately on the date of the commencement of the tender offer. 4. Consent to the assignment of Management Contract from PHINMA, Inc. to AC Energy, Inc. under the same terms and conditions.
May 10, 2019	*Election of new director, appointment of officers and resignation of directors and officers.* Please be advised that the Board of Directors of PHINMA Energy Corporation (PHEN) approved today the following: 1. Election of Mr. John Eric T. Francia as Director of the Company. Mr. Francia is the President and Chief Executive Officer of AC Energy, Inc. He is Managing Director and member of the Management Committee of Ayala Corporation since 2009. Mr. Francia is a Director of Manila Water Company, Inc., a publicly listed company. He is also a member of the Board of Directors of the following companies within the Ayala Group: Purefoods International Limited, AC Education, Inc., AC College of Enterprise and Technology, Inc., AC Ventures Holding Corp., Ayala Aviation Corporation, Zapfam, Inc., Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, MCX Tollway, Inc., and other several companies. 2. Change in the Composition of the Executive Committee. Mr. John Eric T. Francia joins the Executive Committee as Member to replace Dr. Francisco L. Viray. 3. Appointment of Officers. Mr. John Eric T. Francia as President & Chief Executive Officer Ms. Maria Corazon G. Dizon as Treasurer & Chief Financial Officer Mr. Gabino Ramon G. Mejia as Head of Plant Operations Mr. Roman Miguel G. de Jesus as Head of Business Operations

Resignation/Removal or Replacement

Name of Person	Position/Designation	Effective Date of Resignation/Cessation of term (mmm/dd/yyyy)	Reason(s) for Resignation/Cessation
Francisco L. Viray	Director and President & Chief Executive Officer	May/15/2019	Retirement
Pythagoras L. Brion, Jr.	Director and Senior Vice President & CFO	May/15/2019	As per agreement on the sale of PHINMA Energy to AC Energy.
Nanette P. Villalobos	Treasurer	May/15/2019	As per agreement on the sale of PHINMA Energy to AC Energy.
Rizalino G. Santos	Senior Vice President - Power Business	May/15/2019	Retirement
Raymundo A. Reyes, Jr.	Senior Vice President	May/15/2019	Retirement
Danielle R. del Rosario	Assistant Vice President - Marketing and Sales	May/15/2019	Personal Reasons

Election or Appointment

Name of Person	Position/Designation	Date of Appointment/Election (mmm/dd/yyyy)	Effective Date of Appointment Election (mmm/dd/yyyy)	Shareholdings in the Listed Company		Nature of Indirect Ownership
				Direct	Indirect	
John Eric T. Francia	Director and President & Chief Executive Officer	May/9/2019	May/15/2019	50,000,000	0	-
Maria Corazon G. Dizon	Treasurer and Chief Financial Officer	May/9/2019	May/15/2019	8,000,000	0	-
Gabino Ramon G. Mejia	Head of Plant Operations	May/9/2019	May/15/2019	0	0	-
Roman Miguel G. de Jesus	Head of Business Operations	May/9/2019	May/15/2019	3,313,000	0	-

May 14, 2019

Announcement of Intention to Make A Tender Offer to Shareholders of PHINMA Petroleum and Geothermal, Inc.

Pursuant to paragraph 5 of Rule 19 of the Securities Regulation Code, this is to advise you that PHINMA Energy Corporation (the “Bidder”) will acquire 62,962,428 common shares of PHINMA Petroleum and Geothermal, Inc. (“PPG”) registered in the names of, and/or beneficially owned by the following shareholders, representing approximately 25.185% of the total issued and outstanding capital stock of PPG (the “Transaction”) subject to the approval of PHINMA Corporation and Philippine Investment Management (PHINMA), Inc.:

PHINMA Corporation – 32,481,317 common shares (12.993% of total outstanding shares)

Philippine Investment Management (PHINMA), Inc. – 30,481,111

(12.192% of total outstanding shares)

Total – 62,962,428 (25.185% of total outstanding shares)

The Bidder currently owns 126,838,679 common shares, representing approximately 50.735% of the total issued and outstanding capital stock of PPG. After the Transaction, the Bidder will own an aggregate of 189,801,107 common shares, representing approximately 75.92% of the total issued and outstanding capital stock of PPG.

The Bidder will be making a voluntary tender offer for the remaining 59,208,851 common shares of PPG, representing approximately 23.684% of the total issued and outstanding common stock of PPG, other than the common shares of PPG held by PHINMA Power Generation Corporation, a 100%-owned corporation of the Bidder. The terms of the tender offer shall be announced separately on the date of the commencement of the tender offer.

May 14, 2019

Election of new director, appointment of officers and resignation of directors and officers.

