Prospectus [●], 2015

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.

Primary Offer in the Philippines of up to 20,000,000 Preferred Shares consisting of 10,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated, Perpetual Preferred Shares

With an Oversubscription Option for up to an additional 10,000,000 Preferred Shares having the same features

Series "3A": [.] per annum

Series "3B": [.] per annum

AT THE OFFER PRICE OF ₱100.00 PER PREFFERED SHARE

TO BE LISTED AND TRADED WITH THE PHILIPPINE STOCK EXCHANGE, INC.

Sole Issue Manager

Penta Capital & Investment Corporation

Joint Lead Underwriters

Penta Capital & Investment Corporation	**Multinational Investment Bancorporation**	**AB Capital and Investment Corporation**

Prospectus dated [.] 2015

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.
STELLA HIZON REYES ROAD
BO. PAMPANGA, LANANG,
DAVAO CITY, PHILIPPINES
TELEPHONE NO. 63 82 235 8888

(Satellite Office)
25TH FLOOR FORT LEGEND TOWERS
31ST ST., COR 3RD AVENUE
BONIFACIO GLOBAL CITY, TAGUIG CITY
TELEPHONE NO. 63 2 403 4013

www.phoenixfuels.ph

This Prospectus relates to the sale and new issuance of up to 20,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated, perpetual preferred shares consisting of 10,000,000 preferred shares (the "Firm Shares") with an option to subscribe to an additional 10,000,000 preferred shares (the "Option Shares") both having a par value of ₽1.00 per share of P-H-O-E-N-I-X Petroleum Philippines, Inc., a corporation organized under Philippine laws (the "Company") at the issue price of ₽100.00 per share for a total amount of up to ₽2,000,000,000.00 in proceeds. The Firm Shares and the Option Shares comprise the Offer Shares. This issuance of the Offer Shares is being taken from the authorized but unissued preferred capital stock of the Company. The bookbuilding process will determine the volume and the series that will be issued because this activity will be driven by market demand. The Offer Shares may be issued in up to two (2) series, at the discretion of the Company: Series 3A (PNX3A) and Series 3B (PNX3B).

This issuance of the Offer Shares is the third tranche ("Third Tranche") in the preferred shares securities category of the Company. The first and second tranches of preferred shares were issued on September 21, 2010 and December 20, 2013, respectively. Please refer to the section "Description of the Offer Shares" on page 55 for a discussion on the 1st tranche of preferred shares, and on page 57 for a discussion on the 2nd tranche of preferred shares. The stock symbol used for the 2nd tranche of preferred shares is PNXP with no series type.

The Company will register this issuance with the Securities and Exchange Commission (the "Commission") and, thereafter, will list the same with the Philippine Stock Exchange, Inc. (the "Exchange"). Approval by the Exchange will be granted, subject to compliance by the Company with the requirements for listing. However, such approval for listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the Exchange. The Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Furthermore, the Exchange makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The Company has a total of 2,550,000,000 authorized capital stock, divided into 2,500,000,000 common shares and 50,000,000 preferred shares, out of which 1,428,777,232 common shares and 5,000,000 preferred shares are issued and outstanding. For purposes of this Prospectus, immediately after the completion of this offering, the Company will have a total of up to 25,000,000 preferred shares issued and outstanding.

There are two classes of securities issued by the Company, common and preferred. On March 8, 2010, after complying with the necessary documentary requirements, as well as separate approvals from the Company's Board of Directors and from the shareholders owning and/or holding at least

2/3 of the outstanding capital stock entitled to vote, the Commission approved the reclassification of 50,000,000 preferred shares with the following features: (i) non-convertible into common shares; (ii) non-participating in any other corporate activities or further dividends and non-voting except in cases specified by law; (iii) no pre-emptive rights to any issue of the Company's share but shall enjoy preference over the holders of common shares as to distribution of net assets in the event of dissolution or liquidation and in the payment of dividends at a specified rate. The Board of Directors shall determine its issued value at the time of issuance and shall determine its dividend rates and the dividends shall be paid cumulatively; (iv) the preferred shares shall be redeemable at the Company's option under such terms as the Board of Directors may provide at the time of issuance. It shall also be re-issuable when fully redeemed.

The Offer shall enable the Company to raise up to ₱2,000,000,000.00 in gross proceeds at ₱100.00 per share for 20,000,000 preferred shares. The whole amount of the proceeds, net of taxes and expenses, shall be used to finance capital expenditures and/or additional working capital requirements.

Proceeds from the Firm Shares of ₱1,000,000,000.00 raised from this Offer will be utilized by the Company to complete the construction of 61 retail stations in the key cities of North and South Luzon, Visayas, and Mindanao, and the storage facilities in Cebu and General Santos.

Proceeds from the Option Shares of ₱1,000,000,000.00 raised from this Offer will be utilized by the Company for the construction of additional 80 retail stations in the key cities of North and South Luzon, Visayas, and Mindanao. The remaining amount will be utilized for working capital.

Except for the purposes stated in the preceding paragraphs, there are no other current plans for the proceeds or any significant portion thereof. The proceeds shall not be used to reimburse any of the officers, directors, employees or other shareholders for services rendered, assets previously transferred, loans, advances or otherwise.

Should the Company obtain substantially less than the maximum proceeds from the Offer, the Company intends to finance the shortfall by availing of loans from its existing credit lines.

The underwriting and selling fees to be paid by the Company in relation to the Offer shall be equivalent to 1.50% while the issue management fees shall be equivalent to 0.50% for a total of 2% of the gross proceeds from the Offer. After deducting listing fees, taxes and other fees and expenses related to the Offer, the net proceeds from the Offer is estimated at about ₱1,953,892,875.00.

On August 24, 2015, the Company filed a Registration Statement with the Commission in connection with the registration and licensing of the Offer Shares with an aggregate amount of up to ₱2,000,000,000.00 constituting the Offer. The SEC is expected to issue an Order rendering the Registration Statement effective in connection with the listing of the Offer Shares with the Exchange.

The Company is allowed under Philippine laws to declare dividends, subject to certain requirements. The Company‘s Board of Directors is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board of Directors shall determine. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company‘s outstanding capital stock. The Board of Directors will not declare and pay dividends where (a) payment would cause the Company to breach any of its financial covenants under existing agreements or (b) the profits available to the Company to distribute as dividends are not sufficient to enable the Company to pay in full both the dividends on the preferred shares and the dividends on all other classes of the Company’s shares that are scheduled to be paid on or before the same date as the dividends on the preferred shares, and that have an equal right to dividends as the preferred shares. Please refer to the "Summary of Offer" section for a discussion on the dividend rate(s) [page 23], dividend payment(s) period and/or date [page 24], redemption period and/or date [page 25]. The final dividend rate will be determined after completion of the bookbuilding process.

Foreign ownership of common shares of the Company as of September 30, 2015 is at 14.4%. As of the same date, there is no foreign ownership of preferred shares.

The price of securities can and does fluctuate; any individual security may experience upward or downward movements; and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. This Prospectus is not intended to provide the sole basis of any evaluation and decision whether or not to purchase the Offer Shares. Each investor should make his/its own independent evaluation of the issue, and of the relevance and accuracy of the information contained herein, and should make such other investigation as he/it deems necessary to determine whether he/it should purchase the Offer Shares. An investment in the Offer Shares in this Prospectus involves a certain degree of risk. A prospective purchaser of Offer Shares should carefully consider several risk factors inherent to the Company (detailed in Risk Factors on pages 31 to 42 of this Prospectus), in addition to the other information contained in this Prospectus, in deciding whether to invest in the Offer Shares.

This Prospectus contains certain "forward-looking statements". These forward-looking statements can generally be identified by use of statements that include words or phrases such as the Company or its Management "believes", "expects", "intends", "plans", and other words or phrases of similar import. Similarly, statements that describe the Company's objectives, plans, and goals are also forward-looking statements. All forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Nothing in this Prospectus is or should be relied upon as a promise or representation as to the future. The forward-looking statements included herein are made only as of the date of this Prospectus, and the Company undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

Unless otherwise stated, all information contained in this Prospectus has been supplied by the Company. The Company, through its Board of Directors, having made all reasonable inquiries, accepts full responsibility for the information contained in this Prospectus and confirms that this Prospectus contains all information with regard to the Company, its business and operations and the Offer Shares, which, as of the date of this Prospectus, are material in the context of the offering; that, to the best of its knowledge and belief as of the date hereof, the information contained in this Prospectus are true and correct and are not misleading in any material respect; that the opinions and intentions expressed herein are honestly held; that projections are fair and accurate in all material respects having regard to the circumstances now prevailing and in light of assumptions made; and that there are no other facts, the omission of which makes this Prospectus, as a whole or in part, inaccurate, untrue or misleading in any material respect. The delivery of this Prospectus shall not, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof. The Company accepts responsibility for the information contained in this document.

Penta Capital & Investment Corporation ("PentaCapital" or the "**Sole Issue Manager and Joint Lead Underwriter**") has been mandated by the Company to arrange the offering described in this Prospectus.

PentaCapital has not independently verified the information, opinions, projections or statements contained or referred to in the Prospectus, and no representation or warranty, expressed or implied, is given by PentaCapital or its affiliated companies as to the completeness or accuracy thereof or of any further information, opinions, projections or statements that may be supplied in connection with the Offer Shares. This Prospectus does not purport to be all-inclusive or to contain all information that a prospective investor may desire and PentaCapital does not undertake to update or keep under review the information contained herein.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this Prospectus. No dealer, salesman or other person has been authorized by the Company or PentaCapital, or any of the Joint Lead Underwriters, or any participating underwriter, to issue any advertisement or to give any information or make any representation in connection with the offering, other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or PentaCapital, or any of the Joint Lead Underwriters, or any participating underwriter.

On September 10, 2015, the Company filed a Registration Statement covering the issuance of the Short-Term Commercial Papers (the "STCPs") with the Commission in accordance with the provisions of the Securities Regulation Code. Up to Three Billion Five Hundred Million Pesos (₱3,500,000,000.00) in aggregate principal amount of STCPs will be issued by the Company upon approval and issuance by the Commission of the Order of Registration and Certificate of Permit to Offer Securities for Sale. This is the Company's third issuance following its two previous successful issuances last year for the same aggregate amount, which were both oversubscribed. The STCPs, which may be issued in lump sum or in tranches, shall have an interest rate fixed prior to issuance. Net proceeds will be used by the Company to augment existing bank lines used for general working capital requirements such as for the importation of petroleum products and lubricants. In connection with this STCP issuance, on August 28, 2015, the Philippine Rating Services Corporation ("PhilRatings") assigned an Issuer Credit Rating of *PRS Aa minus (corp.)* to the Company. A company rated *PRS Aa* has a strong capacity to meet its financial commitments relative to that of other Philippine corporates. *PRS Aa* is the second highest rating category on PhilRatings' existing credit rating scale. PhilRatings can also include a plus (+) or a minus (-) sign to further qualify the above rating.

The Company benefits from this STCP issuance as it provides interest cost savings versus higher costing short-term loans from its banks thereby improving the overall profitability of the Company. Thus, the STCP issuance has no material adverse effect on the financial condition of the Company. Being a publicly traded instrument, it provides a more transparent and market-driven credit standing and complements the Company's listed common shares by providing media mileage and public exposure. The Company's STCP issuances are currently the only listed short-term investment instrument at the Philippine Dealing Exchange.

The information in this Prospectus may not be reproduced or used, in whole or in part, for any purpose whatsoever other than for the purpose of determining whether to participate in the Offer Shares, without the written permission of the Company and PentaCapital. If at any time any such reproduction or use is made and PentaCapital suffers loss, damage or liability of any kind arising out of or in connection with any such reproduction or use, the recipient of this Prospectus breaching the restriction on reproduction or use shall indemnify PentaCapital from and against such loss, damage or liability.

This Prospectus does not constitute an offer of, or an invitation by or in behalf of, the Company or PentaCapital, or any of the Joint Lead Underwriters, or any participating underwriter, to subscribe for or purchase any of the Offer Shares. Neither may this Prospectus be used as an offer to, or solicitation by, anyone in any jurisdiction or in any circumstance in which such offer or solicitation is not authorized or lawful. The distribution of this Prospectus and the Offer in certain jurisdictions may be restricted by law. Persons who come into possession of this Prospectus are required by the Company, PentaCapital and the other Joint Lead Underwriters to inform themselves about, and to observe, any such restrictions.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

Any inquiries regarding this Prospectus should be addressed to P-H-O-E-N-I-X Petroleum Philippines, Inc. (Attention: Office of the Corporate Secretary) at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines, with telephone number +6382 235 8888.

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.

By:

Dennis A. Uy
President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me on November 12, 2015 in Makati City, Philippines, affiant exhibiting to me his Taxpayer's Identification No. 172-020-135 issued by the Bureau of Internal Revenue.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2015.

TABLE OF CONTENTS

DEFINITION OF TERMS

Applicant…………………………………	An Eligible Investor who submits an Application to Purchase as defined below
Application to Purchase………………	An application to purchase the Offer Shares pursuant to the Offer
Banking Day…………………………….	Any day in a week (except Saturdays, Sundays and holidays) on which banks are not required or authorized to close in Makati City, Philippines
BFP……………………………….........	The Bureau of Fire Protection of the Philippines
BIR………………………………………….	The Bureau of Internal Revenue of the Philippines
BOI……………………………….........	Board of Investments of the Philippines
BSP……………………………….........	Bangko Sentral ng Pilipinas (the central bank of the Philippines)
BPD……………………………….........	Barrels per day
Chevron………………………………….	Chevron Texaco Phils.
Clean Air Act………………………….	Republic Act No. 8749 or “The Philippine Clean Air Act”
Clean Water Act…………………….	Republic Act No. 9275 or “The Philippine Clean Water Act”
CODOs…………………………….....	Company-Owned, Dealer-Operated retail service stations
Common Shares…………………….	The Company’s shares of common stock, each with a par value of ₽1.00
Commission…………………………….	The Securities and Exchange Commission of the Philippines
Company…………………………………	P-H-O-E-N-I-X Petroleum Philippines, Inc. or Phoenix
Directors………………………………	The members of the Board of Directors of the Company
DODOs…………………………………	Dealer-Owned, Dealer-Operated retail service stations
DOE……………………………………….	The Department of Energy of the Philippines
DOTSCO……………………………….	Davao Oil Terminal Services Corporation
Downstream Oil Industry Deregulation Act…………………..	Republic Act No 8479 and its implementing rules and regulations
DTI………………………………………….	The Department of Trade and Industry of the Philippines
Eligible Investors…………………….	Applicants who are qualified to subscribe to the Offer Shares

ERB………………………………….........	Energy Regulatory Board (now Energy Regulatory Commission) of the Philippines
Exchange……………………………….	The Philippine Stock Exchange, Inc.
Group…………………………………….	The Company and its wholly-owned subsidiaries
MB………………………………………..	Thousand Barrels
MMB……………………………………..	Million Barrels
MOPS………………………….........	Mean of Platts Singapore
NPC………………………………………	The National Power Corporation
Offer…………………………………..	the public offering of up to 20,000,000 Preferred Shares consisting of 10,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares of the Company with an Oversubscription Option for up to an additional 10,000,000 Preferred Shares having the same features
Offer Price…….…...................	₱100.00 per Offer Share
Offer Shares ……………….….....	Up to 20,000,000 Preferred Shares consisting of 10,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares of the Company (“Firm Shares”) with an Oversubscription Option for up to an additional 10,000,000 Preferred Shares having the same features (“Option Shares”)
OIMB…..……………………………..	The Oil Industry Management Bureau of the DOE
₱…………………………………………..	Philippine Pesos, the lawful currency of the Republic of the Philippines
Petron……………………….........	Petron Corporation
Philippine National…………….	The term shall mean any of the following: (1) a citizen of the Philippines or a domestic partnership or association wholly owned by citizens of the Philippines; or (2) a corporation organized under the laws of the Philippines at least sixty per cent (60%) of the capital stock outstanding and entitled to vote of which is owned and held by citizens of the Philippines; or (3) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least sixty per cent (60%) of the fund will accrue to the benefit of the Philippine nationals. Where a corporation and its non-Filipino stockholders own stocks in an SEC-registered enterprise, at least sixty per cent (60%) of the capital stock outstanding and entitled to vote of both corporations must be

	owned and held by citizens of the Philippines and at least sixty per cent (60%) of the members of the Board of Directors of both corporations must be citizens of the Philippines, in order that the corporations shall be considered a Philippine national.
Phoenix System……………………..	The unique system relating to the establishment, development and operation of the Phoenix retail gasoline station developed by the Company. The distinguishing characteristics of the system include, but are not limited to, petroleum products, services and signages, and the Phoenix Confidential Operations Manual; uniform operating methods, procedures and techniques; other confidential operation procedures; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, sales promotion, marketing and advertising; and optional operation of onsite convenience store, all of which may be changed, improved and further developed by the Company.
PNXP…………………………………….	The stock symbol of the 2nd tranche preferred shares of the Company.
PNX3A…………………………………..	The stock symbol for Series 3A of the Third Tranche preferred shares of the Company.
PNX3B…………………………………..	The stock symbol for Series 3B of the Third Tranche preferred shares of the Company.
PPHI or Parent Company………..	Phoenix Petroleum Holdings, Inc.
Registrar……………………………….	BDO Unibank, Inc.-Trust and Investments Group
Selling Agents……………………….	Trading Participants of the Exchange
Shell…………………………………….	Pilipinas Shell Petroleum Corporation
Sole Issue Manager………………	Penta Capital & Investment Corporation or PentaCapital
SRC………………………………………..	Republic Act No. 8799, otherwise known as The Securities Regulation Code
Total……………………………………..	Total Philippines Corporation
Trading Day …………………………	Any day on which trading is allowed in the PSE
UC………………………………...........	Udenna Corporation
UMRC……..............................	Udenna Management & Resources Corp.

EXECUTIVE SUMMARY

The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information including the Company's financial statements and notes relating thereto appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating any investment in the Offer Shares, see the section entitled "Risk Factors" beginning on page 31 of this Prospectus. Terms defined elsewhere in this Prospectus shall have the same meanings when used in this summary. Prospective investors should therefore read this Prospectus in its entirety.

OVERVIEW OF THE COMPANY

P-H-O-E-N-I-X Petroleum Philippines, Inc. (the "Company" or "Phoenix", interchangeably) was incorporated in the Philippines on May 8, 2002 under its original name "Oilink Mindanao Distribution, Inc." On January 11, 2004, the Company amended its Articles of Incorporation changing its name from Oilink Mindanao Distribution, Inc. to "Davao Oil Terminal Services Corp." On August 7, 2006, the Commission approved the Amended Articles of Incorporation of the Company changing its name from Davao Oil Terminal Services Corp. to "P-H-O-E-N-I-X Petroleum Philippines, Inc." As of September 30, 2015, the Company is 41.22% owned by PPHI, a company organized in the Philippines.

The Company is registered with the BOI effective November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under Republic Act (RA) No. 8479 or the Downstream Oil Industry Deregulation Act. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investment Code of 1987. Under its registration, the Company is also entitled to certain tax and non-tax incentives to include Income Tax Holiday (ITH) for five (5) years from November 16, 2005.

The Company was also registered with the BOI in 2010 and 2012 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 for its storage tanks in various locations. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, with respect to its transactions relating to its BOI registered investments, the Company is also entitled to certain tax and non-tax incentives. Details of these registrations are as follows:

Location of Project	Date of Registration	Income Tax Holiday Period	Income Tax Holiday Expiry
Calaca, Batangas	February 26, 2010	5 years	February 25, 2015*
Davao Expansion	May 14, 2010	5 years	May 13, 2015*
Zamboanga	November 25, 2010	5 years	November 24, 2015*
Bacolod City	May 10, 2012	5 Years	May 9, 2017
Cagayan de Oro City	May 10, 2012	5 Years	May 9, 2017

** The Company's BOI registrations for the availment of the income tax holiday which are expiring or have expired in 2015 pertaining to the abovedescribed original projects are no longer subject to renewal. However, in line with the Company's retail and commercial operation expansion, the Company plans or intends to increase the* *tank capacities of its depots by constructing additional tanks in Calaca, Zamboanga, Aklan and Davao, among others. Consequently, the Company will file at the appropriate time with the BOI new applications for registration relating to each such expansion.*

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

The Company's operations consist of trading, terminalling and hauling services. Under trading, the Company offers its refined petroleum products (including Jet A1) and lubricants to retailers and commercial/industrial customers. As of June 30, 2015, the Company has a total of 443 service stations, where 158 service stations are in Luzon, 62 in Visayas and 223 in Mindanao. The retail service stations are classified as CODO or DODO.

The Company's terminalling and hauling services involve leasing of storage space in its terminal depots, hauling and into-plane services (hauling of Jet A1 fuels to airports and refueling of aircraft) in Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City. Starting 2005, Cebu Pacific designated the Company as its exclusive logistics partner in all its Mindanao operations.

Subsidiaries:

The Company is the 100% owner of the following subsidiaries as of June 30, 2015:

- **P-H-O-E-N-I-X Global Mercantile, Inc. ("PGMI")**
- **P-F-L Petroleum Management, Inc. ("PPMI")**
- **Phoenix Petroterminals & Industrial Park Corp. ("PPIPC") (formerly Bacnotan Union Industrial Park Corporation)**
- **Subic Petroleum Trading and Transport Phils., Inc. ("SPTT").**
- **Chelsea Shipping Corp. ("CSC")**

- **PGMI** was incorporated and registered at SEC Davao Extension Office on July 31, 2006. It was previously engaged in the manufacture, production and creation of all kinds of motor, and all other transportation lubricants, fluids and additives of all kinds, and other petroleum products purposely for motor vehicles and other transportation. PGMI, which used to do business in the provinces of Davao, temporarily ceased its operations and has been dormant since 2008.

- **PPMI** is primarily engaged in organizing, managing, administering, running and supervising the operations and marketing of various kinds of service-oriented companies such as petroleum service stations. PPMI was organized and registered on January 31, 2007. PPMI maintains its business address at 26/F Fort Legend Towers, 3rd Ave. corner 31st Street, Bonifacio Global City, Taguig City, Metro Manila. PPMI serves as a transient operator for the Company's retail station awaiting qualified franchisee dealer to operate it.

- **PPIPC** (formerly known as the Bacnotan Union Industrial Park Corporation or BIPC) was organized and registered at Mandaluyong, Metro Manila on March 7, 1996 and is engaged in real estate development. PPIPC is also registered with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648

and was granted a license to sell parcels of land on March 31, 2000 covering the Phoenix Petroterminal and Industrial Park (the "Park"). PPIPC owns, manages and develops the Park, which occupies 94 hectares of land and is situated within three (3) Calaca barangays of Salong, Puting Bato West and Lumbang Calzada, with its own port facilities. PPIPC was granted a permit to operate a permanent and non-commercial port by the Philippine Ports Authority on April 6, 1999 until the expiration date of the Foreshore Lease Contract on July 22, 2022. PPIPC's principal place of business is at Km. 117, National Highway, Calaca, Batangas, 4212 Philippines.

- **SPTT** is engaged in the buying and selling, supply and distribution, importation and exportation, storage, and delivery of all types of petroleum for industrial, marine, aviation and automotive use. SPTT is duly registered with Subic Bay Metropolitan Authority and was issued the Certificate of Registration and Tax Exemption on May 7, 2015 effective until May 6, 2016, subject to annual renewal by SPTT. It was organized and registered at Mandaluyong City, Metro Manila on February 20, 2007. The registered office of SPTT, which is also its principal place of business, is at Units 113 and 115 Subic International Hotel, Alpha Building, Rizal Highway, Subic Bay Freeport Zone, Zambales. SPTT imports petroleum products from Singapore, Thailand, and Taiwan and sells petroleum products to companies operating inside Subic Freeport Zone in Zambales.

- **CSC** is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines and in the Asia-Pacific region. It has 12 vessels in its fleet, two of which serve the regional trade route (Taiwan to Philippines). Chelsea owns the two largest Philippine-registered oil tankers "M/T Chelsea Thelma" and" M/T Chelsea Donatela" with 9,366 gross tonnage each. With a total fleet size of 48,367.96 gross tonnage, Chelsea is among the top 5 major petroleum tanker owners in the country. It was organized and registered at SEC Davao Extension Office on July 17, 2006, and started commercial operations on January 1, 2007. The registered office of CSC, which is also its principal place of business, is located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City. It provides the Company services for its regional (Singapore, Taiwan, and Thailand) and domestic (routes to provinces of Davao, Zamboanga, Cagayan de Oro, Cebu, Bacolod, Aklan, Batangas, and Zambales) shipping requirements.

As of the end of 2014, the Company estimates that it has a 6.4% share of the retail service stations network in the Philippines and has captured 4.1% of the total petroleum products market based on the DOE Oil Supply/Demand Report for the full year 2014.

COMPETITIVE STRENGTHS

The Company believes that its strengths lie in the following:

- **Brand**. In an industry that has been dominated by three strong brands for decades, the Company is exerting huge efforts in widening the recognition of its brand. It continues to build up its brand through major marketing activities like mass media placements, celebrity endorsements, participating in trade expositions, and sponsoring key sports events. Its spending on brand equity is a necessary accompaniment to its investments in its retail and logistics infrastructure.

- **Cost-effective approach**. The Company's no-frills investment and station design approach allows a faster start-up time in putting up retail stations, allowing it to realize sales earlier than its competitors. The approach further emphasizes right-sizing in order for the Company and the dealer to realize a shorter payback on investment.

- **Simple organizational structure**. The relatively flat organizational structure allows the Company to respond faster to developments in the market. The Company's quick and proactive mindset allows it to seize opportunities as they become available. The management team has been built up with the addition of many key personnel with extensive experience in various areas of the petroleum industry.

BUSINESS STRATEGY

The Company continues to expand in other areas by building on its existing business model and by improving the alignment of its frontline revenue units with the logistics and other support areas of the organization. The Company is cognizant of the need to enhance further its profit-oriented and cost-effective approach and maintains a highly responsive organization. Its strategy focuses on the following elements:

- **Retail Network Expansion**. The increase in retail presence in viable trade areas allows the Company to increase its assured base volume of fuel sales. The retail network expansion likewise enhances the market for the Company's lubricants. A growing base volume for retail fuels also provides the Company with greater flexibility in transacting fuel importations with regional traders at more advantageous terms. The Company believes it has developed the competencies in network planning and operations necessary for efficiently managing the growth of its retail business.

  As of June 30, 2015, the Company had 443 retail service stations throughout the Philippines of which 158 are in Luzon, 62 in Visayas and 223 in Mindanao and additional 61 service stations which are under various stages of construction.

  In this regard, the Company is planning to establish more retail stations throughout the Philippines in 2015. The related expansion and strengthening of its depot, terminalling and distribution facilities will support the implementation of this business plan.

  In line with the expansion of its retail service network, the Company continues to develop and strengthen its Retail Network Management Systems in order to support its retail network expansion program in collaboration with dealers and franchisees.

- **Terminal/Depot Expansion**. The Company continues to make strategic investments in storage and transportation to support its retail network expansion program, and the broadening of its commercial customer base. Regional storage facilities will be required where the scale of the prospective retail network growth justifies the investment. Depots pay for themselves in terms of, among other things, savings in freight and handling costs, better aggregation of bulk fuel procurements and faster response time (and incremental profit margin opportunities) to upswings in trade area demand, especially for wholesale and commercial customers.

  A major investment by the Company in 2009 was the acquisition of 100% of the shares of PPIPC then known as BIPC, the owner/operator of the Park. The Company has installed a 110 million liter installation in the Park, thereby strengthening its ability to service new retail stations in Metro Manila and Southern Tagalog. The Company's expansion program calls for additional storage capacity for various sites throughout the country.

- **Direct Fuels Importation**. The Company imports almost 100% of its fuel requirements. Aside from diversifying fuel supply sources, importations yield higher gross profit margins due to the multiplicity of price-competitive offshore supply sources.

- **Jet Fuel Trading & Service Business**. The Company markets itself as the logistics partner of choice for the leading domestic airlines. As the exclusive logistics partner of Cebu Pacific in Mindanao for the last ten (10) years, the Company also expanded its business with Cebu Pacific in Luzon and the Visayas. It has built a track record of delivering good service and adherence to quality standards.

- **Financial Strength**. Realizing that financial strength is a critical success factor in the fulfillment of its plans, the Company increased its equity capital from ₽194 million in 2006 to ₽7.050 billion in 2014. As of June 30, 2015, shareholder's equity amounted to ₽7.399 billion. The Company will continue to take advantage of the current liquidity in the financial and capital markets to improve its financial condition by lowering its average cost of capital.

RISKS OF INVESTING

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Offer Shares. The risk factors summarized below are arranged in the order of importance and separated into categories for easy reference. The risk factors will be discussed further starting on page 31. These risks include:

Risks Relating to the Company and Its Subsidiaries

Internal Factors:

1. The growth of the company depends on the successful execution of its expansion plans;
2. Business and growth prospects heavily relies on the services of certain key personnel;
3. Significant disruption in operations arising from casualty loss at the Company's storage and distribution facilities;
4. The business is capital-intensive that may affect the leverage position and profitability of the company if it depends heavily on debt financing;
5. Increase in the number or severity of claims for which the Company is insured; and
6. Interest of the majority shareholders may be inconsistent with those of other shareholders.

External Factors:

1. Volatility of fuel prices;
2. Significant competition in the downstream oil industry;
3. Regulatory decisions and changes in the legal and regulatory environment;
4. Tax holiday incentives;
5. Effect of environmental laws on the Company's business;
6. Volatility of the foreign exchange; and
7. Reversal of the favorable ruling on the case involving the Company's President and CEO as a reputational risk.

Risks Relating to the Philippines

1. Slow growth rates and economic instability globally and in the Philippines;
2. Political or social instability;
3. Possible imposition of foreign exchange controls;
4. Possible occurrence of natural catastrophes or major power outages;
5. Philippine foreign ownership limitations; and
6. Fluctuations in the value of the Philippine Peso against the U.S. dollar.

Risks Relating to the Offer Shares

1. The Offer Shares are subordinated to the Company's other indebtedness.
2. Dividends on the Offer Shares may not be paid.
3. The Offer Shares have no stated maturity and the Company has the sole right to redemption.
4. Holders of Offer Shares may be exposed to insufficient distributions upon liquidation of the Company.
5. Holders of Offer Shares have no voting rights except as specifically provided by law.

THE COMPANY'S PRINCIPAL OFFICE

The Company's principal office is located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City, Philippines. The Company's telephone number at this address is (+6382) 235 8888. Information on the Company can be obtained on its website: *www.phoenixfuels.ph.*

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth financial and operating information of the Company. Prospective investors of the Offer Shares should read the summary financial data below together with the financial statements and the notes thereto included in this Prospectus, as well as the "Management's Discussion and Analysis of Financial Condition and Results of Operation". The summary financial data for the three years ended December 31, 2014, 2013, and 2012, as well as for the 2nd quarter of 2015, are derived from the Company's audited financial statements and the notes thereto, which are found elsewhere in this Prospectus.

Income Statement Data (in ₽ millions)				
	2012**	**2013**	**2014**	**January-June 2015**
Revenues	34,586	43,552	34,734	14,408
Cost and Expenses	33,435	42,240	33,321	13,570
Other Income/ (Charges)	(479)	(646)	(794)	(399)
Income/ (Loss) Before Tax and Other Items	671	666	619	439
Pre-Acquisition Loss				
Excess of Fair Value over Acquisition Costs				
Tax Income (Expense)	(20)	(1)	(3)	(14)
Net Income	**651**	**665**	**616**	**425**

**Re-stated Figures

Consolidated Financial Position Data				
ASSETS **Current Assets**	**2012****	**2013**	**2014**	**January-June 2015**
Cash and cash equivalents	439	357	555	823
Trade and other receivables	3,557	7,344	7,833	6,847
Inventories	3,689	3,813	2,871	3,502
Land held for sale	502	504	486	486
Due from related parties	8	3	10	14
Restricted deposits	83	95	70	71
Input value-added tax	393	449	604	577
Other current assets	282	490	1,147	1,108
Total Current Assets	**8,953**	**13,055**	**13,576**	**13,428**
Non-current Assets				
Installment Receivable				
Property, plant and equipment — net	6,998	8,628	10,688	11,256
Land held for future development	289	298	313	313
Investment in Associate		2	2	2
Goodwill	85	85	85	85
Other non-current assets – net	168	270	336	450
Total Non-current Assets	**7,540**	**9,283**	**11,424**	**12,106**
Total Assets	**16,493**	**22,338**	**25,000**	**25,534**

LIABILITIES AND EQUITY **Current Liabilities**	**2012****	**2013**	**2014**	**January-June 2015**
Loans and borrowings	4,119	8,207	8,479	9,973
Trade and other payables	1,547	1,570	3,735	1,924
Due to related parties	86	64	17	0
Total Current Liabilities	**5,752**	**9,842**	**12,231**	**11,897**
Non-current liabilities				
Loans and borrowings	5,796	5,544	5,364	5,834
Due to related parties	-	-	-	-
Deferred Tax Liabilities-net	106	77	72	142
Other non-current liabilities – net	357	377	283	263
Total Non-current Liabilities	**6,259**	**5,998**	**5,719**	**6,238**
Total Liabilities	**12,011**	**15,840**	**17,950**	**18,135**
EQUITY				
Capital stock-Common	906	1,429	1,429	1,429
Preferred Stocks	5	5	5	5
Additional paid-in capital	2,052	3,368	3,368	3,368
Revaluation and Other Reserves	(341)	(350)	(251)	(232)
Retained earnings	1,860	2,046	2,499	2,829
Total Equity	**4,482**	**6,498**	**7,050**	**7,399**
Total Liabilities and Equity	**16,493**	**22,338**	**25,000**	**25,534**

**Re-stated Figures

THE OFFER

As the Third Tranche of preferred shares issuance, the Company is offering to the public 10,000,000 cumulative, non-voting (except as specifically provided by law), non-participating, non-convertible peso-denominated perpetual preferred shares at an Offer Price of ₱100.00 per share ("Firm Shares"). In the event of an oversubscription of the offering of the Firm Shares, the Company, upon consultation with the Sole Issue Manager and Joint Lead Underwriters, shall have the right to further issue up to an additional 10,000,000 preferred shares having the same features as the Firm Shares ("Option Shares"). The Firm Shares and the Option Shares comprise the Offer Shares. The Offer Shares have a par value of ₱1.00 per share and shall be issued by the Company from the unissued portion of its 50,000,000 authorized preferred share capital.

Previously, on September 21, 2010, the Company issued 5,000,000 preferred shares (the 1st tranche) at the issue price of ₱100.00 by way of private placement and/or sale under SRC Rule 10.1 (k) and (l) to qualified institutional buyers underwritten by PentaCapital. Under this 1st tranche issuance, the Company declared dividends on the preferred shares at a fixed rate of 11.50% p.a. paid quarterly. The Company was given an option to redeem the whole issuance of 5,000,000 on the 3rd year. In the event the Company fails to redeem in whole the issued preferred shares, the dividend rate shall be increased to 13.50% p.a. beginning on the 5th year. The Company raised gross proceeds of ₱500,000,000.00 from the 1st tranche issuance.

On December 20, 2013, the third year since the issuance of the 1st tranche, the Company issued another 5,000,000 preferred shares (the 2nd tranche) for the purpose of redeeming the 1st tranche at the issue price of ₱100.00 per share. The 2nd tranche had a dividend rate of 8.25% p.a. paid quarterly. The Company raised gross proceeds of ₱500,000,000.00 from the 2nd tranche issuance. After the 2nd tranche issuance, there are no preferred shares issued from the 1st tranche that remain outstanding.

On March 19, 2014, the Commission's Davao Extension Office issued Resolution No. DS-669 that the sale of the 2nd tranche of preferred shares is considered an exempt transaction under Section 10.1 (k) of the SRC and, therefore, exempt from registration.

Nonetheless, on May 06, 2014, the Company filed a Registration Statement with the Commission in connection with the registration of the 2nd tranche of preferred shares with an aggregate principal amount of ₱500,000,000.00.

