



ON TO GREATER HEIGHTS.  
**LET'S GET THERE TOGETHER!**





A large crowd of people, seen from above, forms a rectangular frame around the central text. The people are diverse in color and are standing on a white background. The frame is composed of many small figures, creating a dense border around the central content.

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► **VISION**

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

► **MISSION**

- We deliver the best value in products and services to our business partners
- We conduct our business with respect, integrity, and excellence
- We provide maximum returns to our shareholders and investors
- We create opportunities for learning, growth, and recognition to the Phoenix Family
- We build programs to nurture the environment and welfare of the communities we serve

**CORE VALUES**



**INTEGRITY**

We adhere to the highest standards of ethics and conduct. Our reputation defines who we are.



**EXCELLENCE**

We aim to be the best in everything we do.



**SERVICE**

We value all our stakeholders, and provide unrivalled customer experience.



**INNOVATION**

We welcome opportunities to create at all times new and better products, services and ideas.



**TEAMWORK**

We value relationships. We achieve goals through collaborative efforts.



**STEWARDSHIP**

We nurture our resources responsibly.



## PHOENIX PETROLEUM PHILIPPINES, INC.

Phoenix Petroleum Philippines, Inc. (PNX) is the leading independent and fastest-growing oil company in the Philippines. Since its first station in 2005 in the southern region of Davao, the Company has expanded nationwide to build a wide network of retail stations and commercial and industrial clients.

Phoenix Petroleum is engaged in the business of retail and commercial sales and the trading of refined petroleum products and lubricants, operation of oil depots, storage and transport services and integrated logistic services. Its products and services are distributed and marketed under the PHOENIX Fuels Life trademark.

The company's operations are divided between trading, terminaling and hauling services. Under trading, PNX offers its refined petroleum products and lubricants to retailers and commercial clients in various industries.

Phoenix provides hauling and into-plane services of Jet A1 fuels to airports and airlines and refueling of aircraft in key cities in Mindanao. Since 2005, Phoenix has been the exclusive logistics partner of largest carrier Cebu Pacific Airlines in all their flights in Mindanao.

Phoenix Petroleum is a publicly-listed company on the Philippine Stock Exchange since July 2007, the only oil company to do so since the Oil Deregulation Law was passed in 1998.

It is ranked 31st in the country's Top 1,000 Corporations as of 2013.

### ► ABOUT THE COVER

*The journey to success starts with a dream fueled by ambition, passion, and persistence. From start to end, the journey of Phoenix Petroleum is shared with our business partners and with many others who believe that the best way to go far, to greater heights, is always together.*





**DENNIS A. UY** | PRESIDENT & CHIEF EXECUTIVE OFFICER

**DOMINGO T. UY** | CHAIRMAN

**A**mong the biggest news of 2014 was the sharp drop in global oil prices. Weaker economies, lower demand, and surplus in supply pushed prices down to its lowest levels in five years. At its peak of \$125.68 per barrel in February, diesel oil prices dropped 45% to \$69.79 a barrel at yearend, while gasoline plunged 51% from a high of \$126.22 in July to a low of \$62.14 in December, following the decision of OPEC in November and of other oil-producing and oil-exporting countries to maintain their output.

As a result, total net price adjustments of petroleum products in the Philippines for 2014 posted a net decrease of P13.29 for gasoline, P15.03 for diesel, and P28.52 for LPG.

Low oil prices was good news for consumers. For the third straight year, the country's economy grew more than six percent. At 6.1% GDP growth – while lower than the previous year's – the Philippines was the second fastest growing economy in Asia, second only to China and ahead of Vietnam. This was driven by the strong performance of the agriculture, industry, and services sectors, and increased private consumption in the last quarter.

Sales of passenger and commercial vehicles surpassed targets, rising 29% to 269,841 units in 2014. The Philippines was the third fastest-growing country in vehicle sales in the ASEAN region, despite the decline in overall unit sales of most member-countries.

These positive indicators drove demand of finished petroleum products up 4.5% to 61,406 MB in the first half of 2014 compared to the same period in 2013. This translates to an average daily requirement of 339.3 MB compared with 324.5 MB the previous year.

**“WE WILL CONTINUE TO STRENGTHEN OUR PROGRAMS ON CUSTOMER ACQUISITION, RETENTION, AND EXPERIENCE, OPERATIONAL EXCELLENCE, AND INTERNAL EFFICIENCIES. THE PHOENIX BRAND IS STRONG, AND OVER THE YEARS IT WILL BECOME EVEN MORE COMPETITIVE WITH THE BIGGER PLAYERS.”**

#### **CHALLENGING YEAR**

Our company's performance in 2014 reflected these mixed developments in the industry and country, marking one of the most challenging years for us.

The steep drop in fuel and crude prices, unplanned shutdown in our source refinery, vessel breakdowns, and rough weather squeezed our margins and tested the stability of our supply.

We thus shifted gears in favor of profitability over volume, by tempering low-margin sales to distributors and wholesalers. This decreased fuel sales volume by 18% year-on-year, mostly from the non-retail segment, but helped improve our margins.

With the lower sales volume and lower selling price during the year, our revenue decreased 20% to Php 34.73 billion from Php 43.55 billion the previous year.



Average selling prices for the year fell in line with the continuous drop in global oil and fuel prices. As a result, net income declined by 7% from Php 665 million in 2013 to Php 616 million in 2014.

But the company's strategy to focus on more profitable sales improved return on sales to 1.8% this year from 1.5% in 2013.

Despite the drop in sales to distributors and wholesalers, volume from retail sales continues to grow in line with the continued expansion of our retail network. Reflecting the country's better economy and the improved efficiency of our retail stations, same-store sales increased by 10% from the previous year.

From 368 stations in 2013, we opened 50 in 2014 to increase our network to 418 stations. Of these, 221 are in Mindanao, 56 in Visayas, and 141 in Luzon. We target to open more stations next year, with several carryovers from 2014 that will finish construction or permit-processing.

Sales to commercial accounts, primarily to the shipping, fishing, mining, power and transportation sectors, registered continuous growth during the year.

We marked 10 years of strong partnership with Cebu Pacific in 2014, and renewed it with supply agreements for various locations that will take effect this year and in 2015. Phoenix Petroleum supplies more than 50 percent of Cebu Pacific's jet fuel requirements and handles all their logistics needs in Mindanao and parts of Visayas.

Independent oil players captured 28.9% of the market, with 71.1% by the majors. Our market share in the first

half of 2014 declined to 4% from 5.9% in full year of 2013, due to the rollout of our new stations mostly in the second half and the shift in strategy to focus on margins. Nevertheless, we remain confident and solid in our position as the leading independent oil company.

## **FINANCIAL HIGHLIGHTS**

The company's total shareholder's equity increased to Php 7.05 billion this year from Php 6.498 billion in 2013.

Our balance sheet ratios reflected the decrease in income and revenue. Current ratio declined to 1.11 : 1 this year from 1.33 : 1 last year. Debt to equity ratio for 2014 was higher at 2.55 : 1 from 2.44 : 1 due to higher accounts payable trade. But interest bearing DE this year improved to 1.96 : 1, from 2.12 : 1. As a result of the decline in net income, earnings per share decreased from 0.45 last year to 0.40 this year.

We accomplished two significant finance activities in the last quarter: the listing of additional preferred shares, and the listing of short term commercial papers.

The Company's listing of one billion preferred shares valued at Php 1 billion is the first ever issued by an independent oil player. This also makes Phoenix the only oil company to have both common and preferred shares listed in the Philippine Stock Exchange (PSE). In November, we successfully listed Php 2-billion worth of short term commercial papers (STCP) in the organized secondary debt market. The STCP is the first to be issued by an oil company, and also the first publicly listed (PDEX) STCP to be issued in over a decade.