Please be advised that the Board of Directors of PHINMA Energy Corporation (PHEN) approved today the following:

1. Election of Mr. John Eric T. Francia as Director of the Company.

Mr. Francia is the President and Chief Executive Officer of AC Energy, Inc. He is Managing Director and member of the Management Committee of Ayala Corporation since 2009. Mr. Francia is a Director of Manila Water Company, Inc., a publicly listed company. He is also a member of the Board of Directors of the following companies within the Ayala Group: Purefoods International Limited, AC Education, Inc., AC College of Enterprise and Technology, Inc., AC Ventures Holding Corp., Ayala Aviation Corporation, Zapfam, Inc., Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, MCX Tollway, Inc., and other several companies.

2. Change in the Composition of the Executive Committee.

Mr. John Eric T. Francia joins the Executive Committee as Member to replace Dr. Francisco L. Viray.

3. Appointment of Officers.

Mr. John Eric T. Francia as President & Chief Executive Officer

Mr. Francia is the President and Chief Executive Officer of AC Energy, Inc. He is Managing Director and member of the Management Committee of Ayala Corporation since 2009. Mr. Francia is a Director of Manila Water Company, Inc., a publicly listed company. He is also a member of the Board of Directors of the following companies within the Ayala Group: Purefoods

International Limited, AC Education, Inc., AC College of Enterprise and Technology, Inc., AC Ventures Holding Corp., Ayala Aviation Corporation, Zapfam, Inc., Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, MCX Tollway, Inc., and other several companies.

Ms. Maria Corazon G. Dizon as Treasurer & Chief Financial Officer

Ms. Dizon is the Chief Finance Officer of AC Energy, Inc. and Head of AC Energy Retail. She previously held positions with Ayala Land, Inc. as Head of ALI Capital Corp., Head of Business Development and Strategic Planning of the Commercial Business Group, Head of Asset Management Group of Shopping Centers, Head of Control and Analysis, Head of Investor Relations as well as Chief Financial Officer of Residential Buildings, Office Buildings and Shopping Centers groups. Ms. Dizon is a Certified Public Accountant.

Mr. Gabino Ramon G. Mejia as Head of Plant Operations

Mr. Mejia is the Senior Vice President, Head of the Asset Management Group of AC Energy, Inc., Executive Vice President for GNPower Kauswagan Ltd. Co., President & CEO of Northwind Power Development Corporation (NorthWind) and North Luzon Renewable Energy Corp. (NLR), Chairman of Montesol Solar, Inc. and President of Negros Island Solar Power, Inc. (IslaSol) and San Carlos Solar, Inc. (Sacasol).

Mr. Roman Miguel G. de Jesus as Head of Business Operations

Mr. de Jesus is the Head of International Business of AC Energy, Inc. He is a former President and CEO of North Luzon Renewable Energy Corporation and former Head of the Retail Electricity Supply group of AC Energy, Inc.

Resignation/Removal or Replacement

Name of Person	Position/Designation	Effective Date of Resignation/Cessation of term (mmm/dd/yyyy)	Reason(s) for Resignation/Cessation
Francisco L. Viray	Director and President & Chief Executive Officer	May/15/2019	Retirement
Pythagoras L. Brion, Jr.	Director and Senior Vice President & CFO	May/15/2019	As per agreement on the sale of PHINMA Energy to AC Energy.
Nanette P. Villalobos	Treasurer	May/15/2019	As per agreement on the sale of PHINMA Energy to AC Energy.
Rizalino G. Santos	Senior Vice President - Power Business	May/15/2019	Retirement
Raymundo A. Reyes, Jr.	Senior Vice President	May/15/2019	Retirement
Danielle R. del Rosario	Assistant Vice President - Marketing and Sales	May/15/2019	Personal Reasons

Election or Appointment

Name of Person	Position/Designation	Date of Appointment/Election (mmm/dd/yyyy)	Effective Date of Appointment Election (mmm/dd/yyyy)	Shareholdings in the Listed Company		Nature of Indirect Ownership
				Direct	Indirect	
John Eric T. Francia	Director and President & Chief Executive Officer	May/9/2019	May/15/2019	50,000,000	0	-
Maria Corazon G. Dizon	Treasurer and Chief Financial Officer	May/9/2019	May/15/2019	8,000,000	0	-
Gabino Ramon G. Mejia	Head of Plant Operations	May/9/2019	May/15/2019	0	0	-
Roman Miguel G. de Jesus	Head of Business Operations	May/9/2019	May/15/2019	3,313,000	0	-

The disclosure was amended today to indicate the qualifications of the newly-appointed officers of the company.

May 16, 2019

Retirement and change in designation of officers.

Please be advised of the retirement and change in designation of the following officers of the company.