Pursuant to Section 2 (b) of SEC Memorandum Circular No. 9, Series of 2008 which states that no registration shall be required for the outstanding shares of the company covered by Sections 10.1 and 10.2 (Exempt Transactions) of the SRC that are applying for listing at the Exchange, the Exchange approved the listing of the 2nd tranche of preferred shares on September 24, 2014.

On November 10, 2014, the Commission issued an order rendering the Registration Statement effective in connection with the listing of the 2nd tranche of preferred shares with the Exchange. The Company listed these shares on January 08, 2015.

SUMMARY OF THE OFFER

The following do not purport to be a complete listing of all the rights, obligations and privileges of the Offer Shares. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective shareholders are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective shareholder must rely on his/its own appraisal of the Company and the proposed *investment and his/its own independent verification of the information contained herein and any other investigation he/it may deem appropriate for the purpose of determining whether to participate in the proposed public offering and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective shareholder's independent evaluation and analysis.*

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Offer Shares. Accordingly, any decision by a prospective investor to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

The Offer	The Company, through the Sole Issue Manager and Joint Lead Underwriters, is offering the Offer Shares in the following series: Series 3A (PNX3A) is entitled to an Optional Redemption as defined herein on the 3rd anniversary of the Listing Date and subject to a Step-Up Dividend Rate on the 5th anniversary of the Listing Date; and Series 3B (PNX3B) is entitled to an Optional Redemption as defined herein on the 5th anniversary of the Listing Date and subject to a Step-Up Dividend Rate on the 7th anniversary of the Listing Date.
Par Value	The Offer Shares shall have a par value of ₽1.00 per share.
Offer Price	The Offer Shares shall be offered at a price of ₽ 100.00 per share.
Dividend Rate	As and if dividends are declared by the Company's Board of Directors, dividends on the Offer Shares shall be paid at a fixed rate as follows: For Series 3A: [.]% per annum based on the simple average of the closing per annum rates of the 5-year PDST-R2 for three (3) consecutive days ending on and including the Dividend Rate Setting Date plus an initial spread per annum; and For Series 3B: [.]% per annum based on the simple average of the closing per annum rates of the 7-year PDST-R2 for three (3) consecutive days ending on and including the Dividend Rate Setting Date plus an initial spread per annum. Dividend Rate Setting Date is [.].
Conditions on Payment of Dividends	The Offer Shares shall have priority in the payment of dividends at the stipulated rate at the time of issuance and in the distribution of corporate assets in the event of dissolution and liquidation of the Company. As such, the Company's Board of Directors to the extent permitted by law shall declare dividends each quarter sufficient to pay the dividend rate on the Offer Shares.

Dividends on the Offer Shares shall be cumulative. If, for any reason, the Company's Board of Directors does not declare a dividend on the Offer Shares for a particular dividend period, the Company shall not pay a dividend on the Dividend Payment Date for that dividend period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Offer Shares shall receive the dividends due them on such Dividend Payment Date, as well as all dividends accrued and unpaid to the holders of said shares prior to such Dividend Payment Date.

Holders of Offer Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Offer Shares.

Dividend Payment Dates

Subject to limitations described in this Prospectus, dividends on the Offer Shares shall be payable on [.], [.], [.] and [.] of each year (each a "Dividend Payment Date").

Cash dividends on the Offer Shares will be payable once for every Dividend Period on such date set by the Board of Directors at the time of declaration of such dividends (each a "Dividend Payment Date") in accordance with the terms and conditions of the Offer Shares. A "Dividend Period" shall refer to the period commencing on the Issue Date and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day of the immediately preceding Dividend Period up to, but excluding the first day of the immediately succeeding Dividend Period.

The dividends on the Offer Shares shall be calculated on a 30/360-day basis and shall be paid quarterly in arrears on the last day of each 3-month Dividend Period based on the Offer Price calculated in respect of each share for each Dividend Period, as and if declared by the Company's Board of Directors.

If the Dividend Payment Date is not a Banking Day, dividends shall be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.

Step-Up Dividend Rate

Unless the Offer Shares are redeemed by the Company, the Dividend Rate will be adjusted as follows:

For Series 3A: the Dividend Rate plus 2.00% per annum on the 5^{th} anniversary of the Listing Date ; and

For Series 3B: the Dividend Rate plus 2.00% per annum on the 7^{th} anniversary of the Listing Date.

Debt to Equity Ratio

The Company shall maintain a Debt to Equity Ratio of 3:1 throughout the life of the Offer Shares.

Oversubscription Option / Condition on the Issuance of Option Shares	In the event of an oversubscription of the offering of the Firm Shares, the Company, upon consultation with the Sole Issue Manager and Joint Lead Underwriters, shall have the right to issue the Option Shares.
Optional Redemption and Purchase	As and if declared by the Company's Board of Directors, the Company may redeem the Offer Shares as follows: For Series 3A: on the third (3rd) anniversary of the Listing Date; and For Series 3B: on the fifth (5th) anniversary of the Listing Date (the "Optional Redemption Date") or on any Dividend Payment Date thereafter subject to a minimum of ninety (90) days' written notice to all holders of the Offer Shares prior to the Optional Redemption Date, at a redemption price equal to the Offer Price of ₽100.00 per share plus accrued and unpaid dividends for all dividend periods, if any, up to the date of actual redemption by the Company.
Early Redemption Due to Taxation or Accounting Standards	If dividend payments become subject to additional or increased tax or any new tax as a result of certain changes in law, rule or regulation, or accounting standards, or in the interpretation thereof, and such change cannot be avoided by the use of lawful measures available to the Company, the Company may redeem the Offer Shares in whole, but not in part, on any Dividend Payment Date at the Offer Price of ₽100.00 per share plus all accrued and unpaid dividends, if any; provided, that notice must be given to all holders of the Offer Shares at least thirty (30) days but not more than sixty (60) days prior to the redemption date.
Taxation	All payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or in behalf of the Republic of the Philippines, including, but not limited to, stamp, issue, registration, documentary, value-added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Offer Shares will receive the full amount of the relevant payment which otherwise would have been due and payable; provided, however, that the Company shall not be liable for: (a) the applicable withholding tax on dividends earned on the Offer Shares as prescribed under the National Internal Revenue Code of 1997; (b) the expanded value added tax which may be payable by any holder of the Offer Shares on any amount to be received from the Company under the Offer; and (c) any withholding tax on any amount payable to any holder of the Offer Shares; provided, that all sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities. Documentary stamp tax for the primary issue of the Offer Shares and the documentation, if any, shall be for the account of the Company. The standard taxes applicable to the subsequent sale or other disposition of the Offer Shares by any holder of the Offer Shares, which are the same

taxes for any sale or disposition of the common shares of the Company, shall be for the account of said holder.

See also the discussion under "Taxation" on page 139.

Liquidation Rights	In the event of a return of capital in respect of the Company's winding up or otherwise (whether voluntary or involuntary) but not on a redemption or purchase by the Company of any of its share capital, the holders of the Offer Shares at the time outstanding will be entitled to receive, in Pesos out of the Company's assets available for distribution to shareholders, together with the holders of any other of the Company's shares ranking, as regards repayment of capital, *pari passu* with the Offer Shares, and before any distribution of assets is made to holders of any class of the Company's shares ranking after the Offer Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price of the Offer Shares plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period up to (and including) the date of commencement of the Company's winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in respect of the Company's winding up, the amount payable with respect to the Offer Shares and any other of the Company's shares ranking as to any such distribution *pari passu* with the Offer Shares are not paid in full, the holders of the Offer Shares and of such other shares will share ratably in any such distribution of the Company's assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Offer Shares will have no right or claim to any of the Company's remaining assets and will not be entitled to any other or further participation or return of capital in a winding up.
Other Features of the Offer Shares: No Voting (in general); No Pre-emptive Rights; and Non-Convertible to Common Shares	The Offer Shares shall have no voting rights except as specifically provided by the Philippine Corporation Code. Thus, holders of the Offer Shares shall not be eligible, for example, to vote for or elect the Company's Directors or to vote for or against the issuance of a stock dividend. Holders of the Offer Shares, however, may vote on matters which the Philippine Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders of the Company, including those holding shares denominated as non-voting in its Articles of Incorporation. These acts, which require the approval of shareholders of the Company representing at least 2/3 of the total issued and outstanding capital stock of the Company in a meeting duly called for the purpose, are as follows: ▪ Amendment of the Company's Articles of Incorporation (including any increase or decrease of its capital stock); ▪ Amendment of the Company's By-laws; ▪ Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the Company's assets; ▪ Incurring, creating or increasing the Company's bonded indebtedness; ▪ Increase or decrease of the Company's capital stock;

- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized; and
- Dissolution of the Company.

There are no pre-emptive rights extended to holders of the Offer Shares over all share issuances of the Company.

The Offer Shares shall not be convertible into the Company's common shares.

Form, Title and Registration of the Offer Shares

The Offer Shares will be issued in scripless form through the book-entry system of the Registrar for the Offer and lodged with the Philippine Depository and Trust Corporation ("PDTC") as depository agent through the PSE Trading Participants nominated by the Applicants.

Legal title to the Shares will be shown in a register of shareholders (the "Registry of Shareholders") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder).

After the listing date, shareholders may request the Registrar through their nominated PSE Trading Participants, to (a) open a scripless registry account and have their holdings of the Offer Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Offer Shares. Any expense that shall be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder.

Status of the Offer Shares in the Distribution of Corporate Assets in the Event of Dissolution

The Offer Shares will constitute the direct and unsecured obligations of the Company and shall have priority in the distribution of corporate assets in the event of dissolution and liquidation of the Company.

Title and Transfer

Legal title to the Offer Shares shall pass by endorsement and delivery to the transferee and registration in the Registry of Shareholders to be maintained by the Registrar.

Governing Law

The Offer Shares will be issued pursuant to the laws of the Republic of the Philippines.

Other Terms of the Offer

Minimum Subscription to the Offer Shares

Each Application to Purchase ("ATP") shall be for a minimum of 500 Offer Shares, and thereafter, in multiples of 100 Offer Shares. No ATP for multiples of any other number of Offer Shares will be considered.

Eligible Investors	The Offer Shares may be purchased, owned or subscribed to by any natural person of legal age, or any corporation, association, partnership, trust account, fund or other entity. Due to the constitutional limit on foreign ownership applicable to the Company, foreign shareholdings in the Company cannot exceed forty percent (40%) of the issued and outstanding capital stock thereof. The Company reserves the right to reject or scaledown ATPs received from foreign applicants if acceptance of such ATPs will result in a violation by the Company of foreign ownership restrictions applicable to it.
Procedure for ATPs	ATPs may be obtained from any of the Joint Lead Underwriters or any of the participating underwriters and any of the Selling Agents. The ATPs may also be obtained from the website of the Company at www.phoenixfuels.ph. If and when the oversubscription option is exercised, the subscription thereto follows the same procedure as that of the subscription to the Firm Shares. All ATPs shall be evidenced by the ATP duly executed in each case by an authorized signatory of the Applicant and accompanied by two (2) completed signature cards, the corresponding payment for the Offer Shares covered by the ATP and all other required documents, including documents required for registry with the Registrar and PDTC. The duly executed ATP and required documents should be submitted to the Joint Lead Underwriters or any participating underwriter at or prior to 12:00 noon, Manila time of the last day of the Offer Period. If the Applicant is a corporation, partnership, or trust account, the ATP must be accompanied by the following documents: (a) a certified true copy of the Applicant's latest articles of incorporation and by-laws and other constitutive documents, each as amended to date, duly certified by the corporate secretary; (b) a certified true copy of the Applicant's SEC certificate of registration, duly certified by the corporate secretary; and (c) a duly notarized corporate secretary's certificate setting forth the resolution of the Applicant's board of directors or equivalent body authorizing (i) the purchase of the Offer Shares indicated in the ATP and (ii) the designated signatories for the purpose, including their respective specimen signatures. Individual Applicants must also submit a photocopy of any one of the following identification cards ("ID"): passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the Selling Agents. An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must indicate such exemption or entitlement in the ATP and also submit additional documents as may be required by the Company, including but not limited to, the documents

required for a tax treaty relief application in respect of dividends as follows:

(a) BIR Form No. 0901-D;

(b) BIR ruling approving the tax treaty relief application; and

(c) proof of tax residence in the country that is a party to the tax treaty with the Philippines. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

Payment of the Offer Shares	The Offer Shares must be paid in full on Listing Date.
Acceptance/Rejection of ATPs	The actual number of Preferred Shares that an Applicant will be allowed to subscribe for is subject to the confirmation of the Sole Issue Manager and the Joint Lead Underwriters. The Company reserves the right to accept or reject, in whole or in part, or to reduce any ATP due to any grounds specified in the Underwriting Agreement to be entered into by the Company and the Sole Issue Manager and the Joint Lead Underwriters. ATPs which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any acceptance or receipt of payment pursuant to the ATPs does not constitute approval or acceptance by the Company of the ATPs. An ATP, when accepted, shall constitute an agreement between the Applicant and the Company for the subscription to the preferred shares at the time, in the manner and subject to terms and conditions set forth in the ATP and those described in this Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription by the Applicant for the Preferred Shares will become effective only upon listing of the Preferred Shares on the Exchange and upon the obligations of the Sole Issue Manager and the Joint Lead Underwriters under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement. If such conditions have not been fulfilled on or before the periods provided above, all ATP payments will be returned to the Applicants without interest.
Refunds for Rejected ATPs	In the event that the number of preferred shares to be allotted to an Applicant, as confirmed by a Joint Lead Underwriter or Selling Agent, is less than the number covered by its ATP, or if an ATP is wholly or partially rejected by the Company, then the Company shall refund, without interest, within five banking days from the end of the Offer Period, all or the portion of the payment corresponding to the number of preferred shares wholly or

	partially rejected. All refunds shall be made through the Joint Lead Underwriter or Selling Agent with whom the Applicant has filed the ATP at the Applicant's risk.
Sole Issue Manager	Penta Capital & Investment Corporation
Joint Lead Underwriters	Penta Capital & Investment Corporation AB Capital and Investment Corporation Multinational Investment Bancorporation
Selling Agents	Trading Participants of the Exchange
Depository Agent	Philippine Depository and Trust Corporation
Receiving, Registrar and Paying Agent	Banco de Oro Unibank, Inc.-Trust and Investments Group
Counsel to the Company	The Law Firm of Uy Cruz Lo & Associates ("UCLA")
Counsel to the Joint Lead Underwriters	DB Law Partnership Nava & Associates
Listing Date	[.], 2015

EXPECTED TIMETABLE

The indicative timetable of the Offer is expected to be as follows:

Particulars	***Dates***
Filing of the Initial Registration Statement with the SEC……………………………………..…..	August 24, 2015
Filing of the PSE Listing Application………………………………………………………………………	September 21, 2015
Regulatory Review Period……………………………………………………………………….……………	August 24 - October 29, 2015
Securing SEC Pre-Effective Clearance…………………………………………………….……….……	October 30, 2015
Securing PSE Board Approval……………………………………………………………………..…………	November 11, 2015
Book Building Period….………………………………………………………….……………………….…….	November 25, 2015
Dividend Rate Setting……………………………………………………..……………………………………..	November 25, 2015
Submission to SEC of Final Prospectus……………………………………………………………..…….	November 25, 2015
Securing SEC Order of Registration and Certificate of Permit to Offer Securities for Sale……..	November 27, 2015
Submission to PSE of Final Prospectus………………………………………………………….……….	December 2, 2015
Offer Period……………………………………………..…………………………………………………………..	December 7-11, 2015
Subscription Payment Date………………………………………………………………………………..	December 11, 2015
Settlement Period………………..………………………………………………………..…………..………..	December 14-17, 2015
Issue and Listing Date…………………………………………………………………………………………	December 18, 2015

The dates indicated above are subject to market and other conditions and may be changed by the agreement of the Company, the Sole Issue Manager and the Joint Lead Underwriters, subject to the approval by the Commission and the Exchange.

RISK FACTORS

General Risk Warning

The price of securities can and does fluctuate; any individual security may experience upward or downward movements; and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance.

There is an extra risk of losing money when securities are issued by smaller companies. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments, each of which may carry a different level of risk.

Prudence Required

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the Offer Shares and the Company from the Commission and the Exchange.

Professional Advice

An investor should seek professional advice if he/it is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.

Risk Factors

An investment in the Offer Shares described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Offer Shares should carefully consider the factors below, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Offer Shares. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company's actual results may differ significantly from the results discussed in this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of the Company, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for ease of reference.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The Company's business, financial condition and results of operations could be materially affected by any of these risk factors.

The risk factors summarized below are arranged in the order of importance and separated into categories for easy reference.

RISKS RELATING TO THE COMPANY AND ITS SUBSIDIARIES

The following discussion is not intended to be a comprehensive description of all applicable risk considerations, and is not in any way meant to disclose all risk considerations or other significant aspects of investment in the Offer Shares. Investors are encouraged to make their own independent legal, financial, and business evaluation of the Company.

INTERNAL FACTORS

1) ***The growth of the Company is dependent on the successful execution of its expansion plans.***

Proper execution and successful implementation of the Company's expansion plans is critical to maintain the growth of the Company going forward. These plans are based on certain assumptions about oil demand, oil prices, competition, financing cost and acquiring the necessary timely regulatory approvals, among other things. The Company cannot and does not represent with absolute certainty that these assumptions would materialize as predicted. In the event that these prove to be incorrect, the Company's future financial performance may be negatively affected.

To mitigate this risk, the Company continually reviews its network expansion program by identifying and anticipating target locations, dealers and operating and logistical requirements up to a year in advance. This should enable the Company to mobilize financial and operating resources in a timely manner and allocate resources effectively to support the Company's expansion plans.

2) ***The Company depends on certain key personnel, and its business and growth prospects may be disrupted if their services are lost.***

Certain key executives and employees are important for the efficient operation of the Company's business. Should several of these key personnel be unable or unwilling to continue their present roles, the Company may face difficulties in looking for replacements and the business and operations may be disrupted. This may result to a potential material effect on the financial condition and operating results of the Company.

To mitigate this risk, the Company ensures that its compensation and benefit packages for its officers, staff and rank-and-file are competitive with industry standards. Promotions and pay raises are merit-based and performance appraisals are conducted regularly. Key personnel are also regularly sent to training programs in the Philippines and abroad to ensure that their knowledge and skills are continually updated. The Company has also established a Company-wide succession plan.

3) ***Any significant disruption in operations or casualty loss at the Company's storage and distribution facilities could affect its business and results of operations and result in potential liabilities.***

The Company's operation of its storage and terminal facilities and retail gasoline stations could be affected by several factors, including, but not limited to, equipment failure and breakdown, accidents, power interruption, human error, natural disasters, and other unforeseen incidents and issues. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and/or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company has purchased insurance policies covering a majority of foreseeable risks but do not cover all potential losses as insurance may not be available for all such risks or on commercially reasonable terms. Operational disruptions may occur going forward, and as such, insurance may not be able to adequately cover the entire scope or extent of the losses or other financial impact on the Company.

The Company aims to mitigate this risk by following best practices to prevent the occurrence of or minimize the impact of accidents or other untoward incidents. These include measures to isolate the physical effects of any incidents (for example, the dispersed locations of its storage depots and alternative storage arrangements), minimize their financial impact on the Company (by ensuring that insurance coverage is adequate) and prevent their occurrence (for example, by ensuring that maintenance and safety procedures follow ISO standards and maintaining an adequate security force).

4) ***The Company's business strategies require significant capital expenditures and financing, which are subject to a number of risks and uncertainties. Its financial condition and results of operations may be affected by its debt levels.***

The Company's business is capital intensive, particularly the importation, storage and distribution of petroleum products. The Company's financial condition, sales, net income and cash flows, will depend on its capital expenditures for, among others, the construction of storage and wholesale distribution facilities and equipment, the construction of retail gas stations and the acquisition of tanker trucks. Its business strategies involve the construction of new terminal facilities and the expansion of its service station networks. If the Company fails to complete its capital expenditure projects on time or at all or within the allotted budget, or to operate such facilities at their designed capacity, it may be unable to maintain and increase its sales and profits or to capture additional market share as planned, and its business, results of operations and financial condition could be affected.

The Company has incurred additional indebtedness to support its capital expenditure program. The Company's ability to follow this program and meet its debt obligations will partly depend on the ability of the business to generate cash flows from its operations and obtain additional financing. There can be no assurance that the Company will be able to generate sufficient cash flows from its operations or obtain adequate financing for its capital expenditure projects, or to meet its debt servicing obligations, on acceptable terms or at all. The inability of the Company to meet its capital expenditure program whether through unsuccessful implementation or insufficient funding could affect its business, financial condition and results of operations.

Financing risk is mitigated as the Company follows a conservative financing strategy to optimize its leverage and ensure that the costs of financing are well within the Company's ability to meet these costs.

5) ***If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the cost of damages and claims prove to be more severe than its insurance coverage, the Company's financial condition and results of operations may be materially affected.***

The Company uses a combination of self-insurance and reinsurance to cover its properties and certain potential liabilities. The Company's insurance coverage includes property, marine cargo and third party liability. The Company estimates the liabilities associated with the risks retained by it in part by considering historical claims, experience and other actuarial assumptions which, by their nature, are subject to a degree of uncertainty and variability. A number of external factors affect their uncertainty and variability including, but not limited to, future inflation rates, discount rates, litigation trends, legal interpretation and actual claim settlement patterns. If the number or severity of claims for which the Company is insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than its original assessment, the Company's financial condition, results of operations and cash flows may be materially affected.

To mitigate this risk, the Company continually reviews and updates its insurance policies so that it is reasonably protected from foreseeable events and risks. Insurance coverage is acquired through competitive bidding to ensure that the Company's premium costs are reasonable and at par with industry standards.

6) ***The Company's controlling shareholder may have interests that may not be the same as those of other shareholders.***

Udenna Corp., directly or indirectly with PPHI and UMRC, holds 63.15% of the Company's outstanding common equity as of June 30, 2015. Neither Udenna Corp. nor PPHI is obligated to provide the Company with financial support or to exercise its rights as a shareholder in the Company's best interests or in the best interests of the Company's other shareholders. Should there be a conflict between the interests of Udenna Corp. or PPHI and the interests of the Company, the Company may be affected by the actions of Udenna Corp.

The Company has an operating lease agreement with its parent, Udenna Corp., for the use of various properties for its operations and for office space. While the Company believes that the terms of these transactions were negotiated on an arms-length basis, there is no assurance that the Company cannot avail of better terms if it contracted with parties other than its affiliates.

To mitigate this risk, the Company follows good corporate governance standards in dealing with its shareholders and other related parties. These standards include, but are not necessarily limited to, "arms-length" practices in all commercial dealings with related interests and transparency and full disclosure in all such dealings.

EXTERNAL FACTORS

1) ***Volatility of the price of crude oil may have an adverse effect on the Company's business, results of operations and financial condition.***

The Company's financial results are primarily affected by the difference between the price and cost of its petroleum products, which accounts for almost 90% of the Company's total cost of goods sold. A number of domestic and international factors influence the price of petroleum products, including, but not limited to, the changes in supply and demand for crude oil, economic conditions, conflicts or acts of terrorism, weather conditions, and governmental regulation.

International crude oil prices have been volatile, particularly in 2014, and are likely to continue to be so. Dubai spot crude oil was at US$105/bbl in July 2014 and went down to under US$62/bbl in December 2014. There is no assurance that prices will remain stable over the near- and medium-term.

The Company holds about twenty (20) to thirty (30) days of inventory and uses the average method to account for its inventory. Should global fuel prices suddenly drop significantly, the Company may be constrained to sell its petroleum products at a price below acquisition cost of its existing inventory. In a period of rising crude oil prices, social and competitive concerns, and government intervention, the Company may be further constrained to keep current selling prices resulting in its inability to pass on to the consumers the price increases in a timely manner. The Government has previously intervened to restrict price increases for petroleum products, following a declaration of a state of national calamity by former President Gloria Macapagal-Arroyo after typhoons “Ondoy” and “Pepeng” left a trail of disaster. In 2013, during the declaration of a state of calamity brought about by the monsoon rains in Luzon and the earthquake in Bohol, Cebu and neighboring places, the Department of Trade and Industry issued a price freeze order on basic commodities including fuel. Another declaration of a state of national calamity may result in the Company being unable to pass on price increases effectively, which could affect profitability for the period of effectivity of such order. Such inability to pass on price increases may result to an adverse effect on the Company’s business, results of operations and financial condition. Demand for the Company’s products may also be affected as a result of price increases.

A sharp rise in oil prices will require higher working capital and may force the Company to acquire higher financing costs. A material adverse effect on the Company’s financial condition and results of operations may follow should the Company face challenges in securing short-term financing for working capital.

To mitigate this risk, the Company closely monitors the prices of fuel in the international and domestic markets. This enables the Company to anticipate any significant price movement and plan out contingencies to hasten the disposition of its existing inventory as necessary to various distributors and wholesalers.

2) ***The Company’s business, financial condition and results of operations may be affected by intense competition.***

The Company faces intense multinational, national, regional and local competition in the sale of refined petroleum products and other related products in the Philippines. Competition is driven and dictated primarily by the price, as oil is one of the basic commodities. Differences in product specifications, and other overhead costs such as transportation, distribution and marketing costs, account for the price differentials amongst industry players. Some competitors, notably Petron, Shell and Chevron, have significantly greater financial and operating resources, and access to capital than the Company, and could arguably dictate domestic marketing and selling conditions to the detriment of the Company.

As competition is mainly driven by price, the Company’s business, operational and financial condition may be materially affected if it is unable to compete effectively against other players, which will be primarily driven by its ability to manage overhead costs, streamline transportation and distribution costs, and maximize utilization of its assets.

Smuggling and illegal trading activities of petroleum products have affected the domestic petroleum market. These activities have translated to lower sales price and volumes for legitimate market players in the domestic market. The Company’s financial condition and results of operations may be affected if the Government is unable to properly enforce and regulate the domestic oil market.

Competition risk is primarily mitigated by the Company continually strengthening and expanding its distribution network to improve its presence in both growing and high potential markets. The Company continues to invest in building brand equity to ensure that it is consistently recognized and recalled by its target market, and improving customer service to a level at par with or superior to its competitors.

3) ***Regulatory decisions and changes in the legal and regulatory environment could increase the Company’s operating costs and affects its business, results of operations and financial condition.***

Even though the local downstream oil industry is a deregulated industry, the Government has historically intervened to limit and restrict increases in the prices of petroleum products. On October 2, 2009, a state of national calamity in view of the devastation caused by typhoons “Ondoy” and “Pepeng” was called by former President Gloria Macapagal-Arroyo. Executive Order No. 839 was issued which called for the prices of petroleum products in Luzon to be kept at October 15, 2009 levels effective October 23, 2009. As a result of the Executive Order, prices of oil products were kept at said levels by the Company affecting its profitability in Luzon for the period that the executive order was in effect. On November 16, 2009, the price freeze was lifted. There is no assurance that the Government will not invoke similar measures or reinstate price regulation in the future, which may affect the Company’s results of operations.

The Company’s operations are subject to various taxes, duties and tariffs. The oil industry in the Philippines has experienced some key changes in its tax and duty structure. Import duties for crude oil and petroleum products were increased in January 1, 2005 from 3% to 5% which was then rolled back to 3%. In 2006, an additional 12% VAT was imposed by the Government on the sale or importation of petroleum products. As of July 4, 2010, import duties on crude oil and petroleum products were lifted. Such taxes, duties and tariffs may or may not change going forward, and this could result to a material adverse effect on the Company’s business, financial condition and results of operations.

As indicated in the previous item, the Company’s Corporate Affairs Department is dedicated to monitoring compliance with regulations, as well as anticipating any new regulations that may be implemented by the authorities. This ensures that any additional costs resulting from changes in the legal and regulatory environment can be anticipated and prepared for by the Company.

4) ***The Company currently benefits from income tax holidays on the operation of certain depots. If the Company did not have the benefit of income tax holidays, its profitability will be affected, as it will have to pay income tax at the prevailing rates.***

Under its registration with the BOI, the Company enjoys certain benefits, including an income tax holiday (“ITH”) on the operations of the Davao Extension, the Calaca (Batangas) and the Zamboanga depots. In addition, the Company secured approval in 2012 for BOI registration with corresponding ITH for its Cagayan de Oro City (Phividec) and Bacolod depots. The ITH runs for a period of five (5) years from the commencement of operations of each depot. Upon expiration of a tax holiday, the Company’s income from a depot will be subject to prevailing income tax rates. In addition, if the Company fails to meet certain conditions imposed by the BOI, it may lose its right to the ITH. In such an event, the Company may not be able to continue to avail of the benefits under the ITH. The loss of the ITH would affect the Company’s profitability as it may have to pay income tax at prevailing rates. In addition, there is no guarantee that the Company will be able to secure similar ITH for any new depots that it may establish in the future or for the statutes granting said ITH to be superseded or amended. For example, the Company’s registration as a New Industry Participant with New Investment in Storage, Marketing and Distribution of Petroleum Products (with Certificate of Registration No. 2010-184) provides that it is entitled to ITH until 15 November 2010. After the lapse of the ITH, the Company became liable for the regular corporate income tax. Any such inability by the Company to enjoy ITH benefits may have a material effect on its business prospects, financial condition and results of operations.

The Company continuously monitors its compliance with the requirements and conditions imposed by the BOI to mitigate this risk.

5) ***Exposure to costs and liabilities arising from compliance with safety, health, environmental and zoning laws and regulations.***

The operation of the Company's business is subject to a number of national and local laws and regulations, including safety, health, environmental and zoning laws and regulations. These laws and regulations impose controls on air and water discharges, storage, handling, discharge and disposal of waste, location of storage facilities, and other aspects of the operations of the Company's business. Financial penalties, administrative and/or legal proceedings against the Company, or revocation or suspension of the Company's licenses or operation of its facilities may arise should the Company fail to comply with relevant laws and regulations.

The Company has incurred, and expects to continue to incur operating costs to comply with such laws and regulations. In addition, the Company has made and expects to continue to make capital expenditures on an ongoing basis to comply with safety, health, environmental and zoning laws and regulations.

Safety, health, environmental and zoning laws and regulations in the Philippines are becoming more and more stringent over the years. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, or increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in the Company being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities.

To mitigate this risk, the Company keeps itself updated on government policies and regulations pertaining to the oil industry. Through its Corporate Affairs Department, the Company maintains lines of communication with regulatory agencies to allow the Company to identify potential regulatory risks and proactively respond to these risks.

6) ***The Company's business and financial condition may be impacted by the fluctuations in the value of the Philippine Peso against the U.S. Dollar.***

The Company's revenues are denominated in Philippine Pesos (Pesos) while the bulk of its expenses, notably the cost of its imported petroleum products, is U.S. Dollar-denominated. The Company's reporting currency in its financial statements is in Pesos. Further, the Company has several U.S. Dollar loans from certain banks which were used to finance its capital expenditures. Changes in the US Dollar-Peso exchange rate may affect the financial condition of the Company. Should the Peso depreciate, this would translate to higher foreign currency denominated costs and effectively affecting the Company's financial conditions. There can be no assurance that the Company could increase its Peso-denominated product prices to offset increases in its cost of goods sold or other costs resulting from any depreciation of the Peso. There can be no assurance that the value of the Peso will not decline or continue to fluctuate significantly against the U.S. dollar and any significant future depreciation of the Peso could have a material adverse effect on the Company's margins, results of operations and financial condition.

The Company has swapped 100% of its long-term U.S. Dollar loans to Pesos to effectively eliminate its exposure to foreign currency denominated liabilities. The risk posed by foreign exchange fluctuations in the cost of its imported petroleum products is generally mitigated by the Company's ability to pass on any such additional costs by way of adjustments to its selling prices.

7) ***Reversal of the favorable ruling in the case involving the Company's President and CEO may pose a reputational risk to the Company and its business.***

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

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

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court. On December 2, 2014, Mr. Uy received a copy of the Resolution dated November 19, 2014 directing him to file a comment on the Petition within ten (10) days from notice. On January 12, 2015, Mr. Uy filed his Comment on the Petition. On February 17, 2015, Mr. Uy received Petitioner's Reply dated February 12, 2015. The resolution of the Petition is still pending before the Special 21st Division of the CA, Cagayan de Oro City.

Mr. Uy has questioned the basis of the filing of the above Informations by the DOJ which are the Resolutions issued by the Secretary of Justice (SOJ) dated April 24, 2013 and August 13, 2013 ("SOJ Resolutions") finding probable cause against him. Mr. Uy filed a *Petition for Certiorari* on September 4, 2013 with the Special Former Special 10th Division of the CA, which was granted on July 25, 2014 thereby nullifying the SOJ Resolutions. The CA Decision granting the Petition further directed that the Informations be withdrawn and/or dismissed for lack of probable cause. The SOJ and the Bureau of Customs filed a Motion for Reconsideration dated August 19, 2014 of the CA Decision. On March 11, 2015, Mr. Uy filed his Comment/Opposition to the Motion for Reconsideration. On April 13, 2015, the Special Former Special 10th Division of the CA issued a Resolution stating that the foregoing Motion is submitted for resolution. Said Motion was denied for lack of merit in a Resolution promulgated by the Special Former Special 10th Division on July 2, 2015.

The criminal case subject of the *Petition for Certiorari* the resolution of which is currently pending before the CA, Cagayan de Oro City ("Subject Case") may pose a reputational risk to the Company considering that Mr. Uy is the chief executive of the Company. Being the face of the Company, any negative publicity against Mr. Uy may have a negative impact on the Company and its business. Against this reputational risk, the Company will continue to assert the same strong defenses for Mr. Uy which have been correctly upheld by the courts.

RISKS RELATING TO THE PHILIPPINES

1) ***The Company's business and sales may be negatively affected by slow growth rates and economic instability globally and in the Philippines.***

The Company, since its commencement of operations, has derived all of its revenues and operating profits from sales of its petroleum products in the Philippines. The Company's business has mostly been influenced by the Philippine economy and the level of business activity in the country.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso and debt restructuring, and has been significantly affected by economic volatilities in the Asia-Pacific region. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers' purchasing power, which could materially affect the Company's financial condition and results of operations.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause economic conditions in the Philippines to deteriorate.

A slowdown in the Philippine economy may affect consumer sentiment and lead to a reduction in demand for the Company's products. There is also no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

2) ***Political instability or acts of terrorism in the Philippines could destabilize the country and may have a negative effect on the Company.***

The Philippines has experienced political and military instability. In the past decade, political instability has been observed headlined by impeachment proceedings against former presidents Joseph Estrada and Gloria Macapagal-Arroyo, and public and military protests arising from alleged misconduct by previous administrations. There is no assurance that acts of election-related violence will not occur in the future and such events have the potential to negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition and results of operations.

3) ***If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase petroleum, petroleum products, raw materials, equipment and other imported products, could be affected.***

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations. The Company purchases some critical materials, particularly petroleum and petroleum products, and some capital equipment from abroad and needs foreign currency to make these purchases. Although the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restrictions imposed in the future could affect the ability of the Company to purchase petroleum and other materials and equipment from abroad in U.S. dollars.

4) The occurrence of natural catastrophes or major power outages may materially disrupt the Company's operations.

The Philippines has encountered and is expected to experience a number of major natural catastrophes including typhoons, volcanic eruptions, earthquakes, mudslides, droughts or floods. Such natural catastrophes may cause disruption to the Company's operations, and distribution of its petroleum products. Power outages are also experienced caused by insufficient power generation following strong typhoons and other natural catastrophes. These types of events may materially disrupt and affect the Company's business and operations. The Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes or major power outages, including possible business interruptions.

5) The Company's Shares are subject to Philippine foreign ownership limitations.

The Philippine Constitution and related statutes restrict the grant of leases covering foreshore land to Philippine Nationals. As of the date of this Prospectus, the foreshore land over which the pier facilities of the Company's wholly-owned subsidiary, PPIPC, are located is leased from the Philippine government and, therefore, foreign ownership in the Company is limited to a maximum of 40% of the Company's issued and outstanding capital stock. Furthermore, the Company owns land which likewise subjects it to foreign ownership restrictions under the Philippine Constitution. This nationality restriction on ownership may affect the liquidity and market price of the Offer Shares to the extent international investors are restricted from purchasing the Offer Shares in normal secondary transactions. This risk is beyond the control of the Company.