## STEADY PATH

Amidst a demanding and competitive environment, the challenge for us is to maintain the steady growth and performance we have accomplished over the past years.

Our aggressive rise and expanding network have drawn entrepreneurs who choose to be Phoenix dealers. Phoenix is their preferred partner, as they see in the Company their own values and aspirations: entrepreneurial, proudly homegrown, committed to serve, and determined to succeed.

Our retail stations serve millions of motorists, who not only fuel up but also enjoy the convenience of other shops in the station. Phoenix mega-stations are home to restaurants, ATMs, convenience stores, car repair shops, and clean and air-conditioned restrooms. Some of our flagship stations in Manila and Davao City have as locators popular brands such as Jollibee, McDonald's, Shakey's, Pizza Hut, Mini-Stop, 7-11, and Family Mart.

We have also rolled out a program to raise the level of forecourt service in our retail stations nationwide.

In the commercial and industrial segment, we continue to serve vital industries and have started serving fuel oil to power generation accounts. This, along with dedicated technical assistance and product quality assurance, are enhancing the service we are able to provide to our business partners.

We are confident in the quality of our fuel products, with our flagship Premium 98 proven to boost engine performance. Our own CME Manufacturing plant – a first for a petroleum company – produces coco methyl

ester and biodiesel products, which is required to be blended in petroleum diesel as part of the Biofuels Act of 2006. The Phoenix CME Plant ensures high quality CME products at a fair price.

These programs are complemented by the strength the Phoenix brand is gaining. Strategic marketing promotions and partnerships such as with the NBA are helping to establish Phoenix as a preferred petroleum brand. Our brand awareness level continues to improve, which is now the third highest in the industry.

Operational excellence is vital in ensuring we deliver on our commitments.

Supply is at the forefront of reducing vulnerability to price and supply as oil prices continue to drop. The focus is on improving supply chain performance and maximizing efficiencies, with the objectives of minimizing costs, controlling and managing inventories, forecasting accurately, and delivering on time.

We continue to expand our logistics and infrastructure, adding storage capacities and facilities. Our new depot in Calapan, Oriental Mindoro, which will start operations in January 2015, will support both our network expansion and commercial and industrial clients in the south Luzon islands.

To strengthen our end-to-end service, we are acquiring more lorries to deliver to our retail and commercial clients. Having our own Road Transport team ensures reliability, quality, and on-time delivery.

The investments in our retail network, depot facilities, logistics infrastructure, systems and information

technology increased the Company's total assets by 12% this year to Php 25 billion, from Php 22.43 billion in 2013.

Within the support groups, we continue to improve internal policies and processes with the goal of increased efficiency and effectiveness. Our Customer Service Unit is a dedicated center for our customers, serving as the other frontliner to Sales and facilitating sales support transactions.

As the company marked its first year of SAP implementation in October, Phoenix subsidiaries will also be aligned to SAP in the next two years.

We continue to develop our people through coaching, competency-based trainings, talent recruitment, and succession planning. The culture we are building in the company is one of responsibility, creativity, teamwork, and malasakit. This year, we launched the "Phoenix Hero" monthly contest, where we recognize employees who, through their initiatives and actions, exemplify malasakit and innovation. Our Phoenix Hero of the Year came from the Logistics department, whose creative solution to improving the efficiency of the company's refueling units saved the company substantial money.

## **SUBSIDIARIES**

Our subsidiaries performed well in 2014. The Phoenix Petroterminals and Industrial Park Corp. (PPIPC), developer of the 94-hectare Phoenix Petroterminals and Industrial Park in Calaca, Batangas, handled 1,045,660 MT, or 4% higher compared to the previous year. Port revenues rose 17% to P74.5 million.

PPIP is home to our biggest petroleum terminal and other locators in the manufacturing, storage, and power industries. Half of PPIP is already in use, while 48 hectares are available for sale or lease to interested locators. The opening of the new port facility last July enables PPIP to accept more shipments, boosting it as an ideal location for companies that require vessels. The Chelsea Shipping Group – composed of Chelsea Shipping Corporation (CSC) and its subsidiaries Bunker Manila, Michael Inc., Chelsea Ship Management & Marine Services Corp., Fortis Tugs, and PNX-Chelsea Shipping – recorded revenues of Php 894.5 million and net income of Php 236.9 million. Total assets increased to Php 5.26 billion.

Chelsea Shipping is one of the top five major petroleum tanker owners in the country. In February 2014, it took delivery of M/T Chelsea Donatela. With sister ship M/T Chelsea Thelma, the two are the largest Philippine-registered oil tankers with a capacity of 14,000 DWT each. In September, CSC acquired another vessel, M/T Chelsea Denise II, which is scheduled for delivery on March 2015. These acquisitions increase Chelsea Shipping's fleet to 12 vessels, with a combined capacity of 44,368 MT, and crossing local and regional seas.

## **GIVING BACK**

As we strive to be good in business, so do we strive to be a responsible corporate citizen. We work with communities to advance our advocacies in education, environment, health, and outreach. Among others, these various programs support young students and the less fortunate, vital watersheds, and endangered animals. The kind words from our partner institutions and beneficiaries reaffirm our commitment and encourage us to help more in meaningful ways.

We are especially proud of the “Pinoy Tsuper Hero” program, in partnership with ABS-CBN Lingkod Kapamilya Foundation and Bayan Academy. A first in the petroleum industry, it is a nationwide advocacy to recognize “super hero” Filipino drivers, to empower them through skills training, and to promote safe and environmentally-friendly driving. The program was launched in the last quarter, and we will award the outstanding drivers in 2015.

### GETTING THERE TOGETHER

Despite the challenges, the future remains bright for our country, industry, and company.

The Philippine economy is seen to have the most favorable growth rate in Southeast Asia in the next five years, with an average growth forecast of 6.2 percent for 2015 to 2019, according to the Organization for Economic Cooperation and Development (OECD).

The increased investments and activities in power, construction, manufacturing, transportation, services, and other sectors, along with increased private consumption, will redound to a progressive economy. Oil prices are expected to remain volatile. Critical for us are reducing vulnerability to price fluctuations, reducing cost, and improving efficiency.

We will continue to strengthen our programs on customer acquisition, retention, and experience, operational excellence, and internal efficiencies. The Phoenix brand is strong, and over the years it will become even more competitive with the bigger players.

All these will put us in a strong position to compete not only with local companies but also regional players, as the ASEAN integration begins in 2015.

The journey of Phoenix is a story of determination, persistence, creativity, and hard work. Passion and compassion fuel our ambitions. Our successes would not be possible without the trust of all who have supported us through the years.

To our business partners, dealers, investors, and stakeholders, thank you for the faith, confidence, and loyalty, through the peaks and valleys inherent in any business.

As we have said before: it is our goal to be an indispensable partner to you, as you are to us. We may be a young company, but our vision goes far. We are here for the long term.

The Africans said it best: “If you want to go fast, go alone. If you want to go far, go together.”

Let us go the distance – together, as indispensable partners.



**DOMINGO T. UY**  
CHAIRMAN



**DENNIS A. UY**  
PRESIDENT  
& CHIEF EXECUTIVE OFFICER





**ROMEO B. DE GUZMAN** | CHIEF OPERATING OFFICER

**Q** THE STEADY DECREASE IN OIL PRICES IN MOST OF 2014 WAS TOUGH FOR THE OIL INDUSTRY. HOW DID THE COMPANY MANAGE THIS?

It is a matter of public knowledge that oil prices have gone down immensely, when oil traded almost to lowest levels in five years as of this writing. This is the result of excess supply that contributes to the decreasing oil prices, because oil producing countries have not wavered in their decision not to lower production simply to support oil prices.