Resignation/Removal or Replacement

Name of Person	Position/Designation	Effective Date of Resignation/Cessation of term (mmm/dd/yyyy)	Reason(s) for Resignation/Cessation
Virgilio R. Francisco, Jr.	Senior Vice President	May/15/2019	Retirement
Danilo L. Panes	Vice President - Renewable Energy	May/15/2019	Retirement
Arthur R. Villacorte	Assistant Vice President - Materials Management	June/30/2019	Retirement

Promotion or Change in Designation

Name of Person	Position/Designation		Date of Approval (mmm/dd/yyyy)	Effective Date of Change (mmm/dd/yyyy)	Shareholdings in the Listed Company		Nature of Indirect Ownership
	From	To			Direct	Indirect	
Danilo L. Panes	Vice President Renewable Energy	Vice President - Wind Operations	May/15/2019	May/16/2019	529,737	0	-

Mr. Danilo Panes was re-hired by the company as consultant with designation of Vice President - Wind Operations.

May 16, 2019

Investment

Signing of the Agreement among PHINMA Energy Corporation (PHEN), PHINMA Corporation (PHN) and Philippine Management (PHINMA), Inc. (PHI) on the sale of PHN and PHI's interests in PHINMA Petroleum and Geothermal, Inc. (PPG).

Please be informed that PHINMA Energy Corporation have signed today an Agreement with PHINMA Corporation (PHN) and

	Philippine Investment Management (PHINMA), Inc. (PHI) for the sale of PHN's 32,481,317 and PHI's 30,481,111 shares in PPG at P 2.44 per share. This represents 25.18% of PPG's total outstanding stock. This is to provide an update on the disclosure with PSE reference number C03199 - 2019 dated May 10, 2019.
May 20, 2019	*Issuance of 2,632,000,000 primary shares of PHINMA Energy in favor of AC Energy, Inc. ("AC Energy") at P 1.00 per share (the "Primary Issuance").* AC Energy will subscribe to Two Billion Six Hundred Thirty-Two Million (2,632,000,000) new shares of common stock of PHINMA Energy at the total issue price of Two Billion Six Hundred Thirty-Two Million Pesos (PHP2,632,000,000.00) (the "Primary Issuance"). The shares to be issued under the Primary Issuance will constitute only thirty-four and 99/100 percent (34.9%) of the total issued and outstanding shares of PHINMA Energy after the said issuance. The Subscription Agreement covering the subscription by AC Energy of 2,632,000,000 primary shares of PHINMA Energy will be executed on Closing Date which is tentatively set on 24 June 2019, after all regulatory requirements and approvals have been obtained.

Comprehensive Corporate Disclosure

Description of the proposed transaction including the timetable for implementation, and related regulatory requirements

On 08 February 2019, PHINMA Corporation ("PHN"), the Philippine Investment-Management (PHINMA), Inc. ("PHI"), and AC Energy, signed an Investment Agreement under the terms of which PHN and PHI will sell their shares of stock in PHINMA Energy, constituting fifty-one and 476/1000 percent (51.476%) of the total issued and outstanding shares of stock of PHINMA Energy. PHN and PHINMA Energy are public companies the shares of which are listed and traded in the Philippine Stock Exchange (the "PSE" or "Exchange").

The PHINMA Energy shares covered by the said secondary share sale (the "Secondary Shares Sale") consist of the following:

a) One Billion Two Hundred Thirty-Three Million Six Hundred Forty-Two Thousand Five Hundred Two (1,233,642,502) shares of PHINMA Energy owned by PHI; and

b) One Billion Two Hundred Eighty-Three Million Four Hundred Twenty-Two Thousand One Hundred Ninety-Eight (1,283,422,198) shares of PHINMA Energy owned by PHN.

The Primary Issuance shall occur simultaneously with the Secondary Shares Sale, at the total issue price of Two Billion Six Hundred Thirty-Two Million Pesos (PHP2,632,000,000.00). The shares to be issued under the Primary Issuance will constitute only thirty-four and 99/100 percent (34.9%) of the total issued and outstanding shares of PHINMA Energy after the Secondary Sale Share and the Primary Issuance. The Secondary Share Sale and Primary Issuance will result in AC Energy owning sixty-eight percent (68%) of the total issued and outstanding shares of PHINMA Energy.

Please note that as stated in the Articles of Incorporation of PHINMA Energy, there are no pre-emptive rights applicable to new issuances to be issued below thirty-five percent of the total issued and outstanding shares of stock of PHINMA Energy, thus:

“That no holder of the capital stock, whether said stock is now or hereafter authorized, shall have any right, as such stockholder, to purchase or subscribe to additional shares of the capital stock which are now or hereafter authorized by the Corporation, if the issue of the said additional stock not to exceed Thirty-Five Percent (35%) of the resulting total subscribed capital stock shall be used exclusively for the benefit of the Corporation as determined by the resolutions of the Board of Directors.” (Article SEVENTH)

The Secondary Shares Sale and the Primary Issuance will both occur on a closing date agreed upon by the parties after all regulatory requirements and approvals have been obtained. The Philippine Competition Commission (“PCC”) already approved the transaction on 11 April 2019 in Commission Decision No. 13-M-007/2019. Attached as Annex “B” is a copy of said Decision. AC Energy will conduct a Mandatory Tender Offer (the “MTO”) in accordance with Section 19 of the Securities Regulation Code and Rule 19 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code (the “SRC Rules”).