Foreign ownership of common shares of the Company as of 31 July 2015 is at 14.4%. As of the same date, there is no foreign ownership of preferred shares.

RISKS RELATING TO THE OFFER SHARES

1) The Offer Shares are subordinated to the Company's other indebtedness.

The Company's obligations in respect of the Offer Shares are subordinated to all of the Company's indebtedness, and it will not make any payments under the Offer Shares unless it can satisfy in full all of its other obligations that rank senior to the Offer Shares.

The Company's obligations under the Offer Shares are unsecured and will, in the event of the winding-up of the Company, rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Offer Shares. Accordingly, the Company's obligations under the Offer Shares will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to the Offer Shares.

There are no terms in the Offer Shares that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Offer Shares.

2) Payment of dividends subject to unrestricted retained earnings.

Under existing law and the Commission's regulations, the Company may not pay dividends during any period where the Company does not have unrestricted retained earnings out of which to pay dividends.

The payment of dividends by the Company may be limited by the terms of the Company's other indebtedness. The terms of the Company's existing loans contain provisions that could limit the ability of the Company to make dividend payments on the Offer Shares. Also, the Company may, directly or indirectly through its subsidiaries, enter into other financing arrangements in the future which may restrict or prohibit the ability of the Company to make dividend payments on the Offer Shares. There can be no assurance that existing or future financing arrangements will not affect the Company's ability to make payments on the Offer Shares.

3) The Offer Shares have no stated maturity date and the Company has the sole right to redemption.

The Offer Shares have no fixed maturity date, and the Offer Shares are not repayable in cash unless the Company, at its sole discretion, redeems them for cash. Furthermore, holders of the Offer Shares have no right to require the Company to redeem the Offer Shares. The Offer Shares are only redeemable at the option of the Company on the Optional Redemption Date or any Dividend Payment Date thereafter. In addition, the Offer Shares may be redeemed by the Company in the event that dividend payments become subject to additional or increased tax or any new tax as a result of certain changes in law, rule or regulation, or accounting standards, or in the interpretation thereof, and such change cannot be avoided by the use of lawful measures available to the Company. Accordingly, if the holder of the Offer Shares wishes to obtain the cash value of the investment, the holder will have to sell the Offer Shares in the secondary market.

4) Holders of Offer Shares may be exposed to insufficient distributions upon liquidation of the Company.

Upon any voluntary or involuntary dissolution, liquidation or winding up of the Company, holders of Offer Shares will be entitled only to the available assets of the Company remaining after the Company's indebtedness is satisfied. If any such assets are insufficient to pay the full amount due to the holders of the Offer Shares, then holders of the Offer Shares shall share ratably in any such distribution of assets in proportion to the full distributions to which they would otherwise be respectively entitled.

5) Holders of Offer Shares have no voting rights.

Holders of Offer Shares will not be entitled to elect the Directors of the Company. Except as specifically set forth in the Articles of Incorporation and as provided by Philippine law, holders of the Offer Shares will have no voting rights (see ''Description of the Offer Shares'' on page 55).

MANAGEMENT OF RISKS

In general, the Company believes that the risk factors discussed herein are mitigated by its competitive strengths and business strategies. See discussion on Competitive Strengths and Business Strategy on pages 66 and 67 of this Prospectus.

USE OF PROCEEDS

The Offer shall enable the Company to raise up to ₱2,000,000,000.00 in gross proceeds at ₱100.00 per share for 20,000,000 preferred shares. The whole amount of the proceeds, net of taxes and expenses, amounting to ₱1,953,892,875.00, shall be used to finance capital expenditures and/or additional working capital requirements.

Firm Shares

Proceeds from the Firm Shares of ₱1,000,000,000.00 raised from this Offer will be utilized by the Company to complete the construction of sixty-one (61) retail stations in the key cities of North and South Luzon, Visayas, and Mindanao, and the storage facilities in Cebu and General Santos.

Breakdown of Usage for the P1.0B Firm Shares	Total Amount (in Thousand Pesos)	Timeline of Acquisition	Timing of Disbursement				
			2015	2016			
			Dec	Q1	Q2	Q3	Q4
A. Capital Expenditures							
A.1. Issuance Cost	46,107	November 2015	46,107				
A.2. Retail Stations							
Construction of 61 retail stations	340,000	July-December 2015	340,000				
A.3. Storage/terminal facilities							
Cebu	360,000	Nov – Dec 2015	360,000				
General Santos	253,893	Nov 2015 – Dec 2016	101,557	38,084	38,084	38,084	38,084
Total	**1,000,000**		**847,664**	**38,084**	**38,084**	**38,084**	**38,084**

Jul-Dec 2015	Average Unit Cost of Retail Station (In P000)	Status			
		Stage of Development	No. of Station	Average %age To Complete	Amount Needed (In P000)
Total			61		340,800
Mindanao	8,000	Ongoing construction	8	30%	19,200
		Under negotiation	2	100%	16,000
Visayas	8,000	Ongoing construction	8	50%	32,000
		Under negotiation	3	100%	24,000
Luzon	8,000	Ongoing construction	22	60%	105,600
		Under negotiation	18	100%	144,000

Of the sixty-one (61) retail stations above-mentioned, thirty-eight (38) are being constructed in various stages of completion and twenty-three (23) undergoing negotiations. The Company bids out the civil works wherein the terms and conditions are stipulated in the Contractor's Agreement and retains the other activities to complete the construction of a retail station. These activities include installation of signages, underground tanks, dispensing pumps, standby generator sets, and other items not specified in the Contractor's Agreement.

a) Cebu Depot

Currently the Company is subleasing three (3) tanks from UDEVCO in Tupas St., Cebu City with total tank capacity of 11,500,000 liters.

As part of the long term plans of the Company to establish its presence in the Cebu and nearby islands and to be able to have complete and efficient control in so far as depot operations which supports the retail and commercial sales operation in the island, the Company was able to acquire a parcel of land in Tayud, Consolacion intended for operation of its Depot with pier facilities.

The Property has an area of 32,367 square meters, more or less, and which property had an existing Other Law Purposes (OLP) Permit from DENR in lieu of a foreshore lease permit and covered under TCT No. TP-26106. The property likewise has an existing causeway. The Property was acquired sometime in March 12, 2014 and was transferred in the name of the Company under TCT No. 111-2015000611 on February 25, 2015.

The Company is currently applying for several permits from various government agencies including the local government unit of Consolacion, Cebu in order to commence the construction of its Depot and Pier facilities soon.

The Cebu Depot is designed to accommodate 17 million liters combined storage capacity for finished petroleum products in order to serve the growing retail, commercial, and aviation customers of the Company in Cebu and neighboring islands. At least nine (9) vertical tanks, each with varying capacity, will be constructed on the property. They will be complemented with receiving pipelines, loading lines, tank truck loading racks, office and warehouse buildings, mechanical and generator set buildings, and fire-fighting facility and equipment. Moreover, the depot will have its own pier or receiving platform that will be supported by mooring and breasting dolphins.

To complete the project, the Company will need at least ₱360M. The construction has yet to begin since the permits and licenses for the improvements are still being processed. The project is estimated to be operational by the 3rd quarter of 2016.

b) General Santos (GenSan) Depot

For efficient supply of fuel products and in support of its continuous expansion of its retail and commercial sales operation in the cities of General Santos and Cotabato, provinces of Saranggani and South Cotabato, and parts of Central Mindanao, the Company is negotiating for the acquisition of a parcel of land consisting of 40,000 square meters and the right to operate and use 20,000 square meters under the Special Agreement for Protective and Area issued the DENR in Tambler, Gen. Santos City. The area has an existing and established pier facilities developed by its owner Dominico Congson of Southern Fishing Industry.

The GenSan Depot is being planned to build at least six (6) vertical tanks with combined storage capacity of 9 million liters. It will also feature receiving and loading pipelines, tank truck loading racks, office and warehouse buildings, mechanical and generator set rooms, steel catwalk, and fire-fighting facility and equipment.

Construction of the depot facilities will not start until the purchase is finalized and all permits are issued in favor of the Company. The project is estimated to cost the Company some P300M and is expected to go operational by the 4th quarter of 2016.

Option Shares

Proceeds from the Option Shares of ₱1,000,000,000.00 raised from this Offer will be utilized by the Company for the construction of additional eighty (80) retail stations in the key cities of North and South Luzon, Visayas, and Mindanao. The remaining amount will be utilized for working capital.

Breakdown of Usage for the P1.0B Option Shares	Total Amount (in Thousand Pesos)	Timeline of Acquisition	Timing of Disbursement				
			2015	2016			
			Dec	Q1	Q2	Q3	Q4
A. Capital Expenditures							
A.1. Retail Stations							
Construction of 80 retail stations	640,000	Jan-December 2016		160,000	160,000	160,000	160,000
B. Working Capital							
B.1. Purchase/importation of petroleum products	360,000	November 2015	360,000				
Total	**1,000,000**		**360,000**	**160,000**	**160,000**	**160,000**	**160,000**

Jan-Dec 2016	Average Unit Cost of Retail Station (In P000)	Status			
		Stage of Development	No. of Station	Average %age To Complete	Amount Needed (In P000)
Total			80		640,000
Mindanao	8,000	Ongoing construction	-	0%	-
		Under negotiation	12	100%	96,000
Visayas	8,000	Ongoing construction	-	0%	-
		Under negotiation	15	100%	120,000
Luzon	8,000	Ongoing construction	-	0%	-
		Under negotiation	53	100%	424,000

All these 80 stations are still being negotiated. Per practice, the company broadly identifies geographic areas that register high retail fuel consumption and show potential demand for petroleum products. Then the respective network development units scan these areas for possible retail station sites. As soon as a site is identified, the process of knowing and negotiating with the owners begins.

The Company imports finished petroleum products from Singapore, Thailand, and Taiwan through its existing major suppliers, namely, Total Trading Asia Pte. Ltd., Winson Oil Trading Pte. Ltd., PTT International Trading Pte. Ltd., and Vitol Asia Pte. Ltd. They have been the Company's suppliers for the last four (4) years, giving way to informal contracts, which is done by emails, for its quarterly volume purchase commitments. However, these suppliers issue pro-forma commercial invoice for actual importations. The average monthly importation reaches 80 million liters with a value of some US$40 million or roughly ₱1.8B. Of this monthly requirement, only ₱360M will be permanently financed by the proceeds from the oversubscription of Preferred Shares.

Except for the purposes stated in the preceding paragraphs, there are no other current plans for the proceeds or any significant portion thereof. The proceeds shall not be used to reimburse any of the officers, directors, employees or other shareholders for services rendered, assets previously transferred, loans, advances or otherwise. No amount of the proceeds will be used by the Company to pay any outstanding obligations or debt from the Sole Issue Manager and the Joint Lead Underwriters.

Should the Company obtain substantially less than the maximum proceeds from the Offer, the Company intends to finance the shortfall by availing of loans from its existing credit lines.

The expenses for the Offer shall be as follows:

Particulars of Expenses	Amount
Issue Management Fee (0.50%)	10,000,000.00
Underwriting and Selling Fees (1.50%)	30,000,000.00
SEC filing and legal research fees	1,073,125.00
PSE listing and processing fees	2,050,000.00
PDTC lodgment fees*	100,000.00
Reimbursement of out-of-pocket expenses*	2,510,000.00
Legal Fees of Issuer's Counsel + 12% VAT (with out-of-pocket expenses)*	274,000.00
Documentary Stamp Tax	100,000.00
Total Expenses*	**46,107,125.00**

**** Estimated amounts***

In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, PSE and the holders of the Offer Shares in writing before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments in the use of proceeds, as indicated above, should be approved by the Board and disclosed to the PSE. In addition, the Company shall submit via the Electronic Disclosure Generation Technology (EDGE) of the PSE, the following disclosures to ensure transparency in the use of proceeds:

(i) any disbursements made in connection with the planned use of proceeds from the Offer;

(ii) quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;

(iii) annual summary of the application of the proceeds on or before January 31 of the following year; and

(iv) approval by the Board of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company prior to the said actual disbursement or implementation.

The Company shall submit a certification by the Treasurer of the Company and external auditor on the accuracy of the information reported by the Company to the PSE, as well as a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any, in the quarterly and annual reports of the Company as required in items (ii) and (iii) above. Such detailed explanation will state the approval of the Board as required in item (iv) above.

The Company filed its application for the listing of the Offer Shares with the Exchange on September 21, 2015.

DETERMINATION OF OFFER PRICE

The Offer consists of the issuance of up to 20,000,000 Offer Shares out of the Company's unissued and authorized preferred share capital stock. The Offer Price of ₱100.00 per share is at a premium to the par value of the Offer Shares. The Offer Price was arrived at by dividing the desired gross proceeds by the number of Offer Shares. Prior to the Offer, there has been no market for the Offer Shares.

DILUTION

The Offer pertains to the registration of the Company's preferred shares which have no voting rights, except those granted under the Philippine Corporation Code. Hence, there is no dilution in the common shares of the Company and/or its stockholders holding said common shares. In other words, the ownership of the common shareholders shall have no effect on the Offer and issuance of the Offer Shares.

PLAN OF DISTRIBUTION

The Company plans to issue the Offer Shares to institutional and retail investors in the Philippines through a public offering to be conducted by the Sole Issue Manager and Joint Lead Underwriters. The Offer does not include an international offering. The Trading Participants, who are member-brokers of the Exchange shall act as selling agents for the Offer, pursuant to the Exchange's rules and regulations.

THE UNDERWRITERS

The Firm Shares were underwritten by the Sole Issue Manager and Joint Lead Underwriter, PentaCapital, and other Joint Lead Underwriters, Multinational Investment Bancorporation and AB Capital and Investment Corporation, on a firm basis up to the aggregate principal amount of its Underwriting Commitment pursuant to the Underwriting Agreement dated [●] 2015.

Subject to the fulfillment of the conditions provided in the Underwriting Agreement, each of the Joint Lead Underwriters has committed to underwrite the Firm Shares on a firm basis up to the amount indicated below:

PentaCapital	₱500,000,000.00
Multinational Investment Bancorporation	₱250,000,000.00
AB Capital and Investment Corporation	₱250,000,000.00
TOTAL	₱1,000,000,000.00

In the event of an oversubscription of the offering of the Firm Shares, and the Joint Lead Underwriters exercise their option to subscribe to the Option Shares, each of the Joint Lead Underwriters commits to underwrite the Option Shares on a firm basis to the same extent as their underwriting commitment on the Firm Shares.

The Joint Lead Underwriters may enter into sub-underwriting agreements, participation agreements or like agreements with other underwriters (who may be named or have been named herein as Co-Lead Underwriters or Participating Underwriters) who may want to participate in the Offer. There is no agreement for any of the Joint Lead Underwriters to put back to the Company any unsold preferred shares.

PentaCapital is a leading independent investment house in the Philippines known for its unique expertise in project development and financing, especially for real estate, leisure and infrastructure projects. It has acquired its niche in the investment banking and financial services sectors, specifically: money market operations, consumer financing (through its 98%-owned subsidiary, PentaCapital Finance Corp.), debt and equity underwriting, financial advisory and project financing, especially for Build-Operate-Transfer/Build-Lease-Transfer projects, and securitization transactions. PentaCapital has extensive experience in merchant, investment and commercial banking, corporate finance, underwriting, project financing, mergers and acquisition, securities dealership, money and capital markets, and investment management.

PentaCapital is accredited and licensed by the Commission as an Investment House under CR No. 01-2008-00231 effective November 7, 2014 to November 6, 2015.

Except for the 3,000,000 (2nd tranche) preferred shares of the Company it holds with stock symbol PNXP with no series type [refer to the section "Description of the Offer Shares" on page 57 for a discussion on the 2nd tranche of preferred shares], PentaCapital does not have any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights

thereto), and other than as Sole Issue Manager and Joint Lead Underwriter for the Offer, it does not have any relationship with the Company. Neither does PentaCapital have any right to designate or nominate a member/s on the Board of Directors of the Company.

Multinational Investment Bancorporation ("MIB") is the oldest existing independent investment house in the Philippines. It provides a full range of investment banking services that include debt and equity underwriting, loan syndication and financial advisory services for mergers and acquisitions, corporate reorganization and financial restructuring.

MIB is accredited and licensed by the Commission as an Investment House under CR No. 01-2004-00161 effective January 1, 2015 to December 31, 2015.

MIB does not have any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto), and other than as Joint Lead Underwriter for the Offer, it does not have any relationship with the Company. Neither does the MIB have any right to designate or nominate a member/s on the Board of Directors of the Company.

AB Capital and Investment Corporation ("AB Capital") is an investment house that has built its capability on three major areas of strength: corporate finance, fixed-income securities dealership and fund management licensed by the SEC. In March 2011, Vicsal Investment, Inc. signed a Share Purchase Agreement with the Phinma Group for the purchase of AB Capital and Investment Corporation, and AB Capital Securities, Inc.

AB Capital is accredited and licensed by the Commission as an Investment House under CR No. 01-2008-00209 effective January 1, 2015 to December 31, 2017.

AB Capital does not have any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto), and other than as Joint Lead Underwriter for the Offer, it does not have any relationship with the Company. Neither does the AB Capital have any right to designate or nominate a member/s on the Board of Directors of the Company.

UNDERWRITING COMMITMENT

The Company granted the Joint Lead Underwriters the authority to offer for subscription and purchase the Offer Shares to any number of qualified buyers in the Philippines.

It was agreed that the Offer Shares shall be issued in full on a one-time basis on the Listing Date, [●], 2015 in accordance with the procedure for the issuance of the Offer Shares set forth in the Subscription Agreement.

The Joint Lead Underwriters, pursuant to its firm commitment, agreed to have irrevocably subscribed for and agreed to purchase on the terms set forth any portion of the underwritten shares not taken up by its investors provided that the liability of the Joint Lead Underwriters to the Company arising from the Offer is strictly limited to the amount underwritten by it.

The Issue Management Fee and the Underwriting and Selling Fees to be paid by the Company in relation to the Offer shall be equivalent to 2.00% of the gross proceeds of the Offer. The Company and the Sole Issue Manager have agreed that the Issue Management Fee in relation to the Offer shall be equivalent to 0.5% of the gross proceeds from the Offer while the Underwriting and Selling Fees shall consist of 1.5% of the gross proceeds from the Offer, the latter being inclusive of commissions to be paid to the Selling Agents which shall be equivalent to 0.25% of the total proceeds of the sale of each Trading Participant. (Refer to the table of expenses in page 46 of the "Use of Proceeds" section.)

SALE AND DISTRIBUTION

The Company granted the Joint Lead Underwriters the authority to offer for subscription and purchase Ten Million (10,000,000.00) Peso-denominated perpetual preferred shares (the "Firm Shares") to any number of qualified buyers in the Philippines, subject to the restrictions on the transfer, assignment or resale of the Firm Shares under Applicable Laws.

The Company further grants the Joint Lead Underwriters an option, exercisable during the Offer Period, to subscribe on a firm basis, when exercised, up to an additional 10,000,000 Option Shares with the same terms and conditions as the Firm Shares set forth in this Prospectus, solely to cover oversubscriptions, if any.

The actual number of the Offer Shares that an investor will be allowed to subscribe to shall be subject to the confirmation of the Joint Lead Underwriters. The Company, through the Joint Lead Underwriters, shall have the right to accept or reject, in whole or in part, any offer to subscribe to or purchase the Offer Shares or to scaledown the amount of the Offer Shares for which such offer is made.

In the event that the Offer Shares forming part of the underwriting commitment are insufficient to satisfy the offers to subscribe received by the Joint Lead Underwriters from investors, or in the event of an oversubscription of the Offer Shares, the Company, through the Joint Lead Underwriters, shall exercise the discretion to reallocate the number and amount of the Offer Shares which any investor can subscribe to.

The distribution and sale, and the allocation of the Offer Shares shall be undertaken by the Joint Lead Underwriters which shall sell and distribute the Offer Shares to third party buyers/investors. The Joint Lead Underwriters are authorized to organize a syndicate of underwriters, soliciting dealers and/or selling agents for the purpose of the Offer.

Eighty per cent (80%) of the Firm Shares are being offered, through the Joint Lead Underwriters, for subscription and sale to qualified institutional buyers and the general public. The bookbuilding process will determine the volume and the series that will be issued because this activity will be driven by market demand. The Company plans to make available the remaining twenty percent (20%) for distribution to the respective clients of the 132 trading participants of the Exchange, acting as Selling Agents. 2,000,000 shares will be allocated to the trading participants. The bookbuilding process will determine the volume and the series that will be issued because this activity will be driven by market demand.

Each Trading Participant shall be allocated 15,100 preferred shares (computed by dividing the Offer Shares allocated to the Trading Participants by 132), subject to reallocation as may be determined by the Exchange. Trading Participants may undertake to purchase more than their allocation of 15,100 shares. Any requests for shares in excess of 15,100 shares may be satisfied by reallocation of any preferred shares not taken up by other Trading Participants. The balance of 6,800 shares from the total allocation of the Trading Participants shall be allocated by the Exchange to the Trading Participants.

The Company will not allocate the Firm Shares to Local Small Investors (LSI). As defined in the Exchange's Revised Listing Rules, an LSI is a share subscriber whose subscription does not exceed ₱25,000.00. The Offer will have a minimum subscription amount of ₱50,000.00 which is beyond the prescribed maximum subscription amount for LSI. Prior to the close of the Offer Period, any of the Firm Shares not taken up by the Exchange's trading participants shall be distributed by the Joint Lead Underwriters directly to their clients and the general public.

Prior to the close of the Offer Period, the Sole Issue Manager and Joint Lead Underwriters, in consultation with the Company, reserve the right but not the obligation to increase the offer size up to an additional 10,000,000 preferred shares (the Option Shares).

The oversubscription option, to the extent not fully exercised by the Sole Issue Manager and Joint Lead Underwriters, shall be deemed cancelled and the relevant filing fee therefor shall be deemed forfeited.

Term of Appointment

The engagement of the Sole Issue Manager and Joint Lead underwriters shall subsist as long as the SEC Permit to Sell remains valid unless otherwise terminated pursuant to the Underwriting Agreement.

Manner of Distribution

The Sole Issue Manager and the Joint Lead Underwriters shall, at their discretion, determine the manner by which proposals for subscription to, and issuances of, the preferred shares shall be solicited, with the primary sale of the preferred shares to be effected only through the Sole Issue Manager and Joint Lead Underwriters. The Sole Issue Manager and Joint Lead Underwriters may appoint other entities, including Trading Participants to sell on their behalf.

Offer Period

The Offer Period shall commence on [•] am on [•], 2015 and end at [•] pm on [•], 2015, or such other date as may be agreed between the Company and Sole Issue Manager and Joint Lead Underwriters subject to the approval of the Commission and the Exchange.

Application to Purchase

Each ATP shall be duly completed and signed, together with two fully executed signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors, and shall be accompanied by the payment in full of the corresponding purchase price of the Offer Shares applied for, by check or by the appropriate payment instruction, and the required documents which must be submitted to the Joint Lead Underwriters (which may be through other participating underwriters) and Selling Agents.

Corporate and institutional purchasers must also submit a copy of SEC-certified or Corporate Secretary-certified true copy of the SEC Certificate of Registration, Articles of Incorporation and By-laws, or such other relevant organizational or charter documents, and the original or Corporate Secretary-certified true copy of the duly notarized certificate confirming the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Offer Shares and designating the authorized signatory/ies therefor. Individual applicants must also submit a photocopy of any one of the following identification cards ("ID"): passport/driver's license, company ID, SSS/GSIS ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the Registrar and Paying Agent.

An Applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates shall, in addition, be required to submit the following requirements to the relevant Joint Lead Underwriter (which may be through the Other Underwriters) and Selling Agents (together with their ATPs) who shall then forward the same to the Registrar and Paying Agent, subject to acceptance by the Company as being sufficient in form and substance: (i) certified true copy of the original tax exemption certificate, ruling or opinion issued by the BIR on file with the Applicant as certified by its duly authorized officer, (ii) with respect to tax treaty relief, proofs to support applicability of reduced treaty rates, consularized proof of tax domicile issued by the relevant tax authority of the Preferred Shareholder, and original or SEC-certified true copy of the SEC confirmation that the relevant entity is not doing business in the Philippines, (iii) an original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Company and the Registrar and Paying Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Company, the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax, and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities.

The Sole Issue Manager and Joint Lead Underwriters shall be responsible for accepting or rejecting any ATP or scaling down the amount of Offer Shares applied for. The ATP, once accepted, shall constitute the duly executed purchase agreement covering the amount of Preferred Shares so accepted and shall be valid and binding on the Company and the Applicant. On the Banking Day following the Closing Date, the Sole Issue Manager and Joint Lead Underwriters shall advise all the other underwriters and selling agents of any ATPs that were rejected and/or scaled down, with copy to the Company.

Minimum Purchase

A minimum purchase of 500 shares shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of 100 shares.

Refunds

In the event an ATP is rejected or the amount of Offer Shares applied for is scaled down, the Sole Issue Manager and Joint Lead Underwriters, upon receipt of such rejected and/or scaled down ATPs, shall notify the Applicant concerned that his ATP has been rejected or the amount of Offer Shares applied for is scaled down, and refund the amount paid by the Applicant with no interest thereon. With respect to an Applicant whose ATP was rejected, refund shall be made by the Sole Issue Manager and Joint Lead Underwriters by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose ATP has been scaled down, refund shall be made by the issuance by the concerned Sole Issue Manager and Joint Lead Underwriters of its own check payable to the order of the Applicant and crossed "Payees' Account Only" corresponding to the amount in excess of the accepted ATP. All checks shall be made available for pick up by the Applicants concerned at the office of the Sole Issue Manager and Joint Lead Underwriters to whom the rejected or scaled down ATP was submitted within five (5) Banking Days after the last day of the Offer Period. The Company shall not be liable in any manner to the Applicant for any check payment corresponding to any rejected or scaled down ATP which is not returned by the relevant Sole Issue Manager and Joint Lead Underwriters; in which case, the relevant Joint Lead Underwriter shall be responsible directly to the Applicant for the return of the check or otherwise the refund of the payment.

Secondary Market

The Company may purchase the Offer Shares at any time without any obligation to make pro rata purchases of Offer Shares from all Shareholders.

Registry of Shareholders

The Offer Shares will be issued in scripless form through the electronic book-entry system of the Registrar for the Offer, and lodged with PDTC as Depository Agent on Listing Date through PSE Trading Participants nominated by the Applicants. Applicants shall indicate in the proper space provided for in the Application Form the name of the PSE Trading Participant under whose name their shares will be registered.

Legal title to the shares will be shown in an electronic register of shareholders (the "Registry of Shareholders") which shall be maintained by the Registrar. The Registrar shall send a Registry confirmation advice confirming every receipt or transfer of the Offer Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every year a Statement of Account to all shareholders named in the Registry of Shareholders, except certificated shareholders and PDTC Participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant shareholder as of a given date thereof. Any request by shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.

Expenses

All out-of-pocket expenses, including but not limited to, registration with the Commission, printing, publication, communication and signing expenses incurred by the Joint Lead Underwriters in the negotiation and execution of the transaction will be for the Company's account irrespective of whether the Offer is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account. See "Use of Proceeds" on page 43 for details of expenses.

DESCRIPTION OF THE OFFER SHARES

Set forth below is information relating to the Offer Shares. This description is only a summary and is qualified by reference to Philippine law and the Company's Articles of Incorporation and By-laws, copies of which are available at the Commission.

The Company's Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the Articles of Incorporation and the By-Laws of the corporation.

On March 8, 2010, the SEC approved the application of the Company for the reclassification of 50,000,000 out of its 130,839,323 unissued common shares into 50,000,000 preferred shares and the corresponding amendment to its Articles of Incorporation.

The Company's Board of Directors approved on January 18, 2010 an amendment to the Company's Articles of Incorporation to reclassify a total of Fifty Million (50,000,000) unissued common shares with par value of One Peso (₱1.00) per share to Fifty Million (50,000,000) million preferred shares with par value of One Peso (₱1.00) per share. The amendment was likewise approved by the stockholders holding at least two-thirds of the outstanding capital stock of the Company through written assent on January 18, 2010.

As of February 18, 2010, the Company had an authorized capital stock consisting of 400,000,000 common shares with a par value of ₱1.00 per share, of which 269,160,674 shares were issued and outstanding.

As of March 8, 2010, and following the SEC approval of the Amended Articles of Incorporation embodying the preferred shares, the Company had an authorized capital stock consisting of:

(d) 350,000,000 common shares with a par value of ₱1.00 per share of which 267,660,677 shares are issued and outstanding and
(e) 50,000,000 preferred shares with a par value of ₱1.00 per share, which are unissued.

On September 7, 2010, the Commission approved the Company's increase in authorized capital stock from 400,000,000 shares divided into 350,000,000 Common Shares with a par value of ₱1.00 per share and 50,000,000 preferred shares with a par value of ₱1.00 per share, to 800,000,000 shares divided into 750,000,000 common shares with a par value of ₱1.00 per share and 50,000,000 preferred shares with a par value of ₱1.00 per share. The amendment was approved by the Company's Board of Directors on April 8, 2010 and by the shareholders holding at least 2/3 stock of the Company during the annual stockholders' meeting on July 15, 2010.

On September 21, 2010, the Company issued 5,000,000 preferred shares (the 1st tranche) at the issue price of ₱100.00 by way of private placement and/or sale under SRC Rule 10.1 (k) and (l) to Qualified Institutional Buyers underwritten by PentaCapital. (Refer to paragraph 1 of page 56)

On April 23, 2012, the SEC approved the Company's increase in authorized capital stock from 800,000,000 shares divided into 750,000,000 common shares with a par value of ₱1.00 per share and 50,000,000 preferred shares with a par value of ₱1.00 per share to 2,550,000,000 shares, divided into 2,500,000,000 common shares with a par value of ₱1.00 per share and 50,000,000 preferred shares with a par value of ₱1.00 per share. The amendment was approved by the Company's Board of Directors on February 8, 2012 and by shareholders holding at least 2/3 of the outstanding capital stock of the Company during the annual Shareholders' meeting on March 8, 2012.

As the Third Tranche of preferred shares issuance, the Company is offering to the public 10,000,000 cumulative, non-voting (except as specifically provided by law), non-participating, non-convertible peso-denominated perpetual preferred shares at an Offer Price of ₱100.00 per share ("Firm Shares"). In the event of an oversubscription of the offering of the Firm Shares, the Company, upon consultation with the Sole Issue Manager and Joint Lead Underwriters, shall have the right to further issue up to an additional 10,000,000 preferred shares having the same features as the Firm Shares ("Option Shares"). The Firm Shares and the Option Shares comprise the Offer Shares. The Offer Shares have a par value of ₱1.00 per share and shall be issued by the Company from the unissued portion of its 50,000,000 authorized preferred share capital. The Offer was approved on August 24, 2015 by the Company's Board of Directors and the same was subsequently approved by the Company's stockholders representing two-thirds of the Company's total issued and outstanding voting stock by written assent.

Except for those rights provided by law and by the terms and conditions of the Offer, there are no other material rights given to the holders of preferred shares. There are no provisions in the Articles of Incorporation and/or By-laws of the Company that would delay, defer or prevent a change in control of the Company.

As of date, the Company has 5,000,000 issued and outstanding preferred shares. Following the Offer, the Company will have the following issued and outstanding shares:

(a) 1,428,777,232 common shares; and
(b) 25,000,000 preferred shares (assuming the Offer is fully taken up).

History of Dividend Income Payment

1. Company

    a. Dividends on Common Shares

Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
March 4, 2015	Cash Dividend of ₱0.05 per share	March 18, 2015	April 16, 2015	₱71,438,861.60
January 29, 2014	Cash Dividend of ₱0.10 per share	March 17, 2014	April 11, 2014	₱142,877,723.20
January 24, 2013	30% Stock Dividend	May 15, 2013	June 10, 2013	₱329,717,232.00
	Cash Dividend of ₱0.10 per share	April 11, 2013	May 8, 2013	₱103,605,941.60
February 08, 2012	50% Stock Dividend	March 28, 2012	April 26, 2012	₱244,936,203.00
	Cash Dividend of ₱0.10 per share	March 23, 2012	April 23, 2012	₱48,973,955.30

    b. Cash Dividend on Preferred Shares

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

September 21, December 21, March 21 and June 21 of each year starting December 21, 2010 until the preferred shares were redeemed on December 20, 2013.

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

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

2nd Tranche				
Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
August 10, 2015	₱2.0625 per share	August 25, 2015	September 21, 2015	₱10,312,500.00
May 12, 2015	₱2.0625 per share	May 26, 2015	June 22, 2015	₱10,312,500.00
February 6, 2015	₱2.0625 per share	February 24, 2015	March 20, 2015	₱10,312,500.00
N/A	₱2.0625 per share	N/A	December 22, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	September 22, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	June 20, 2014	₱10,312,500.00
N/A	₱2.0625 per share	N/A	March 20, 2014	₱10,312,500.00

2. Subsidiaries

Except for CSC which declared a 20% stock dividend on December 3, 2012 to all stockholders of record of CSC as of December 1, 2012 and paid said dividends on December 14, 2012, no other subsidiary of the Company has declared dividends for the past three (3) years.

INTEREST OF NAMED EXPERTS AND INDEPENDENT COUNSEL

All legal opinions and matters in connection with the issuance of the preferred shares which are subject of this Offer shall be passed upon by DB Law Partnership ("DB Law") and Nava & Associates ("N&A") for the Sole Issue Manager and Joint Lead Underwriters, and the Law Firm of Uy Cruz Lo & Associates ("UCLA") for the Company. DB Law, N&A and UCLA have no direct and indirect interest in the Company. DB Law, N&A and UCLA, from time to time, are engaged by the Company to advise in its transactions and perform legal services on the same basis that they provide such services to its other clients.

Independent Auditors

The Company's results of operations and financial position have been and will be affected by certain changes to the Philippine Financial Reporting Standard ("PFRS"), which are intended to further align PFRS with the International Financial Reporting Standards.

The Financial Statements of the Company appearing in this Prospectus have been audited by Punongbayan & Araullo ("P&A"), independent auditors, as set forth in their report thereon appearing elsewhere in this Prospectus.

The Company's Audit Committee reviews and approves the scope of audit work of the independent auditor and the amount of audit fees for a given year. The amount will then be presented for approval by the stockholders in the annual meeting. As regards the services rendered by the external auditor other than the audit of financial statements, the scope of and the amount for the same are subject to review and approval by the Audit Committee.

The Company's aggregate audit fees for each of the last two fiscal years for professional services rendered by the external auditor were ₱6,102,140 and ₱ 6,088,090 for 2013 and 2014, respectively.

Except for the subscription by the Sole Issue Manager and Joint Lead Underwriter of the Company's Offer, there is no direct or indirect interest in the Company of any named expert as defined by the SRC nor its independent counsel.

INDUSTRY OVERVIEW and COMPETITIVE OVERVIEW

The information and data contained in this section have been taken from sources in the public domain. The Company does not have any knowledge that the information herein is inaccurate in any material respect. Neither the Company, the Underwriter nor any of their respective affiliates or advisors has independently verified the information included in this section.

PHILIPPINE OIL INDUSTRY

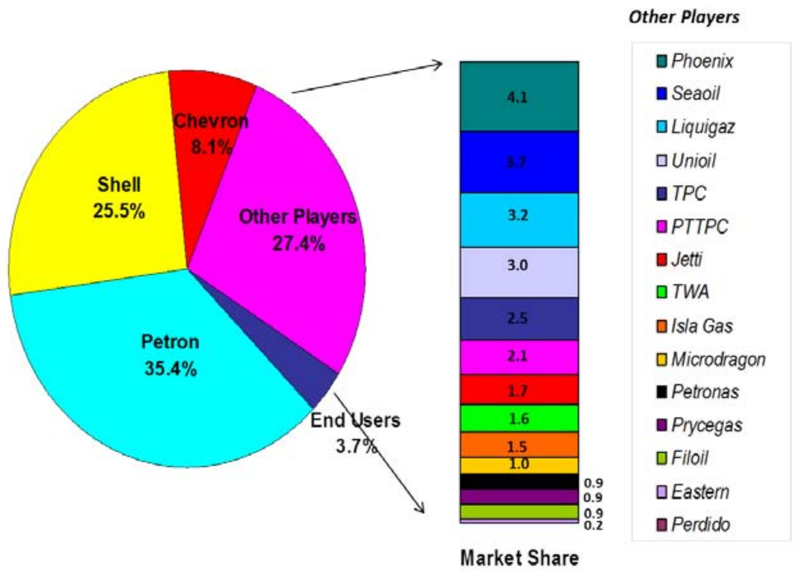
Following the enactment of the Downstream Oil Industry Deregulation Act in 1998, the deregulated Philippine downstream oil industry is currently dominated by three major players, Petron, Shell, and Chevron (who had previously converted its refinery into an import terminal in 2003 and operates as a marketing and distribution company) which accounted for 72.8% of the total market share as at year end 2014.