We have addressed this irregular scenario by timely and proper acquisition of oil supply, intensified management of inventory which we may keep at lower levels but still with the end view of maintaining manageable inventory for both our retail and commercial accounts. We have likewise allowed our respective dealers to have a free hand in determining the level of fuels they maintain at their stations but without sacrificing product availability at any given instance.

**“WE WILL CONTINUE TO WIELD THAT SAME SPIRIT THAT HAS PIONEERED PHOENIX FROM THE VERY BEGINNING.”**

**Q** THE INDUSTRY IS GETTING MORE COMPETITIVE. HOW IS PHOENIX DIFFERENTIATING ITSELF, ESPECIALLY WITH THE ASEAN INTEGRATION’S FULL IMPLEMENTATION SET IN 2015?

Among other things, the ASEAN Integration mandates that the Philippines, together with the other ASEAN Member Countries, should be open to zero import duties for ASEAN products upon full implementation of the ASEAN Economic Community in 2015. This means that the full implementation thereof is touted to level the playing field among the industries of the member countries.

With respect to the oil industry, the integration will not provide additional benefit on oil prices since the Philippines already mandates zero duties on imported oil products. Besides, the passage of the Oil Deregulation Law in 1998 was precisely to level the playing field among oil players, majors or independents alike, as well as to induce the entrants of new players to the country.

At best, the integration will contribute immensely in increased standards in quality, innovation, efficiency, and productivity. This is where Phoenix has been preparing all along by virtue of putting up high volume retail stations in the best locations and bearing enhanced visual manifestations, and offering competitive and affordable quality fuels, and at the same time providing motorists with the best customer experience.

**Q** THE COMPANY HAS SET AMBITIOUS GOALS FOR 2015-2017. WITH THE VARIOUS CHALLENGES FACING THE INDUSTRY AND THE INTENSE COMPETITION, WHAT MAKES YOU CONFIDENT ABOUT THE COMPANY ACHIEVING THESE GOALS?

As I have said before, our Management team is composed of outstanding and experienced oil industry professionals committed to excellence and who display an absolute level of dedication and outstanding service to the Company. Add to this our enthusiastic and competent personnel who are widely admired in the industry since we have attracted the very best young and zealous minds in the business. I am confident to say that no other industry of the same size can equal our integration of experience, depth, and excellence.

Management shall continue to wield that same spirit that has pioneered Phoenix from the very beginning. These leaders have the proficiency to lead us to new directions and vast opportunities. Our personnel have shown remarkable dedication, loyalty, and resilience in their quests for continued excellence. With these in hand, we are confident in achieving our goals because we know where we are going, we are united in the direction that we will take, and we shall continue to the development of each individual in the organization so that we have the flexibility to adjust to any situation as we seek to achieve our goals.

**Q** YOU ESPOUSE TO THE TEAM THE VALUES OF HONESTY, RESPECT, INTEGRITY, AND *MALASAKIT*. HOW DO YOU THINK THIS HAS BEEN IMBIBED IN THE COMPANY'S CULTURE?

We have made progress in the organization ever since we introduced the three business principles of honesty, integrity, and respect for people. We have associated this with the concept of "*malasakit*." Now, our personnel are conscious over the sense of ownership, such that they will tend to manage our resources responsibly, knowing fully well that the existence of the Corporation is similarly dependent to how they value its resources.

But I tell you that we still have a long way to go as we try to change the culture of the organization and instilling in them the business principles. We practice what we preach and we always remind our people that each one of them is an embodiment of Phoenix. We have let the axe fall on those with questionable integrity and business dealings. We have always reminded our people that they are the living example of Phoenix, that they carry upon their foreheads the name of Phoenix and this being so, they should be conscious that all their actions should be reflective of the three business principles and the "*malasakit*" concept.



A high-angle, top-down photograph of a large, diverse crowd of people standing on a light-colored, reflective floor. The people are arranged in a dense, rectangular frame that encloses the central text. The individuals are wearing various colorful clothing, and their shadows are cast onto the floor. The background is a bright, white space with a large, soft shadow cast by the crowd.

# REVIEW OF **OPERATIONS**

## ► FINANCIAL AND INDUSTRY HIGHLIGHTS

### P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES (A Subsidiary of P-H-O-E-N-I-X Petroleum Holdings Inc.) SUMMARY AND HIGHLIGHTS Years 2009-2014

(All amounts expressed in millions, unless otherwise stated)

	2009	2010*	2011*	2012*	2013	2014
<b>Income Statement Data:</b>						
Revenues	5,873	14,930	27,451	34,586	43,552	34,734
Cost of Sales and Services	5,181	13,245	25,328	31,962	40,248	31,405
Net Profit-TOTAL	751	413	558	651	665	616
Net Income-Excluding						
Non-Recurring Income	178	413	558	651	665	616
Provision for Preferred						
Dividends	-	14	58	58	57	41
EBITDA	365	1,151	1,246	1,597	1,864	2,084

(All amounts expressed in millions, unless otherwise stated)

	2009	2010*	2011*	2012*	2013	2014
<b>Balance Sheet Data:</b>						
Current Asset	2,919	4,883	6,902	8,967	13,054	13,576
Non-current Asset	2,085	4,394	6,057	7,540	9,283	11,424
Total Assets	5,003	9,276	12,959	16,507	22,338	25,000
Current Liabilities	2,661	4,938	7,152	5,752	9,842	12,231
Total Liabilities	3,475	6,197	9,244	12,011	15,840	17,950
Stockholders' Equity	1,529	3,079	3,714	4,497	6,498	7,050

<b>Bank Debts</b>	<b>2,318</b>	<b>4,034</b>	<b>5,877</b>	<b>9,915</b>	<b>13,752</b>	<b>13,843</b>
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	2009	2010*	2011*	2012*	2013	2014
<b>Financial Ratios</b>						
Current Ratio <sup>1</sup>	1.1 : 1	0.99 : 1	0.97 : 1	1.56 : 1	1.33 : 1	1.11 : 1
Debt to Equity <sup>2</sup>	2.27 : 1	2.01 : 1	2.49 : 1	2.67 : 1	2.44 : 1	2.55 : 1
Return on Equity <sup>3</sup>	67.71%	17.92%	16.42%	15.86%	12.10%	9.10%
Return on Assets <sup>4</sup>	20.39%	5.78%	7.88%	6.90%	4.86%	3.60%
Return on Sales	12.80%	2.77%	2.03%	1.88%	1.53%	1.77%
Net Book Value						
Per Share <sup>5</sup>	5.76	5.61	5.61	4.96	4.54	4.93
Earnings Per Share- (Adjusted) <sup>6</sup>	0.88	0.32	0.40	0.48	0.45	0.40
Earnings Per Share-Core (Adjusted) <sup>7</sup>	0.21	0.32	0.40	0.48	0.45	0.40
Return on Equity-Common	67.7%	17.3%	14.7%	14.5%	11.1%	8.5%

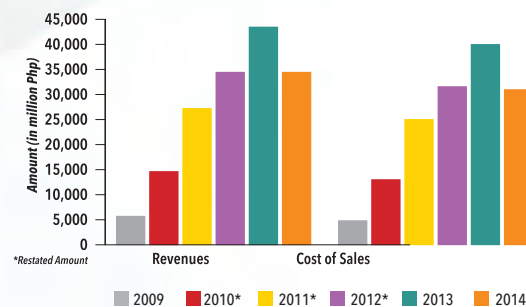
#### Debt Service Cover Ratio:

	2009	2010*	2011*	2012*	2013	2014
<b>Stock Information:</b>						
(Figures in millions except per share)						
Weighted Average No. of Shares-Adjusted of						
Stock Dividends	852.74	1,234.29	1,235.78	1,235.78	1,357.01	1,428.78
Number of Shares Issued	269.16	548.02	661.12	906.06	1,428.78	1,428.78
Total Number of Shares						
Outstanding-Year End	265.31	548.02	661.12	906.06	1,428.78	1,428.78
Market Capitalization-Year End	1,884.13	6,773.48	7,457.47	8,181.72	6,429.50	4,414.92
Stock Price-Closing (Year End)	7.00	12.36	11.28	9.03	4.50	3.09
Treasury Stock-Shares	4	-	-	-	-	-

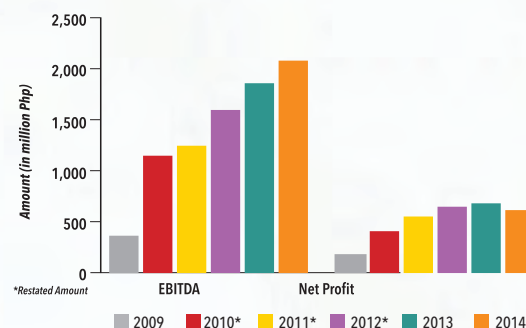
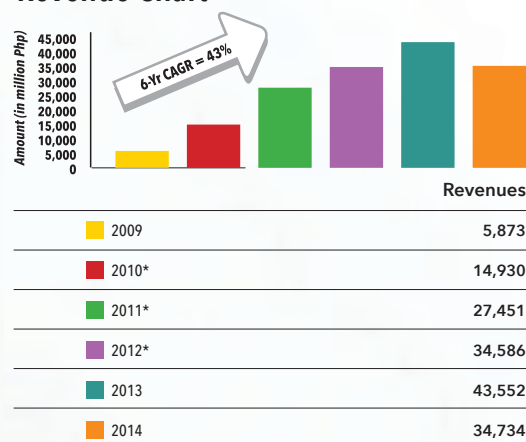
#### Notes:

- 1 - Total current assets divided by current liabilities
- 2 - Total liabilities divided by tangible net worth
- 3 - Net income divided by average total stockholders' equity
- 4 - Net income divided by average total assets
- 5 - Total stockholders equity-(Common) divided by the total number of shares issued and outstanding
- 6 - Net income after tax divided by weighted average number of outstanding common shares (adjusted with Stock Dividends)
- 7 - Net income after tax (Excluding Non-Recurring Income) divided by weighted average number of outstanding common shares (adjusted with stock dividends)

\* Re-stated figures



#### Revenue Chart



## VEHICLE SALES INCREASE

	2013	2014	2015 Target
Total units sold	212,281	269,841	310,000

Higher sales is expected in the segments of small car passenger units, SUVs, and light commercial vehicles. The Philippines is the 3rd fastest growing country in motor vehicle sales in the ASEAN region

### Sources:

Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI), Association of Vehicle Importer and Distributors (AVID), Truck Manufacturers Association (TMA)  
Autoindustriya.com

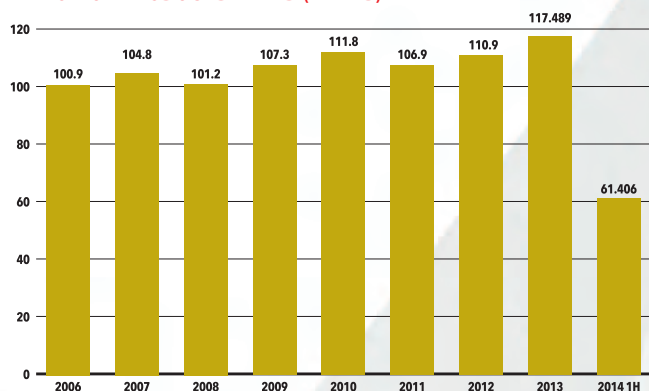


## OIL PRICES GO DOWN

Total net price adjustments of:	2013	2014
Gasoline per liter	3.59	-13.29
Diesel per liter	4.68	-15.03

Source: Department of Energy

## PETROLEUM PRODUCT DEMAND (in MMB)



## PNX DIVIDEND HISTORY

Record Date	Payment Date	Dividend Type	Rate/Amount (PHP)
17-Mar-14	11-Apr-14	Cash	0.10
15-May-13	10-Jun-13	Stock	30%
11-Apr-13	8-May-13	Cash	0.10
28-Mar-12	26-Apr-12	Stock	50%
23-Mar-12	23-Apr-12	Cash	0.10
8-Apr-11	6-May-11	Stock	30%
25-Mar-11	20-Apr-11	Cash	0.10
24-Sep-10	20-Oct-10	Stock	40%
15-Jul-10	10-Aug-10	Cash	0.05
8-Jul-09	3-Aug-09	Stock	40%
11-Jul-08	6-Aug-08	Stock	30%
30-May-08	26-Jun-08	Cash	0.10



## GETTING THERE TOGETHER

**F**rom start to end, each link in the service chain plays an essential role in achieving operational excellence, customer service, and strategic alignment. Together as a team and with our business partners, we strive to make a significant contribution to reach greater heights.



## Reliable Supply and Operations

The service chain starts at supply, and the product must be handled safely and expertly at our depots and terminals, for delivery to our customers.

- Improving supply chain performance through integrated supply chain operating system, inventory control and forecasting accuracy, and distribution resource planning. Performance is measured in terms of safety in operations, on-time delivery, and total end-to-end supply chain costs.
- Expansion of storage and improvement of facilities in our depots and terminals nationwide
- Completion of depot in Calapan, Oriental Mindoro, which will start operating in January 2014, to cater to the south Luzon market. Additional depots will be opened next year.
- Centralization of the Scheduling unit to serve all depots and terminals, with the goal of delivering within our standard lead time. In the next year, we will acquire more lorries to serve our growing retail and commercial accounts.

## A FIRST IN THE PETROLEUM INDUSTRY: PHOENIX CME MANUFACTURING PLANT



**P**hoenix Petroleum is the first petroleum company in the country to build its own CME Manufacturing Plant, which allows it to manufacture biodiesel products.

Located at Villanueva, Misamis Oriental and operating since July 2013, the plant has the capacity to produce Coco Methyl Esther (CME) from 1-million liters to 2-million liters per month.

Phoenix built a CME manufacturing plant in accordance with Republic Act 9367, otherwise known as the Biofuels Act of 2006. This required the blending of coconut biodiesel or CME to all petroleum diesel sold in the country. Blending application increased each year starting at 1%, 2%, and eventually 5% this year. These can be sourced only from CME manufacturers duly approved by the Department of Energy.

Having our own biodiesel plant ensures continuous and long-term supply of quality CME at a competitive price.

The Phoenix CME Manufacturing Plant produces products such as CME/cocobiodiesel, RBD or refined coconut vegetable oil, CFAD or coco-fatty acid distillate, crude glycerin, and recovered acid oil. Though it primarily aims to satisfy Phoenix's demand, the target production volume is capable of selling to other petroleum players.



The plant is equipped with state-of-the-art equipment and laboratory for quality assurance and quality control. Our CME product meets standards specified by the Philippine National Standards (PNS) and the Department of Energy in accordance with the standard methods set by international standards organizations such as the American Oil Chemists' Society, American Society for Testing and Materials, and the PNS. The CME Plant QA/QC Laboratory will be the Central Testing Laboratory of Phoenix which will analyze all of its petroleum oil products.



## Dependable Support

The support units serve critical functions in ensuring fulfillment of customer orders and requests, prompt back-end processing, and establishment of standard policies and procedures for greater efficiency and responsibility.

- The Customer Service Unit is the other frontliner, dedicated to handling customer orders, requests, and other information and queries, whether by email, landline, or mobile.
- CSU also handles sales support functions, enabling the Sales team to focus on selling and account management
- In the more than one year of implementation of SAP as our enterprise resource program, we have seen gains in increased efficiency, improved documentation, and standard processes. In the next two years, Phoenix subsidiaries will be integrated into the system.