The timetable for the implementation of the transaction is attached as Annex “C”.

Rationale for the transaction including the benefits which are expected to be accrued to the listed issuer as a result of the transaction

As an integrated power solutions company, PHINMA Energy generates electricity and sells the same primarily to customers with whom it has entered into long term supply contracts where prices of electricity supplied are fixed, or through the Wholesale Electricity Spot Market (WESM) where, like in the PSE in the case of listed shares, prices of electricity move and fluctuate depending on supply and demand for power. PHINMA Energy also trades electricity by purchasing power from other power generators and selling the same to customers. PHINMA Energy also has bilateral contracts with electricity generators at fixed prices and with customers also at fixed supply prices. PHINMA Energy earns from the margins between cost of power and the sale price thereof.

The proceeds mainly from the Primary Issuance will allow PHINMA Energy to better manage its working capital and debt obligations.

For details, please refer to Item III. Rationale of and Benefits Expected to Accrue to the Listed Company as a Result of the Proposed Transaction in the attached letter.

The aggregate value of the consideration, explaining how this is to be satisfied, including the terms of any agreements for payment on a deferred basis

AC Energy will subscribe to Two Billion Six Hundred Thirty-Two Million (2,632,000,000) new shares of common stock of PHINMA Energy at a par value of One Peso (PHP1.00) per share, or the aggregate issue price of Two Billion Six Hundred Thirty-Two Million Pesos (PHP2,632,000,000.00). The total issue price shall be paid and infused by the Buyer into PHINMA Energy on the agreed closing date.

The basis upon which the consideration or the issue value was determined

The consideration or the issue value is based on the par value of the PHINMA Energy shares, which is One Peso (PHP1.00) per share, or a total of Two Billion Six Hundred Thirty-Two Million Pesos (PHP2,632,000,000.00).

Detailed work program of the application of proceeds, the corresponding timetable of disbursements and status of each project included in the work program. For debt retirement application, state which projects were financed by debt being retired, the project cost, amount of project financed by debt and financing sources for the remaining cost of the project

The detailed work program of the application of proceeds and the corresponding timetable of disbursements and status of each project included in the work program is attached as Annex "D".

Identity and/or corporate background of the beneficial owners of the shares subscribed, including the following:

Beneficial Owners/Subscribers	Nature of Business	Nature of any material relationship with the Issuer and the parties to the joint venture, their directors/officers or any of their affiliates
AC Energy, Inc.	"To acquire by purchase, exchange, assignment, gift, or otherwise, and to hold, own, use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic and deal in and with and otherwise to enjoy and dispose of, any bonds, debentures, promissory notes, shares of capital stock, or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rig	-

Organizational/Ownership Structure of Subscribers

Beneficial Owners/Subscribers	Controlling Shareholders of Subscribers	Number of Shares Held	%
AC Energy, Inc.	Ayala Corporation	243,747,202	100

For subscribers with no track record or with no operating history: the Subscriber must present a statement of active business pursuits and objectives which details the step undertaken and proposed to be undertaken by the Issuer in order to advance its business. Projected financial statements shall only be required should there be references made in the Statement to forecasts or targets
Not applicable.

The interest which directors of the parties to the transaction have in the proposed transaction
The directors of the parties do not have an interest in the proposed transaction.
Statement as to the steps to be taken, if any, to safeguard the interests of any independent shareholders

The listing of the shares from the Primary Issuance will be submitted for the approval of PHINMA Energy's shareholders at the 2019 annual stockholders' meeting. As part of the Secondary Shares Sale and prior to the Primary Issuance, AC Energy will conduct a MTO in accordance with Section 19 of the SRC Rules, as earlier disclosed.

Any conditions precedent to closing of the transaction

Execution of the subscription agreement and all other regulatory approvals. The listing of the shares from the Primary Issuance will be submitted for the approval of PHINMA Energy's shareholders at the 2019 annual stockholders' meeting. PHINMA Energy will also apply for listing of the 2,632,000,000 primary shares as soon as stockholders' approval is obtained.

Change(s) in the composition of the Board of Directors and Management

Upon closing of the transaction, there will be a change in the Board of Directors and Management of PHINMA Energy. The details on the changes in the composition of the Board of Directors and Management are not yet available. PHINMA Energy undertakes to disclose to the Exchange as soon as any change in the composition of the Board and Management occurs.