On the other hand, other fifteen (15) new players include foreign owned firms to such as PTT of Thailand, Petronas of Malaysia, Liquigaz of Netherlands and Total of France. While other local players including Phoenix Petroleum, Isla Gas, W. Precision, Cross Country, Ixion, Jetti, Prycegas, Seaoil Corp., TWA/Filpride, Filoil, Micro Dragon capturing 27.4% of the market for the said year.

The entry of these new players resulted in increased competition amongst local players leading to better quality products and facilities, improved service at gas stations, and a shift to a new image of retail service stations which provide amenities (i.e. convenience stores, restrooms, and automated teller machine counters, etc.) within their premises.

TOTAL PETROLEUM PRODUCTS (MARKET SHARE):

Fig. 3 FY 2014 Market Share (Total Petroleum Products)



Source: DOE website

The following activities are characterized under the Philippine downstream oil industry:

- Crude oil Importation from foreign suppliers;
- Refineries as processing and storage of intermediate and refined products;
- Logistic transfers to various bulk plants/depots through tankers barges or the Batangas-Manila pipeline; and
- Refined/finished products from depots to retail outlets and industrial clients via land distribution

DEMAND

Petroleum Product Demand

Year-to-date December 2014 total demand of finished petroleum products grew by 6.0% to 124,503 MB from 117,489 MB of year-to-date December 2013. This can be translated to an average daily requirement of 341.1 MB compared with last year's level of 321.9 MB.

Compared with year-to-date December of 2013 figures, all products showed increases in demand volume. Fuel oil recorded the highest growth of 7.1%. Diesel oil and gasoline demand also rose by 6.3 and 4.2%, respectively.

Product demand mix comprised mostly of diesel oil at 42.3%, gasoline at 23.0%, fuel oil and kerosene/avturbo at 10.7%, LPG at 10.5 percent, and other products at 2.8 percent share in the total product mix (Fig. 2).

Petroleum Product Exports

FY 2014 total country's petroleum products exports were up by 10.2% from 8,616 MB of 2013 to 9,496 MB. Condensate exports, the top exported product for the period, increased by 15.3% vis-à-vis year 2013. Likewise, fuel exports increased by 1.9% for the same period. However, naphtha export decreased by 25.7%. Meanwhile, all petro-chemical products such as mixed xylene, toluene, benzene and propylene increased vis-à-vis last year.

The total export mix comprised of condensate (46.4%); naphtha (17.7%); fuel oil (17.0%); mixed xylene (7.3%); toluene (3.8%); pygas (2.9%); propylene (2.0%); benzene (1.8%); reformate (1.2%) and LPG (0.02%).

The oil refiners' exports accounted for 50.7% of the total export mix while the remaining 49.3% was accounted to the export of Shell Philippines Exploration B. V. (SPEX), Liquigaz and Petronas.

Crude Oil Exports

A total of 2,833 MB crude oil from Galoc (Palawan Light) were exported for the year which increased by more than 100% from 2013's 1,388 MB.

MARKET SHARE

Total Petroleum Products

The major oil companies (Petron Corp., Chevron Phils. and Pilipinas Shell Petroleum Corp.) got 68.9% market share of the total demand while the other industry players, which include PTT Philippine Corp. (PTTPC), Total Phils., Seaoil Corp., TWA, Filpride, Phoenix, Liquigaz, Petronas, Prycegas, Micro Dragon, Unioil, Isla LPG Corp., Jetti, Eastern Corp., Perdido and Filoil Gas Co., as well as the end users who directly import part of their requirements captured 31.1% of the market (Fig. 3).

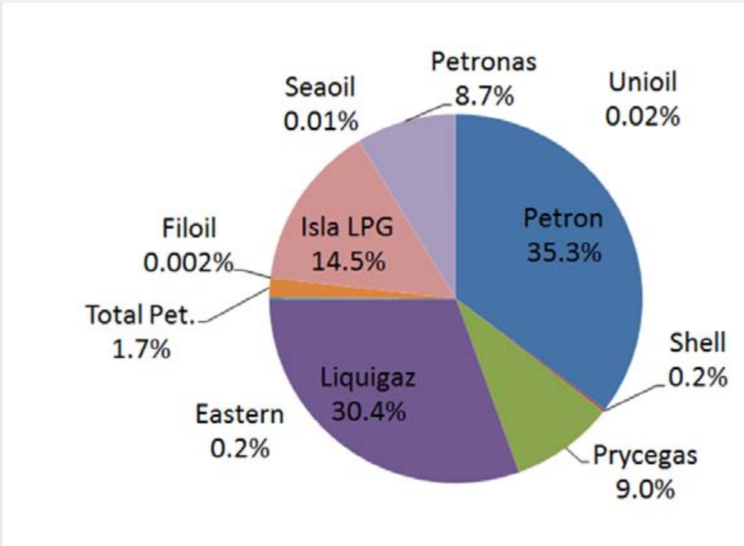
Meanwhile, the local refiners (Petron Corp. and Pilipinas Shell) captured 60.9% of the total market demand while 39.1% was credited to direct importers/distributors.

LPG

Since Pilipinas Shell sold the share capital of Shell Gas (LPG) Philippines Inc. to Isla LPG Corp. in 2012, the LPG market share of the oil refiners was reduced to 35.5%. The other players on the other hand, with the inclusion of Isla LPG, increased to 64.5%.

Among the other LPG players, Liquigaz got the biggest market share with a 30.4% share, followed by Isla LPG with a share of 14.5%. Next was Petronas with a share of 8.7% (Fig. 4).

Fig. 4 FY 2014 LPG Market Share



Source: DOE website

DOWNSTREAM OIL INDUSTRY DEREGULATION LAW

RA 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 (the "Oil Deregulation Law"), provides the regulatory framework for the country's downstream oil industry.

Under the Oil Deregulation Law, any person may import or purchase any quantity of crude oil and petroleum products from foreign and domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirement. The same law declared as policy of the state the liberalization and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high quality petroleum products. To ensure the attainment of these objectives, the DOE, in consultation with relevant Government agencies, promulgated the Implementing Rules and Regulations of the Oil Deregulation Law in March 1998 through Department Circular No. 98-03-004. The DOE is the lead Government agency overseeing the oil sector. With the enactment of the Oil Deregulation Law, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board solely to monitor prices and violations under the law, which includes prohibited acts such as cartelization and predatory pricing.

Other functions of the DOE under the Oil Deregulation Law include the following:

(a) monitoring and publishing the daily international crude oil prices, following the movements of domestic oil prices, monitoring the quality of petroleum and stopping the operation of businesses involved in the sale of petroleum products which do not comply with national standards of quality;
(b) monitoring the refining and manufacturing processes of local petroleum products to ensure clean and safe technologies are applied;
(c) maintaining a periodic schedule of present and future total industry inventory of petroleum products for the purpose of determining the level of the supply and immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and
(d) in times of national emergency, when the public interest so requires, during the emergency and under reasonable terms, temporarily taking over or directing the operations of any person or entity engaged in the industry.

TRENDS IN THE INDUSTRY

Tighter Fuel Specifications

The Clean Air Act was enacted in 1999 which required gasoline and automotive diesel to have lower sulfur and benzene content. The Act was intended to address growing and looming concerns over the hazardous effects of gas emissions to both the environment and human health. Although local requirements lag behind international standards, local fuel specifications are expected to catch up and meet the stricter standards of developed countries going forward. Effective January 2016, the DOE will implement Euro IV fuel standard with sulfur contents reduced to 50 parts per million (ppm) from its 500 ppm specification.

Alternative Fuels

The Biofuels Act of 2006 calls for the mandatory blending of biofuels of oil companies into their oil products to offer ethanol-blended gasoline products. The Biofuels Act also calls for incentives to biofuels producers. A 5% blend of ethanol is mandated for gas by 2009 and 10% by 2011. For diesel products, a 1% blend of biodiesel was required by 2007 and 2% starting 2009.

Taxi owners and operators continue to convert their units to allow the use of LPG instead of gasoline as a means to save on costs and improve their profitability. LPG pumps are slowly increasing in retail service stations of oil companies and new companies are entering the LPG retail service station industry to capture this growing market.

Another alternative fuel being eyed is compressed natural gas (CNG). While Congress has passed the law providing incentives to producers and users of CNG, the necessary infrastructure has not yet been put in place. The planned “mother” and “daughter” natural gas stations of Shell, intended for use by public buses plying the route of Southern Luzon, are not yet operational.

Larger Retail Service Stations

Foreign-owned gasoline stations have put up retail stores following the liberalization of the retail trade industry. Larger retail service stations have since then been seen more regularly with most of them being put up in strategic areas along major expressways. These retail stations would also have retail establishments where other businesses can look to lease or rent space for their own operations and expansion. Among the common tenants of these retail establishments are quick serve businesses including the likes of Jollibee, McDonald’s, KFC and Starbucks to name a few. These large retail service stations cater to retail clients who look for gasoline products, snacks and refreshments.

Furthermore, oil companies have put up their own convenience stores alongside their retail service stations, carrying their own brand. Petron has “Treats”, Shell has “Select” and Chevron has “StarMart”. However, in recent years, these oil companies started to outsource the convenience stores to locators like 7-eleven, Mini-stop and other local brands.

OIL IMPORT BILL

Year 2014 total oil import bill amounting to $13,522.9 million was only slightly up by 0.4% from year 2013’s $13,471.2 million, which could be attributed to lower import cost (for both crude and petroleum products) although import volume increased.

Total oil import costs were made up of 46.0% crude oil and 54.0% finished products. Total import of crude oil which amounted to $6,215.5 million dropped by 0.5% from 6,247.8 million of 2013, due to lower CIF price per barrel from 2013’s $110.887/bbl to $95.715/bbl. On the other hand, total product cost increased by 1.2% to $7,307.4 million from 2013’s $7,223.4 million. However, CIF average price is lower at $107.257/bbl compared with 2013’s $116.297bbl.

Meanwhile, the country’s petroleum exports earnings for the period rose by 14.4% from 2013’s $1,076.0 million to $1,230.9 million in 2014. Overall, the country’s 2014 net oil import bill amounting to $12,292.0 million was down by 0.8% from 2013’s $12,394.9 million.

THE COMPANY

OVERVIEW

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products, operation of oil depots and storage facilities, and allied services. Its operations started in Southern Mindanao and soon expanded in the islands of Luzon and the Visayas. Its products and services are distributed and marketed under the *PHOENIX Fuels Life*™ trademark.

The Company was incorporated in the Philippines on May 8, 2002 under its original name of "Oilink Mindanao Distribution, Inc." On 11 January 2004, the Company amended its Articles of Incorporation changing its name from Oilink Mindanao Distribution, Inc. to "Davao Oil Terminal Services Corp." On August 7, 2006, the Commission approved the amended articles of incorporation of the Company changing its name from Davao Oil Terminal Services Corp. to "P-H-O-E-N-I-X Petroleum Philippines, Inc." It is owned by PPHI, Udenna Corporation, and Udenna Management and Resources Corporation to the extent of 63.15% in the aggregate. These are companies organized in the Philippines which are controlled by the Company's founder.

The Company is registered with the BOI effective November 16, 2005 as a New Industry Participant with the New Investment in Storage, Marketing and Distribution of Petroleum Products pursuant to the Downstream Oil Industry Deregulation Act. As a registered company, it is entitled to certain benefits including Income Tax Holiday for a period of five (5) years from the date of registration. The Company further avails of BOI benefits under the law as result of the additions and expansion of its storage facilities.

Its operations are divided between Trading, and Terminalling and Hauling Services. Under Trading, the Company offers its refined petroleum products and lubricants to retailers and industrial customers. The Company sells its products through its network of retail service stations numbering 443 as of end-June 30, 2015. The retail service stations are classified as CODOs or DODOs.

The Company's Terminalling and Hauling Services involve leasing of storage space in its terminal depot, hauling and into-plane services (hauling of Jet A1 fuel to airports and refueling of aircraft) Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City.

HISTORY

The Company was incorporated under the laws of the Republic of the Philippines and registered with the Commission on May 8, 2002.

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products, operation of oil depots and storage facilities, and allied services. The Company's operations started in the Southern Philippines in 2002 and by 2008, operations had expanded to Luzon and the Visayas. The Company's products and services are distributed and marketed under the *PHOENIX Fuels Life*™ trademark.

The Company's operations comprise trading, terminalling, depot and hauling services. Under trading, the Company sells its refined petroleum products (including Jet A1 fuel) and lubricants to retailers and commercial and industrial customers.

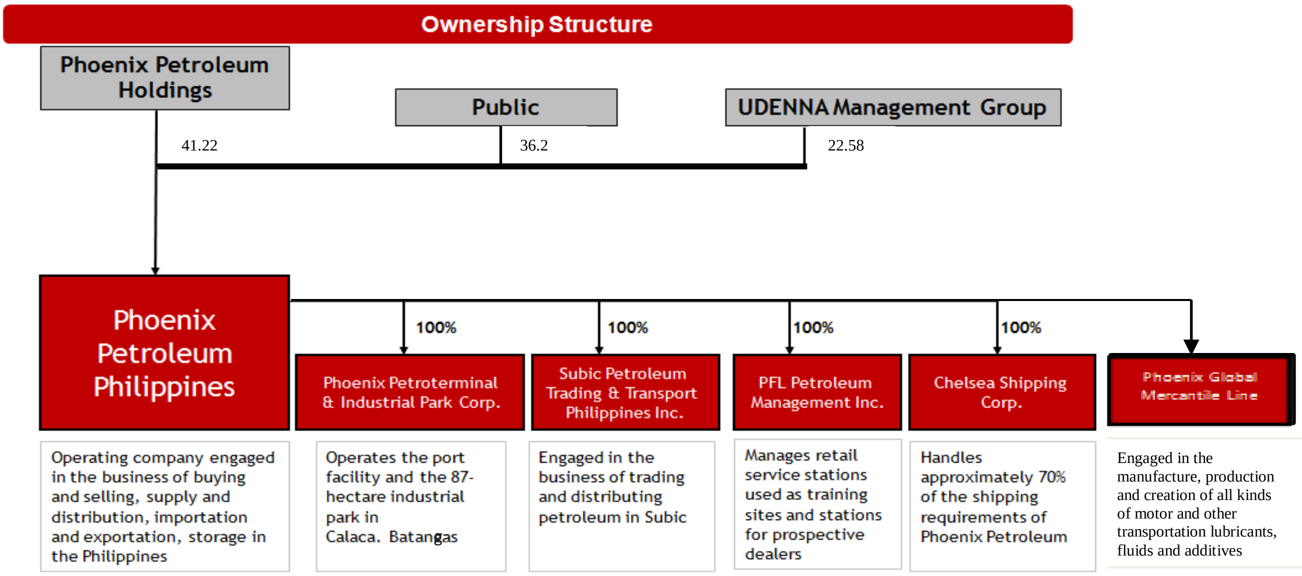
As of June 30, 2015, the Company has a total of 443 service stations with 158 service stations located in Luzon, 62 in the Visayas and 223 in Mindanao. The retail service stations are classified as CODO or DODO. Its main area of retail operations is in Mindanao, where the Company started operations in 2002. The Company presently has a nationwide network of depots and retail stations. Its industrial customers include air, land and sea transport companies and other industrial users.

The Company's terminalling, depot and hauling services involve the leasing out of storage space at its terminal depot, hauling of fuels and into-plane services (hauling of Jet A1 fuel to airports and refueling of aircraft) in Davao, Cagayan de Oro City, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City. Since 2005, the Company has been providing all of Cebu Air's terminal, hauling and into-plane requirements for its Mindanao operations.

Since the inception of its commercial operations, the Company managed to increase its market share from zero in 2005 to 4.1% as of 2014 in total petroleum sales. In the 2014 Oil Supply/Demand report of DOE, the Company's market share is pegged at 4.1% of the total petroleum industry.

CORPORATE STRUCTURE

The Company is a publicly-listed company jointly owned by the Udenna Corporation, Udenna Management & Resources Corp., Phoenix Petroleum Holdings, Inc., and the general public. The chart below sets forth the ownership structure of the common shares of the Company as of June 30, 2015.



The Company wholly owns the following subsidiaries:

Phoenix Global Mercantile Inc. (PGMI) was incorporated also on July 31, 2006 and is a wholly-owned subsidiary of the Company. Its primary purpose is to engage in the manufacture, production and creation of all kinds of motor and/or all other transportation lubricants, fluids and additives of all kinds and other petroleum products purposely for motor vehicles and other transportation.

PFL Petroleum Management Inc. (PPMI) was incorporated on January 31, 2007 and is a wholly-owned subsidiary of the Company, that as of now has five (5) gasoline stations in operation, one (1) in Lanang, Davao City, two (2) in Panabo City, one (1) in Cebu City and one (1) in Ozamis City. Its primary purpose is to engage in and carry on the business of organizing, managing, administering, running and supervising the operations and marketing of various kinds of service-oriented companies such as petroleum service stations, hauling companies and such other companies desirous of strengthening and establishing their operation processes, except management of funds, securities and portfolio and similar assets of managed utilities.

Phoenix Petroterminals & Industrial Park Corp. (PPIPC) is engaged in real estate development and is a wholly owned subsidiary of the Company. PPIPC was registered with the Commission on March 7, 1996 and with the Housing and Land Use Regulatory Board (HLURB) under Executive Order No. 648 and it was granted a license to sell parcels of land on March 31, 2000 covering 25.4 hectares for Phase 1 of PPIP located at Km. 117, National Highway, Calaca, and Batangas.

Subic Petroleum Trading and Transport Phils., Inc. (SPTT) was registered with the Commission on February 20, 2007 and is engaged in buying and selling, supply and distribution, importation and exportation, storage and delivery of all types of petroleum for industrial, marine, aviation and automotive use. It does not carry any inventory at any given time.

Chelsea Shipping Corporation (CSC) is engaged in maritime trade through conveying, carrying, loading, transporting, discharging and storing of petroleum products, goods and merchandise of every kind, over waterways in the Philippines and in the Asia-Pacific region. It has 12 vessels in its fleet, two of which serve the regional trade route (Taiwan to Philippines). Chelsea owns the two largest Philippine-registered oil tanker "M/T Chelsea Thelma" and" M/T Chelsea Donatela" with 9366 GRT each). With a total fleet size of 48,367.96 GRT, Chelsea is among the top 5 major petroleum tanker owners in the country. It was registered and organized on July 17, 2006 and started commercial operations on January 1, 2007. The registered office of the CSC, which is also its principal place of business, is located at Stella Hizon Reyes Road, Barrio Pampanga, Davao City.

Key Competitive Strengths

The Company believes that its principal strengths include the following:

- Management strength and expertise;
- Number One (1) Independent Player and Number four (4) in the Philippine Petroleum Industry;
- Leading player in the Southern Mindanao region;
- Consistent growth in volume sales;
- Integrated supply chain and logistics infrastructure;
- Over-all presence in the downstream oil industry products;
- Aggressive expansion plans;
- Strategic terminal location;
- Increasing storage capacities;
- Lean organizational structure; and
- Growing brand equity.

COMPETITIVE STRENGTHS

The Company believes that its strengths lie in the following:

- **Brand**. In an industry that has been dominated by strong multinational brands for decades, the Company is engaged in a commensurate effort to develop and popularize the Phoenix brand. Compared to its peers among the emergent players the Company believes it has made greater headway in obtaining better brand recognition. This is centered on cost-effective media placements, participation in trade fairs, selective events sponsorships and well-managed celebrity endorsements.

- **Cost-effective approach**. The Company emphasizes an investment return approach to dealership development that centers on a no-frills right-sizing of investments in retail stations that would result in the fastest payback time at an attractive return on investment. This approach allows the dealer a shorter market launch timetable which allows the Company to generate sales earlier than its competitors. This further instills loyalty among such dealer-business partners who can invest a more affordable amount and obtain quicker returns that is invariably not possible with the major oil players**.**

- **Simple organizational structure**. The relatively flat organizational structure enables faster decision-making and shorter reaction time. The Company adheres to a philosophy of devolving decision-making in most of its operational processes which enables the senior management team to focus more on strategy execution and exploitation of new business and potential growth opportunities.

BUSINESS STRATEGY

The Company will continue to expand in other areas of the Philippines, apart from its stronghold in Mindanao, by building on its existing business model and further aligning its frontline revenue units with the logistics and other support areas of the organization. The Company's strategies shall focus on the following elements:

Brand Strengthening

In an industry that has been dominated by strong multinational brands for decades, the Company is focusing on broadening its brand recognition among consumers and to make its Phoenix products the brand of choice of motorists and commercial users. It continues to build up its brand through major marketing activities such as mass media placements, celebrity endorsements, participation in trade expositions and sponsorship of major sports events. The Company's expenditures for brand equity complement its investments in retail and logistics infrastructure.

Retail Network Expansion

The increase in retail presence in viable trade areas will allow the Company to increase its assured base volume of fuel sales. The retail network expansion will likewise enhance the market for the company's lubricants. A growing base volume for retail fuels will also provide the Company with greater flexibility in transacting fuel importations with regional traders at more advantageous terms. The Company believes it has developed the competencies in network planning and operations necessary for efficiently managing the growth of its retail business.

As of June 30, 2015, the Company had 443 retail service stations throughout the Philippines and an additional 61 retail stations under construction. The completion of development and construction of these 61 service stations would require a material amount of the resources of the Company totalling ₱340,000,000.00 which would be taken from the proceeds of the sale of the Firm Shares. In this regard the Company is planning for the establishment of more retail stations throughout the Philippines per year. Specific suitable locations have already been identified and are now in different stages of negotiations, development or construction. The related expansion and strengthening of its depot, terminalling and distribution facilities will support the implementation of this business plan.

In line with the expansion of its retail service network, the Company will continue to develop and strengthen its Retail Network Management Systems in order to support its retail network expansion program in collaboration with dealers and franchisees.

Expand the Depot, Terminalling and Distribution Facilities

The Company will continue to make strategic investments in storage and transportation to support its retail network expansion program, and the broadening of its commercial customer base. Regional storage facilities will be required where the scale of the prospective retail network growth justifies the investment. Depots pay for themselves in terms of, among other things, savings in freight and handling costs, better aggregation of bulk fuel procurements and faster response time (and incremental profit margin opportunities) to upswings in trade area demand, especially for wholesale and commercial customers.

A major investment by the Company in 2009 was the acquisition of 100% of the shares of BIPC (now renamed to PPIPC), the owner/operator of the Bacnotan Industrial Park (now renamed to PPIP). The Company has installed a 50.4 million liter depot in the Park, thereby strengthening its ability to service new retail stations in Metro Manila and Southern Tagalog.

Direct Importation of Fuel Supplies

The Company imports almost 100% of its fuel products. Aside from diversifying fuel supply sources, importations yield higher gross profit margins due to the multiplicity of price-competitive offshore supply sources.

Strengthen the Jet Fuel Trading & Service Business

The Company markets itself as the logistics partner of choice for the leading domestic airlines. As the exclusive logistics partner of Cebu Air in Mindanao for the last ten years, the Company also expanded its business with Cebu Pacific to Luzon and eventually in the Visayas. The Company has built a track record of delivering fast and reliable service and adherence to quality standards.

Building Financial Strength

The Company increased its equity capital from ₽194 million in 2006 to ₽7.050 billion in 2014. As of 30 June 2015, shareholder's equity amounted to ₽7.399 billion. The Company will continue to take advantage of the current liquidity in the financial and capital markets to improve its financial condition by lowering its average cost of capital.

BUSINESS

The Company is engaged in the business of trading refined petroleum products, lubricants and other chemical products and the operation of petrochemical depots, storage facilities and allied services nationwide. Its products are distributed and marketed under the brand name *PHOENIX Fuels Life*™.

The operation of the Company is divided between trading, and terminalling and hauling services. Under its trading operations, the Company offers its refined petroleum products and lubricants to retail and industrial customers. Terminalling involves the storage of petroleum products, mainly refined gasoline, diesel and other petrochemical products, while hauling involves the transport and provision of fuel to industrial customers.

Trading

Retail Trading

The Company's products are sold through its network of retail service stations numbering 443 as of June 30, 2015. The retail service stations are classified as CODOs or DODOs. In a CODO retail service station, the Company provides the station itself including the site and the equipment (storage tanks, dispensing pumps, pylon, signage, and other equipment necessary to run the retail service station) and supply of petroleum products. The current standard CODO agreements generally have a term of five (5) years renewable for another five (5) years. The term of the DODO agreements varies but is generally for a term of five (5) to ten (10) years. CODO retail stations are normally established in locations where the Company sees the need to construct larger retail stations, based on local market evaluation, but where existing dealers cannot afford the initial outlay for construction.

In a DODO retail service station, the dealer provides the site and builds the required civil structures based on the Company's site selection criteria and station design standards. All necessary equipment and supply of petroleum products are provided by the Company. In both cases, the Company is paid a franchise fee.

The table below shows the growth in the Company's retail service stations from 2013 to June 30, 2015:

	2013	Additions	2014	2015 Additions	June 2015
Luzon					
CODO	46	16	62	15	77
DODO	66	13	79	2	81
Total Luzon	112	29	141	17	158
Visayas					
CODO	34	8	42	5	47
DODO	13	1	14	1	15
Total Visayas	47	9	56	6	62
Mindanao					
CODO	65	8	73	1	74
DODO	144	4	148	1	149
Total Mindanao	**209**	**12**	**221**	**2**	**223**
Total CODO	**145**	**32**	**177**	**21**	**198**
Total DODO	**223**	**18**	**241**	**4**	**245**
Total Stations	**368**	**50**	**418**	**25**	**443**

The Company offers a wide range of petroleum products to cater to the needs of all customers. Listed below are the different *PHOENIX* Products offered by the Company in its retail service stations:

PPPI List of Fuel Products and Lubricants

Fuels	
Diesel	A low-sulfur product whose carbon content is no more than 2% sulfur
Premium 98	An environment-friendly premium gasoline with an octane rating of 98. Restores lost engine performance.
Premium	An environment-friendly premium gasoline with an octane rating of 95.
Regular	An environment-friendly gasoline with an octane rating of 91

Jet A-1	Aviation fuel specifically described as Jet A: AFQRJOS Issue (ASTM D 1655-06 or EF STD 91-91 Issue 5, amended March 2006) commonly used by commercial airlines and general aviation.
Lubricants	
Phoenix Accelerate	A high quality, fully synthetic SAE 15W40 gasoline engine oil formulated to enhance protection of high performance turbo-charged gasoline powered engines requiring the latest API SN rating.
Phoenix Zoelo Extreme	A premium quality, multi-grade SAE 15W40 heavy-duty diesel engine oil designed for extreme protection of turbo-charged engines and commercial mixed fleet requiring the latest API CI-4/SL rating.
Phoenix Cyclomax Titan 4T	A premium quality, SAE 20W50 motorcycle engine oil designed for superior protection of high-revving motorbikes requiring wet-clutch system and JASO MA2/ API SJ rating.
Phoenix 2T	A high quality two-stroke motorcycle oil which exceeds JASO FB specifications, designed for use in tricycles and scooters.

Commercial and Industrial Trading

The Company presently services the fuel requirements of large industrial accounts in different industries throughout the Philippines. These include the air, land and sea transport sectors (Cebu Air, Bachelor Express, Davao Reyer, Lite Shipping), banana and pineapple plantations (Unifrutti Group of Companies, Sumifru Philippines Corp. and Lapanday Group of Companies), mining companies (Adnama Mining, Carrascal Mining, Apex Mining, Platinum Mining), sugar cane milling (Filinvest Farm Group), Power Sector (Davao Light, PSALM, Napocor, Mapalad Power), Manufacturing Sector (Steel Asia) and the construction and property sectors (DMCI, Ayala Land). The products are usually delivered to the area of operations of the client. However, for high-volume accounts, the Company sets-up its own pump station within the clients' area of operations.

Terminalling and Hauling Services

The Company's terminalling and hauling services involve the leasing out of storage space at its terminal depot, hauling of fuels and into-plane services (hauling of Jet A1 fuel to airports and refueling of aircraft) in Davao, Cagayan de Oro, General Santos City, Cotabato City, Ozamis City, Pagadian City and Zamboanga City. Starting in 2005, the Company has been providing all of Cebu Air's terminalling, hauling and into-plane requirements for its Mindanao operations.

The Company's oil depots are located throughout the Philippines. The Company will have a total storage capacity in excess of 343.9 million liters to be completed by 2015 from 282 million liters in 2014.

Each of these locations has port facilities to accept sea-going fuel tankers. This allows the Company to directly receive importations into its depots, minimizing the need to transport fuel by land from remote ports to the depots. The port facilities also allow the Company to efficiently transfer fuel in between depots should the need arise.

Franchising

Through dealership agreements, the Company offers for franchising the right to operate a Phoenix gasoline retail station and use of the Company's retail operations and management system. The Company requires new Phoenix gas stations to occupy an area of at least 800 to 1,000 square meters with at least a 30-meter frontage and be located along highways or main thoroughfares. In special cases, the Company may opt to open a station smaller than 800 square meters depending on the economic sense. As 30 June 2015, the Company had 443 franchisees. The Company expects to grow the number of its dealers by 60 to 80 dealers per year for the next three (3) to four (4) years.

The main criterion in selecting a retail station site is the viability of the proposed location of the retail service station. This should be in a high-traffic area that can support the minimum volume to keep the dealership operations profitable. In selecting a dealer, the financial capability, business acumen and character of a prospective dealer are the main criteria in qualifying a dealer. The Company selects its dealers through a Dealership Selection Panel (DSP) composed of representatives from various departments in the Company such as Sales, Legal and Finance.

In support of its franchisees, the Company provides the following assistance to the prospective business partner:

Pre-Operations
- Site Evaluation Assistance and Station Lay-Out Assistance
- Pre-opening and start-up assistance

Operations
- Provision of Station Equipment (pumps, tanks and signages)
- The Phoenix Confidential Operations Manual
- Technical Training
- Continuous research and product development
- Continuing visits, guidance and business evaluation support

Marketing
- Use of Phoenix brand, system and design
- Local marketing and promotional assistance
- Sales territory protection

PRODUCT SUPPLY & IMPORTATION

The Company imports almost 100% of its petroleum requirements from a number of foreign regional sources. The Company imports its refined petroleum products from neighboring Asian countries such as Taiwan, Singapore, China, Korea and Thailand. The Company believes that the larger number of offshore suppliers allows for much greater pricing flexibility and stability of supply. The Company is not dependent on a single or limited number of suppliers for its supply of products.

Importations are conducted mainly through the issuance of letters of credit, while domestic purchases are conducted through invoices. Products are purchased based on the prevailing domestic wholesale price or on the basis of the average MOPS plus an agreed premium. To maintain flexibility in supply, the Company does not maintain any long-term supply contracts with its major suppliers. Imported products are offloaded directly at the Company's depots, which have port facilities of their own to accommodate fuel tankers.

PRODUCT DISTRIBUTION

The Company's depots and terminals have receiving facilities and multiple product storage tanks for liquid fuels. From its oil depots, products are distributed to the various retail service stations and direct consumer accounts using company-owned and third-party tanker trucks, and a variety of smaller delivery vans & pick-ups for lubricants.

The Company also currently uses two (2) shipping vessels owned by CSC, a wholly-owned subsidiary of the Company, for the transportation of petroleum products from the supplier's terminal to the Company's depot terminals in Davao, CDO, Subic, and Batangas. The Company also uses ten (10) shipping vessels of CSC as well as other third-party vessels for trans-shipments to other depots within the Philippines. With this easy access to critical logistical support, potential risks of supply disruptions due to scarcity of sea vessels are minimized.

MARKETING

The Company's marketing organization is presently manned by marketing professionals. Retail Territory Managers (RTM) are primarily responsible for prospecting suitable locations and dealers. They also handle business dealings and maintain business relationship with the dealers as well as audit compliance with the Company's standards.

On the other hand, Commercial Accounts Managers (CAM) are responsible for developing and maintaining business relationship with all other accounts except for retail station dealers.
Lubes Accounts Managers (LAM) handles high street and lubes distributor accounts for lubricants, chemicals and other car care products.

Retail Engineers attend to the logistical needs of retail service stations while the Equipment Maintenance Group services the maintenance needs of the retail service stations and commercial accounts.

Supporting the Company's marketing activities is its integrated logistical facilities - receiving terminal, storage depots, lorries, delivery vans, time-chartered vessels and service stations – allowing it to service all the requirements of its clients in a seamless manner.

Integrated Supply Network

The Company has established and continues to strengthen an integrated supply network that encompasses importations, terminals, storage depots, lorries, delivery vans, time-chartered vessels and retail service stations to service the requirements of its customers in a seamless and cost-effective manner.

The Company's moves to strengthen its supply network include the following:

- **Expanding both the geographical distribution and capacity of its storage terminals.** The Company has established storage terminals throughout the country in line with the nationwide expansion of its retail network. From a storage capacity of 167.5million liters by the end of 2011, the Company aims to increase its total storage capacity to over 340 million liters by the end of 2015. These additional storage capacities will support the Company's continued expansion of its retail stations.

- **Expanding its retail network.** The Company is targeting to expand its retail network by 60 to 80 stations per year.

- **Strengthen its hauling operations.** The Company has a fleet of lorry trucks, and refueler trucks and bridging tanks to transport fuel to its retail stations, industrial customers and, in the case of refueler trucks and bridging tanks, for its into-jet operations. The Company will continue to increase its fleet as its customer base grows to ensure timely delivery of its products.

- **Affreightment with CSC under a long term basis.** The Company has entered into a Contract of Affreightment with CSC, a wholly-owned subsidiary, under a long-term basis for its major shipment from foreign suppliers as well as its regional transshipments to sub-depots strategically located in various parts of the country. This assures the Company of the steady and calculated deliveries of inventory not only to its clients but various depots that support the Company's retail and commercial network.

The Company competes with other players in the industry in terms of quality of service and products and strategic locations of its service station retail network.

The Company believes that its cost-effective approach of doing business, focus on brand building and its integrated supply network, among other things, enables it to be competitive in its target market. From 2009 to 2014 the Company's sales volume grew by an average annual growth rate in excess of 52%.

COMPETITION

The Company's main competitors are the major players in the downstream oil industry namely, Petron, Shell and Chevron, foreign players Total and PTT, and the local independent players such as Unioil, Seaoil and Flying V. While the three major players control about 69% of the total Philippine market as of 2014, the Company has grown from zero market share in 2005 to 4.1% as of 2014 in total petroleum products.

Please refer to the section "Industry Overview" on page 59 for a discussion on the trends in the Philippine oil industry.

The Company competes with other players in the industry in terms of pricing, quality of service and products, and strategic locations of its service station retail network.

As of June 30, 2015, the Company has a network of 443 retail service stations nationwide of which 223 are in Mindanao, 62 in Visayas and 158 in Luzon.

The Company believes that its cost-effective approach of doing business and focusing on brand building, among other things, enables it to be competitive in its target market. From 2009 to 2014, the sales volume of the Company grew by an average annual growth rate in excess of 52%.

DEPENDENCE ON DEALERS

Dealership Network

The Company's products are sold through its network of retail service stations numbering 443 as of June 30, 2015. However, the Company is not dependent upon a single or few customers, the loss of any or more of which would have a material effect on its financial condition and results of operations.

Dealership Agreements

For the operation of retail service stations, the Company enters into dealership agreements with its dealers, the pertinent terms of which are as follows:

Term

The current standard dealership agreements are effective for a period of five years, renewable for another five years at the option of the Company.

