

Manila, Philippines (February 19, 2018)

STATEMENT OF ATTY. ADEL TAMANO, VICE PRESIDENT FOR CORPORATE AFFAIRS OF UDENNA
RE: PCC DECISION ON KGLI-BV ACQUISITION

The Udena Group learned today from the website of the Philippine Competition Commission (PCC) and by electronic mail that the PCC has issued a decision declaring void Udena's acquisition of KGL Investment B.V. for non-notification of the transaction with the PCC.

The subject transaction was executed one month after the Implementing Rules and Regulations of the Philippine Competition Act took effect, which is the basis for the decision of the PCC. Udena acted in good faith in consummating the transaction based on its interpretation of the newly-issued rules of the PCC, which in Udena's opinion are ambiguous. At the time of completion of the subject transaction, the PCC Rules were new, and Udena had no guidelines, interpretative rulings or precedents to rely on.

Udena believes that the decision to declare the transaction void and at the same time impose a penalty of Php19.7 Million was unduly harsh and uncalled for, particularly considering the interest of the Udena Group's many stakeholders and the decision's effect on business. Udena believes that PCC had the discretion not to declare the subject transaction void but the majority, or 3 of the 4 seating Commissioners concluded differently. The fifth seat in the Commission is currently vacant.

In the dissenting opinion of PCC Commissioner Stella Quimbo, she explained in detail how "[h]erein, although the law exists, there is no local jurisprudence yet to address the controversy at hand." Commissioner Quimbo was of the position that the subject transaction need not have been declared void by the PCC since the administrative penalty is sufficient deterrent. She opined:

"As to the effect of the subject transaction on the market, the factual circumstances of the transaction as follows. First, it involves the acquisition of minority stake in a related transaction, one of which has been notified to the Commission and is currently under Phase 2 review. It is through this other related transaction that the Commission incidentally obtained a mode of discovery on the structural effects of the subject transaction on the market. Finally, the subject transaction's only nexus to the Philippines is through its sole subsidiary which is a notifying party in the related transaction. As such, in the event that the related but notified transaction will likely result in substantial lessening of competition, the Commission has the power to either disapprove the transaction or impose remedies to ensure that the competition in the market is protected.

Therefore, I submit that the prospect of the subject transaction, post-acquisition, causing a direct structural effect on the market is virtually absent. Thus, imposing the void penalty is

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arguably a surplusage. There is no continuing direct harm to the market by the subject transaction that the void penalty needs to prevent. Any possible indirect harm to the market of the subject transaction is currently within the jurisdiction of the Commission through the notified related transaction. A basic tenet in Economics is that there should be as many policy instruments as there are objectives. If there is only one policy objective that the penalty seeks to address, then a single policy instrument suffices. I further submit that the administrative penalty is sufficient for this case.”

Udenna is of the view that it has sufficient basis to challenge the PCC decision either by filing a Motion for Reconsideration with the PCC, or through a Petition to the Court of Appeals.

Udenna is confident that its acquisition of the shipping holding company remains assured considering that it has paid the agreed consideration and its counter-party is still committed to the consummation of the transaction.

Udenna also has the option to submit to the PCC decision and file a notification to the PCC.

Udenna is currently weighing its options and will choose that which it deems will be best to protect the interests of the group and its shareholders.

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About Udenna Corporation

Udenna Corporation was incorporated in the Philippines on March 19, 2002. The Udenna Corporation is comprised by a dynamic group of companies engaged in diverse businesses including, among others, petroleum and oil (Phoenix Petroleum), shipping and logistics (Chelsea Logistics and 2Go), real estate and property development (Udevco), education (Enderun), and convenience stores (Family Mart). Phoenix Petroleum Philippines Inc. and Chelsea Logistics are publicly listed in the Philippine Stock Exchange.