## United Team

A culture of passion and compassion is what we are building within the team.

- Recognition of the Phoenix Hero of the Month, to actively engage the team on the culture of malasakit and innovation. This year, we recognized 18 Phoenix Heroes.
- Enhancing competencies through cross-functional trainings and workshops such as on customer service, effective communication skills, and management skills
- Establishment of succession plan and development program for key leaders
- Promoting engagement in the team through the annual "I Love Phoenix" contest and the PhoenixXtreme Sportsfest
- Continued development of programs in our aspiration to make Phoenix an employer of choice
- Establishment of the Phoenix Multi-Employer Retirement Plan, in which the fund is managed by Philippine National Bank (PNB) under its Employee Enrichment Solutions (EES) program



Phoenix Hero of the Year Ronnie Sumampong has been with the company since 2007 as Logistics Services Driver and Technician in Mindanao. He improved the efficiency of the company's refueling units by making use of idle equipment with only minor setup revisions. His creative and practical solution was implemented in other locations, and helped save the company significant money.





## Serving Diverse Industries

Phoenix fuels vital industries such as power, construction, transport, mining, fishing, and manufacturing. We continue to be aggressive in acquiring new accounts and retaining existing clients through focused account management and customized service.

- Expanding to fuel oil to serve the power generation industry
- 10 years of partnership with Cebu Pacific as their major supplier of Jet A1 fuel nationwide. Cebu Pacific is the largest domestic airline operator in the country.
- Enhanced product quality assurance
- Provision of technical assistance to clients through site visits and product knowledge workshops
- Building for long-term business







## Growing Retail Stations

We continue to strengthen our retail network in terms of service, products, and customer experience.

- Solid position as the leading independent oil player, with 418 stations nationwide: 141 in Luzon, 56 in Visayas, and 221 in Mindanao
- Opening of our flagship 400th station near the Mall of Asia, featuring a commercial complex which includes Jollibee and Family Mart as locators
- High acceptance of our flagship product, Phoenix Premium 98, which enhances acceleration, reduces engine friction, and removes fuel deposit – restoring overall lost engine performance
- Roll-out of 10-Point Forecourt Service Steps for improved and consistent service levels by Phoenix stations nationwide
- Tapping more locators to make our Phoenix stations an essential destination of consumers and to expand our market. These locators include restaurants in the fast food and quick service industries such as McDonald's, Jollibee, Shakey's, and Pizza Hut; convenience stores such as Mini-Stop, 7-11 and Family Mart; automotive centers, ATMs, and other shops. The non-fuel related business generated Php 12.6 million revenues or 173% growth over 2013
- Recognition of outstanding dealers in the annual grand Business Partners Appreciation Night, held in Manila for Luzon and Davao for VisMin



"Running a Phoenix station for our family business helps me a lot. The trust I earned from my parents was priceless! Business life is full of challenges, the overcoming of which is so exciting and victorious. I am so thankful to Phoenix because they gave me this opportunity. I've dedicated my professional life to this business." – Hja Minham Hamsiraji-Manajil, Phoenix Putik, Zamboanga City, Mindanao Dealer of the Year

## Engaging Consumers

The Phoenix brand is becoming a preferred petroleum brand, supported by exciting promos, events, and partnerships.

- OMG Load Promo, giving free mobile load for a minimum fuel purchase



- NBA Car Sunshades Promo, where basketball fans can collect eight limited edition NBA Playoffs car sunshades



- Oras Na Ng Gilas Promo, where motorists availed of limited edition Gilas Pilipinas Sports Watch



- Ongoing partnership with the NBA as their official fuel partner. Phoenix hosted the Jr. NBA/Jr. WNBA leg in Cebu, which attracted a record-breaking number of participants. Two of the young players made it to the All-Stars final leg in China.



- Partnership with Gilas Pilipinas in their historic journey to the Asian Games 2014. This included the Kwentong Gilas documentary series in support of the national basketball team
- Support to Ms. Earth Philippines, with our shared advocacies in preserving the environment



- Tie-up with Kapamilya Karavan to celebrate local festivals such as Sinulog, Masskara, and Kadayawan. In the Sinulog, we gave free rides to participants and guests on the festival days.



- Local events such as the annual Phoenix Golf Open, Phoenix Family Fun Run, and Phoenix Cyclomax Motocross





## Phoenix Petroterminals & Industrial Park Corp.



**P**hoenix Petroterminals & Industrial Park Corp. (PPIPC) is the developer of Phoenix Petroterminals & Industrial Park (PPIP) located in Calaca, Batangas. This industrial park covers 94 hectares of land, spanning barangays Salong, Puting Bato West and Lumbang Calzada in Calaca.

In July 2014, PPIPC inaugurated its new port facility located at Brgy. Puting Bato West, Calaca, Batangas. It is an L-shaped port facility with a pier deck of 120m x 18m, with 9m width trestle equipped with fenders, bollards, lighting facilities and mooring dolphins. It is equipped with hoppers, conveyor system and sprinklers that can discharge coal shipments of South Luzon Thermal Energy Corp. (SLTEC) at the pier deck direct to its coal yards for faster discharging and environment-friendly operations. The new port facility is expected to enhance PPIPC's capability to accept more shipments from its current and prospective locators.





PPIP is home to the steel manufacturing plant of Steel Asia Manufacturing Inc., bulk solid warehouses of Arvin International Marketing, Inc., chemical storage facilities of Asian Chemicals Corporation and Philippine Prosperity Chemicals, Inc., the power plant of South Luzon Thermal Energy Corp., and the biggest petroleum depot of Phoenix Petroleum Philippines, Inc. nationwide.

As of end 2014, PPIP still has a land inventory of 48 hectares that is available for sale or for lease to interested locators. PPIP is an ideal location to put up manufacturing plants, warehouses, storage tanks and other facilities especially those that are reliant on water transport.

Port volume of Phoenix Petroterminals & Industrial Park Corp. continued to pass the 1,000,000 MT mark achieved in 2013 as it handled 1,045,660MT in 2014, or 4% higher compared to 1,007,742MT achieved in 2013. Port revenues rose to P74.5M, or 17% higher compared to P63.4M in 2013.



## Chelsea Shipping Corp.



**T**he Chelsea Shipping Group is composed of Chelsea Shipping Corporation and its subsidiaries Bunker Manila, Michael Inc., Chelsea Ship Management & Marine Services Corp., Fortis Tugs, and PNX-Chelsea Shipping.

In 2014, the group posted revenues of Php 894.5 million and a net income of Php 236.9 million with a total asset base of Php 5.26 billion. It is one of the top five major petroleum tanker owners in the country, serving Phoenix Petroleum Philippines, Cebu Pacific Air, Marine Fuels, and Batangas Bay Carriers, among other companies, and sailing on local and regional seas.

In February 2014, CSC took delivery of M/T Chelsea Donatela, the 11th vessel in the Chelsea Shipping Fleet. It is the sister ship of M/T Chelsea Thelma, the largest Philippine-registered oil tanker, with the same specifications of 14,000 DWT, 9,366 GRT and 146m in length. Commencement of operations of M/T Chelsea Donatela began on July 2014.

In September, CSC acquired another vessel, M/T Chelsea Denise II, which is scheduled for delivery in March 2015.