Appointment of Dealer

In consideration of the compliance by the dealer with the requirements of the dealership agreement, the Company grants to the dealer the right to operate a retail gasoline station and use the equipment and the Phoenix System developed by the Company. In selecting a dealer, the financial capability, business acumen and character of a prospective dealer are the main criteria in qualifying a dealer. The Company selects its dealers through a Dealership Selection Panel (DSP) composed of representatives from various departments in the Company such as Sales, Legal and Finance.

The Company provides and installs storage tanks, dispensing pumps, pylon signage and other equipment to operate the system which will be its equity, among others, while the dealership agreement is in force.

Training and Assistance

The Company makes familiarization training courses available to the dealer and his/its employees. In addition, for the first ten days of the first month of operation of the dealer's facility, the Company assigns one of its representatives to the facility, at the Company's expense, to assist the dealer in facilitating the opening of the gasoline station. During this period, such representative will also assist the dealer in establishing and standardizing procedures and techniques essential to the operation of the station and shall assist in training personnel.

The dealer may be required to attend refresher or training sessions and dealership meetings with the Company at such duration and frequency as the Company may determine.

Confidential Operations Manual

During the term of the dealership agreement, the Company loans to the dealer a copy of the Confidential Operations Manual containing reasonable, mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by the Company for the operation of the stations and information relative to other obligations of the dealer under the dealership agreement and the operation of its facility.

Advertising and Promotions

The dealer is required to fully participate in all marketing, sales promotion, advertising and other incentive programs suggested, allowed and may be initiated by the Company for its retail stations.

The dealer shall pay the Company an annual advertising and promotions fee.

All advertising and promotion programs of the dealer for the station over and above programs and activities of the Company shall be subject to the Company's approval, and the dealer shall have no right to use any Company identification or advertising without the Company's consent.

Standards of Quality and Performance

The dealer agrees to purchase petroleum products only from the Company and sell only petroleum products from the gasoline retail station. The dealer further agrees that should he purchase petroleum products from any other source, he is liable to pay a fine of One million pesos (₱1,000,000.00) per delivery from unauthorized suppliers.

The gasoline station shall at all times be under the direct, on-premises supervision of the dealer and he shall spend at least four (4) hours daily in the station and, during his absence, be represented by a trained and competent employee acting as supervisor.

Defaults and Termination

The dealership agreement shall, at the option of the Company, terminate automatically upon delivery of notice to the dealer, if the dealer fails to meet Company standards on sales, safety, customer service, payments and standard operating, financial and legal requirements as outlined in the dealership agreements and operating manual.

INTELLECTUAL PROPERTY / TRADEMARKS

The Company uses its registered trademark *PHOENIX Fuels Life*™ to identify its brand. This trademark was registered on April 27, 2009 and will expire on April 27, 2019. Branding is a cornerstone of the Company’s marketing program. It sells its refined petroleum products under the Phoenix trademark and logo. Below are the approved trademarks by the Intellectual Property Office of the Philippines (IPOPHIL) through the Bureau of Trademarks.

PRODUCT	REGISTRATION NO.	DATE OF REGISTRATION	TERM
NEST Necessities for Life	4-2008-012149	Feb. 9, 2009	10 yrs, until 2-9-2019
CAGE Free ur Spirit	4-2008-012148	Feb. 9, 2009	10 yrs, until 2-9-2019
PHOENIX Fuels Life	4-2009-000918	April 27, 2009	10 yrs, until 4-27-2019
PHOENIX Facing East	4-2009-000917	April 27, 2009	10 yrs, until 4-27,2019
PHOENIX Flame Kerosene	4-2008-005929	Oct. 13, 2008	10 yrs, until 10-13-2018
PHOENIX Jet A-1	4-2008-005934	Oct. 27, 2008	10 yrs, until 10-27-2018
PHOENIX Magma Diesel	4-2008-005936	Oct. 13, 2008	10 yrs, until 10-13-2018
PHOENIX Raptor X Premium	4-2008-005932	Oct. 13, 2008	10 yrs, until 10-13-2018
PHOENIX Regular	4-2008-005931	Oct. 13, 2008	10 yrs, until 10-13-2018
PHOENIX Glide Super Unleaded	4-2008-005933	Oct. 13, 2008	10 yrs, until 10-13-2018
ACCELERATE Supreme	4-2012-005161	July 26, 2012	10 yrs, until 7-26-2022
ZOELO Extreme Heavy Duty Engine Oil	4-2012-005162	April 27, 2012	10 yrs, until 8-2-2022
PHOENIX Cyclomax Motorcycle Oils 4T Force	4-2012-005164	April 27, 2012	10 yrs, until 8-16-2022
ZOELO Diesel Oil	4-2012-005163	Aug. 16, 2012	10 yrs, until 8-16-2022
PHOENIX Cyclomax Motorcycle Oils	4-2012-005165	Jan. 03, 2013	10 yrs, until 1-3-2023
ACCELERATE Vega Fully Synthetic Motor Oil	4-2012-005169	Jan. 03, 2013	10 yrs, until 1-3-2023
CYCLE Fork Oil	4-2012-00005168	June 14, 2013	10 yrs, until 6-14-2023
2T 2-Stroke Motorcycle Oil	4-2012-00005167	Sept. 27, 2013	10 yrs, until 9-27-2023
2T MAX	4-2012-00005166	Sept. 12, 2013	10 yrs, until 9-12-2023
PHOENIX Premium 98	4-2014-002029	June 12, 2014	10 yrs, until 6-12-2024
PREMIUM 98	4-2014-002028	June 12, 2014	10 yrs, until 6-12-2024

TRANSACTIONS WITH OR DEPENDENCE ON RELATED PARTIES

The Company's related parties include its Parent Company, PPHI, subsidiaries, affiliates, stockholders, and key management personnel. Transactions with said related parties are as follows:

Purchase of Services

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

Due to and Due from Related Parties

The Company from time to time grants and obtains advances to and from the Parent Company and its other associated companies.

Due from related parties amounted to ₱13.7 million and ₱10.4 million as of June 30, 2015 and December 31, 2014 respectively. This represents outstanding advances to Phoenix Philippines Foundation, Inc.

Total number of employees

The Company and its subsidiaries have a total of 750 employees as of June 30, 2015. This is broken down as follows:

	Company	Subsidiaries	TOTAL
Executives	23	6	29
Managers	24	7	31
Assistant Managers	40	0	40
Supervisors	174	69	243
Rank and File	311	96	407
TOTAL	**572**	**178**	**750**

In the next twelve (12) months, the Company and its subsidiaries expect to add fifty (50) employees, mainly rank and file, to support organic growth. About 90% of them will be employed by the Company while the remaining 10% will be employed by its subsidiaries.

There are no labor unions in the Company and its subsidiaries nor are there any labor cases filed against the Company and its subsidiaries that may materially affect the Company's financial or operational results or position.

Aside from the statutory benefits, the Company grants group term life insurance and hospitalization benefits fully paid by the Company. It also provides free uniforms, free meals, and vacation, sick, emergency leaves and, recently, entitlement to avail of the Employee Stock Option Plan (ESOP) to all its regular employees based on annual performance evaluation.

The Commission has approved the application for exemption from the registration requirement of the Securities Regulations Code of the Company for the proposed issuance of 24,493,620 common shares for the Company's ESOP. The ESOP Committee of the Company has already approved the ESOP internal guidelines.

On 24 January 2013, the Board of Directors of the Company approved the setting of the initial offering date for the ESOP on 01 March 2013. To date, grantees of the ESOP have yet to be named by the Company.

Key Management Personnel Compensation

Included in related party transactions are items of compensation payable by the Company to its key management personnel consisting of salaries and wages, honoraria and allowances, 13th month pay and bonuses, and SSS, PHIC, HDMF, and Others as follows:

	2013	2014
Salaries	40,724,453	57,664,184
Honoraria and Allowances	4,447,058	
13th Month and Bonuses	4,586,418	6,567,214
SSS, PHIC, HDMF and Others	269,819	776,513
	50,027,748	**65,007,911**

INSURANCE

The Company's comprehensive insurance policies cover its terminal, depot facilities, head office building, pier and pipeline structure and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot against any incidents of fire/lighting, typhoon, and floods with extended coverage to include loss or damage directly caused by explosion, falling aircraft, vehicle impact and smoke.

All the trucks and tankers owned by the Company are covered with third party liability and comprehensive insurance. The products carried by the heavy equipment are covered with in-land cargo insurance. The Company believes that its insurable assets are adequately covered.

REGULATORY FRAMEWORK

Downstream Oil Industry Deregulation Act

The Company is required to obtain from the OIMB of the DOE a Certificate of Compliance with the requirements prior to engaging in the business of selling liquid petroleum products. These requirements include, among others, prior notice of the Company's intention to engage in the business of selling liquid petroleum products and submission of documentary requirements before commencement of construction and operation, such as the following:

- Fire Inspection Certificate issued by the BFP pursuant to Presidential Decree No. 1185 or The Fire Code of the Philippines; and

- ECC or Certificate of Non-Coverage issued by the DENR's Environmental Management Bureau pursuant to Presidential Decree No. 1586 (Establishing an Impact Assessment System).

The Downstream Oil Industry Deregulation Act also requires all petroleum product transport containers of the Company to be registered with the Industrial Technology Development Institute of the Department of Science and Technology.

In addition to the foregoing, the Company is required to obtain a permit or clearance from the DENR prior to any importation of slop/used/waste oils, sludge and similar petroleum products pursuant to Republic Act No. 6969 or The Toxic Substances, Hazardous and Nuclear Wastes Control Act of 1990.

The Company believes that its facilities and operations comply in all material respects with the requirements of the Downstream Oil Industry Deregulation Act.

In respect of the operation of retail gasoline stations, the Company's dealership agreement with its dealers provide that the dealers shall be responsible for securing all the necessary permits from the BFP, DENR and OIMB as required under the Downstream Oil Industry Deregulation Act, and such other permits and licenses required by the local government unit and/or the National Government.

Environmental Compliance

The Company's operations are subject to evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations address, among other things, air emissions, wastewater discharges, generation, handling, storage, transportation, treatment and disposal of oil products, workplace conditions and employee exposure to hazardous substances.

Among the permits applicable to the Company are the Environmental Compliance Certificate, Water Discharge Permit, and the Permit to Operate a standby generator from the DENR.

Phoenix retail service stations are required to secure an Environmental Compliance Certificate prior to their start of operations.

The Company believes that its facilities comply in all material respects with all applicable safety, health and environmental laws and regulations.

The cost of complying with environmental regulations is mainly made up of the equipment and facilities required to be put up in each of the service stations. The estimated average cost of complying with environmental regulations is ₽50,000 per service station.

In respect of the operation of retail gasoline stations, the Company's dealership agreement with its dealers provide that the dealers shall be responsible for securing all the necessary permits from the BFP, DENR and OIMB as required under the Downstream Oil Industry Deregulation Act, and such other permits and licenses required by the local government unit and/or the National Government.

The Company and its dealers have secured all government-mandated licenses and permits required for the operation of its business.

Effect of Existing or Probable Government Regulations on the Company's Business

Oil industry players are required to comply with the laws discussed above, and to follow strictly the guidelines of the DENR. There can be no assurance that current laws and regulations applicable to the Company will not increase the costs of operating its facilities above currently projected levels or require future capital expenditures. Although the Company endeavors to maintain compliance with applicable laws and regulations, the introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

A summary table of the Company's major permits and licenses is shown below:

*Depots**	*Type of Permits*	*Issue Date*	*Valid until*
Davao Office/Depot	Mayor's Permit No. B-58085-5	January 16, 2015	December 31, 2015
	BIR Permit to Computerized Accounting System with Permit No.0913-ELTRD-CAS-00212	September 03, 2013	Valid until revoked
	Certificate of Registration issued by the Bureau of Internal Revenue (New)	June 18, 2002/ October 17, 2013	Valid until revoked
	Permit to Operate Issued by DENR under Permit No. 2012-POA-J-1124-2464	March 6, 2012	October 11, 2017
	Hazardous Waste Generator Registration Certificate under DENR ID No. GR 11-24-0562 issued by DENR	June 23, 2014	Subject to compliance on RA 6969 and submission of Waste Generator's Quarterly Report 7 days after the end of every quarter
	Certificate of Accreditation No.07-949 on Pollution Control Officer issued by DENR	May 04, 2007	Valid until revoked
	Waste Water Discharge Permit with Permit No.2014-WDP-D-1124-1656 issued by DENR	May 6, 2014	April 19, 2015 (renewal, awaiting for the release from DENR)
	Certificate of Accreditation issued by DOE	February 23, 2015	December 31, 2015
	Fire Safety Inspection Certificate with No.RXI:04007395	April 13, 2015	December 31, 2015
	Certificate of Permit to Operate issued by Philippine Port Authority with No. 410	October 6, 2008	Valid until revoked
Villanueva CDO Depot	Mayor's Permit No. C-140-2015	February 03, 2015	December 31, 2015
	BIR – Permit to Operate Storage Facility(New)	January 5, 2015	December 31, 2015
	BIR – Permit to Convert	March 17, 2015	Valid until revoked
	BIR – Permit to Blend (E-10)	February 8, 2015	Valid until revoked
	BIR – Permit to Blend (B2)	February 8, 2015	December 31, 2015
	Permit to Operate Issued by DENR under Permit No.2014-POA-L-1043-1522	December 18, 2014	December 16, 2015
	Certificate of Accreditation issued by DENR under EMB Cert. No.2013-PCO-1043-0166	January 15, 2013	Valid until revoked
	Environmental Compliance Certificate bearing Code ECC-R10-0911-0060	September 19, 2014	Valid until revoked
	Discharge Permit issued by DENR under Permit No.2014-DP-L-1043-883 (New)	December 18, 2014	December 17, 2015
	Certificate of Compliance on General Labor Standards issued by DOLE under Control No.LLCS-GLS-2015-ROX-000099	March 13, 2015	March 12, 2017
	Certificate of Compliance on Occupational Safety and Health	March 13, 2015	March 12, 2017

	Standards issued by DOLE under Control No.LLCS-OSHS-2015-ROX-000099		
	Fire Safety Inspection Certificate issued by BFP Region-10 under FSIC No. R10-230459	August 7, 2014	August 7, 2015 (In the process of being renewed)
	Hazardous Waste Registration under DENR ID No. 1043-0605issued by DENR	February 7, 2013	Subject to compliance on RA 6969 and submission of Waste Generator's Quarterly Report 7 days after the end of every quarter
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
CEBU Depot	Mayor's Permit No. 125889	January. 23, 2015	December 31, 2015
	Permit to Operate (B2) issued by BIR under ELTRD-(P)-028-02-15-12725	February 8, 2015	December 31, 2015
	Permit to Operate (E10) issued by BIR under ELTRD-(P)-008-02-15-12724	February 8, 2015	December 31, 2015
	BIR – Certificate of Registration	August 16, 2013	Valid until revoked
	DOE Certificate of Accreditation	(Depot construction is ongoing)	
GENSAN Depot	DOE Certificate of Accreditation	(Depot has yet to be constructed)	
Bacolod Depot	Mayor's Permit No.201566720	January 20, 2015	December 31, 2015
	BIR – Certificate of Registration with OCN. 8RC0000051902	August 7, 2014	Valid until revoked
	Permit to Operate storage facility issued by BIR under ELTRD-(P)-001-12-13-09222	Dec. 4, 2013	December 2014,
	Permit to Operate issued by DENR (Air Pollution Source and Control Installations) Permit No.13-POA-B-0645-1004	March 01,2013	February 15, 2018
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
	Permit to Operate issued by DENR with Permit No.2013-POA-C-0973C-0073	May 16, 2013	December 31, 2014 (renewal is still in process pending with DENR)
Zamboanga Depot	WasteWater Discharge Permit issued by DENR Permit No.2013-WDP-0973C-0023	May 16, 2013	March 28, 2014 (renewal is still in process pending with DENR)
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
	Certificate Of Registration (CR) and Certificate of Tax Exemption (CTE) issued by Subic Bay Metropolitan Authority with No.OL-042915-136	April 29, 2015	Valid until revoked
SUBIC Depot	Business Permit to Operate issued by Subic Bay Metropolitan Authority with RG2014-09-0478	September 24, 2014	September 23, 2015 (renewal in process)
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
	Mayor's Permit ID No.01400000418	January 16, 2015	December 31, 2015
Calapan Depot	Certificate Of Registration issued by BIR with OCN BRC0000054986	December 19, 2014	Valid until revoked
	Environmental Compliance	March 24, 2014	Valid until revoked

	Certificate bearing Code ECC-R4B-1403-0027		
	Fire Safety Inspection Certificate issued by BFP-Calapan City with Control No.R04B-B-05-2014-11-1267	October 09, 2014	October 09, 2015 (renewal in process)
	Permit to Operate Storage Facility issued by BIR with ELTRD-(P)-001-12-14-12246	December 9, 2014	December 9, 2015
	Sanitary Permit to Operate issued by City Health and Sanitation Department with Permit No.SP-POL-0270	January 09, 2015	December 31, 2015
	Certificate of Accreditation issued by DOE with No.2015-02-0020-FBP	February 23, 2015	December 31, 2015
	Permit to Operate Storage Facility/Depot/Terminal issued by BIR-Large Taxpayers Service	Dec. 29, 2014	December 31, 2015
Calaca Depot	Permit to Convert product contents issued by BIR	March 17, 2015	December 31, 2015

PLANS AND PROSPECTS

For the analysis of financial condition and results of operation of the Company, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operation" on page 91.

Strengthen Oil Supply Security

The Company intends eventually to form strategic partnerships with foreign refined petroleum products producers and traders, and domestic wholesalers.

Expand the Petroleum Depot, Terminalling and Distribution Facilities

The Company plans to establish additional petroleum depot, terminalling and distribution facilities in other strategic locations in key areas of the Luzon, Visayas and Mindanao regions to support its expanded market presence both in wholesale distribution as well as its retail network development. Specific suitable locations have already been identified and negotiations for some are in their final stages, and more sites are under consideration.

Expand Retail Service Station Network

The Company plans to increase the current number of retail service stations by sixty (60) to eighty (80) stations per year. Specific suitable locations have already been identified and are now in different stages of negotiations, development or construction. The related expansion and strengthening of its depot, terminalling and distribution facilities will support the implementation of this business plan.

Strengthen Retail Management Systems & Operations

The Company shall continue to develop and strengthen its existing Retail Network Management System in order to support its retail network expansion program in collaboration with its dealers and franchisees.

Developing the Brand: A Marketing Cornerstone

Branding will continue to be a cornerstone of the Company's marketing campaign to make Phoenix as the brand of choice of customers and commercial users.

Expand Product Offerings and Distribution Channels

As part of the Company's thrust to strengthen the brand, more products led by its lubricants line will be launched. These product offerings, covering the vehicles' needs (except spare parts) as well as driving-related requirements, will be made available in selected Phoenix stations but also through other traditional distribution channels of these products.

The Company has also started to aggressively penetrate the bunker fuel market specifically to cater to industrial customers such as power plants and shipping companies.

DESCRIPTION OF PROPERTY

The Company's properties consist mainly of its terminal, depot facilities, head office building, pier and pipeline structure and its accessories, steel cylindrical tanks, and stocks of all petroleum products stored and contained inside the depot.

Below is the list of the Company's properties:

Corporate Offices:

Davao Head Office:	Phoenix Bulk Depot, Lanang, Davao City 8000
Manila Office:	25th Floor, Fort Legend Towers, 3rd Avenue corner 31st Street, Fort Bonifacio Global City, Taguig City 1634
Cebu City Office:	Phoenix Maguikay Gasoline Station, M. C. Briones St., National Highway, Maguikay, Mandaue City, Cebu 6014
Bacolod City Office:	Door 5-7, round Floor, JFC Bldg., Palanca Avenue, BREDCO Reclamation Area, Bacolod City
General Santos City Office:	2nd Floor, JMP Building 1, South Osmena St., General Santos City 9500
Cagayan de Oro City Office:	Suite 1 & 2, 8th Floor, Limketkai Gateway Center, Lapasan, Cagayan de Oro City 9000

Depots and Terminals:

Bacolod Depot:	BREDCO Port Reclamation Area Cambodia Street Bacolod City
Calaca Terminal:	Km 117 Barangay Salong Phoenix Petroterminal and Industrial Park Calaca Batangas
Calapan Depot:	Sitio Silangan Brgy. Lazareto, Calapan City
Cebu Depot:	Phoenix Petroleum Phils., Inc. MC Briones Ave., Maguikay, Mandaue City
Davao Terminal:	Stella Reyes Hizon Road B.O Pampanga Lanang Davao City
Dumaguit Depot:	Dumaguit , New Washington, Aklan
Palawan Depot:	Star Oil Depot, Rapols St., Brgy. Masipag, Parola Extension, Puerto Princesa City
Subic Terminal:	Unit 113/115 Alpha Bldg. Subic International Hotel Rizal Highway Subic Bay Freeport Zone, 2222
Villanueva Terminal:	Zone 4 Barangay Katipunan Villanueva Misamis Oriental
Zamboanga Depot:	Phoenix Bulk Depot, Dumagsa Talisayan Zamboanga City

Leased Properties

The Company's headquarters, where substantially all of its operations are conducted, is currently located at Stella Hizon Reyes Road, Bo. Pampanga, Lanang, Davao City. The premises are covered by existing lease contracts with Udenna Corporation and the Heirs of Stella Hizon Reyes, as lessors.

Following are the relevant terms of the lease contracts:

- The lease contract with Udenna Corporation shall be for a term of twenty-five (25) years commencing in August 2002, subject to renewal upon terms and conditions to be agreed to by the parties; while the lease contract with the Heirs of Stella Hizon Reyes shall be effective for seventeen (17) years, commencing on March 20, 2010, subject to renewal upon terms and conditions to be agreed to by the parties.
- The Company shall pay Udenna Corporation a monthly rental at the rate of P 12.00 per square meter, or a total of P 132,000 per month, plus 10% value-added tax and 5% withholding tax. The rate shall be subject to a 10% increase every succeeding year commencing in August 2005. For the property leased from the Heirs of Stella Hizon Reyes, the Company shall pay a monthly rental at the rate of ₱18.00 per square meter for the first two years of the contract and shall be increased at a rate of 10% after every two years until the termination of the contract.
- The leased premises shall be used exclusively by the Company for its storage of petroleum and fuel products and for its pier facilities or any other related business. The Company is prohibited from using the leased premises for any other purpose without the prior written consent of the lessors.
- The Company may not introduce improvements or make alterations or changes without the written consent of Udenna Corporation, except the construction of the necessary offices, storage tanks and other improvements required by the business of the Company.
- Udenna Corporation shall have the right to pre-terminate the lease on any of the following grounds: (a) non-payment of rentals for at least two (2) consecutive months; (b) if the Company, at any time, fails or neglects to perform or comply with any of the covenants, conditions, agreements, or restrictions stipulated in the lease contract; or (c) if the Company shall become insolvent. Udenna Corporation shall give the Company one (1) month notice prior to the intended date of termination. The Company may pre-terminate the lease, upon prior thirty-day written notice to Udenna Corporation.

Lease of Properties where CODOs are Located

In addition to the lease covering the premises where the Company's headquarters is located, the Company has existing lease contracts with various property owners covering the properties where its CODOs are situated. Relevant terms of said lease contracts are typically as follows:

- The lease shall be for a term of ten (10) to fifteen (15) years, subject to renewal upon such terms and conditions as may be agreed upon in writing and signed by the parties.
- The Company shall pay monthly rentals plus applicable real estate and government taxes and such rent is subject to yearly escalation of 3% to 10%.
- The leased premises may be occupied and used by the Company exclusively as a gasoline service station. It may include convenience stores, coffee shops, service bays and other businesses.
- The Company is permitted to assign or sublet the leased premises subject to notice to the lessors.

Future Acquisitions

The Company intends to establish terminal operations in other locations, expand its dealership network and its services as well as the necessary logistical requirements to support these activities. For this purpose, the Company intends to increase its gasoline stations and acquire equipment and other depot and logistic facilities. For such acquisition, the Company projects to spend ₱1,640,000,000.00, which shall be financed from the proceeds of this Offer (please refer to "Use of Proceeds" on page 43). Should the Company obtain substantially less than the maximum proceeds from the Offer, the Company intends to finance the shortfall by availing of loans from its existing credit lines.

Generally, the Company conducts competitive bids to determine where to source its equipment and facilities. The main considerations are the cost, compatibility with the existing equipment and facilities, and whether they meet the Company's specifications.

LEGAL PROCEEDINGS

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

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

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court. On December 2, 2014, Mr. Uy received a copy of the Resolution dated November 19, 2014 directing him to file a comment on the Petition within ten (10) days from notice. On January 12, 2015, Mr. Uy filed his Comment on the Petition. On February 17, 2015, Mr. Uy received Petitioner's Reply dated February 12, 2015. The resolution of the Petition is still pending before the Special 21st Division of the CA, Cagayan de Oro City.

Mr. Uy has questioned the basis of the filing of the above Informations by the DOJ which are the Resolutions issued by the Secretary of Justice (SOJ) dated April 24, 2013 and August 13, 2013 ("SOJ Resolutions") finding probable cause against him. Mr. Uy filed a *Petition for Certiorari* on September 4, 2013 with the Special Former Special 10th Division of the CA, which was granted on July 25, 2014 thereby nullifying the SOJ Resolutions. The CA Decision granting the Petition further directed that the Informations be withdrawn and/or dismissed for lack of probable cause. The SOJ and the Bureau of Customs filed a Motion for Reconsideration dated August 19, 2014 of the CA Decision. On March 11, 2015, Mr. Uy filed his Comment/Opposition to the Motion for Reconsideration. On April 13, 2015, the Special Former Special 10th Division of the CA issued a Resolution stating that the foregoing Motion is submitted for resolution. Said Motion was denied for lack of merit in a Resolution promulgated by the Special Former Special 10th Division on July 2, 2015. On August 26, 2015, the Supreme Court issued a Resolution granting the Motion for Extension to file a petition for review on certiorari by petitioners SOJ and the Bureau of Customs.

Other court cases typical and customary in the course of business operations of every company such as those, among others, involving collection, B.P. 22, qualified theft and reckless imprudence have been filed by the Company and/or its subsidiaries against its employees and/or third parties. These proceedings have no material and adverse effect on the financial condition or the business of the Company and/or its subsidiaries.

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

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

MARKET INFORMATION AND DIVIDENDS ON REGISTRANT'S SHARES AND RELATED STOCKHOLDER MATTERS

Market Information

Common Shares

The Company's common shares were listed and traded at the Exchange starting on July 11, 2007. The high and low sale prices of the Company's common shares for each quarter within the last two fiscal years and subsequent interim periods are:

Year 2015

	Highest Close		Lowest Close	
Period	Price	Date	Price	Date
First Quarter	4.15	March 31, 2015	3.13	January 6, 2015
Second Quarter	4.16	April 7, 2015	3.48	June 30, 2015
July 1-31, 2015	3.45	July 22, 2015	3.15	July 10, 2015
August 1-31, 2015	3.45	August 10, 2015	3.17	August 25, 2015

Year 2014

	Highest Close		Lowest Close	
Period	Price	Date	Price	Date
First Quarter	5.45	March 3, 2014	4.51	January 2, 2014
Second Quarter	6.69	May 27, 2014	4.97	April 1, 2014
Third Quarter	7.03	July 9, 2014	5.12	September 3, 2014
Fourth Quarter	5.24	October 3, 2014	3.03	December 23, 2014

Year 2013

	Highest Close		Lowest Close	
Period	Price	Date	Price	Date
First Quarter	11.08	February 7, 2013	8.89	January 10, 2013
Second Quarter	10.60	April 12, 2013	5.00	June 25, 2013
Third Quarter	6.19	July 12, 2013	5.00	August 29, 2013
Fourth Quarter	5.57	October 23, 2013	4.35	December 18, 2013

Preferred Shares

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

The 2nd tranche preferred (PNXP) shares of the Company were registered on November 10, 2014 and subsequently listed with the Exchange on January 8, 2015. The 2nd tranche preferred shares were issued for the purpose of redeeming the 1st tranche and thus, after the 2nd tranche issuance, there are no preferred shares issued from the 1st tranche that remain outstanding. There is no recorded public trading of these shares since these were listed.

Holders

Common Shares

The holders of the common shares of the Company as of August 31, 2015 are as follows:

Name of Stockholder	No. of Shares Held	Percentage to Total Outstanding Shares
Phoenix Petroleum Holdings Inc.	588,945,630	41.22
PCD Nominee Corporation - (Filipino)	306,881,681	21.66
Udenna Management & Resources Corp.	254,921,743	17.84
PCD Nominee Corporation - (Non-Filipino)	206,002,386	14.42
Udenna Corporation (Formerly: Udenna Holdings Corporation)	50,322,986	3.52
Joselito R. Ramos	4,812,600	0.33
Dennis A. Uy	3,991,811	0.27
Caroline G. Taojo	2,801,500	0.19
F. Yap Securities, Inc.	1,883,000	0.13

Udenco Corporation	1,614,787	0.11
Romeo B. de Guzman	1,454,742	0.10
Dennis A. Uy &/Or Cherylyn C. Uy	1,098,060	0.07
J.V. Emmanuel A. de Dios	857,116	0.06
Domingo T. Uy	645,919	0.04
Joseph John L. Ong	431,836	0.03
Jose Manuel Roque Quimson	354,939	0.02
Edgardo Alvarado Alerta	318,505	0.02
Romeo B. Molano	258,262	0.01
Zenaida Chan Uy	149,058	0.01
Rebecca Pilar Claridad Caterio	148,453	0.01
OTHERS	882,218	0.06
TOTAL	**1,428,777,232**	**100%**

Preferred Shares

The holders of the preferred shares of the Company as of August 31, 2015 are as follows:

Name of Subscribers	No of Shares Subscribed	Amount Subscribed	Amount Paid
Penta Capital & Investment Corporation	3,000,000	₱300,000,000.00	₱300,000,000.00
BDO Private Bank Inc. – Wealth and Advisory Trust Group	1,400,000	140,000,000.00	140,000,000.00
Pioneer Life Inc.	280,000	28,000,000.00	28,000,000.00
Prandial Corporation	200,000	20,000,000.00	20,000,000.00
Easter Foundation, Inc.	20,000	2,000,000.00	2,000,000.00
RCBC Trust and Investments Division	100,000	10,000,000.00	10,000,000.00
TOTAL	**5,000,000**	**₱500,000,000.00**	**₱500,000,000.00**

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

DIVIDENDS

The Company's dividend policy on common shares is to declare at least 30% of its prior year's net income as dividends, whether in stock or in cash or a combination of both, payable out of its unrestricted retained earning subject to statutory limitations.

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

The Company's dividend policy on preferred shares is to declare and pay dividends in accordance with the terms and conditions of its issuance.

The dividend policy of the Company's subsidiaries is to declare and pay dividends from unrestricted retained earnings subject to the discretion of their respective Board of Directors.

History of Dividend Income Payment

1. Company

    a. Dividends on Common Shares

Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
March 4, 2015	Cash Dividend of ₱0.05 per share	March 18, 2015	April 16, 2015	₱71,438,861.60
January 29, 2014	Cash Dividend of ₱0.10 per share	March 17, 2014	April 11, 2014	₱142,877,723.20
January 24, 2013	30% Stock Dividend	May 15, 2013	June 10, 2013	₱329,717,232.00
	Cash Dividend of ₱0.10 per share	April 11, 2013	May 8, 2013	₱103,605,941.60
February 08, 2012	50% Stock Dividend	March 28, 2012	April 26, 2012	₱244,936,203.00
	Cash Dividend of ₱0.10 per share	March 23, 2012	April 23, 2012	₱48,973,955.30

    b. Cash Dividend on Preferred Shares

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

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

May 12, 2011	₽2.875 per share	N/A	June 21, 2011	₽14,375,000.00
March 11, 2011	₽2.875 per share	N/A	March 21, 2011	₽14,375,000.00
September 21, 2010	₽2.875 per share	N/A	December 21, 2010	₽14,375,000.00

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

2nd Tranche				
Date Declared	Dividend Rate	Record Date	Payment Date	Total Amount
August 10, 2015	₽2.0625 per share	August 25, 2015	September 21, 2015	₽10,312,500.00
May 12, 2015	₽2.0625 per share	May 26, 2015	June 22, 2015	₽10,312,500.00
February 6, 2015	₽2.0625 per share	February 24, 2015	March 20, 2015	₽10,312,500.00
N/A	₽2.0625 per share	N/A	December 22, 2014	₽10,312,500.00
N/A	₽2.0625 per share	N/A	September 22, 2014	₽10,312,500.00
N/A	₽2.0625 per share	N/A	June 20, 2014	₽10,312,500.00
N/A	₽2.0625 per share	N/A	March 20, 2014	₽10,312,500.00

2. Subsidiaries

Except for CSC which declared a 20% stock dividend on December 3, 2012 to all stockholders of record of CSC as of December 1, 2012 and paid said dividends on December 14, 2012, no other subsidiary of the Company has declared dividends for the past three years.

Restrictions in the payment of dividends

The Company is restricted from declaring and paying dividends to its stockholders (other than dividends payable solely in shares of its capital stock) or retain, retire, purchase or otherwise acquire any class of its capital stock or make any other capital and asset distribution to its stockholders, unless all payments under certain loan facility agreements are current and updated and the Company is in compliance with these agreements.

UNREGISTERED OR EXEMPT SECURITIES

Below are the exempt securities issued by the Company:

Securities Sold	Purchasers	Underwriters	Date of Issuance of Confirmation of exemption	Resolution No.	Description of Transaction	No. of Shares	Amount (₽)
Preferred Shares	• PentaCapital • BDO Private Bank Inc. – Wealth and Advisory Trust Group • Pioneer Life Inc. • Prandial Corporation • Easter Foundation,	PentaCapital	March 19, 2014	DS-669	Shares issued in relation to the issuance of preferred shares for purposes of redeeming the 1st tranche of preferred shares (the Offer) <u>Offer price</u>: ₽100.00 per share <u>Total underwriting</u>	5,000,000	500,000,000.00

	Inc. • RCBC Trust and Investments Division				<u>discounts/ commissions</u>: ₱10,000,000.00 Exemption under Section 10.1 (k) and (l) of SRC		
Common Shares	All common stockholders of the Company as of May 15, 2013	N/A	June 05, 2013	DS-643	Shares issued pursuant to the 30% stock dividends for 2013 Exemption under Section 10.1 (d)	329,717,816	329,717,816.00
Common Shares	PPHI and all common stockholders of the Company as of March 28, 2012	N/A	April 02, 2013	DS-637	Additional shares issued pursuant to increase in capital stock from 800,000,000 to 2,550,000,000and pursuant to the 50% stock dividends for 2012 Exemption under Section 10.1 (d) and (i)	437,936,202	437,936,202.00
Common Shares	Stockholders of CSC	N/A	October 10, 2012	DS-607, series of 2012	Shares issued in relation to the acquisition of CSC via share-for-share swap Exemption under Section 10.1 (g)	171,250,799	171,250,799.00

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited financial statements, including the related notes, contained in this Prospectus. This Prospectus contains forward-looking statements that are based largely on the Company's current expectations and projections about future events and trends affecting its business and operations. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors." In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors" on pages 31 to 42 of this Prospectus.

The Company holds ownership interests in the following entities as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
P-F-L Petroleum Management, Inc. (PPMI)	100%	100%
P-H-O-E-N-I-X Global Mercantile, Inc. (PGMI)	100%	100%
Phoenix Petroterminals & Industrial Park Corp. (PPIPC)	100%	100%
South Pacific, Inc. (SPI)***	20%	0
Subic Petroleum Trading and Transport Phils., Inc. (SPTT)	100%	100%
Chelsea Shipping Corp. (CSC)	100%	100%
Bunkers Manila, Inc. (BMI)*	100%	100%
Michael, Inc. (MI)*	100%	100%
PNX – Chelsea Shipping Corp. (PNX – Chelsea)*	100%	100%
Chelsea Ship Management Marine Services Corp. (CSMMSC)*	100%	100%
Fortis Tugs Corp. (FTC)*	100%	100%
Norse/Phil Marine Services Corp. (NPMSC)**	45%	45%

** Wholly-owned subsidiaries of CSC*
***Associate of CSC*
****Associate of PPIPC*

The selected financial information set forth in the following table has been derived from the Company's audited consolidated financial statements for the years ended December 31, 2014, 2013 and 2012 and from its Second Quarterly Financial Report for the year 2015 ending on June 30, 2015.