Effects on the following

Ownership structure

Principal Shareholders	Before		After	
	Number of shares	%	Number of shares	%
PHINMA Corporation	1,283,422,198	26.25	0	0
Philippine Investment Management (PHINMA), Inc.	1,233,642,502	25.23	0	0
Others	2,372,710,222	48.52	2,372,710,222	31.54
AC Energy, Inc.	0	0	5,149,064,700	68.46

Capital structure

Issued Shares

Type of Security /Stock Symbol	Before	After
Common/PHEN	4,889,774,922	7,521,774,922

Outstanding Shares

Type of Security /Stock Symbol	Before	After
Common/PHEN	4,889,774,922	7,521,774,922

Treasury Shares

Type of Security /Stock Symbol	Before	After
N/A	0	0

Listed Shares

Type of Security /Stock Symbol	Before	After
Common/PHEN	4,889,774,922	7,521,774,922

Effect(s) on the public float, if any	Public float is estimated to be adjusted from 44% to about 29%.
Effect(s) on foreign ownership level, if any	Foreign ownership level is estimated to be adjusted from 3.15% to 2.05%.

May 21, 2019

Election of new director, appointment of officers and resignation of directors and officers.

Please be advised that the Board of Directors of PHINMA Energy Corporation (PHEN) approved today the following:

1. Election of Mr. John Eric T. Francia as Director of the Company.

Mr. Francia is the President and Chief Executive Officer of AC Energy, Inc. He is Managing Director and member of the Management Committee of Ayala Corporation since 2009. Mr. Francia is a Director of Manila Water Company, Inc., a publicly listed company. He is also a member of the Board of Directors of the following companies within the Ayala Group: Purefoods International Limited, AC Education, Inc., AC College of Enterprise and Technology, Inc., AC Ventures Holding Corp., Ayala Aviation Corporation, Zapfam, Inc., Northwind Power Development

Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, MCX Tollway, Inc., and other several companies.

2. Change in the Composition of the Executive Committee.

Mr. John Eric T. Francia joins the Executive Committee as Member to replace Dr. Francisco L. Viray.

3. Appointment of Officers.

Mr. John Eric T. Francia as President & Chief Executive Officer

Mr. Francia is the President and Chief Executive Officer of AC Energy, Inc. He is Managing Director and member of the Management Committee of Ayala Corporation since 2009. Mr. Francia is a Director of Manila Water Company, Inc., a publicly listed company. He is also a member of the Board of Directors of the following companies within the Ayala Group: Purefoods International Limited, AC Education, Inc., AC College of Enterprise and Technology, Inc., AC Ventures Holding Corp., Ayala Aviation Corporation, Zapfam, Inc., Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, MCX Tollway, Inc., and other several companies.

Ms. Maria Corazon G. Dizon as Treasurer & Chief Financial Officer

Ms. Dizon is the Chief Finance Officer of AC Energy, Inc. and Head of AC Energy Retail. She previously held positions with Ayala Land, Inc. as Head of ALI Capital Corp., Head of Business Development and Strategic Planning of the Commercial Business Group, Head of Asset Management Group of Shopping Centers, Head of Control and Analysis, Head of Investor Relations as well as Chief Financial Officer of Residential Buildings, Office Buildings and Shopping Centers groups. Ms. Dizon is a Certified Public Accountant.

Mr. Gabino Ramon G. Mejia as Head of Plant Operations

Mr. Mejia is the Senior Vice President, Head of the Asset Management Group of AC Energy, Inc., Executive Vice President for GNPower Kauswagan Ltd. Co., President & CEO of Northwind Power Development Corporation (NorthWind) and North Luzon Renewable Energy Corp. (NLR), Chairman of Montesol Solar, Inc. and President of Negros Island Solar Power, Inc. (IslaSol) and San Carlos Solar, Inc. (Sacasol).

Mr. Roman Miguel G. de Jesus as Head of Business Operations
Mr. de Jesus is the Head of International Business of AC Energy, Inc. He is a former President and CEO of North Luzon Renewable Energy Corporation and former Head of the Retail Electricity Supply group of AC Energy, Inc.