The Chelsea Shipping Fleet currently has 12 vessels with a total capacity of 44,368 MT. These vessels are M/T Chelsea Thelma, M/T Chelsea Cherylyn, M/T Chelsea Denise, M/T Chelsea Resolute, M/T Chelsea Intrepid, M/T Chelsea Enterprise and M/T Excellence (M/T Vela) owned by Chelsea Shipping Corp. (CSC), M/T Ernesto Uno and M/T Jasaan owned by Michael, Inc.; M/T Patricia owned by Bunkers Manila, Inc., M/T Chelsea Donatela and M/T Chelsea Denise II owned by PN-X-Chelsea Shipping Corp.

The Chelsea Shipping Fleet is being managed by Chelsea Ship Management & Marine Services Corp. (CSMMSC), with the exception of M/T Chelsea Cherylyn, which is under ship management of Transnational Uyeno Maritime, Inc. CSMMSC is a wholly-owned subsidiary of CSC, which was incorporated in March 30, 2012.

The entire Chelsea Fleet is classed by reputable Classification Associations:

\* IACS Class Bureau Veritas - M/T Chelsea Cherylyn, M/T Chelsea Donatela, M/T Chelsea Thelma and M/T Chelsea Denise II

\* Ocean Register of Shipping - M/T Chelsea Resolute, M/T Chelsea Denise, M/T Chelsea Excellence, M/T Chelsea Intrepid, M/T Ernesto Uno and M/T Jasaan

\* Filipino Vessels Classification System Inc. - M/T Chelsea Enterprise

In line with the company's vision to upgrade its entire fleet to comply with international standards, M/T Patricia, M/T Chelsea Intrepid, M/T Chelsea Cherylyn and M/T Chelsea Thelma are SIRE-compliant. The other remaining vessels of the Fleet are presently undergoing inspection by a SIRE-accredited inspector for SIRE qualification.

Three vessels of the Chelsea Fleet – M/T Chelsea Cherylyn, M/T Chelsea Thelma and M/T Chelsea Donatela – are registered with the Board of Investments and enjoy BOI incentives including Income Tax Holiday incentive. For its newest vessel, M/T Chelsea Denise II, an application for registration with the BOI has been filed and is pending approval.

For 2015, CSC plans to use its larger vessels for chartering locally or regionally.





**F**ortis Tugs Corporation, a wholly-owned subsidiary of Chelsea Shipping Corporation, was incorporated on April 2013, to engage in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbours, and other waterways between the various ports of the Philippines.

Fortis Tugs currently serves the tug boat requirements of Phoenix Petroterminals and Industrial Park Corp. and other port facilities in Balayan Bay in Batangas. It also provides tug assistance to domestic and foreign vessels docking at the ports of Phoenix Petroterminals, Holcim, South Bay Pier, and Balayan Distillery Inc. Fortis Tugs also serves the requirements of other ports in Batangas Bay under special charter arrangements.

The company currently operates 3 tug boats, Fortis I, Fortis II and Joy 97. Fortis I was acquired in April 2013 from Hong Kong, while Fortis II was acquired in June 2013 from South Korea. In December 2014, the tug boat Joy 97 was bareboat chartered to Fortis Tugs to support its operational requirements.

For 2015, Fortis Tugs intends to expand its operations to provide tug assistance needed in nearby ports in Balayan, Batangas.

A high-angle, top-down photograph of a large, diverse crowd of people standing on a light-colored, reflective floor. The people are arranged in a large, rectangular frame, with some individuals standing just outside the perimeter. The crowd is composed of people of various ages, ethnicities, and clothing colors, creating a vibrant, multi-colored border. The text 'CORPORATE SOCIAL RESPONSIBILITY' is centered within the frame, with 'CORPORATE SOCIAL' in a smaller, sans-serif font and 'RESPONSIBILITY' in a larger, bold, sans-serif font.

# CORPORATE SOCIAL **RESPONSIBILITY**



# CARING TOGETHER

**T**hrough the Phoenix Philippines Foundation, we partner with organizations and communities to further our advocacies in education, environment, health, and outreach.

To care is a commitment that we make to the communities we do business in. At its heart are the principles of compassion and giving back, of bayanihan, and of sharing in the journey to a better life.



## Education

### ADOPT A SCHOOL

**O**ur 7 adopted pre-schools – 5 in Davao, 1 in Zamboanga, and 1 in Batangas – produced 1,374 graduates this year. Since the start of the program in 2007, a total of 2,422 pre-schoolers have graduated, benefiting from the free education these schools provide with our support.

At the Phoenix Petroterminals and Industrial Park Corp. (PPIPC) in Batangas, we subsidize three day care centers by giving a monthly stipend to the workers. To encourage attendance, malnourished children – numbering 173 in 2014 – were enrolled in the feeding sessions.

Every June, we help prepare our adopted schools for opening of classes by joining the Brigada Eskwela program. This year, Phoenix and subsidiaries' employees helped prepare six schools in Batangas, Cebu, and Davao by painting classrooms and chairs and donating materials for upkeep.

*"Vicente Hizon Sr. Elementary School is the living testimony of how Phoenix Philippines Foundation, Inc. helped in elevating the educational standard and what has become of the school now since the time it was adopted. The educational materials provided and the school supplies extended to our beneficiaries was a great help in developing the young minds of our scholars. Most especially, the salaries of the three volunteer teachers were more than enough extension services we could ask for." – Mr. Wenefredo Lozarita, Principal, Vicente Hizon Sr. Elementary School, Davao City*

*"Sawang Calero Elementary School is grateful for being one of the beneficiaries of Phoenix Foundation for three years. They have been instrumental in the increase of our academic performance as well as our physical facilities." – Mr. Jeff Nacario, Principal, Sawang Calero School, Cebu City*





*Before the renovation, the play school looked old and dirty*



*After the renovation, the play school is now a welcoming place for children*

In April 2014, we finished the renovation works of our adopted school, Lumbang Calzada Day Care Center, at Brgy. Lumbang, Calaca, Batangas. Facilitated by our subsidiary Chelsea Shipping Corporation, the project included the construction of kitchen counter and repair of the roof and school signage. This has vastly improved the atmosphere of the day care center and has encouraged and motivated its students to regularly come to play and learn.

## PHOENIX LIBRARY

Books add to what one learns in schools; they are the windows to the world beyond us. It is with this goal that we continue to give educational books to schools – seven this year, for a total of 59 schools since we started the program in 2007. This year, we gave books to elementary schools in Batangas, Olongapo, Davao, and Cebu.



*NBA Country Manager Philippines Carlo Singson, Phoenix VP for External Affairs Atty. Raymond Zorrilla, Brand Manager Celina Matias, Corporate Affairs Manager Ben Sur, and Team Phoenix at Pasil Elementary School in Cebu to donate books, tables, and chairs as part of the "3 Points for Charity" program*

And in partnership with NBA Cares, we held a '3 Points for Charity' CSR activity in Cebu that included donation of books, tables and chairs, book-reading, and repainting of classroom.

## PHOENIX LIVELIHOOD PROGRAM

Under the Alternative Learning System program, we provide free livelihood courses in partnership with F. Bangoy Central Elementary School in Davao City.



This year, 252 students successfully completed their courses on Basic Welding, Computer Technology, Beauty and Hair Styling, and Electrical Wiring. Since 2007 when we started the program, a total of 861 have graduated from these courses.

As a way of giving back, students of hairstyling offered free haircut to 300 students of kindergarten to grade two levels of the Lapu-Lapu Elementary School in Davao City.

We are proud that all our electrical wiring scholars who took the TESDA exam for Electric Building Maintenance, passed the exam – a 100% passing rate.