The Company's financial statements were audited by Punongbayan & Araullo for 2014, 2013 and 2012 in accordance with Philippine Financial Reporting Standards.

In ₽ Millions, except for per share amounts

	As of and for the years ended December 31			January-June	
Income Statement Data:	**2012**	**2013**	**2014**	**2014**	**2015**
Revenues……………………………………………	34,586	43,552	34,734	18,515	14,408
Cost of sales……………………………………..	31,962	40,248	31,405	16,898	12,558
Net profit…………………………………………..	651	665	616	402	425
Balance Sheet Data:					
Current Assets………………………….…………	8,967	13,054	13,576	11,001	13,428
Non-current Assets……………………………	7,540	9,283	11,424	10,408	12,106
Total Assets …………………………..…………	16,507	22,338	25,000	21,409	25,534
Total Liabilities…………………………………	12,010	15,840	17,950	14,680	18,135
Stockholders' Equity…………………………	4,497	6,498	7,050	6,729	7,399
Earnings per share-adjusted……………...	0.48	0.45	0.40	0.27	0.28
Book Value per share………………………..	4.93	4.54	4.96		

Comparable discussion on Material Changes in Results of Operations for the Six Months' Period Ended June 30, 2015 vs. June 30, 2014.

Revenues

The Group generated total revenues of ₽14.408 billion in 2015 which is 22% lower than its 2014 level of ₽18.514 billion, primarily due to the decline in average fuel prices in 2015 by 40% of the comparative period. This is in spite of the increase by 25% on 2015 first half volume compared to the same period of last year. The revenue decline was marginally mitigated by higher revenues from fuels service, shipping, storage and other revenue, which grew by 50% from the same period in 2014.

Sales revenues from trading and distribution of petroleum products decreased by 23% from ₽14.134 billion in 2014 to ₽18.332 billion in 2015 resulting principally from the decrease in average selling prices. The effect was however mitigated by a 31% increase in in retail (station) volume sales due to a wider distribution network and growth in same store sales. The Commercial and industrial segment also increased by 29% despite lower sales to wholesalers and distributors. The Company had four hundred forty three (443) Phoenix retail service stations as of June 30, 2015 compared to four hundred five (405) retail stations as of the same period last year. The Company has a number of retail stations undergoing construction and projected to be opened within the year.

The Group generated ₽273 million in net income from its fuels service, storage, port and other income in 2015 versus ₽182 million in 2014, a 50% increase compared to the same period last year. This due to a 50% increase in revenues from storage services and hauling and into-plane services compared with the same period last year.

Cost and expenses

The Group recorded cost of sales and services of ₽12.558 billion in 2015, a decline of 25.68% from its 2014 level of ₽16.898 billion primary due to a 40% decrease in the average price of petroleum

products but mitigated by the 25% increase volume. This year, retail volume as a percentage to total sales grew from 33% in 2014 to 39% in 2015. Retail sales margins are generally higher vs. commercial/industrial sales due to the latter's higher sales mix of gasoline products in lieu of diesel.
Selling and administrative expenses increased by 13.58% as a result of higher rentals, depreciation, salaries & wages as a result of the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower, and logistics costs thus resulted to the aforementioned increase.

Net Income

The Group's net income for the first half of 2015 was ₱425.2 million versus ₱401.8 million or a 6% increase vs. the same period last year. Despite lower selling prices by 40%, the Company was able to grow profit as a result of its improving sales mix and higher efficiencies in its trading and supply management. In summary, the growth in net income was a combination of the 25% increase in volume and a better sales mix in favor of the more profitable Retail sales volume.

The Company is registered with the BOI on November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, continues to enjoy an income tax holiday for five (5) years from November 16, 2005.

The Company obtained additional registration approval from the BOI under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitled the Company to an ITH on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted for the Davao Terminal Expansion facility effective February 2010 thus entitling the Company another set of incentives including the five (5) year ITH in its Davao Terminal Marketing and Storage activities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

The Company was also registered with the BOI on November 25, 2010 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA8479 for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

The Company gets new approvals with the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City were registered and issued certification by the BOI last May 12, 2012. The registration entitles the Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI registered entity.

Financial Condition
(As of June 30, 2015 versus December 31, 2014)

Total resources of the Group as of June 30, 2015 stood at ₱25.5 billion, higher by 12% compared to ₱25.0 billion as of December 31, 2014. This is mainly due to an increase in Property, Plant, and Equipment driven by the continuous expansion in retail stations, storage and shipping assets.

Cash and cash equivalents this year increased by 48% from ₱556 million in December 31, 2014 to ₱823 million. This is due to the timing of collection of receivables as against payment of various liabilities and the maintenance of a minimum daily cash balance.

Trade and other receivables decreased marginally by 12.59% from ₱7.832 billion as of December 31, 2014 to ₱6.847 billion as of June 30, 2015. This is due to lower receivables as a result of lower prices.

Inventories stood at ₱3.502 billion representing a 22% increase as of June 30, 2015 compared to ₱2.871 billion in December 31, 2014. This is attributed to the combination of the arrival of traditional imports and additional inventory for a new product line. The Company targets to maintain an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients. However, the actual level varies depending on the timing of the actual arrival dates of the fuel tankers.

Due to related parties increased by 32% from ₱10.373 million to ₱13.685 million in June 30, 2015 versus December 31, 2014 due to higher charges made during the period.

Input taxes-net decreased by 4.42% in June 30, 2015 resulting from the offsetting of higher output taxes this year against input taxes on capital expenditures and paid input taxes from higher inventory levels.

Other current assets, representing prepaid rentals on leased retail service stations properties and depot sites, prepaid insurance, creditable withholding taxes, and other current assets, decreased from ₱1.147 billion as of December 31, 2014 to ₱1.108 billion as of June 30, 2015.

As of June 30, 2015, the Group's property and equipment, net of accumulated depreciation, increased to ₱11.257 billion compared to ₱10.869 billion as of December 31, 2014 due to investments in a new marine tanker to support domestic logistics requirements, additional depot capacity in existing and new areas, and new retail stations in various stages of completion in Luzon, Mindanao, and Visayas as part of the Company's objective to further expand its retail station network.

Interest-bearing Current Liabilities increased to ₱9.972 billion as of June 30, 2015 from ₱8.479 billion as of December 31, 2014. This increase of about ₱1.493 billion resulted from the availment of working capital lines and issuance of short-term commercial papers to finance inventories, accounts receivables and trade payables.

Interest-bearing Non-current liabilities increased by ₱469 million to ₱5.833 billion as of June 30, 2015 from ₱5.364 billion in December 31, 2014 due to the increase in the term loans from ₱1.307 billion as of June 30, 2015 from ₱1.036 Billion as of yearend 2014. There was an additional availment of a long-term loan by the Company of US$ 10.0 million during the current year. Non-current portion of Installment and Notes Payable likewise increased from ₱4.320 Billion in December 31, 2014 to ₱4.525 billion as of the second half of 2015. The Company consolidated all the non-current term loans and installment and notes payable under "Term Loans" in the interest-bearing non-current portion of its June 30, 2015 financial statements.

The foregoing accounts for the 14% increase in the level of Loans and Borrowings of the Company to ₱15.805 billion as of June 30, 2015 from ₱13.843 billion as of December 31, 2014.

The salient terms and conditions of the Term Loans, which were obtained to finance various capital expenditures of the Company, are as follows:

(a) Term Loan Agreement (TLA) with Development Bank of the Philippines (DBP)

On September 12, 2007, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the construction of a single oil tanker in the amount of US$15.0 million. In connection with the MOA, the Group entered into a TLA amounting to US$13.0 million with

DBP, the proceeds of which was used exclusively to finance the construction of the vessel. In February 2008 and May 2009, DBP granted the loan amounting to US$3.9 million (P159.0 million) and US$9.1 million (₱432.5 million), respectively. The loan was payable over five years in equal quarterly principal installments, with one quarter grace period on principal, commencing November 2009 and was subject to 10.5% interest rate p.a. The loan was fully settled in 2014.

On October 30, 2014, the Group entered into a loan agreement with DBP amounting to P140.0 million to finance the drydocking, repairs and maintenance expenses of MT Chelsea Resolute, MT Chelsea Cherylyn, MT Chelsea Denise and MT Jasaan. The loan is subject to an interest rate of 5.0% p.a. and payable in ten (10) equal quarterly installments commencing on the first quarter from the initial drawdown or on February 28, 2015. The outstanding balance of the loan as of December 31, 2014 and June 30, 2015 stood at P140 million and P112 million, respectively.

In addition, the Group obtained ₱160.0 million loan for CSC's working capital requirements. The loan bears a fixed interest rate of 5.0% p.a. and is payable in eight (8) equal quarterly installments commencing on February 28, 2015. The outstanding balance of the loan as of December 31, 2014 and June 30, 2015 stood at ₱160 million and ₱120 million, respectively.

Both loans are secured by a chattel mortgage on a certain vessel (MT Chelsea Cherylyn) of the Group with net book value amounting to ₱824.8 million and ₱776.5 million as of December 31, 2014 and 2013, respectively. The loans are also secured by certain collateral on receivables of CSC and guaranteed by certain stockholders *[see Notes 7 and 26.6(b) of June 30, 2015 financial statements].*

(b) Loan Agreement with Robinsons Bank Corporation (RBC)

In 2014, the Group obtained three bank loans from RBC totaling ₱62.2 million to finance the drydocking costs of MT Chelsea Denise. The loan is subject to an interest rate of 6.3% p.a. and is payable in twelve equal monthly installments commencing on the first month from the initial drawdown.

The loan is secured by a chattel mortgage on one of the vessels (MT Chelsea Denise) of the Group with net book value amounting to ₱114.7 million and P124.2 million as of December 31, 2014 and 2013, respectively, and receivables of CSC from certain customer (see Note 7). The loan is also guaranteed by certain stockholders *[see Note 26.6(b) of June 30, 2015 financial statements]*. The outstanding principal balance of the note as of December 31, 2014 and June 30, 2015 amounted to ₱56.8 million and ₱50.8 million, respectively.

(c) TLA with Maybank Philippines, Inc. (MPI)

On July 18, 2012, the Company signed with Maybank Philippines, Inc. a five year clean term loan amounting to ₱300.0 million to be used exclusively for capital expenditure and permanent working capital. The loan is subject to an interest rate of 6.0% p.a. and is payable in twenty equal quarterly installments.

In connection with the TLA, all existing and future advances to the Company by its stockholders or related parties are subordinated to the loan. The Company agrees that any and all of its obligations relative to the TLA shall be settled first before any of its financial obligations to such shareholders' and related parties' advances are paid.

The TLA also requires the Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

The outstanding balance of the loan as of December 31, 2014 and June 30, 2015 amounted to ₱165.0 million and ₱105.0 million, respectively.

As of December 31, 2014 and 2013, the Group has complied with its debt covenants with the bank.

(d) TLA with Maybank International Labuan Branch (MILB)

On November 20, 2012, the Company entered into a TLA amounting to US$ 24.0 million with Maybank International Labuan Branch to fund various capital expenditures. The total amount of the loan is broken down into US$14.0 million (tranche 1) which is due in five years and US$10.0 million (tranche 2) with a term of three years.

The loan is subject to interest computed at one-year LIBOR plus applicable margin of 4.25% p.a., or cost of funds plus a margin of 2.0% p.a., whichever is higher. Interest payments are to be serviced quarterly in arrears. Maybank International Labuan Branch reserves the right to vary, at its absolute discretion from time to time, such rate of interest, which variation may take place by varying the LIBOR or the margin or spread above the LIBOR, or both.

The TLA also requires the Company to maintain debt-to-equity ratio of not more than 3:1, current ratio of at least 1:1 and debt coverage ratio of at least 1.5.

Moreover, Maybank International Labuan Branch has the right of first refusal and right to match any fund raising exercise that may be required to refinance the U.S. dollar-denominated term loan facility either via follow-on offering of the Company's shares or a syndicated term loan.

The balance of the principal of the loan amounted to ₱524.7 million and ₱390.78 million, translated into Philippine Peso using the closing rate as of December 31, 2014 and June 30, 2015, respectively.

As of December 31, 2014 and June 30, 2015, the Group has complied with its debt covenants with the bank.

On April 22, 2015, the Company entered into another TLA with Maybank International Labuan Branch amounting to US$10.0 million with a maturity of five (5) years from date of drawdown. Used to finance various capital expenditures of the Company, the loan was drawn on April 29, 2015 and will mature on April 29, 2020. Its interest rate is based on the 90-day LIBOR plus a spread of 3.75% p.a. while the principal is to be paid in equal quarterly amortizations commencing on July 29, 2015. The outstanding principal balance as of June 30, 2015 remained at US$10 million or ₱450.9 million translated into Philippine Peso using the closing rate of June 30, 2015.

(e) TLA with Asia United Bank (AUB)

In 2013, the Group obtained interest-bearing loans from AUB to partially finance the acquisition of tug boats amounting to ₱100 million. The loan bears a fixed interest rate at 7.00% p.a. for the first three years from the initial drawdown date, and shall be repriced at the end of the third year from the initial drawdown date (the "Repricing Date"). The repriced rate shall be based on the relevant 2Y PDST-F as of the Repricing Date, plus a spread of 2.00% subject to a floor of 7.00%. The loan is payable in 18 quarterly installments over a period of five years. The first payment will commence on the third interest payment date from the initial drawdown date. The last quarterly installment of the loan is due on November 6, 2018.

The interest-bearing loans amounted to ₱88.9 million and ₱100.0 million as of December 31, 2014 and 2013, respectively, of which ₱22.2 million and ₱11.1 million, respectively, was presented under the Current Liabilities section in the consolidated statements of financial position.

Interest expense related to the loans amounted to ₱7.3 million and ₱1.1 million in 2014 and 2013, respectively, and is shown as part of Finance Cost under Other Charges (Income) in the consolidated statements of comprehensive income.

Certain trade receivables amounting to ₱20.2 million and P8.2 million as of December 31, 2014 and 2013, respectively, were assigned to secure the payment of these interest-bearing loans (see Note 7).

The outstanding balance of the principal of the note as of December 31, 2014 and June 30, 2015 amounted to ₱88.9 million and ₱77.78 million, respectively.

(f) Loan Agreement with Multinational Investment Bancorporation (MIB)

On December 29, 2014, the Group obtained unsecured, interest-bearing loans from MIB totaling ₱166.8 million for CSC's working capital requirements. The loan is subject to interest rate of 4.3% p.a. and is payable in 30 days.

The outstanding balance of the principal of the note as of December 31, 2014 and June 30, 2015 amounted to ₱166.8 million and ₱178.5 million, respectively.

(g) Omnibus Loan and Security Agreement of PNX-Chelsea with BDO Unibank, Inc. (BDO) for importation of MT Chelsea Denise II

One of the items under Installment and notes payable is a loan incurred by PNX-Chelsea in 2014 with BDO Unibank, Inc. PNX – Chelsea, a subsidiary of Chelsea Shipping Corp., entered into a Memorandum of Agreement with China Shipbuilding & Exports Corporation for the importation of a single oil tanker (MT Chelsea Denise II) in the amount of US$7.3M million. In connection with the acquisition of the oil tank vessel, PNX – Chelsea entered into an Omnibus Line and Security Agreement (OLSA) amounting to ₱300 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. The loan was fully drawn on February 2015.

The loan is payable for a period of five years from initial drawdown date in quarterly principal installments of ₱11,540,000 each and the outstanding balance on maturity date, with two quarter grace period, commencing after the second tranche. The loan carries an interest rate of 5.3% p.a.

Interest incurred on these loans amounted to ₱4.95 million and ₱29.2 million in June 30, 2015 and December 31, 2014, respectively, and is shown as part of Finance Costs – net account in the consolidated statements of comprehensive income.

The loan is secured by a chattel mortgage of MT Chelsea Denise II. The carrying cost of MT Chelsea Denise II, presented as part of Property and Equipment – Construction in Progress, amounted to ₱279.2 million and ₱89.6 million as of June 30, 2015 and December 31, 2014, respectively.

The OLSA requires PNX – Chelsea to maintain a debt-to-equity (DE) ratio of not more than 2.0:1 and debt service coverage ratio (DSCR) of at least 1.20, except on dry-docking year where minimum DSCR shall be 1.00. On January 27, 2014, the Company received the creditor's waiver that adjusted the DE ratio requirement of PNX-Chelsea Shipping Corp. from 1.5x to 2.0x.

(h) Omnibus Loan and Security Agreement of CSC with BDO Unibank, Inc. (BDO) for acquisition of MT Chelsea Thelma

On April 26, 2011, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the purchase and importation of a single oil tanker (MT Chelsea Thelma) in the amount of US$19.8 million. This was partly financed by BDO for US$14.5 million, payable in 27 equal principal amortizations starting in August 2012 at an interest rate based on a one-year LIBOR plus a spread of 3.5% p.a.

The loan is secured by a chattel mortgage on certain tankers (MT Chelsea Thelma and Vela) of the Group with a net carrying amount of ₱834.6 million and ₱1,100.4 million as of June 30, 2015 and December 31, 2014, respectively.

Related debt issuance costs amounted to P8.2 million of which ₱0.54 million and ₱1.4 million were amortized in June 30, 2015 and December 31, 2014, respectively, using effective interest rate of 5.02%. Amortized debt issuance costs were recognized as part of interest expense on bank loans under Finance Costs under the Other Charges (Income) account in the consolidated statements of comprehensive income. The unamortized debt issuance costs are included as part of the current and non-current portion of the related loan.

The outstanding balance of the principal of the note as of June 30, 2015 and December 31, 2014 stood at ₱363.2 million and ₱404.4 million, respectively.

For the acquisition of MT Chelsea Thelma, Chelsea Shipping Corp. (CSC) is required to maintain a DE ratio and a DSCR of 1.5x and 1.2x, respectively, except on dry-docking year wherein DSCR is 1x. In 2014, CSC complied with these loan covenants with DE and DSCR at 1.08x and 1.3x, respectively.

Trade and other payables decreased by 48% from ₱3.735 billion as of December 31, 2014 to ₱1.924 billion as of June 30, 2015 mainly due to lower prices and timing of booking trust receipts.

Total Stockholders' Equity increased to ₱7.399 billion as of June 30, 2015 from ₱7.050 billion as of December 31, 2014 as a result of the period net income less the cash dividend declared and paid during the period for both common and preferred shares.

Key Performance Indicators and Relevant Ratios

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

	June 30, 2015	December 31, 2014
Current Ratio[1]	1.13 : 1	1.11 : 1
Debt to Equity-Total[2]	2.45 : 1	2.55 : 1
Return on Equity-Common[3]	5.89%*	9.01%**
Net Book Value Per Share[4]	5.05	4.93
Debt to Equity-Interest Bearing[5]	2.14 : 1	1.96 : 1

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Period or Year Net income divided by average total stockholders' equity

4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding

5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)

* two (2) quarters figure
** One (1) year figure

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

The Company's debt to equity (DE) ratio for 2015 improved to 2.45:1 as a result of the period earnings.

Material Changes to the Group's Balance Sheet as of June 30, 2015 compared to December 31, 2014
(Increase/decrease of 5% or more)

- 48% increase in Cash and Cash Equivalents

This is a result of the timing of collections and disbursements during the period. Minimum levels of Cash are also maintained to support day-to-day requirements.

- 13% decrease in Trade and other receivable

This is a result of lower prices and improved collection

- 22% increase in inventory

This build-up is due to timing of importations and an additional product line.

- 32% increase in Due from related parties

This is due to the various charges and billings during the period-net.

- 5% increase in property, plant and equipment

This is attributable to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

- 34% increase in other non-current asset

This is a result of an increase in deposit for capital expenditures.

- 48% decrease in Trade and other payables

This is a factor of lower prices and timing of booking to trust receipts the trade Payable to foreign suppliers for purchases of inventory

- 100% decline on Due to related parties

This is a result of settlement of various advances from prior years.

- 98% increase in Deferred Tax Assets

This is due to deferred Tax Assets on Vessel Appraisals

- 18% increase in interest-bearing current liabilities

This is a result of the increase in the availment of letters of credit and trust receipts and the issuance of additional short-term commercial papers.

- 26% increase in interest-bearing non-current loans

The increase is due to additional availment of long-term loans to finance various capital expenditures of the Company.

- 9% increase in interest-bearing non-current liabilities

This is attributable to the increase in the availment of additional long-term notes payables and term loans.

- 14% increase in the total interest-bearing loans and borrowings

The issuance of additional short-term commercial papers and the increase in the availment of long-term notes payables and term loans resulted to the increase of the level of loans and borrowings.

Material changes to the Group's Income Statement as of June 30, 2015 compared to June 30, 2014
(Increase/decrease of 5% or more)

- 23% decrease in Sales for petroleum products

This is principally due to 40% lower selling prices compared to 2014 in spite of the 25% increase in volume this year. However, it was partly offset by the higher service revenue.

- 50% increase in fuel service, shipping, storage income, and other revenue

This is a result of higher turnover on service volume specifically on storage volume of new terminal, additional revenue from time charters, port operations and tugboat revenue.

- 26% decrease in cost of sales

This is primarily due to decreased sales of petroleum products and lower unit prices this year compared to 2014.

- 27% increase in Finance Costs (net)

This is due to interest on the installment payables, bank term loans used for expansion, plus Trust receipts availed to finance inventory.

- 321% decrease in other income/Costs

This is attributable to the improvement in periodic inventory losses during the period plus various other costs.

- 7% increase in income tax

This is due to the increase of income not related to its BOI registered activity.

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

Analysis of Results of Operations for 2014 and 2013

Revenues

The Group generated total revenues of ₱34.734 billion in 2014, which is 20% lower than its 2013 level of ₱43.552 billion, primarily due to the 18% decrease in sales volume of refined petroleum products coupled with the decline in average selling price in 2014. However, this was minimized due to the higher revenues from fuels service, shipping, storage and other revenue by 54%.

Sales revenues from trading and distribution of petroleum products decreased by 21% from ₱43.14 billion in 2013 to ₱34.10 billion in 2014 mostly from lower sales volume for wholesale accounts. However, the lower sales volume to wholesale accounts was minimized by sales volume to retail (station sales) accounts that increased by 22% due to growth in the distribution network and same store sales. The decrease in sales volume to wholesale accounts was a conscious effort of the Company to prudently manage resources and focus more on profitability. The Company had four hundred eighteen (418) Phoenix Fuels Life retail service stations as of December 31, 2014 compared to three hundred sixty-eight (368) retail stations as of the same period last year. As of December 31, 2014, the Company has a number of retail stations undergoing various stages of construction that are projected to be opened early next year.

The Group generated ₱634 million revenues from its fuels service, storage, port and other revenues in 2014 versus ₱412 million in 2013, a 54% increase compared to the same period last year. This is due to the increase in storage rentals and time charter revenue from third parties compared to the previous year, and revenue from tug-boat operations.

Cost and expenses

The Group recorded cost of sales and services of ₱31.405 billion, a decline of 22% from its 2013 level of ₱40.248 billion, primary due to an 18% decrease in the sales volume of petroleum products. The higher decline in percentage of costs of sales by 22% compared to the decline of 18% in volume is a result of the lower average costs of petroleum products for this year. This year's average cost for the three major petroleum products such as Gasoil (Diesel), MOGAS (Gasoline) and Kerosene (JETA1) is lower by 8% compared to the same period of 2013. Furthermore, for 2014, the sales ratio of retail accounts compared to commercial/industrial (C&I) accounts improved compared to the same period in 2013 due to the Company's deliberate strategy to push more volume to retail accounts. Retail stations normally sell more premium products like gasoline compared to C&I which is predominantly diesel.

Selling and administrative expenses declined by 3.5% as a result of lower variable costs but offset by the increase in rentals, depreciation, salaries and wages as a result of the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower and logistics costs, resulting to an increase in operating costs.

Net Income

The Group's net income for the year 2014 is ₱616 million versus 2013 net income of ₱665 million, a decrease of 7%. The Company was able to temper the 18% drop in sales volume by improving its sales mix in favor of retail sales and improve margins by increasing efficiencies and savings particularly from its trading and supply management operations. With the better sales mix and higher selling margins, the net income to sales ratio (return on sales) improved to 1.77% in 2014 compared to 1.53% in 2013.

Analysis of Financial Condition
(As of December 31, 2014 versus December 31, 2013)

Total assets as of December 31, 2014 stood at ₱25 billion, higher by 12% compared to the ₱22.3 billion as of December 31, 2013. This is mainly due to increase in Property, Plant, and Equipment with the continuous expansion in retail stations, storage and shipping assets.

Cash and cash equivalents increased by 56% from ₱357 million in December 31, 2013 to ₱556 million due to timing of collection of receivables as against payment of various liabilities and the maintenance of a minimum cash balance for day to day operations.

Trade and other receivables increased marginally by 7% from ₱7.344 billion as of December 31, 2013 to ₱7.832 billion as of December 31, 2014, due to an increase in credit sales to customers.

Inventories declined by 25% at ₱2.871 billion as of December 31, 2014 from ₱3.812 billion as of December 31, 2013. The volume year-on-year is comparably at the same level for both years. However, the average unit price in 2014 year-end inventory ended lower by 37% compared to 2013 due to lower global prices. The Company targets to maintain an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients. However, the actual level varies depending on the timing of the actual arrival dates of the fuel tankers.

Due to related parties in December 31, 2014 and December 31, 2013 is ₱17.205 million and ₱64.161 million respectively. The decrease of ₱46.956 million or 73% is due to charges made during the year.

Input taxes-net increased by 34% to ₱603.6 million in December 31, 2014. This is a result of the net of lower output taxes and higher input taxes from capital expenditures and increase in inventory levels.

Other current assets amounted to ₱1,147 million and ₱489.9 million as of December 31, 2014 and December 31, 2013 respectively. The increase represents prepaid rentals on leased retail service stations properties and depot sites, prepaid insurance, creditable withholding taxes, and other current assets.

As of December 31, 2014, the Group's property and equipment, net of accumulated depreciation, increased to P10.689 billion compared to P8.628 billion as of December 31, 2013 due to investments in a new marine tanker for fuel importations, additional depot capacity in existing and new areas, and new retail stations in various stages of completion in Luzon, Mindanao, and Visayas as part of the Company's objective to further expand its retail station network.

Loans and Borrowings, both current and non-current, increased marginally by 1% from ₱13.752 billion as of December 31, 2013 to ₱13.843 billion as of December 31, 2014. The slight increase of ₱90 million was a result of the timing of availments of working capital lines.

Trade and other payables increased by 138% from ₱1.570 billion as of December 31, 2013 to ₱3.735 billion as of December 31, 2014. This is the result of longer suppliers' credit.

Total Stockholders' Equity increased to ₱7.050 billion as of December 31, 2014 from ₱6.498 billion as of December 31, 2013 as a result of the net income for the period net of cash dividends declared and paid during the year for both common shares and preferred shares.

Key Performance Indicators and Relevant Ratios

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

	December 31, 2014	December 31, 2013
Current Ratio[1]	1.11 : 1	1.33 : 1
Debt to Equity-Total[2]	2.55 : 1	2.44 : 1
Return on Equity-Common[3]	9.01%	12.10%
Net Book Value Per Share[4]	4.93	4.54
Debt to Equity-Interest Bearing[5]	1.96 : 1	2.12 : 1
Earnings Per Share-Adjusted [6]	0.40	0.45

Notes:

1 - Total current assets divided by current liabilities

2 - Total liabilities divided by tangible net worth

3 - Period or Year Net income divided by average total stockholders' equity

4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding

5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)

6 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

B. Phoenix Petroterminals & Industrial Park Corp. ("PPIPC") (formerly Bacnotan Union Industrial Park Corporation)

	December 31, 2014	December 31, 2013
Current Ratio	0.58:1	0.68:1
Debt to Equity	0.78:1	0.76:1
Return on Equity-Common	5%	1%
Net Book Value Per Share	1.15	1.09
Earnings Per Share	0.06	0.01

Notes:

- PPIPC's revenues increased more than 100% from ₱83M in 2013 to ₱168M in 2014. This was mainly due to the sale of industrial lots. It was also attributed to the surge in port services rendered for its parent, the Company, as its importation of petroleum products surge due to increased sales volume.

- Current Ratio is less than 1. Trade Payables increased by 8% from P494M in 2013 to P534M in 2014. PPIPC's current assets are mainly Land Held for Sale and Development Cost; whereas its current liabilities consist mainly of Trade Payables. In 2013, PPIPC started the development of phase 2 of its industrial park, which included various buildings, improvements and port facilities. The construction lasted until 2014. This led to the 8% increase in its payable to contractors that was booked under Trade Payables. However, any development cost pertaining to phase 2 of the industrial park was booked under Property and Equipment, which is a non-current asset. Hence, it resulted to a lower current ratio.

- PPIPC does not have bank debts. Its expansion projects had been financed by equity and internally generated funds, particularly from the proceeds of the sale of industrial lots.

C. Subic Petroleum Trading & Transport Philippines, Inc. (SPTT)

	December 31, 2014	December 31, 2013
Current Ratio	0.94:1	0.98:1
Debt to Equity	-176.5:1	-337.7:1
Return on Equity-Common	-55%	-420%
Net Book Value Per Share	-27.40	-42.39
Earnings Per Share	14.99	178.23

Notes:

- SPTT recorded a Net Income of ₱3M in 2014. This is a decrease of more than 91% from ₱35.6M in 2013, mainly attributed to the increase in Other Charges, which comprises of interest expense amounting to ₱57M in 2014 versus ₱1M in 2013.

- Current Assets in 2014 stood at ₱913M, a reduction by 67% from ₱2.8B in 2013 due to the collection of its huge receivable of more than P1.5B from Cebu Pacific Air and the decrease in fuel prices that eventually brought down the cost of its inventory at yearend by more than P340M.

- Current Liabilities stood at ₱967M in 2014, a 66% decrease from ₱2.9B in 2013 as SPTT settled more than P400M of bank debts and reversed almost P1.6B of its advances to its parent, the Company. SPTT purchases petroleum products through the Company. Most of these transactions are treated as Advances and reversed periodically.

D. P-F-L Petroleum Management, Inc.

	December 31, 2014	December 31, 2013
Current Ratio	0:1	0:1
Debt to Equity	-2.33:1	-2.36:1
Return on Equity-Common	19%	21%
Net Book Value Per Share	-1.19	-0.96
Earnings Per Share	-0.22	-0.20

Notes:

- PPMI posted Revenues of P141 M in 2014, a 42% decrease from ₱183M in 2013. PPMI runs the retail stations of its parent, the Company, that are awaiting accreditation of franchisee dealers. Its revenues vary with the number of outlets being managed. Hence, a reduction in retail station under its interim management reflects the Company's ability to find a suitable franchisee dealer to run these stations. Apparently, PPMI operated more stations in 2013 than in 2014.

- Current Assets increased by 21% from ₱37M in 2013 to ₱45.6M in 2014. PPMI acquired more direct commercial customers and granted them credit terms; this resulted in the increase of its accounts receivable by ₱1.6M from ₱18.6M in 2013 to ₱20.2M in 2014. On the other hand, PPMI beefed up its inventories by ₱1.3M in preparation for the long weekend towards yearend, resulting in the increase of inventory from ₱7M in 2013 to ₱8.3M in 2014.

- Current Liabilities increased by 21% from ₽85M in 2013 to ₽103.6M in 2014 as PPMI was granted longer credit terms by the Company in their desire to beef up their inventory position towards yearend.

- Current Ratio is less than 1:1. This is mainly due to the longer credit terms with its parent, the Company, compared with shorter sales terms to customers.

- Accumulated equity deficit increased by 22%. PPMI incurred an ₽8M loss in 2014. This was mainly attributed to the rise in service fees extended to third parties who operated the retail stations.

E. Chelsea Shipping Corp.

	December 31, 2014	December 31, 2013
Current Ratio	0.19:1	0.28:1
Debt to Equity	1.08:1	1.07:1
Return on Equity-Common	6%	11%
Net Book Value Per Share	1.70	1.51
Earnings Per Share	0.10	0.16

Notes:

- CSC posted a Net Income of ₽103M in 2014, a 35% decrease from ₽160M in 2013. CSC contracted third party vessels via voyage charter to serve the increased requirements of its parent, the Company, for its regional and domestic shipping requirements. The costs of chartering were lodged under Cost of Sales and Services, increasing by 22.7% or some ₽86M to ₽465M in 2014 from ₽379M the previous year. Also, CSC paid ₽13.3M more taxes in 2014 than the previous year.
- Non-current Assets increased by 15% from ₽2.87B in 2013 to ₽2.3B in 2014. CSC acquired a new vessel in 2014, thereby increasing its Net Property and Equipment by ₽247M. Likewise, CSC invested in its wholly owned subsidiaries PNX Chelsea and Michael, Inc. for ₽150M and ₽14M, respectively.
- Current Liabilities increased by 36% from ₽936M in 2013 to ₽1.28B in 2014 as CSC incurred additional debts amounting to more than ₽300M to finance various dry-docking costs in 2014.
- Net Income decreased by 35.6% from ₽160M in 2013 to ₽103M in 2014 due to higher operating costs.

F. Phoenix Global Mercantile, Inc.

	December 31, 2014	December 31, 2013
Current Ratio	0:1	0:1
Debt to Equity	-1.03:1	-1.03:1
Return on Equity-Common	7%	6%
Net Book Value Per Share	-1.11	-1.04
Earnings Per Share	-0.08	-0.06

Note:

- PGMI has been dormant since 2008.

The salient terms and conditions of some of the Term Loans, which were obtained to finance various capital expenditures of the Company, are as follows:

(a) Omnibus Loan and Security Agreement of PNX-Chelsea with BDO Unibank, Inc. (BDO) for importation of MT Chelsea Denise II

One of the items under Installment and notes payable is a loan incurred by PNX-Chelsea in 2014 with BDO Unibank, Inc. PNX – Chelsea, a subsidiary of Chelsea Shipping Corp., entered into a Memorandum of Agreement with China Shipbuilding & Exports Corporation for the importation of a single oil tanker (MT Chelsea Denise II) in the amount of US$7.3M million. In connection with the acquisition of the oil tank vessel, PNX – Chelsea entered into an Omnibus Line and Security Agreement (OLSA) amounting to ₽300 million with BDO, the proceeds of which was used to partly finance the importation of the vessel.

The loan is payable for a period of five years from initial drawdown date in quarterly principal installments of ₽11,540,000 each and the outstanding balance on maturity date, with two quarter grace period, commencing after the second tranche. The loan carries an interest rate of 5.3% p.a.

Interest incurred on these loans amounted to ₽29.2 million in December 31, 2014, and is shown as part of Finance Costs – net account in the consolidated statements of comprehensive income.

The loan is secured by a chattel mortgage of MT Chelsea Denise II. The carrying cost of MT Chelsea Denise II, presented as part of Property and Equipment – Construction in Progress, amounted to ₽89.6 million in December 31, 2014.

The OLSA requires PNX – Chelsea to maintain a debt-to-equity (DE) ratio of not more than 2.0:1 and debt service coverage ratio (DSCR) of at least 1.20, except on dry-docking year where minimum DSCR shall be 1.00. On January 27, 2014, the Company received the creditor's waiver that adjusted the DE ratio requirement of PNX-Chelsea Shipping Corp. from 1.5x to 2.0x.

(b) Omnibus Loan and Security Agreement of CSC with BDO Unibank, Inc. (BDO) for acquisition of MT Chelsea Thelma

On April 26, 2011, the Group entered into a MOA with China Shipbuilding & Exports Corporation for the importation of a single oil tanker (MT Chelsea Thelma) in the amount of US$19.8 million.

This was partly financed by BDO for US$14.5 million, payable in 27 equal principal amortizations starting in August 2012 at an interest rate based on a one-year LIBOR plus a spread of 3.5% p.a.

The loan is secured by a chattel mortgage on certain tankers (MT Chelsea Thelma and Vela) of the Group with a net carrying amount of ₽1,100.4 million and ₽1,059.8 million as of December 31, 2014 and December 31, 2013, respectively.