Resignation/Removal or Replacement

Name of Person	Position/Designation	Effective Date of Resignation/Cessation of term (mmm/dd/yyyy)	Reason(s) for Resignation/Cessation
Francisco L. Viray	Director and President & Chief Executive Officer	May/15/2019	Retirement
Pythagoras L. Brion, Jr.	Senior Vice President & CFO	May/15/2019	As per agreement on the sale of PHINMA Energy to AC Energy.
Nanette P. Villalobos	Treasurer	May/15/2019	As per agreement on the sale of PHINMA Energy to AC Energy.
Rizalino G. Santos	Senior Vice President - Power Business	May/15/2019	Retirement
Raymundo A. Reyes, Jr.	Senior Vice President	May/15/2019	Retirement
Danielle R. del Rosario	Assistant Vice President - Marketing and Sales	May/15/2019	Personal Reasons

Election or Appointment

Name of Person	Position/Designation	Date of Appointment/Election (mmm/dd/yyyy)	Effective Date of Appointment Election (mmm/dd/yyyy)	Shareholdings in the Listed Company		Nature of Indirect Ownership
				Direct	Indirect	
John Eric T. Francia	Director and President & Chief Executive Officer	May/9/2019	May/15/2019	50,000,000	0	-
Maria Corazon G. Dizon	Treasurer and Chief Financial Officer	May/9/2019	May/15/2019	8,000,000	0	-
Gabino Ramon G. Mejia	Head of Plant Operations	May/9/2019	May/15/2019	0	0	-
Roman Miguel G. de Jesus	Head of Business Operations	May/9/2019	May/15/2019	3,313,000	0	-

The disclosure was amended today to correct that Mr. Pythagoras L. Brion resigned as Senior Vice President & CFO effective May 15, 2019 but remains as a Director of the company.

The disclosure was amended on May 14, 2019 to indicate the qualifications of the newly-appointed officers of the company.

May 28, 2019

Election of new director, appointment of officers and resignation of directors and officers.

Please be advised that the Board of Directors of PHINMA Energy Corporation (PHEN) approved today the following:

1. Election of Mr. John Eric T. Francia as Director of the Company.

Mr. Francia is the President and Chief Executive Officer of AC Energy, Inc. He is Managing Director and member of the Management Committee of Ayala Corporation since 2009. Mr. Francia is a Director of Manila Water Company, Inc., a publicly listed company. He is also a member of the Board of Directors of the following companies within the Ayala Group: Purefoods International Limited, AC Education, Inc., AC College of Enterprise and Technology, Inc., AC Ventures Holding Corp., Ayala Aviation Corporation, Zapfam, Inc., Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, MCX Tollway, Inc., and other several companies.

2. Change in the Composition of the Executive Committee.

Mr. John Eric T. Francia joins the Executive Committee as Member to replace Dr. Francisco L. Viray.

3. Appointment of Officers.

Mr. John Eric T. Francia as President & Chief Executive Officer

Mr. Francia is the President and Chief Executive Officer of AC Energy, Inc. He is Managing Director and member of the Management Committee of Ayala Corporation since 2009. Mr. Francia is a Director of Manila Water Company, Inc., a publicly listed company. He is also a member of the Board of Directors of the following companies within the Ayala Group: Purefoods International Limited, AC Education, Inc., AC College of Enterprise and Technology, Inc., AC Ventures Holding Corp., Ayala Aviation Corporation, Zapfam, Inc., Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, Light Rail Manila Corporation, AC Infrastructure Holdings Corporation, MCX Tollway, Inc., and other several companies.

Ms. Maria Corazon G. Dizon as Treasurer & Chief Financial Officer

Ms. Dizon is the Chief Finance Officer of AC Energy, Inc. and Head of AC Energy Retail. She previously held positions with Ayala Land, Inc. as Head of ALI Capital Corp., Head of Business Development and Strategic Planning of the Commercial Business Group, Head of Asset Management Group of Shopping Centers, Head of Control and Analysis, Head of Investor Relations as well as Chief Financial Officer of Residential Buildings, Office Buildings and Shopping Centers groups. Ms. Dizon is a Certified Public Accountant.

Mr. Gabino Ramon G. Mejia as Head of Plant Operations

Mr. Mejia is the Senior Vice President, Head of the Asset Management Group of AC Energy, Inc., Executive Vice President for GNPower Kauswagan Ltd. Co., President & CEO of Northwind Power Development Corporation (NorthWind) and North Luzon Renewable Energy Corp. (NLR), Chairman of Montesol Solar, Inc. and President of Negros Island Solar Power, Inc. (IslaSol) and San Carlos Solar, Inc. (Sacasol).

Mr. Roman Miguel G. de Jesus as Head of Business Operations

Mr. de Jesus is the Head of International Business of AC Energy, Inc. He is a former President and CEO of North Luzon Renewable Energy Corporation and former Head of the Retail Electricity Supply group of AC Energy, Inc.