*"The warm support by Phoenix Foundation to the ALS Program brought fame not only to the school but to the Phoenix Scholars as well. The beneficiaries of the program were able to gain local and foreign employment, while others put up their own businesses. The Phoenix Livelihood Center has helped them realize their dreams. The Foundation made a difference in their lives. We cannot repay, but we can offer you prayers for good health and much success." – Mr. Eric Bohol, Alternative Learning System Coordinator, DepEd - F. Bangoy District, Davao City*

## Environment

### ADOPT A WATERSHED / PLANT AND SAVE A TREE

**W**e now have a total of four adopted watershed areas, covering 20 hectares in all, in Visayas and Mindanao. This is in partnership with the Davao City Water District, Bacolod City Water District, Metro Cebu Water District, and Cagayan De Oro Water District, who oversee the management of the watersheds.



To adopt each five-hectare watershed means to take the responsibility of planting, replanting, or rehabilitating denuded areas.

It is in these areas where we plant seedlings such as mangrove, lauan, and fruit-bearing trees durian, lanzones, jackfruit, mangosteen, pomelo, and other fruits that suit the type of soil in the watershed. In 2014, Phoenix employees and partner organizations planted a total of 18,500 seedlings in Davao, Cagayan de Oro, Bacolod, Cebu, and Batangas.

The seedlings are taken care of by our partners in the area, either by the residents or accredited cooperatives in the adopted area. They oversee the growth of our seedlings, replanting with new ones if necessary. Part of our financial support goes to the community for the upkeep of the watershed. Plus, the fruits of the fruit-bearing trees are theirs to enjoy or use as livelihood.

In Batangas, Chelsea Shipping Corp. adopted a 5,000 square meter patch of open land in Brgy. Alas-as under the Reforestation Program of the Municipality of San Nicolas. The company planted 250 seedlings in June and has committed to maintain the reforestation site for three years, or until the seedlings are self-sustainable.

*"Protecting the environment is often a difficult task. Very few take the effort to plant a tree and grow it, segregate waste, or clean a river. We in Cagayan de Oro Water District (COWD) are grateful in finding a partner in Phoenix Philippines Foundation, Inc. in our humble effort to protect the Mahugbanao Watershed in Cugman, Cagayan de Oro City." – Mr. Bienvenido V. Batar, Jr., AGM for Technical Services, Cagayan de Oro Water District*



## PAWIKAN CONSERVATION PROJECT

At the marine turtle hatchery in Phoenix Petroterminals and Industrial Park, we tagged and released 5 adult marine turtles, transplanted 224 eggs, and released 7 hatchlings this year. Due to the dwindling number of eggs hatched from the Phoenix hatchery, we are assessing a new location, with the target of relocating the hatchery by first quarter of 2015.



The MOA with the local government and agencies on the Collaborative Project for Marine Turtle Conservation and Protection in Calaca, Batangas is expected to be renewed after it ends on March 2015. Prior to this, DENR-BMB will conduct a refresher course on marine turtle conservation and management. We are also intensifying our information and education campaign, and be more involved in field research and rehabilitation of marine turtle habitats.

## ADOPTION OF PHILIPPINE EAGLE

We are on the third year of adopting our Philippine Eagle, "Phoenix," at the Philippine Eagle Foundation (PEF) in Davao City. Our five-year commitment of support is used to take care of the eagle, the operation and maintenance of the eagle's breeding facility, and the conservation research and campaign of PEF.



"Phoenix" is active in breeding activities with his pair Zamboanga. He performs nesting activities, such as collecting sprigs and bringing food to his pair. The pair was able to produce an egg last November. However, the egg is infertile. The breeding season ends in February.

He is in good physical condition and will undergo the annual check-up in February.



## OTHER ACTIVITIES

Each year, Phoenix employees join the annual coastal clean-ups in Davao, Cebu, and Batangas to clean coastal areas. Also, in Cebu and Davao, we participated in marking Earth Hour, a global activity to raise awareness for climate change.



## Health & Safety

### BLOOD IS LIFE

**T**his year, our various bloodletting activities in Luzon, Visayas, and Mindanao collected 1,669 blood bags. The activities are held in partnership with Philippine Red Cross, ABS-CBN, and Philippine Coast Guard Auxiliary.

### MEDICAL MISSIONS

We conducted several medical and dental missions in various communities nationwide, giving free check-ups and care to 959 beneficiaries, in coordination with local partners. At PPIPC in Batangas, we distributed medicines every quarter to the three barangays – Salong, Puting Bato West, and Lumbang Calzada – to a total of 834 recipients.

### GENERAL PEDIATRIC SURGERY WARD

In January, we turned over the Phoenix General Pediatric Surgery Ward to the Southern Philippines Medical Center. The Ward is now renovated and air-conditioned, with an entertainment and educational corner – a welcoming place for children to play as they recover.



*"When I heard that Phoenix Foundation will partner with Pediatric Surgery Ward of SPMC, I had no doubt that the facilities will improve and the indigent patients will be well taken care of. Indeed, the support of Phoenix is a big help to our poor patients. The renovation, the infrastructure, and the medical assistance to our children patients are just a few of the continuous support that make the environment, patients, and the medical staff comfortable. Thank you Phoenix for sharing your blessings!" – Dr. Ricardo Audan, Chief of Clinics, Southern Philippines Medical Center, Davao City*

### OLVTC PHYSICAL THERAPY ROOM

Our donation to the Our Lady of Victory Training Center (OLVTC) went to the completion of their Physical Therapy Room in Samal Island, Davao del Norte. OLVTC seeks to equip persons with disabilities (PWD) the skills and confidence they need to live independently. The center provides medical care and physiotherapy to PWDs before and after their surgery. Skills and training are also provided, such as baking, sewing, woodworks, metal crafts, and flower arrangement.



We have been supporting OLVTC by shouldering their fuel expenses and donating to the new center. Since it was established 22 years ago by two Maryknoll sisters, the center has served over 6,000 young people.

#### **Jenelyn's story:**

*"I did not have a wheelchair, so I crawled. There was a time when I went to church to attend a mass, and the priest saw me full of mud and dirt. He told me that I should go to church more often because maybe one day I will be able to go with them to the Our Lady of Victory Training Center. But my mother wouldn't allow it. She told me I can only go if she dies. When she died, Father went to our home. He saw me alone in our little shanty and decided to bring me to the Center.*

*"With their help and support, I was able to finish high school at Holy Cross of Sasa. Aside from that, my stay gave me a chance to meet people and go to places like the mall and sometimes in Samal. I also gained skills in handicraft and in the kitchen. I became healthier and beautiful because I don't need to crawl anymore. My knees look and feel smoother because I now use a wheelchair."*

## **Outreach**

### **CHRISTMAS GIFT-GIVING FOR KIDS**

**W**e share the joy of Christmas through our annual Christmas gift-giving to children. This year, 750 children from six schools in Cebu, Batangas, Makati, and Davao each received school bags, toys, slippers, school supplies, and other treats from Phoenix.

### **OTHER PROJECTS**

We donated to the City Government of Davao materials for the rehabilitation of Osmeña Park in the city. What was previously a lonely park is now being rehabilitated as a clean place where children and families can play.

In aid of road safety, we also gave 200 road and traffic signs to the city.

## **PINOY TSUPER HERO: Recognizing noble Filipino drivers**

In partnership with ABS-CBN Lingkod Kapamilya Foundation (ALKFI), we launched a nationwide advocacy to bring out the "Super Hero" in every Filipino driver. The goal of this campaign is to acknowledge deserving Filipino drivers to become champions of the roads, not only in terms of discipline, but also in terms of reducing air pollution in the country.

The program was rolled out starting in November 2014, and will culminate with the awarding of model drivers in 2015.