Related debt issuance costs amounted to P8.2 million of which ₽1.4 million and ₽2.3 million was amortized in December 31, 2014 and December 31, 2013, respectively, using effective interest rate of 5.02%. Amortized debt issuance costs were recognized as part of interest expense on bank loans under Finance Costs under the Other Charges (Income) account in the consolidated statements of comprehensive income (see Note 22.1). The unamortized debt issuance costs are included as part of the current and non-current portion of the related loan. The outstanding balance of the principal of the note as of December 31, 2014 and December 31, 2013 amounted to ₱404.4 million and ₱496.9 million, respectively.

For the acquisition of MT Chelsea Thelma, Chelsea Shipping Corp. (CSC) is required to maintain a DE ratio and a DSCR of 1.5x and 1.2x, respectively, except on dry-docking year wherein DSCR is 1x. In 2014, CSC complied with these loan covenants with DE and DSCR at 1.08x and 1.3x, respectively.

Material Changes to the Group's Balance Sheet as of December 31, 2014 compared to December 31, 2013 *(Increase/decrease of 5% or more)*

- 56% increase in Cash and Cash Equivalents

This is a result of the timing of collections and disbursements during the period. Minimum levels of Cash are also maintained to support maturing obligations.

- 7% increase in Trade and other receivables

This is primarily due to increase in advances to suppliers as a result of the differences in the initial value of various shipments in transit versus the final price computation.

- 25% decrease in inventory

This is a result of lower average price per unit by 37% in 2014.

- 277% increase in Due from related parties

This is attributable to various charges and billings during the period-net.

- 47% increase in other current assets

This is a result of increased prepayments e.g. rental, insurance, etc. plus the creditable withholding taxes.

- 34% increase in Value Added Tax-net

This is attributable to an increase in Input VAT as a result of higher inventory plus accumulated Input Taxes on capital expenditures.

- 134% increase in other current assets

This is a factor of the increase in Prepayments, Creditable Withholding Taxes and Supplies Inventories.

- 24% increase in property, plant and equipment

This is due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

- 138% increase in Trade and other payables

This is a result of Trade Payable to foreign suppliers for purchases of inventory.

- 73% decline on Due to related parties

This is attributable to the settlement of various advances from prior years.

- 6% decrease in deferred tax liability

This is a result of decline on the deferred tax liability for tanker vessel appraisals increments.

- 25% reduction on non-current liability

This is due to some retirement of cash security deposits in favor of other form of security.

Material changes to the Group's Income Statement as of December 31, 2014 compared to December 31, 2013 *(Increase/decrease of 5% or more)*

- 21% decrease in Sales for petroleum products

This is principally due to 18% lower sales volume compared to 2013. However, it was partly offset by the higher service revenue.

- 54% increase in fuel service, shipping, storage income, and other revenue

This is attributable to higher turnover on service volume specifically on storage volume of new terminal, additional revenue from time charters, and tugboat revenue.

- 22% decrease in cost of sales

This is primarily due to decreased sales of petroleum products and lower unit prices this year compared to 2013.

- 20.2% increase in Finance Costs (net)

This is a result of interest on the installment payables, bank term loans used for expansion, plus Trust receipts availed to finance inventory.

- 53.2% increase in other income/Costs

This is a factor of periodic inventory losses recorded during the period plus other various costs.

- 102% increase in income tax

This is attributable to the increase of income not related to its BOI registered activity.

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

Analysis of Results of Operations for 2013 and 2012

Revenues

The Group generated total revenues of ₱43.552 billion in 2013 which is 26% higher than its 2012 level of ₱34.586 billion, primarily due to the 31% increase in sales volume of fuel products. However, this was minimized due to the lower revenues from fuels service, rent, storage and other revenue. Substantial volume for these aforementioned services was reclassified to an "all-in" product which formed part of sales volume of fuel products starting third quarter of 2012 with full year impact in 2013.

Revenues from sale of petroleum products increased by 27% from ₱34.080 billion in 2012 to ₱43.139 billion in 2013 from a wider distribution network, expanded institutional customer base and improved price competitiveness. In spite of the 31% increase in sales volume, revenue is only up by 27%, as a result of a lower average selling price due to lower MOPS prices in 2013 for gasoline and diesel compared to year 2012. The Company had 368 retail service stations as of December 31, 2013 compared to 300 retail stations as of end-December 2012.

The Group generated ₱207.05 million from its fuels services, storage, port and other revenue in 2013 from ₱304.01 million in 2012, a 32% decline. This was caused by the conversion of service revenue for Mindanao, except Davao City, to an all-in-sales of Jet A1 arrangement instead of mere service which in turn contributed to the volume and revenue growth of the Company.

Cost and expenses

The Group recorded cost of sales and services of ₱40.248 billion for 2013, an increase of 26% from ₱31.962 billion in 2012 primarily due to a 31% increase in the sales volume of petroleum products. The average unit cost for 2013 was lower compared to 2012 due to lower petroleum product prices.

Selling and administrative expenses increased by 35% as a result of higher volume and the continuous expansion of the Group's business operations. With its growing retail presence nationwide and the scaling-up of operations, the Company incurred increases in manpower, and logistics costs including depreciation of additional new stations and facilities.

Net Income and Comprehensive Income

The Group posted a net income of ₱665.057 million in 2013 versus ₱651.310 million in 2012, a 2.11% increase. The Company managed its profitability in spite of price volatility due to improved inventory, trading and supply management.

Total comprehensive income is lower in 2013 by 24% from ₱874 million in 2012 to ₱667 million in 2013 attributable to the revaluation of vessel tankers in year 2012.

Analysis of Financial Condition and Balance Sheet Accounts
(As of December 31, 2013 versus December 31, 2012)

Total assets of the Group as of December 31, 2013 stood at ₱22.338 billion, a growth of 35% over the ₱16.493 billion as of December 31, 2012.

Cash and cash equivalents decreased by 19% from ₱438 million in December 31, 2012 to ₱357 million due to timing of collections of receivables as against payment various liabilities and prudent management of cash level enough to cover maturing liabilities.

The Group's liquidity position continued to be strong with Current Assets amounting to ₱13.054 billion as of December 31, 2013, up from ₱8.953 billion as of December 31, 2012.

Trade and other receivables increased by 106%, from ₱3.557 billion as of December 31, 2012 to ₱7.344 billion as of December 31, 2013, which were mainly due to increase in trade receivable as a result of increasing sales revenue. Bulk sales to government and airline were also consummated at year end of 2013 which forms big bulk of the trade receivable. The Group continues to enhance its credit policies to minimize overdue accounts.

Inventories increased by only 3%, from ₱3.689 billion as of December 31, 2012 to ₱3.813 billion as of December 31, 2013. The Company maintains an average of around one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients.

Due from related parties in December 31, 2013 and December 31, 2012 is ₱2.748 million and ₱8.300 million respectively. The decrease of ₱5.552 million is due to collection of prior period charges to related parties.

Input taxes-net increased by 14% in December 31, 2013 is the result of slight increase in inventory which input taxes is paid and the input taxes on additional capital expenditures during the year.

Other current assets are at ₱489.9 million and ₱282.4 million as of December 31, 2013 and December 31, 2012, respectively. The increase represents creditable withholding taxes, supplies inventory, prepaid rentals on leased retail service stations properties and depot sites, prepaid insurance and other current assets.

As of December 31, 2013, the Group's property and equipment, net of accumulated depreciation, increased to ₱8.629 billion compared to P6.999 billion as of December 31, 2012 due to investments in additional depot capacity in existing areas and new sites. For the year, the Company completed its Depot facility expansion in Davao City and additional storage tanks in Calaca, Batangas and Zamboanga City. New depot sites are also being developed in various sites. In addition, more retail stations were also constructed and or under construction in Luzon, Mindanao and Visayas as of end 2013.

Other non-current assets increased by 61% from ₱167.8 million in 2012 to ₱270.4 million December 31, 2013 as a result of additional rental and security deposits of various lease agreements.

Loans and Borrowings increased by 39% from ₱9.915 billion as of December 31, 2012 to ₱13.752 billion as of December 31, 2013. The increase was a product of short term financing (LC/TR) to cover inventory purchases and trade receivables.

Trade and other payables increased by 2%, from ₱1.547 billion as of December 31, 2012 to ₱1.570 billion as of December 31, 2013. This slight increase in spite of increasing sales volume is the result of more trade payables being booked to short-term financing with banks under trust receipts.

Total Stockholders' Equity increased to ₱6.498 billion as of December 31, 2013 from ₱4.482 billion as of December 31, 2012 as a result of the combination of a ₱1.188 billion equity placement, and income earned during the period net of cash dividends paid to both common and preferred shares.

Key Performance Indicators and Relevant Ratios

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

	2013	**2012**
Current Ratio	1.33 : 1	1.56 : 1
Debt to Equity	2.43 : 1	2.67 : 1
Return on Equity	12.08%	15.86%
Net Book Value Per Share	4.55	4.96
Earnings Per Share-Adjusted	0.45	0.48

B. Phoenix Petroterminals & Industrial Park Corp. ("PPIPC") (formerly Bacnotan Union Industrial Park Corporation)

	December 31, 2013	December 31, 2012
Current Ratio	0.68:1	1.79:1
Debt to Equity	0.76:1	0.23:1
Return on Equity-Common	1%	-2%
Net Book Value Per Share	1.09	1.08
Earnings Per Share	0.01	-0.02

Notes:

- PPIPC posted Revenues of ₱83.14 in 2013, representing a 46% increase from ₱56.9M in 2012. PPIPC rendered more port services in 2013 relative to the increase in importation by its parent, the Company. It also posted a ₱12M rent income for the operating leases on certain parcels of land in its industrial park.

- Trade Payables increased by 231% or ₱344M from ₱150M in 2012 to ₱494M in 2013. PPIPC's current assets are mainly Land Held for Sale and Development Cost; whereas its current liability is mainly Trade Payables. In 2013, PPIPC started the development of phase 2 of its industrial park, including various buildings and improvements and port facilities. This led to the 231% increase in its payable to contractors that was booked under Trade Payables. However, any development cost relative to phase 2 of the industrial park was booked under Property and Equipment. Hence, it resulted in the low current ratio.

- PPIPC does not have bank debts. Its expansion projects had been financed by equity and internally generated funds, particularly from the proceeds of the sale of industrial lots.

C. Subic Petroleum Trading & Transport Philippines, Inc. (SPTT)

	December 31, 2013	December 31, 2012
Current Ratio	0.98:1	0.92:1
Debt to Equity	-337.73:1	-13.64:1
Return on Equity-Common	-420%	88%
Net Book Value Per Share	-42.39	-300.07
Earnings Per Share	178.23	-264.34

Notes:

- SPTT's Revenues increased more than 780% or ₱5.149B from ₱652M in 2012 to ₱5.8B in 2013. This was mainly brought about by fuel sales to Cebu Pacific Air (CPA) that was delivered from Subic beginning 2013. In prior years, sales to CPA were being undertaken by its parent, the Company.

- SPTT recovered its operations from a loss of ₱37M in 2012 to an income of ₱35.6M in 2013. This was chiefly due to the increase in sales and improvement in gross margins from negative 6.3% in 2012 to positive 2.6% in 2013.

- Current Assets increased by 273% or ₱2B from ₱752M in 2012 to ₱2.8B in 2013. SPTT had to keep a certain level of inventory to serve the requirements of CPA. This resulted in the increase of its inventory level from ₱242M in 2012 to ₱2.2B in 2013.

- Current Liabilities increased by 250% or ₱2.045B from ₱818M in 2012 to ₱2.863B in 2013. SPTT had to finance its inventory by bank debts and advances from its parent, the Company. In 2013, SPTT had limited credit facilities to import petroleum products. This constraint was shouldered by its parent, the Company. In so doing, advances had to be booked in SPTT to reflect inter-company transactions.

D. P-F-L Petroleum Management, Inc.

	December 31, 2013	December 31, 2012
Current Ratio	0.:1	0:1
Debt to Equity	-2.36:1	-2.69:1
Return on Equity-Common	21%	22%
Net Book Value Per Share	-0.96	-0.76
Earnings Per Share	-0.20	-0.16

Notes:

- PPMI's registered Revenues of ₱183M in 2013, reflecting a 47.3% drop from ₱347M in 2012. PPMI operates the retail stations of its parent, the Company, that are awaiting accreditation of franchisee dealers. Its revenues vary with the number of outlets being managed. Hence, a reduction in retail station under its interim management reflects the Company's ability to find a suitable franchisee dealer to run these stations. Apparently, PPMI operated more stations in 2012 than in 2013.

- Current Liabilities increased by 11.4% or ₱8.7M from ₱76.4M in 2012 to ₱85M in 2013 due to the increase in trade payables with its parent, the Company, during the period.

- PPMI recorded a Net Loss of ₱7.5M in 2013, representing a 19% increase from ₱6.3M loss in 2012. Most retail stations managed by PPMI were operating in highly competitive but less profitable areas. Pump prices had to be adjusted to compete with other players, resulting in very low gross margins of 1.15% and 1.3% for 2012 and 2013, respectively. Aside from this, it had to pay standard fees to contracted parties to keep the operations of these retail stations going while awaiting the accreditation of franchisee dealers.

E. Chelsea Shipping Corp.

	December 31, 2013	December 31, 2012
Current Ratio	0.28:1	0.19:1
Debt to Equity	1.07:1	1.7:1
Return on Equity-Common	11%	11%
Net Book Value Per Share	1.51	1.46
Earnings Per Share	0.16	0.16

Notes:

- CSC posted a Net Income of ₱160M in 2013, representing a 34% increase from ₱119M in 2012 as CSC was able to save more than ₱37M from port expenses and some ₱90M from bunkering. CSC was able to convert some contracts into time charter which enabled CSC to pass on the bunkering to the charterer, thereby relieving CSC from this cost.

- Current Assets increased by 18.8% from ₱218M in 2012 to ₱259M in 2013. This was mainly due to the advances extended to related parties.

- Current Liabilities decreased by 18.5% or ₱214M from ₱1.15B in 2012 to ₱936M in 2013. CSC paid more than ₱40M and ₱100M of its short-term bank debts and suppliers, respectively, in 2013.

- Current Ratio is less than 1:1. Much of its dry-docking expenses, which are long-term in nature, were financed by short-term debts.

F. Phoenix Global Mercantile, Inc.

	December 31, 2013	December 31, 2012
Current Ratio	0:1	0:1
Debt to Equity	-1.03:1	-1.03:1
Return on Equity-Common	6%	3%
Net Book Value Per Share	-1.04	-1.08

Earnings Per Share	-0.06	-0.03

Notes:

- PGMI has been dormant since 2008.

Material Changes to the Group's Balance Sheet as of December 31, 2013 compared to December 31, 2012 *(Increase/decrease of 5% or more)*

- 19% decrease in Cash and Cash Equivalents

This is a result of the timing of collections and disbursements during the period. Certain minimum levels of Cash are also maintained to support maturing obligations and immediate working capital requirements.

- 106% increase in Trade and other receivables

This is primarily due to bulk sales made to a government entity and an airline company.

- 67% decrease in Due from related parties

This arose from the settlement of advances during the year.

- 15% increase in restricted deposits

This is primarily due to additional deposits to cover some contingent obligations.

- 14% increase in Value Added Tax-net

This is due to an increase in input VAT as a result of higher inventory plus accumulated input taxes on capital expenditures.

- 74% increase in other current assets

This is a result of increased prepayments e.g. rental, insurance, etc. plus the creditable withholding taxes.

- 23% increase in property, plant and equipment

This is due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

- 61% increase in other non-current assets

This is a result of increased refundable rental deposits for various station sites and other minor items.

- 99% increase in current interest bearing loans

This is due to the increase in Trade Payables to foreign suppliers of fuel inventory converted to trust receipt as accounts receivable and inventory increased.

- 25% decline on Due to related parties

This is due to the settlement of various advances from prior years.

- 28% decrease in deferred tax liability

This is a result of decline on the deferred tax liability for tanker vessel appraisals increments.

Material changes to the Group's Income Statement as of December 31, 2013 compared to December 31, 2012 *(Increase/decrease of 5% or more)*

- 27% increase in Sales for petroleum products

This is principally due to 31% higher sales volume compared to 2012. This however was tempered with lower selling price in 2013 compared to 2012.

- 18% decrease in fuel service, shipping, storage income, and other revenue

This is due to lower turnover on service volume specifically in Davao terminal when Cebu Pacific converted to "All-in" sales instead of just services. This however was minimized due additional revenue from time charters.

- 26% increase in cost of sales

This is primarily due to increased sales of petroleum products and however tempered by slightly lower unit prices this year compared to 2012.

- 35% increase in Selling and Administrative Expenses

This is primarily due to need to beef-up manpower complement to support the growth forecast of the Company. There is also increase in operating expenses of terminal/depot facilities, retail stations not limited to depreciation.

- 29% increase in Finance Costs (net)

This is due to additional interest incurred from installment payables, bank term loans used for expansion, plus Trust receipts availed to finance inventory.

- 43% decrease in other income/Costs

This is due to periodic inventory losses recorded during the period plus other various costs.

- 93% decrease in income tax

The Company is enjoying Income Tax Holiday for new projects that are granted a BOI incentive. As part of its growth strategy, The Company continued building storage capacities in 2013 to accommodate huge importation of petroleum products in anticipation of the surge in demand. This resulted in the increase of its total storage capacity from 220 million liters in 2012 to 271 million liters in 2013. Sales emanating from these storage tanks were granted tax holiday.

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

PLANS AND PROSPECTS

Strengthen Oil Supply Security

The Company intends eventually to form strategic partnerships with foreign refined petroleum products producers and traders, and domestic wholesalers.

Expand the Petroleum Depot, Terminalling and Distribution Facilities

The Company plans to establish additional petroleum depot, terminalling and distribution facilities in other strategic locations in key areas of the Luzon, Visayas and Mindanao regions to support its expanded market presence both in wholesale distribution as well as its retail network development.

Specific suitable locations have already been identified and negotiations for some are in their final stages, and more sites are under consideration.

Expand Retail Service Station Network

The Company plans to increase the current number of retail service stations by 60 to 80 stations per year. Specific suitable locations have already been identified and are now in different stages of negotiations, development or construction. The related expansion and strengthening of its depot, terminalling and distribution facilities will support the implementation of this business plan.

Strengthen Retail Management Systems & Operations

The Company shall continue to develop and strengthen its existing Retail Network Management System in order to support its retail network expansion program in collaboration with its dealers and franchisees.

Developing the Brand: A Marketing Cornerstone

Branding will continue to be a cornerstone of the Company's marketing campaign to make Phoenix as the brand of choice of customers and commercial users.

Expand Product Offerings and Distribution Channels

As part of the Company's thrust to strengthen the brand, more products led by its lubricants line will be launched. These product offerings, covering the vehicles' needs (except spare parts) as well as driving-related requirements, will be made available in selected Phoenix stations but also through other traditional distribution channels of these products.

The Company has also started to aggressively penetrate the bunker fuel market specifically to cater to industrial customers such as power plants and shipping companies.

For each of the last three fiscal years (2012-2014), the aggregate revenues from the Company's wholly-owned subsidiaries consisting of charter fees from CSC, rent and storage income and port revenues from PPIPC, and sale of fuels from SPTT amount to less than two percent of the consolidated revenues of the Company.

There are no seasonal aspects of the Company's business that had a material effect on the financial condition or results of its operations.

AUDIT AND AUDIT-RELATED FEES

The financial statements of the Company were audited by Punongbayan & Araullo for the years ended December 31, 2014, 2013 and 2012. Mr. Romualdo V. Murcia III is the Company's current Audit Partner and has served as such since the fiscal year ended 2011. Said external auditor has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

External Audit Fees and Services

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

			Amount in Thousands ₱	
Particulars	Nature	2012	2013	2014
Punongbayan and Araullo	Audit of FS for the year 2008 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2009 - Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2010 – Parent and Subsidiaries			
Punongbayan and Araullo	Audit of FS for the year 2011 - Parent and Subsidiaries	2,110.06		
Punongbayan and Araullo	Audit of FS for the year 2012 - Parent and Subsidiaries	630	3,302.60	60
Punongbayan and Araullo	Audit of FS for the year 2013 - Parent and Subsidiaries		2,609.42	2,536.95
Punongbayan and Araullo	Audit of FS for the year 2014 - Parent and Subsidiaries			3.266.38
Sub-total		**2,740.06**	**5,912.02**	**5,863.33**
Tax Advisory Services				
Sycip, Gorres and Velayo	Tax Consultancy	119.94	190.12	144.76
Sub-total		**119.94**	**190.12**	**144.76**
GRAND TOTAL		**2,860**	**6,102.14**	**6,088.09**

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

The following are the members of the Audit Committee: Monico Jacob (Independent Director) as Chairman, Domingo T. Uy, Cherylyn C. Uy and Paul G. Dominguez as members.

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

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

Changes In and Disagreements with Accountants

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

DIRECTORS AND SENIOR MANAGEMENT

Directors	
Chairman	Domingo T. Uy
Director/President and Chief Executive Officer	Dennis A. Uy
Director	Jose Manuel R. Quimson*
Director/Chief Operating Officer	Romeo B. De Guzman
Corporate Secretary/Asst. Vice President for Corporate Legal	Socorro T. Ermac Cabreros
Director/Chief Finance Officer	Joseph John L. Ong
Director	Cherylyn C. Uy
Director	J.V. Emmanuel A. de Dios
Director	Paul G. Dominguez
Independent Director	Consuelo Yñares Santiago
Independent Director	Monico V. Jacob
Other Executive Officers	
Chief Compliance Officer and Chief Legal Counsel	Ramon Edison C. Batacan
Treasurer/Vice President for Finance	Chryss Alfonsus V. Damuy
Vice President for External Affairs, Business Development and Security	Alan Raymond T. Zorrilla
Vice President-Operations Engineering, Aviation & LSC	William M. Azarcon
Assistant Vice President for Retail Sales South Luzon and South Metro Manila	Jose Victor L. Cruz
Assistant Vice President for Retail Sales North Luzon and North Metro Manila	Edwin M. Jose
Asst. Vice President for Retail Sales Visayas	Richard C. Tiansay
Assistant Vice President for Retail Sales Mindanao	Norman T. Navarro
Assistant Vice President for Commercial Sales-Luzon	Joselito G. De Jesus
Asst. Vice President for Commercial Sales Mindanao.	Ericson S. Inocencio
Assistant Vice President for Technical Service & QAPD	Ignacio B. Romero
Assistant Vice President for Supply	Ma. Rita A. Ros
Assistant Vice President for Brand & Marketing	Maria Celina I. Matias
Assistant Vice President for Human Resources	Celeste Marie G. Ong
Assistant Vice President for Customer Service & Corporate Communications	Debbie U. Rodolfo
Asst. Vice President for Treasury	Reynaldo A. Phala
Assistant Vice President for Credit and Collections	Rebecca Pilar C. Caterio
Asst. Corporate Secretary	Gigi Q. Fuensalida
I.T. Manager	Alfredo Rogelio E. Reyes

*On September 22, 2015, the Company received the resignation letter of Mr. Quimson with effective date of September 1, 2015. The Company's Board of Directors accepted the resignation upon its receipt. The vacant board seat shall be filled at the appropriate time. No director has resigned because of a disagreement with the Company on any matter relating to the Company's issuance, operations, policies or practices.

BOARD OF DIRECTORS

Following are descriptions of the business experience of each of the Company's directors for the past five (5) years:

Domingo T. Uy
Chairman

Mr. Domingo T. Uy, Filipino, 68 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development. Mr. Uy is actively involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also the Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

Dennis A. Uy
Director, President and Chief Executive Officer

Mr. Dennis A. Uy, Filipino, 41 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the holding company of the Company, and Udenna Corporation, the ultimate parent company. The subsidiaries of the Company are Chelsea Shipping Corp., Phoenix Petroterminals & Industrial Park Corp., Subic Petroleum Trading & Transport Philippines, Inc., PFL Petroleum Management, and Phoenix Global Mercantile, Inc. Among the subsidiaries of Udenna Corporation are Udenna Management & Resources Corp, One Subic Power, Global Synergy Trade and Distribution Corp., Udenna Development Corporation, Value Leases, Inc., Udenna Environmental Solutions, and Udenna Energy Corporation. Mr. Uy is also Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation He is a member of the Young Presidents Organization - Philippine chapter and the Philippine Business for Social Progress. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He is a graduate of De La Salle University with a degree in Business Management.

Romeo B. De Guzman
Director, Chief Operating Officer

Romeo B. De Guzman, Filipino, 66 years old, was elected Director of the Company in 2009. He is Chief Operating Officer of the Company, bringing with him 35 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to Dec. 2006. He was with the said company holding various management and executive positions. He also worked with Getty Oil Philippines Inc. for 10 years, prior to joining Pilipinas Shell. He carries with him a Marketing Management and an MBA degree from San Sebastian College – Manila.

Socorro T. Ermac-Cabreros
Director, AVP for Corporate Legal and Corporate Secretary

Socorro T. Ermac-Cabreros, Filipino, 50 years old, was elected Director and appointed Corporate Secretary on February 15, 2007. She is concurrently Asst. Vice President for Corporate Legal of the Company. She is also the Corporate Secretary and member of the Board of Directors of Udenna Corporation and its subsidiaries. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She is the immediate past President for the Davao City Chapter of the Integrated Bar of the Philippines.

Atty. J.V. Emmanuel A. De Dios
Director

J.V. Emmanuel A. De Dios, Filipino, 51 years old, was elected Independent Director of the Company on February 15, 2007 and regular director on March 7, 2008. He is the CEO of GE Philippines, and prior to that was President and CEO of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He was Managing Director of Merritt Advisory Partners, Inc. and was a member of the Board of Directors of Davies Energy Systems, Inc. He also served as Chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

Joseph John L. Ong
Director, Chief Finance Officer

Joseph John L. Ong**,** Filipino, 56 years old, married, is the Chief Finance Officer of the Company. Prior to his employment in the Company, he spent almost ten (10) years at Primeworld Digital Systems, Inc. (Pacific Internet Phils.) initially as Vice President and CFO and eventually as Executive Vice President – Operations and Chief Finance Officer from 2008 - 2009. He also worked for twelve (12) years with Ginebra San Miguel, Inc. (then known as La Tondena Distillers, Inc.), then the country's 2nd largest beverage company and a listed subsidiary of San Miguel Corporation. He was its Vice President – Treasury from 1995 – 1999, at which time he headed the team that took the company public in 1994 and was primarily responsible for institutional-investor relations. Prior to the San Miguel Group, he held various positions at the Bank of the Philippine Islands & Ayala Investment & Development Corp. (before it merged with BPI) from 1980-1986. He received his Bachelor of Science in Commerce from De La Salle University in 1980.

Paul Dominguez
Director

Paul Dominguez, Filipino, 66 years old, was Presidential Assistant for Mindanao and Chairman of the Mindanao Economic Development Council (MEDCo) during the term of President Fidel V. Ramos, tasked to oversee efforts towards accelerating development in Southern Philippines. After serving in the Ramos administration, Mr. Dominguez became the Mindanao representative to the World Trade Organization - General Tariffs and ASEAN Free Trade Area (WTO-AFTA) Philippine Advisory Commission, Honorary Chairman of the Mindanao Business Council, and Country Director for the Philippines in the Board of Directors of the BIMP-East ASEAN Business Council. Mr. Dominguez was appointed by President Gloria Macapagal-Arroyo as Presidential Adviser for Regional Development in January 2001, and in April 2002 as Senior Consultant for Mindanao. He also served as the Special Envoy to Brunei Darussalam, Indonesia and Malaysia. Mr. Dominguez started his corporate career in 1971 with the Davao Light and Power Co. In 1974, he joined the Lapanday Agricultural Development Corp., a major agribusiness firm in Mindanao, as Assistant General Manager. He continued his involvement in agribusiness with the Sarangani Agricultural Company where he served as Executive Vice President from 1979 to 1985. From 1985 to 1992, he was President of C. Alcantara and Sons, Inc. a leading wood manufacturing company in Mindanao. Mr. Dominguez currently serves as director of several Philippine corporations. He previously served on the Advisory Board for Southeast Asia of Colonial Insurance Co. and Commonwealth Bank of Australia.

Cherylyn C. Uy
Director

Ms. Cherylyn Chiong-Uy, Filipino, 36 years old, is a graduate of Business and Finance from Ateneo de Davao University. Ms. Uy is one of the pioneers/incorporators of Udenna Corporation, a corporation composed of 17 subsidiaries which are divided into two (2) groups, the petroleum and non petroleum group. She is the Corporate Treasurer of Udenna Corporation. Ms. Uy is also the President of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company. She is the Corporate Treasurer of Udenna Management and Resources Corporation and Chelsea Shipping Corp.

Consuelo Yñares-Santiago
Independent Director

Consuelo Yñares-Santiago, Filipino, 76 years old, is a Retired Justice of the Philippine Supreme Court. Justice Santiago (Ret) is currently an independent director of Anchor Insurance Brokerage Corp., a leading insurance brokerage company based in New York, USA and SMC Global Power Holdings, Inc., one of the country's leading power company which is the power generation unit of the country's largest beverage, food and packaging industry, San Miguel Corporation. She is also a Consultant of various respectable government offices such as Office of Vice-President Jejomar C. Binay, Office of Senate President Juan Ponce-Enrile and Philippine Judicial Academy and a Chair Advisory Council of the Office of Alternative Dispute Resolution under the Department of Justice. She earned her Law Degree at the University of the Philippines. After admitted to the bar, she started her career as a Legal Officer of Securities and Exchange Commission (SEC). After 5 years of legal practice, she decided to enter the Judiciary and spent 36 years of her career as Municipal Judge, Metropolitan Trial Court judge, Regional trial Court Judge, Associate Justice of Court of Appeals and became an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she joined various committees, one of those was House of Representative Electoral tribunal (HRET) as Chairperson, and a member of Presidential Electoral Tribunal. She was also a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law on 1998 Bar Examination.

Monico V. Jacob
Independent Director

Monico V. Jacob, Filipino, 70 years old, has been Independent Director of the Company since March 7, 2008. He is the President and Chief Executive Officer of the STI Education Services Group and iAcademy. He is the Chairman of Global Resource for Outsourced Workers (GROW), Inc., STI-Universal Workers, Inc., Accent Healthcare/ STI Banawe, Inc., and Total Consolidated Asset Management, Inc. He is a Partner of the Jacob and Jacob Law Firm and is a member of the Board of Directors of Jollibee Foods, Inc., Century Properties, Lopez Holdings, Inc. and 2Go Shipping. He is the Chairman and Managing Partner of CEOs Incorporated. He is the former Associate Commissioner of the Securities and Exchange Commission, General Manager of National Housing Authority, and CEO of the Pag-Ibig Fund. He is a former Chairman and Chief Executive Officer of Petron Corporation and served as such from 1992 to 1998. He was also a former Chairman and Chief Executive Officer Philippine National Oil Company.

ADVISOR TO THE BOARD

Stephen A. CuUnjieng

Mr. Stephen A. CuUnjieng, Filipino, 56 years old, is the Advisor to the Board. Mr. CuUnjieng is the Senior Managing Director of Evercore Partners and Chairman of Evercore Asia Limited. He has been in the corporate advisory industry since 1986 including, prior to Evercore, five years at Macquarie Capital Advisers in Hong Kong where his most recent position was Vice Chairman, ASEAN. Prior to that, he held Managing Director or Director positions in Asia for Merrill Lynch, Salomon Brothers and Morgan Grenfell. Since 2005, he has been awarded nine deal of the year awards by Finance Asia and Asia Money. Some of his more significant transactions include being sole advisor in successfully preventing the takeover of Manila Electric Company for its lead shareholder First Philippine Holdings Corporation ("FPHC"), which included restructuring FPHC's ownership and bringing in Metro Pacific and PLDT as white knights. He was also sole advisor in the sale of a 67% interest in Manila North Tollways Corporation. He led the initial public offering of SM Investments, which was the largest IPO in Asia ex-China and Japan in 2005, as well as the convertible bonds placements of SM Investments Inc. and Bangkok Dusit Hospitals Corporation. Both were the first transactions of their kind in their country for over a decade. Additionally, he advised Crescent Asian Special Opportunities Portfolio on the sale of its 45.54% equity interest in Carmen Copper Corporation to Atlas Consolidated Mining and Development Corporation for US$368 million and advised Guoco Group Limited on its all-cash £585 million takeover offer for the Rank Bank Group, resulting in the increase of Guoco's stake from 29% to 74.5%. In Resources and Energy, his experience includes lead managing or advising Semirara Mining, Energy Development Corporation, Shell, Petroleum Authority of Thailand and CNOOC. Mr. CuUnjieng received his A.B. and Ll.B. (J.D. equivalent) from Ateneo De Manila University in the Philippines and his M.B.A. from the Wharton School of the University of Pennsylvania.

EXECUTIVE OFFICERS

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

Ramon Edison C. Batacan, Filipino, 56 years old, was appointed Chief Legal Counsel and concurrently Chief Compliance Officer of the Company in 2013. He is founder and currently Managing Partner of BM&V Law Firm. He served as member of the Board of Regents of the University of Southeastern Philippines (USeP) and currently director of the Rizal Memorial Colleges. He was past president [2001-2003] of the Integrated Bar of the Philippines, Davao City Chapter and past governor [2007-2009] of the IBP-Eastern Mindanao Region. He is also currently a faculty of the Ateneo de Davao University College of Law handling Property, Negotiable Instruments Law and Law of Natural Resources and Environmental Law. Atty. Batacan graduated with the degree in Bachelor of Science in Mechanical Engineering (BSME) at the University of Mindanao (UM) in 1979. He earned his masters degree in Business Administration (MBA) at the University of Southeastern Philippines (USEP) in 1986. He earned his law degree at the Ateneo de Davao University College of Law in 1990, *cum laude* and was admitted to the Philippine Bar in 1991.

Chryss Alfonsus V. Damuy, Filipino, 41 years old, is the Treasurer and the Vice-President for Finance of the Company. Prior to his employment with the Company, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant of the Regional Educators Multi-purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College where as a dean’s lister, he earned his Bachelor of Science Degree in Accountancy in 1997. Mr. Damuy is a Certified Public Accountant.

Alan Raymond T. Zorrilla, Filipino, 46 years of age, is the Vice President for External Affairs, Business Development, and Security of the Company. Prior to his employment with the Company, he was Chief Legal Counsel of the Unioil Group of Companies where he headed the Legal, Human Resources, and Administrative Departments. He also served as Director for Freeport Services Corporation, a 100% subsidiary of Subic Bay Metropolitan Authority and was once a Legal Consultant of the Department of Environment and Natural Resources. Atty. Zorrilla was engaged in the litigation practice with Pangilinan Britanico Sarmiento and Franco Law Offices before he entered corporate practice. He formerly worked as Corporate Legal Counsel of publicly-listed Fil-Estate Group of Companies under its Litigation and Labor Department. Atty. Zorrilla completed his law studies at the San Beda College of Law in 1994 and was admitted to the Philippine Bar in 1995. He also took up his masteral studies at the Ateneo Graduate School of Business. He is an Army Reservist and a concurrent Commander (Lt. Colonel) of the Philippine Coast Guard Auxiliary.

William M. Azarcon, Filipino, 69 years old is currently the Vice President for Operations Engineering, Aviations and LSC. Mr. Azarcon has twenty-six (26) years experience in the oil industry, covering engineering operations, retail and distribution of bulk & packed products nationwide. Mr. Azarcon used to work for Pilipinas Shell Petroleum Corporation and served as Field Engineer in Operations nationwide constructing Depots & related facilities, i.e, jetties, submarine pipelines', bulk storage tanks among others. He likewise served as Head of Operations of North Luzon and transferred to Retail Engineering as Retail Engineering Manager nationwide. He also served as RVI (Retail Visual Identity) Manager. After retiring from Shell, Mr. Azarcon engaged in business as Retail Engineering Contractor of Shell. He holds a degree in Bachelor of Science in Mechanical Engineering from Mapua.