Resignation/Removal or Replacement

Name of Person	Position/Designation	Effective Date of Resignation/Cessation of term (mmm/dd/yyyy)	Reason(s) for Resignation/Cessation
Francisco L. Viray	Director and President & Chief Executive Officer	May/15/2019	Retirement
Pythagoras L. Brion, Jr.	Senior Vice President & CFO	May/15/2019	As per agreement on the sale of PHINMA Energy to AC Energy.
Nanette P. Villalobos	Treasurer	May/15/2019	As per agreement on the sale of PHINMA Energy to AC Energy.
Rizalino G. Santos	Senior Vice President - Power Business	May/15/2019	Retirement
Raymundo A. Reyes, Jr.	Senior Vice President	May/15/2019	Retirement
Danielle R. del Rosario	Assistant Vice President - Marketing and Sales	May/15/2019	Personal Reasons

Election or Appointment

Name of Person	Position/Designation	Date of Appointment/Election (mmm/dd/yyyy)	Effective Date of Appointment Election (mmm/dd/yyyy)	Shareholdings in the Listed Company		Nature of Indirect Ownership
				Direct	Indirect	
John Eric T. Francia	Director and President & Chief Executive Officer	May/9/2019	May/15/2019	1	50,000,000	lodged with PCD nominee
Maria Corazon G. Dizon	Treasurer and Chief Financial Officer	May/9/2019	May/15/2019	8,000,000	0	-
Gabino Ramon G. Mejia	Head of Plant Operations	May/9/2019	May/15/2019	0	0	-
Roman Miguel G. de Jesus	Head of Business Operations	May/9/2019	May/15/2019	3,313,000	0	-

The disclosure was amended today to correct the shareholdings of Mr. Francia from 50,000,000 Direct shares to 1 Direct share and 50,000,000 Indirect shares.

The disclosure was amended on May 21, 2019 to correct that Mr. Pythagoras L. Brion resigned as Senior Vice President & CFO effective May 15, 2019 but remains as a Director of the company.

The disclosure was amended on May 14, 2019 to indicate the qualifications of the newly-appointed officers of the company.

June 20, 2019

Signing of the Deeds of Absolute Sale between PHINMA Energy Corporation (PHEN), PHINMA Corporation (PHN) and Philippine Investment Management (PHINMA), Inc. (PHI) for the sale of PHN

	and PHI's interests in PHINMA Petroleum and Geothermal, Inc. (PPG). Please be informed that PHEN has signed today, separate Deeds of Absolute Sale with PHN and PHI for the sale of PHN’s 32,481,317 and PHI’s 30,481,111 shares in PPG at P2.44 per share. This represents 25.18% of PPG’s total outstanding stock. This is to provide an update on the disclosure with PSE reference number C03199 - 2019 dated May 10, 2019. The Deeds of Absolute Sale shall be effective upon (a) approval by the Exchange authorizing the special block sale, and (b) execution of the special block sale by the crossing of the Shares through the Exchange. The special block sale is expected to be completed on June 24, 2019.
June 20, 2019	*Signing of the Deeds of Absolute Sale between AC Energy, Inc., PHINMA Corporation (PHN) and Philippine Investment Management (PHINMA), Inc. (PHI) on the sale of PHN and PHI's interests in PHINMA Energy Corporation (PHEN).* Please be informed that PHN and PHI have advised PHEN that they have signed today, separate Deeds of Absolute Sale with AC Energy, Inc. for the sale of PHN’s 1,283,422,198 and PHI’s 1,233,642,502 shares in PHEN at P 1.4577 per share. This represents 51.48% of PHEN’s total outstanding stock. This is to provide an update on the disclosure with PSE reference number C00749-2019 dated February 8, 2019. The Deeds of Absolute Sale shall be effective upon (a) approval by the Exchange authorizing the special block sale, and (b) execution of the special block sale by the crossing of the Shares through the Exchange. The special block sale is expected to be completed on June 24, 2019.
June 20, 2019	*Signing of the Deeds of Absolute Sale between PHINMA Energy Corporation (PHEN), PHINMA Corporation (PHN) and Philippine Investment Management (PHINMA), Inc. (PHI) for the sale of PHN and PHI's interests in PHINMA Petroleum and Geothermal, Inc. (PPG).* Please be informed that PHEN has signed today, separate Deeds of Absolute Sale with PHN and PHI for the sale of PHN’s 32,481,317 and PHI’s 30,481,111 shares in PPG at P2.44 per share. This represents 25.18% of PPG’s total outstanding stock. The disclosure was amended today to indicate the PSE reference numbers of disclosures related to this update. This is to provide an update on the disclosures with PSE reference numbers C03199-2019 dated May 10, 2019 and C03377-2019 dated May 16, 2019. The Deeds of Absolute Sale shall be effective upon (a) approval by the Exchange authorizing the special block sale, and (b) execution of