Jose Victor L. Cruz, Filipino, 55 years old, is currently the Asst. Vice President for Retail Sales-South Luzon and South Metro Manila. Mr. Cruz has more than twenty-five (25) years of experience in the oil industry covering retail, commercial, lubricants sales, international business (aviation and shipping for Chevron and Texaco), marketing and distribution, and corporate affairs. Prior to joining the Company in 2010, Mr. Cruz was Vice President for Retail Network Operations of Flying V in 2008 before he was promoted to Chief Operating Officer in 2009. He was COO of Citadel Commercial, Inc. from 2001-2002 before he ventured into private enterprise. He held various positions in Caltex Philippines Inc. from 1983 up to 1991 when he handled CPI's International Business. Eventually, Mr. Cruz was appointed Executive Assistant – Marketing Commercial in 1992. In 1994, he held the position of District Manager – Luzon South Commercial and in 1996, as DM – Luzon Retail. Mr. Cruz completed his MBA curriculum at the De La Salle University. He is a graduate of B.S. Industrial Management Engineering, Minor in Mechanical Engineering and is a Professional Industrial Engineer under the Philippine Institute of Industrial Engineers.

Edwin M. Jose, Filipino, 55 years old is the Asst. Vice President for Retail Sales-North Luzon and North Metro Manila. Mr. Jose has logged more than 29 years in petroleum industry, with exposure in Retail, Commercial, LPG and Corporate Planning and Logistics of Petron Corporation. Before joining Phoenix, his Petron career started in Corporate Planning and Logistics. In the Retail Trade, he handled positions from Area Sales Executive, Retail Network Development and Sales Development Manager. After Retail, he was assigned to the Liquefied Petroleum Gas business where he handled the retail, commercial and independent refiller business for the entire Luzon area and his breakthrough programs in LPG such as the "one number delivery system", the "80-20 sales project" and pioneering LPG metering for commercial accounts such as Jollibee, among others were reasons why Petron Gasul effectively captured market leadership in the retail sector. He was then given assignment as Government Accounts Manager handling the National Power Corp and other Independent Power Producers, US and Phil. Military. His last position in Petron is District Manager for Metro Manila under Reseller Trade. After his stint with Petron, he set up franchise of two 7-11 convenience stores that are still operational to date. He is an Industrial Engineering degree holder from the University of Sto. Tomas, and an MBA candidate at Ateneo de Manila University.

Richard C. Tiansay, Filipino, 51 years old, is the Asst. Vice President for Sales-Visayas. Mr. Tiansay has more than 22 years of experience in the oil industry covering domestic and international operations. His last position in Royal Dutch Shell is as Global SAP IT Order to Cash Team Lead in London, U.K. This after being assigned to various key managerial positions not limited in the Philippines but as well as in a number in Asia Pacific and other countries. Mr. Tiansay completed is Bachelor of Science in Mechanical Engineering from University of San Carlos, Cebu City.

Norman T. Navarro, Filipino, 49 years old, is presently the Asst. Vice President for Retail Sales - Mindanao of the Company. Before joining the Company, he was with Chevron Philippines, Inc. for 17 years where he held various management positions. He finished Bachelor of Science major in Architecture at the University of Santo Tomas in 1988.

Joselito G. de Jesus, Filipino, 59 years old, is the Asst. Vice-President for Commercial Sales-Luzon. Prior to joining the Company, Mr. de Jesus was the Assistant Vice-President for Reseller Trade of Petron Corporation. He joined the oil industry in late 1970's when became a Corporate Planning Analyst, then later on Corporate planning Manager/Coordinator, of the Philippine National Oil Company (PNOC). Mr. de Jesus also became a Manager in the Corporate Planning Department of PNOC Shipping and Transport Corporation and at the same time, he was also an assistant to the Chairman of PNOC. In the late 90's Mr. de Jesus transferred to Petron Corporation and stayed with the said Company for almost 17 years. He is a graduate of Bachelor of Science in Business Administration Major in Marketing and Finance from University of the Philippines and a Master of Business Administration of Ateneo Graduate School of Business.

Ericson S. Inocencio, Filipino, 40 years old, is the Asst. Vice President for Commercial Sales - Mindanao. Eric has more than 18 years of extensive experience in the petroleum industry. Prior to joining the company, he was connected with Chevron Phils. where he held various positions primarily leading the Commercial and Industrial business as District Sales Manager for more than 5 years (Commercial Luzon 2008-10 & Commercial Vismin 2010-13) and as concurrent National Fleet Cards Sales Manager (2010-2013). He started his petroleum career in Caltex Phils. as a Commercial Account Manager covering key segments of Manufacturing, Transport, Wholesale, Power and Marine industries then progressed to different key positions and leadership roles. He handled Marketing support function for the Commercial Business in charge of developing and executing local & global process/programs which includes profitability modelling. He likewise acted as a Pricing specialist for Marketing Sales both Retail and Commercial business. Eric covered the Motor Vehicle Safety program as a Team lead for Philippines driving the program for more than three (3) years. He is a certified Mechanical Engineer from De La Salle University and attended his MBA at Ateneo Graduate School of Business.

Ignacio B. Romero, Filipino, 71 years old, is currently the Asst. Vice President for Technical Service and Quality Product Assurance Department. Mr. Romero has more than 44 years of experience in the oil industry. Before joining Phoenix he held the same position in National Oil Company of Indonesia, Pilipinas Shell Corporation, and Mobil Exxon. He is a graduate of Bachelor of Science in Mechanical Engineering at Cebu Institute of Technology in 1966 and is a licensed Mechanical Engineer.

Maria Rita A. Ros, Filipino, 55 years old, is currently the Asst. Vice President for Supply. Ms. Ros has more than thirty (30) years of experience in the oil industry covering materials management, supply chain management, production planning, imports-exports, warehousing and logistics. She held various positions in Petron Corporation from 1981 up to 2011 when she handled Biofuels and Special

Projects, and Supply Optimization. Ms. Ros set up a personal business before joining Phoenix Petroleum Philippines, Inc. in November 2013. She is a graduate of B.S. Chemical Engineering from the University of the Philippines, and is a licensed Chemical Engineer, and took up Basic Management at the Asian Institute of Management.

Celina I. Matias, Filipino, 51 years old, is presently the Asst. Vice President for Brand and Marketing Group of the Company. Ms. Matias has more than 25 years of expertise on strategic marketing and client servicing. She honed her skills from Ogilvy & Mather and Mc Cann Erickson and had worked with Rocket Science Manila as partner. She handled over 25 brands (global, regional and local) across different product categories from petroleum, telecoms, real estate, automotive, pharmaceutical and a lot more. She finished Communication Arts major in Advertising & PP in Assumption College.

Debbie A. Uy-Rodolfo, Filipino, 36 years old, is presently the Asst. Vice President for Customer Service Unit and Corporate Communications of the Company. On top of her role as head of the Corporate Communications department, Debbie leads the Customer Service Unit team in achieving their targets by determining customer service trends, determining system improvements and implementing change. She graduated with a degree in Computer Science major in IT from De La Salle University, and finished her Masters in Journalism at Ateneo de Manila University.

Rebecca Pilar C. Caterio, Filipino, 43 years old, is currently the Asst. Vice President for Credit and Collection of the Company. Previously, she was the Controller of Lapanday Packaging Inc., a company engaged in the manufacturing of cartons and in the production of fresh pineapple and vegetable. She was also the Accounting Manager of Fresh Asia Produce Company International Corporation, a company which is also owned by the Lapanday Group and is primarily engaged in the trading and marketing of bananas. Ms. Caterio started her professional career with the SGV & Co. as a Staff Auditor. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants (PICPA) since 1993. Ms. Caterio holds a Bachelor of Science Degree in Commerce, Major in Accounting from the Ateneo De Zamboanga.

Reynaldo A. Phala Filipino, 49 years old, is the Asst. Vice President for Treasury. He joined the Company in 2008 as its Credit and Collection Manager. Before joining the Company, he led a progressive banking career for 17 years, which he started at UCPB. He also worked with the Department of Trade and Industry as Municipal Trade and Industry Officer for a year. He graduated from Mindanao State University-General Santos City with the degree Bachelor of Science in Civil Engineering as a consistent academic scholar and passed the licensure examinations for Civil Engineers in May 1989. He recently finished his Master in Business Administration (MBA) under the Regis Program at the Ateneo Graduate School of Business.

Celeste Marie G. Ong, Filipino, 48 years old, is currently the Asst. Vice President for Human Resources. Ms. Ong has more than 20 years of solid human resources management experience from local and multinational companies (Concrete Aggregates Inc., van Melle Phils., Fujitsu Computer Products and Optodev, Inc.) Her expertise includes compensation management, talent acquisition, training and development, employee relations/engagement, benefits administration and HRIS. She finished A.B. Psychology from Pamantasan ng Lungsod ng Maynila and took her M.A. in Psychology at University of Santo Tomas. She completed Essilor Management Training course in Singapore & France.

Gigi Q. Fuensalida-Ty, Filipino, 38 years old, is presently the Asst. Corporate Secretary of the Company. Prior to her employment with the Company, she was one of the Senior Associates of the Villaraza Cruz Marcelo and Angangco Law Office. For six years, Atty. Fuensalida specialized in Civil, Commercial and Criminal Litigation wherein she developed strategies for complex litigation and actively participated in the prosecution and defense of criminal cases before the regular trial courts, quasi-judicial bodies and the appellate courts. Atty. Fuensalida holds a degree in Bachelor of Arts Major in Political Science from the Ateneo de Manila University. She further obtained her Juris Doctor degree from the same institution and graduated with honors in 2002. Atty. Fuensalida is a member of the Integrated Bar of the Philippines since 2003.

Alfredo E. Reyes, Filipino, 53 years old, is currently the Information Technology Manager of the Company. Mr. Reyes has been in the oil industry for the past 28 years. He worked in Pilipinas Shell Petroleum for 24 years in various management roles, regional and global, in retail and IT, his last position being Retail Lead GSAP Implementation for both Philippines and Indonesia. Prior to joining Phoenix he had brief stint in Northgate Arinso as a Project Manager implementing HR SAP. Since joining Phoenix, he has overseen the SAP ERP and MSD CRM Systems which are anchoring Phoenix's aggressive sales growth with retail and commercial accounts.

Family Relationships

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

Significant Employees

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

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company's Independent Director and Audit Committee Chairman, Mr. Monico V. Jacob, in his capacity as then Chairman of Petron Corporation, was recently impleaded in a case together with some government officials for Violation of Republic Act 3019 otherwise known as the Anti-Graft and Corrupt Practices Act involving tax credit payments of Petron Corporation. The case was filed after Mr. Jacob's tenure as Chairman and Chief Executive Officer of Petron (from 1992-1998) and is still pending with the Sandiganbayan.

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

With respect to the Informations filed with the Regional Trial Court of Batangas City, upon filing by Mr. Uy on September 2, 2013 of an *Omnibus Motion for the Determination of Lack of Probable Cause*, the Regional Trial Court of Batangas City granted said motion on September 17, 2013 and dismissed all 3 Informations. The DOJ filed a *Motion for Reconsideration with Motion for Inhibition* of Judge Ruben A. Galvez, which was subsequently denied on December 6, 2013. On July 7, 2014, the Regional Trial Court of Batangas City issued a Certificate of Finality certifying that its Order dated December 6, 2013, which denied the Motion for Reconsideration and affirmed the Order dated

September 17, 2013 which dismissed the 3 Informations filed against Mr. Uy for lack of probable cause, has already become final and executory since no appeal was filed therefrom.

With respect to the Informations filed with the Regional Trial Court of Davao City, on October 4, 2013, the Regional Trial Court of Davao City ordered the dismissal of the criminal cases against Mr. Uy. The subsequent Motion for Reconsideration of the Plaintiff, People of the Philippines, was also denied in an Order dated August 18, 2014. Hence, the People of the Philippines ("Petitioner") filed on October 27, 2014 with the Court of Appeals (CA), Cagayan de Oro City a *Petition for Certiorari* under Rule 65 of the Rules of Court. On December 2, 2014, Mr. Uy received a copy of the Resolution dated November 19, 2014 directing him to file a comment on the Petition within ten (10) days from notice. On January 12, 2015, Mr. Uy filed his Comment on the Petition. On February 17, 2015, Mr. Uy received Petitioner's Reply dated February 12, 2015. The resolution of the Petition is still pending before the Special 21st Division of the CA, Cagayan de Oro City.

Mr. Uy has questioned the basis of the filing of the above Informations by the DOJ which are the Resolutions issued by the Secretary of Justice (SOJ) dated April 24, 2013 and August 13, 2013 ("SOJ Resolutions") finding probable cause against him. Mr. Uy filed a *Petition for Certiorari* on September 4, 2013 with the Special Former Special 10th Division of the CA, which was granted on July 25, 2014 thereby nullifying the SOJ Resolutions. The CA Decision granting the Petition further directed that the Informations be withdrawn and/or dismissed for lack of probable cause. The SOJ and the Bureau of Customs filed a Motion for Reconsideration dated August 19, 2014 of the CA Decision. On March 11, 2015, Mr. Uy filed his Comment/Opposition to the Motion for Reconsideration. On April 13, 2015, the Special Former Special 10th Division of the CA issued a Resolution stating that the foregoing Motion is submitted for resolution. Said Motion was denied for lack of merit in a Resolution promulgated by the Special Former Special 10th Division on July 2, 2015. On August 26, 2015, the Supreme Court issued a Resolution granting the Motion for Extension to file a petition for review on certiorari by petitioners SOJ and the Bureau of Customs.

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

- Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;

- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

EXECUTIVE COMPENSATION

The Company's executives are regular employees and are paid a compensation package of twelve (12) months pay plus the statutory 13th month pay. They also receive performance bonuses similarly to that of the managerial, supervisory and technical employees.

The members of the Board of Directors are elected for a period of one year. The Company pays its non-executive directors a per diem of ₽30,000.00 for each meeting. There are no other arrangements for which the members of the Board of Directors are compensated.

The aggregate compensation paid or incurred during the last three (3) fiscal years and estimated to be paid in 2015 to the executive officers of the Company are as follows:

Summary of Compensation Table

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ending December 31, 2015		
Name	**Principal Position**	**Salaries (in ₽)**	**Bonuses / 13th Month / Other Income (in ₽)**	**Total (in ₽)**
Dennis A. Uy	President and Chief Executive Officer	**23,000***	**3,000***	**26,000***
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**32,000***	**3,800***	**35,800***

** Estimated*

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2014		
Name	**Principal Position**	**Salaries (in ₽)**	**Bonuses / 13th Month / Other Income (in ₽)**	**Total (in ₽)**
Dennis A. Uy	President and Chief Executive Officer	**21,553**	**2,521**	**24,074**
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**29,570**	**3,530**	**33,100**

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2013		
Name	**Principal Position**	**Salaries (in ₽)**	**Bonuses / 13th Month / Other Income (in ₽)**	**Total (in ₽)**
Dennis A. Uy	President and Chief Executive Officer	**20,501**	**4,282**	**24,783**
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**22,362**	**2,710**	**25,070**

Compensation of Executive Officers and Directors (in thousand Pesos)				
		Year ended December 31, 2012		
Name	**Principal Position**	**Salaries (in ₽)**	**Bonuses / 13th Month / Other Income (in ₽)**	**Total (in ₽)**
Dennis A. Uy	President and Chief Executive Officer	**20,164**	**2,267**	**22,431**
Romeo B. De Guzman	Chief Operating Officer			
Joseph John L. Ong	Chief Finance Officer			
Chryss Alfonsus V. Damuy	VP - Finance & Comptroller			
Alan Raymond T. Zorrilla	VP – External Affairs, Business Development and Security			
All other officers and directors as a group unnamed		**17,295**	**2,340**	**19,635**

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

(as of September 30, 2015)

Title of Class of Securities	Name, address of Record Owner, and Relationship with the Issuer	Name Beneficial Owner and Relationship with the Record Owner	Citizenship	No. of Shares Held	% of Ownership
DIRECTORS:					
Common	<u>Dennis A. Uy</u>	direct beneficial owner	Filipino	3,991,811	0.28%
	Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City				
	President & CEO, Founder				
	(thru Udenna Corporation)	indirect beneficial owner	Filipino	56,868,767	3.98%

Common	Cherylyn C. Uy Stella Hizon Reyes Rd., Bo. Pampanga, Lanang, Davao City *President & CEO, Founder; Director,* respectively (thru Udenna Corporation)	direct beneficial owner	Filipino	1,098,099	0.08%
		indirect beneficial owner	Filipino	56,868,767	3.98%
Common	Domingo T. Uy Insular Village Phase II, Lanang, Davao City *Chairman of the Board*	direct beneficial owner	Filipino	645,919	0.05%
Common	Romeo B. De Guzman Hillsborough, Alabang Village, Muntinlupa City *Director, Chief Operating Officer*	direct beneficial owner	Filipino	1,454,742	0.10%
Common	Socorro T. Ermac Cabreros 223 V. Mapa St., Davao City *Director, Corporate Secretary & Asst. Vice President for Corporate Legal*	direct beneficial owner	Filipino	103,316	0.01%
Common	J.V. Emmanuel A. De Dios 95 A. Melchor St., Loyola Heights, Quezon City *Director*	direct beneficial owner	Filipino	857,116	0.06%
Common	Monico V. Jacob 7th flr Philippine First Bldg, 6764 Ayala Ave., Makati City *Independent Director*	direct beneficial owner	Filipino	1	0.00%
Common	Consuelo Yñares-Santiago Santiago, Cruz & Associates Law Office Unit 1702 East Tower, PSE Centre Pasig *Independent Director*	direct beneficial owner	Filipino	1	0.00%
Common	Paul G. Dominguez ALSON Dev. Corp., 329 Bonifacio Street, Davao City *Director*	direct beneficial owner	Filipino	1	0.00%

Common	<u>John Joseph L. Ong</u> Phoenix Petroleum Philippines, Inc. 25/F Fort Legend Towers, 3rd Ave. corner 31st St, Bonifacio Global City *Director, Chief Finance Officer*	direct beneficial owner	Filipino	431,863	0.03%

Senior Management:

Common	<u>Chryss Alfonsus V. Damuy</u> Ph2 Blk 07 Lot 07, Wellspring Highlands Subd. Catalunan Pequeno Davao City 8000 *Treasurer, Comptroller*	direct beneficial owner	Filipino	70,980	0.00%
Common	<u>Gigi Q. Fuensalida</u> 155 Brillantes St. 5th Avenue, Caloocan City *Asst. Corporate Secretary & Legal Manager for Corporate Legal*	direct beneficial owner	Filipino	70,980	0.00%
Common	<u>Ramon Edison C. Batacan</u> Batacan Montejo & Vicencio Law Firm 7th Floor ABREEZA Corporate Center, J.P. Laurel Street, 8000, Davao City, Philippines *Chief Corporate Counsel & Chief Compliance Officer*	direct beneficial owner	Filipino	70,980	0.00%

The other executive officers of the Company, Alan Raymond T. Zorilla –Vice President for External Affairs, Business Development and Security, Jose Victor L. Cruz – Asst. Vice President for Retail Sales, Luzon, William M. Azarcon – Asst. Vice President, Operations & Logistics, Ma. Rita A. Ros – AVP, Supply do not own shares in the Company.

The number of aggregate shares for all directors and executive officers is six million eight hundred ninety eight thousand seven hundred thirty eight (6,898,738).

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

There are no arrangements that may result in a change in control of the Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company’s related parties include its parent company, subsidiaries, stockholders, the Company’s key management personnel and others as described below.

a.) Rentals

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

2011	2012	2013	2014	**TOTAL**
6,273,396.64	18,189,649.93	56,934,318.17	65,545,819.59	146,943,184.33

b.) Contract of Affreightment

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

c.) Due to and Due from Related Parties

The Company grants and obtains advances to and from its parent company, subsidiaries and other related companies for working capital purposes.

The breakdown of due from related parties as of December 31, 2014 and 2013 is as follows:

	2013	**2014**
PPHI		
Balance at beginning of year		
Additions	-	-
Collections		
Balance at end of year	-	-
UMRC		
Balance at beginning of year	9,472,308.32	(4,963,790.66)
Additions		
Collections	(14,436,098.98)	4,963,790.66
Balance at end of year	**4,963,790.66**	**-**
Total Due from Related Parties		
Balance at beginning of year	9,472,308.32	(4,963,790.66)
Additions		-
Collections	(14,436,098.98)	4,963,790.66
Balance at end of year	**(4,963,790.66)**	**-**

CORPORATE GOVERNANCE

On April 5, 2002, the Commission promulgated the Code of Corporate Governance (SEC Memorandum Circular No. 2, Series of 2002) consistent with and in pursuit of the State's policy to promote corporate governance reforms aimed at raising investor confidence, developing the capital market, and helping achieve high, sustained growth for the corporate sector and the economy. This Code applies to all corporations whose securities are registered or listed, corporations which are grantees of permits/licenses and secondary franchise from the SEC. It also applies to public companies and branches or subsidiaries of foreign corporations operating in the Philippines whose securities are registered or listed. Each of these corporations is required to promulgate and adopt its corporate governance rules and principles.

The Code of Corporate Governance prescribes the detailed qualifications and disqualifications, duties, functions and responsibilities of the Board of Directors and each member thereof, the Chairman, the Chief Executive Officer, and the Corporate Secretary. It also mandates the creation of specific board committees in aid of good corporate governance, i.e. an Audit and Compliance Committee, a Nomination Committee and a Compensation Committee, and requires the Board to commit itself to the protection of the rights of stockholders.

The Company's Compensation Committee shall be composed of at least three (3) members of the Board, one of whom shall be an Independent Director. It is tasked with establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provides oversight over remuneration of senior management and other key personnel.

The following are the members of the Compensation Committee:

Domingo T. Uy	Chairman
Dennis A. Uy	Member
Justice (Ret) Consuelo Yñares Santiago	Member
Joseph John L. Ong	Member (non-voting)

The Board of Directors of the Company adopted and approved its Corporate Governance Manual (CG Manual) on January 1, 2008. The revised CG Manual was adopted and approved on January 28, 2011 by the Company's Board of Directors.

The Company is in the process of formulating an evaluation system to determine and measure compliance with the Revised CG Manual with criteria provided in the Revised CG Manual and other rules and regulations on good governance, which shall be submitted for the approval of the Company's Board of Directors.

The Company has just completed and its Board of Directors has just approved its Audit Committee Charter. The Company shall undertake to develop the charters for the other committees of the Board, namely the Nomination Committee and the Compensation Committee.

To date, there has been no deviation from the Company's CG Manual.

MATERIAL CONTRACTS AND AGREEMENTS

The Company's principal contracts generally consist of dealership and supply agreements, as well as contracts of lease. Other than these, the Company is not a party to any contract or agreement of material importance and outside the usual course of business and the Directors do not know of any such contract or agreement involving the Company.

DEALERSHIP AGREEMENT

The Company has dealership agreements with all of its franchisees. The dealership agreement sets out the term for the non-exclusive right of the dealer to operate a Phoenix service station, and use the equipment and system developed by the Company. It specifies each party's responsibility as to the equipment, supplies and operation of the service station, training and assistance of personnel, standards of quality and performance, insurance coverage, among other things.

The agreement is co-terminus with the contract of lease which ranges from five to ten years renewable for another five (5) years.

CONTRACT OF LEASE

The Company has various contracts of lease covering the lots used for the terminal depot, and Company-owned retail service stations. The usual term of the lease is five (5) to ten (10) years.

SERVICE AGREEMENT

The Company has an existing service agreement with Cebu Air Incorporated ("CAI") whereby the Company provides fuel and handling services and facilities for the storage and handling of Jet A1 fuel of CAI in certain areas like Davao, General Santos City, Zamboanga, Kalibo, Iloilo, among others. This agreement is until December 31, 2017.

REGULATORY & ENVIRONMENTAL MATTERS

The DOE is the lead government agency overseeing the oil sector. It monitors prices and adherence by industry players to the Downstream Oil Industry Deregulation Act. This Act deregulated the downstream oil industry by encouraging the entry of new participants in the downstream oil industry, and removed the rate-setting function of the then ERB and leaving it to market forces.

On the issue of volume regulation, in the event of supply shortage, the government may undertake supply rationing as a contingency measure. However, in recent years, this measure has not yet been invoked.

In addition, the President issued Executive Order No. 134 in October 2002 requiring oil companies to maintain sufficient level of inventory of oil. However, the said Order was relaxed in March 2003, by virtue of Department Circular No. 2003-03-002, which reduced the minimum level to only 15 days.

Importation of both crude and finished products (except for LPG) is levied a 3% import duty. Financial import barriers are low, given that there is zero tariff differential between crude and products. Physical and logistical barriers are likewise low, as there are now several import terminals operated/owned by independent storage companies or by domestic oil companies.

Any capital expenditure requires compliance with the environmental regulations in the medium term. Republic Act 8749, or the Philippine Clean Air Act, mandates the sulfur and benzene content for gasoline and automotive diesel.

More recently, Republic Act 9367 or the Biofuels Act of 2006 was passed mandating the use of biofuels (bioethanol and biodiesel). The Act mandates that within two years from its effectivity, all liquid fuels for motors and engines sold in the Philippines shall contain locally-sourced biofuels components of at least five percent bioethanol in the annual total volume of gasoline fuel actually sold and distributed by each and every oil company in the country

The DTI, through the Bureau of Products Standards, on the other hand ensures that all products comply with the requirements under the Philippine National Standards.

The BOI, where applicable, extends the same incentives granted to BOI-registered enterprises engaged in a preferred area of investments pursuant to Executive Order No. 226, otherwise known as the "Omnibus Investment Code of 1987" to persons with new investments in refining, storage, marketing and distribution of petroleum products as determined by the DOE.

The DENR, on the other hand, ensures that all projects comply with environmental laws, specifically, the Philippine Clean Air Act. The DENR, through the Environmental Management Bureau, is the agency that issues Environmental Compliance Certificate for all projects deem to have impact on the environment.

EXPENSES OF ISSUANCE AND DISTRIBUTION

The Company expects to raise gross proceeds of up to ₱2,000,000,000.00 from the Offer based on an Issue Price of ₱100.00 per share for 20,000,000 preferred shares. After deducting the applicable taxes, underwriting fees, commission and expenses related to the Offer, the net proceeds to the Company from the Offer is estimated at about ₱1,953,892,875.00.

The expenses and costs are estimated and broken down as follows:

Particulars of Expenses	Amount
Issue Management Fee (0.50%)	10,000,000.00
Underwriting and Selling Fees (1.50%)	30,000,000.00
SEC filing and legal research fees	1,073,125.00
PSE listing and processing fees	2,050,000.00
PDTC lodgment fees*	100,000.00
Reimbursement of out-of-pocket expenses*	2,510,000.00
Legal Fees of Issuer's Counsel + 12% VAT (with out-of-pocket expenses)*	274,000.00
Documentary Stamp Tax	100,000.00
Total Expenses*	**46,107,125.00**

**** Estimated amounts***

The above expenses shall be borne by the Company.

GENERAL CORPORATE INFORMATION

INCORPORATION

The Company is duly organized as a corporation under the laws of the Philippines and was registered with the SEC on May 8, 2002.

ARTICLES OF INCORPORATION AND BY-LAWS

The Articles of the Company was approved by the SEC on May 8, 2002 and was amended on the following dates: January 11, 2004, January 12, 2006, August 7, 2006, December 29, 2006, February 19, 2007, February 22, 2010, and March 8, 2010. September 7, 2010, November 30, 2010, and April 23, 2012. The latest amended Articles was approved by the SEC on November 12, 2012.

The By-Laws of the Corporation was registered with the SEC on May 8, 2002, together with the Articles of Incorporation and was amended on February 19, 2007, February 22, 2010, November 30, 2010, September 19, 2011 and November 12, 2012.

PRIMARY PURPOSE

Under the Articles, the Company's primary purpose is to "engage in, conduct and carry on the business of buying, selling, distributing, marketing at wholesale and retail, insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description and all merchandise, supplies, materials and articles, such as, but not limited to, petroleum, lubricants and other chemical products, as shall be necessary or expedient in conducting the business; to enter into all kinds of contracts for the export, import, purchase, acquisition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, commission merchant, factors or agents, upon consignment of all kinds of goods, wares, merchandise or products, whether natural or artificial."

Based on the Amended Articles of Incorporation, the secondary purpose for which the Company is formed is "to engage in the business of operating oil depots, storage facility and allied services."

CORPORATE TERM

The Company is authorized to exist for a term of 50 years from the date of its incorporation. This term may be renewed through an amendment to the Articles approved by the SEC.

FISCAL YEAR

The fiscal year of the Company begins on the first day of January and ends on the last day of December of each year.

APPROVALS

The issue and sale of the Offer Shares was duly authorized by resolutions of the Board of Directors of the Company passed on August 24, 2015.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Articles and By-laws are available for inspection by the Company's stockholders at the principal office of the Company, during normal business hours on any day on which such office is open for business. Copies may also be inspected at the office of the SEC.

PRE-EMPTIVE RIGHT

Pre-emptive right of stockholders to subscribe to any issues or dispositions of shares of any class is waived under the Company's Articles of Incorporation. Please refer to the last paragraph of the SEVENTH Article of the Company's Articles of Incorporation.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Preferred Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Preferred Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Preferred Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Preferred Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment of a holder of Preferred Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Preferred Shareholder.

PROSPECTIVE PURCHASERS OF THE OFFER SHARES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE PREFERRED SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

Taxes on Dividends on the Offer Shares

Individual Philippine citizens and individual aliens who are residents of the Philippines are subject to a final tax on dividends derived from the Preferred Shares at the rate of 10%, which tax shall be withheld by the Company.

The dividends derived by domestic corporations (i.e. corporations created or organized in the Philippines or under its laws) and resident foreign corporations (i.e. foreign corporations engaged in trade or business within the Philippines) from the Preferred Shares shall not be subject to tax.

Non-resident alien individuals engaged in a trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Preferred Shares at the rate of 20% subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individual. A non-resident alien individual who comes to the Philippines and stays for an aggregate period of more than 180 days during any calendar year is considered engaged in a trade or business in the Philippines. Non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Preferred Shares at the rate of 25% subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individual.

The term "non-resident holder" means a holder of the Preferred Shares:

(a) who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and

(b) should a tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of 30% beginning January 1, 2009 subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30% rate for dividends paid to non-resident foreign corporations may be reduced to a special 15% rate if:

(a) the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends; or

(b) the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident corporation for taxes deemed to have been paid in the Philippines equivalent to 20% (until December 31, 2008) or 15% (beginning January 1, 2009).

Philippine tax authorities have prescribed, through an administrative issuance, procedures for availment of tax treaty relief. The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and BIR Form No. 0901-D. These include proof of tax residence in the country that is a party to the tax treaty with the Philippines. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

Subject to the approval by Philippine tax authorities of a corporation's application for tax treaty relief, the corporation will withhold the tax at a reduced rate on dividends paid to a non-resident holder of Preferred Shares or interest paid to a non-resident holder if such non-resident holder provides the corporation with proof of residence and, if applicable, individual or corporate status. Proof of residence for an individual consists of a certification from his embassy, consulate or other proper authority as to his citizenship and residence. Proof of residence and corporate status for a corporation consists of authenticated copies of its articles of association, or other equivalent certifications issued by the proper government authority, or any other official document proving residence.

If the regular rate of tax is withheld by the corporation instead of the reduced rate applicable under a treaty, the non-resident holder of Preferred Shares may file a claim for a refund from the Philippine taxing authorities. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Taxes on Payments on the Offer Shares

All payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the

Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. However, the Company shall not be liable for:

(a) the final withholding tax applicable on dividends earned on the Offer Shares;
(b) expanded value added tax which may be payable by any Offer Share holder on any amount to be received from the Company under the Offer; and
(c) any withholding tax on any amount payable to any Offer Share holder or any entity which is a non-resident foreign corporation.

In addition, all sums payable by the Company to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or governmental charges.

Taxes on Sale or Other Disposition of the Shares

Sales, exchanges or other dispositions of Offer Shares which are effected through the PSE by persons other than a dealer in securities are subject to a stock transaction tax at the rate of 0.5% based on the gross selling price of the shares. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax.

In addition, VAT of 12% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

In percentage (%)	Dividends	Stock transaction tax on sale or disposition effected through the PSE
Canada	25(1)	Exempt
France	15(2)	Exempt
Germany	15(3)	0.5
Japan	25(4)	Exempt
Singapore	25(5)	Exempt
United Kingdom	25(6)	Exempt
United States	25(7)	Exempt

Notes:

(1) 15% if recipient company controls at least 10% of the voting power of the company paying the dividends.

(2) 10% if the recipient company holds directly at least 15% of the voting shares of the company paying the dividends.

(3) 10% if the recipient company owns directly at least 25% of the capital of the company paying the dividends.

(4) 10% if the recipient company holds directly at least 25% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of 6 months immediately preceding the date of payment of the dividends.

(5) 15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting stock of the paying company was owned by the recipient company.

(6) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.

(7) 20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting stock of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the RP-US Treaty, residents of the US may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

* The Philippine tax authorities, in a recent ruling, have taken the position that the stock transaction tax is not identical or substantially similar to the income tax/capital gains tax on a sale of shares in a domestic corporation, and, hence, not covered by the treaty exemption.

Documentary Stamp Taxes on the Offer Shares

The Philippines imposes a documentary stamp tax on the issuance of the Offer Shares at the rate of ₱1.00 on each ₱200.00, or fraction thereof, of the par value of the shares.

The Philippines also imposes a documentary stamp tax upon transfers of the Offer Shares at a rate of ₱0.75 on each ₱200.00, or fractional part thereof, of the par value of the shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the Offer Shares.

Estate and Gift Taxes

The transfer of the Offer Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at progressive rates ranging from 5% to 20% if the net estate is over ₱200,000.00.

Individual registered holders, whether or not citizens or residents of the Philippines, who transfer shares by way of gift or donation will be liable for Philippine donor's tax on such transfers at progressive rates ranging from 2% to 15% if the total net gifts made during the calendar year exceed ₱100,000.00 provided that the rate of tax with respect to net gifts made to a stranger (one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of 30%. Corporate registered holders are also liable for Philippine donor's tax on such transfers, but the rate of tax with respect to net gifts made by corporate registered holders is always at a flat rate of 30%.

Estate and gift taxes will not be collected in respect of intangible personal property (a) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Corporate Income Tax

In general, a tax of 30% is imposed upon the taxable net income of a domestic corporation from all sources (within and outside the Philippines) pursuant to R.A. 9337, except, among other things, (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b)interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 7.5% of such income.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Furthermore, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, force majeure, or legitimate business reverses.

In addition, under the Renewable Energy Act of 2008, a corporation engaged in the exploration, development, and utilization of Renewable Energy resources and actual operation of Renewable Energy systems or facilities is, after seven years of income tax holiday, entitled to pay a corporate tax of 10% of its net taxable income (as defined in the Tax Code), provided that the said corporation shall pass on the savings to the end-users in the form of lower power rates.

PHILIPPINE FOREIGN INVESTMENT, FOREIGN OWNERSHIP AND EXCHANGE CONTROLS

REGISTRATION OF FOREIGN INVESTMENTS AND EXCHANGE CONTROLS

Under current BSP regulations, a foreign investment in listed Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon will be sourced from the banking system. The application for registration must be filed by a stockbroker/dealer or an underwriter directly with the BSP or with a custodian bank designated by the investor. A custodian bank may be any commercial bank or offshore banking unit in the Philippines appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) a purchase invoice, or subscription agreement and/or proof of listing in the PSE; and (ii) the Authorized Agent Bank's ("AAB") Certificate of Inward Remittance ("CIR") of foreign exchange and its conversion to pesos thru an AAB. Upon submission of the required documents, a Bangko Sentral Registration Document ("BSRD") will be issued.

Proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately in full through the Philippine commercial banking system, net of applicable tax, without need of BSP approval. Remittance is allowed upon presentation of the BSRD, at the exchange rate applicable on the date of actual remittance. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, is also remittable in full. Remittance of divestment proceeds of dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent or in times of national emergency.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

RESTRICTION ON FOREIGN OWNERSHIP

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them the exploration, development, and utilization of natural resources and retail trade. The Government grants the use of foreshore lands to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Since the Company holds a foreshore lease, the Company complies with the restrictions on foreign ownership.