	the special block sale by the crossing of the Shares through the Exchange. The special block sale is expected to be completed on June 24, 2019.
June 20, 2019	*Signing of the Deeds of Absolute Sale between AC Energy, Inc., PHINMA Corporation (PHN) and Philippine Investment Management (PHINMA), Inc. (PHI) on the sale of PHN and PHI's interests in PHINMA Energy Corporation (PHEN).* Please be informed that PHN and PHI have advised PHEN that they have signed today, separate Deeds of Absolute Sale with AC Energy, Inc. for the sale of PHN's 1,283,422,198 and PHI's 1,233,642,502 shares in PHEN at P 1.4577 per share. This represents 51.48% of PHEN's total outstanding stock. The disclosure was amended today to indicate the PSE reference numbers of disclosures related to this update and their correct dates. This is to provide an update on the disclosures with PSE reference numbers C00146-2019 dated January 9, 2019 and C00749-2019 dated February 11, 2019. The Deeds of Absolute Sale shall be effective upon (a) approval by the Exchange authorizing the special block sale, and (b) execution of the special block sale by the crossing of the Shares through the Exchange. The special block sale is expected to be completed on June 24, 2019.
June 24, 2019	*Completion of the special block sale relative to the sale among AC Energy, Inc. (AC Energy), PHINMA Corporation (PHN) and Philippine Investment Management (PHINMA), Inc. (PHI) of PHN and PHI's interests in PHINMA Energy Corporation (PHEN).* Please be informed that PHEN was advised by PHN and PHI today that the Exchange has confirmed the special block sale of PHEN shares to AC Energy via crossing of shares. This completes AC Energy's acquisition of the 51.48% combined stake of PHI and PHN in PHEN. AC Energy also subscribed to 2.632 billion PHEN primary shares at par value. Moreover, AC Energy's mandatory tender offer for PHEN shares ended last June 19, 2019 with a total of 156,476 shares tendered as confirmed by BPI Securities Corporation. This is to provide an update on the disclosures with PSE reference numbers C00146-2019 dated January 9, 2019, C00749-2019 dated February 11, 2019, C03199-2019 dated May 10, 2019 and C04282-2019 dated June 20, 2019.
June 24, 2019	*Completion of the special block sale relative to the sale among PHINMA Corporation (PHN), Philippine Investment Management (PHINMA), Inc. (PHI) and PHINMA Energy Corporation (PHEN) of PHN and PHI's interests in PHINMA Petroleum and Geothermal, Inc. (PPG).* Please be informed that the Exchange has confirmed the special block sale of PPG shares to PHEN via crossing of shares. This completes PHEN's acquisition of 25.18% of PPG's total outstanding

	stock. PHEN's voluntary tender offer for PPG shares ended last June 19, 2019 with a total of 3,332 shares tendered as certified and confirmed by BPI Securities Corporation. This is to provide an update on the disclosures with PSE reference numbers C03199-2019 dated May 10, 2019 and C03377-2019 dated May 16, 2019.
June 25, 2019	*Signing of the Deed of Assignment between Philippine Investment Management (PHINMA), Inc. (PHI) and AC Energy, Inc. on PHI's rights, title and interests in the Management Contract with PHINMA Energy Corporation (PHEN).* Please be informed that PHEN was advised by PHI that PHI signed today, an Agreement with AC Energy, Inc. to assign PHI's rights, title and interest in its Management Contract with PHEN, under the same terms and conditions. PHEN has expressed its consent to the said assignment of management contract. This is to provide an update on the disclosure with PSE reference number C03199 - 2019 dated May 10, 2019.
June 25, 2019	*Issuance of 2,632,000,000 new shares of PHINMA Energy Corporation (PHEN) to AC Energy, Inc. (AC Energy)* Please be informed that on June 24, 2019, PHEN signed a Subscription Agreement with AC Energy for 2,632,000,000 new shares of stock of PHEN at P1.00 per share.

Change(s) in Number of Issued and Outstanding Shares

Issued Shares

Type of Security /Stock Symbol	Before	After	
Common shares	4,889,772,922	7,521,774,922	

Outstanding Shares

Type of Security /Stock Symbol	Before	After	
Common Shares	4,889,772,922	7,521,774,922	

Other Changes, if any

In percent	**Before**	**After**
Public float	44.21	29.82
Foreign Ownership level	3.37	2.19

June 26, 2019	*Issuance of 2,632,000,000 new shares of PHINMA Energy Corporation (PHEN) to AC Energy, Inc. (AC Energy)* Please be informed that on June 24, 2019, PHEN signed a Subscription Agreement with AC Energy for 2,632,000,000 new shares of stock of PHEN at P1.00 per share. Shares were issued on June 24, 2019.

The disclosure was amended to indicate the date when the shares were issued.

Change(s) in Number of Issued and Outstanding Shares

Issued Shares

Type of Security /Stock Symbol	Before	After
Common shares	4,889,772,922	7,521,774,922

Outstanding Shares

Type of Security /Stock Symbol	Before	After
Common Shares	4,889,772,922	7,521,774,922

Other Changes, if any

In percent	Before	After
Public float	44.21	29.82
Foreign Ownership level	3.37	2.19