(L-R) Phoenix Petroleum VP for External Affairs & Business Development Atty. Raymond Zorrilla; Bayan Academy Chairman & President Prof. Eduardo Morato, Jr.; Phoenix Petroleum President & CEO Dennis Uy; ABS-CBN Lingkod Kapamilya (ALKFI) Chairman Gina Lopez; Phoenix Petroleum Chief Operating Officer Romeo De Guzman; and ALKFI Managing Director Clarissa Ocampo launch Pinoy Tsuper Hero that aims to champion noble Filipino drivers nationwide

The inspiration for Pinoy Tsuper Hero came when Phoenix Petroleum President and CEO Dennis Uy was watching a news story in "TV Patrol" about drivers who could not celebrate Christmas with their family because of duty.

"Pinoy Tsuper Hero is a program that aims to honor both public and private drivers who seem to be unappreciated because they miss a lot of important family occasions just to serve people," Uy said.

The campaign coincides with Bantay Kalikasan's push for Clean Air Act in 1999 which aims to prevent pollution by encouraging cooperation and regulation among citizens and industries.

Phoenix is funding the project, while ALKFI is promoting it through media.

Adding to the sustainability and long-term reach of the advocacy is the engagement of Bayan Academy, which will provide skills training to chosen drivers, through their Livelihood Instruction Programs for Achievement and Development (LIPAD).

"I hope that this partnership will build models which will be really good for the country. I truly believe that the best partnerships are the ones where everyone gains, where people come together with the intention of doing something for the country," said ALKFI Chairman Gina Lopez.





**JOSE MANUEL R. QUIMSON**  
DIRECTOR

**PAUL G. DOMINGUEZ**  
DIRECTOR

**MONICO V. JACOB**  
INDEPENDENT DIRECTOR

**DOMINGO T. UY**  
CHAIRMAN

**CHERYLYN C. UY**  
DIRECTOR

**JOSEPH JOHN L. ONG**  
DIRECTOR



**DENNIS A. UY**  
VICE CHAIRMAN, PRESIDENT,  
AND CHIEF EXECUTIVE OFFICER

**SOCORRO T. ERMAC-CABREROS**  
DIRECTOR AND CORPORATE SECRETARY

**ROMEO B. DE GUZMAN**  
DIRECTOR

**CONSUELO YNARES-SANTIAGO**  
INDEPENDENT DIRECTOR

**DOMINGO T. UY**

CHAIRMAN

**M**r. 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 a Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

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**DENNIS A. UY**

VICE CHAIRMAN, PRESIDENT, AND CHIEF EXECUTIVE OFFICER

**M**r. 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, 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

**M**r. Romeo B. De Guzman, Filipino, 65 years old, was elected Director of the Company in 2009. He is Chief Operating Officer of the Company, bringing with him almost 40 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to 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 holds a Marketing Management and MBA degrees from San Sebastian College – Manila.

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### **SOCORRO T. ERMAC-CABREROS**

DIRECTOR AND CORPORATE SECRETARY

**A**tt. Socorro T. Ermac-Cabreros, Filipino, 49 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 a former president of the Davao City Chapter of the Integrated Bar of the Philippines.

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### **JOSE MANUEL R. QUIMSON**

DIRECTOR

**M**r. Jose Manuel R. Quimson, Filipino, 66 years old, has been a Director of the Company since February 15, 2007. He is concurrently the General Manager of Phoenix Petroterminals & Industrial Park Corp. and the Chief Operating Officer of Chelsea Shipping Corp. Mr. Quimson is a member of the Board of Directors of the Udenna Corporation and its subsidiaries. Previously, he was President of Petrotrade Philippines, Inc. a company providing bunkering services to international vessels. Mr. Quimson has more than 30 years of work experience in the shipping industry.



**J.V. EMMANUEL A. DE DIOS**

DIRECTOR

**A**tt. J.V. Emmanuel A. De Dios, Filipino, 50 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.

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**JOSEPH JOHN L. ONG**

DIRECTOR

**M**r. Joseph John L. Ong, Filipino, 55 years old, is the Chief Finance Officer of the Company. Prior to his employment in the Company, he spent almost 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 12 years with Ginebra San Miguel, Inc., then known as La Tondeña Distillers, Inc., the country's second largest beverage company at the time and a listed subsidiary of San Miguel Corporation. He was its Vice President for 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 and 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.

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**PAUL G. DOMINGUEZ**

DIRECTOR

**M**r. Paul G. Dominguez, Filipino, 65 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 Company. 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

**M**s. Cherylyn Chiong-Uy, Filipino, 35 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 groups, the petroleum and non-petroleum groups. She is the Corporate Treasurer of Udenna Corporation. Ms. Uy is also one of the Executive Directors of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company. Ms. Uy is the Corporate Treasurer of Udenna Management and Resources Corporation and Chelsea Shipping Corp.

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## **CONSUELO YNARES-SANTIAGO**

INDEPENDENT DIRECTOR

**M**s. Consuelo Ynares-Santiago, Filipino, 73 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 companies which is the power generation unit of San Miguel Corporation. She is also a Consultant of various respectable government offices such as the Office of Vice-President Jejomar C. Binay, Office of Senate President Juan Ponce Enrile, Philippine Judicial Academy, and the Chair Advisory Council of the Office of Alternative Dispute Resolution under the Department of Justice. She earned her Law Degree at the University of the Philippines. After being admitted to the bar, she started her career as a Legal Officer of the Securities and Exchange Commission (SEC). After 5 years of legal practice, she decided to enter the Judiciary and spent 36 years of her career as Municipal Judge, Metropolitan Trial Court judge, Regional Trial Court judge, and Associate Justice of Court of Appeals, before becoming an Associate Justice of the highest court of the country, the Supreme Court. During her time in the Supreme Court, she joined various committees, among them the House of Representative Electoral Tribunal (HRET) as Chairperson, and member of the 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.

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## **MONICO V. JACOB**

INDEPENDENT DIRECTOR

**M**onico V. Jacob, Filipino, 68 years old, has been Independent Director of the Company since March 7, 2008. He is President and Chief Executive Officer of the STI Education Systems Holdings, Inc., a publicly listed company; of STI Education Services Group, Inc.; and of West Negros University. He is also the Chairman of Philplans First, Inc., a pre-need company; of Philippine Life Financial, Inc., a life insurance company, and of Republic Surety and Insurance Co., a non-life insurance Company. He likewise sits as an independent director of Jollibee Foods, Inc., Century Properties, Lopez Holdings, Inc. and 2GO Shipping. He sits as Director of Asian Terminals, Inc., Philhealthcare Systems, Inc., an HMO, Philippine Women's University and IAcademy.



Adviser to the Board:

### **MR. STEPHEN CU-UNJIENG**

CHAIRMAN – ASIA  
EVERCORE PARTNERS









*From left to right*

**Alan Raymond T. Zorrilla**

Vice President – External Affairs, Business Development and Security

**Socorro T. Ermac-Cabreros**

Asst. Vice President – Corporate Legal

**Ramon Edison C. Batacan**

Chief Corporate Counsel and Chief Compliance Officer

**Jose Victor L. Cruz**

Asst. Vice President for Retail Sales  
– South Luzon and South MM

**Rebecca Pilar C. Caterio**

Asst. Vice President – Credit and Collection

**Ericson S. Inocencio**

Asst. Vice President for Commercial Sales – Mindanao

**Ignacio B. Romero**

Assistant Vice President for Technical Services & QAPD

**Edgardo A. Alerta**

Vice President – Sales Mindanao

**Maria Rita A. Ros**

Asst. Vice President for Supply

**Jose Manuel R. Quimson**

VP and General Manager for Phoenix Petroterminals and Industrial Park

**Dennis A. Uy**

President and Chief Executive Officer

**Joseph John L. Ong**

Chief Finance Officer

**Romeo B. De Guzman**

Chief Operating Officer

**Chryss Alfonsus V. Damuy**

Vice President – Finance and Comptroller

**Joselito G. De Jesus**

Asst. Vice President for Commercial Sales – Luzon

**Edwin M. Jose**

Asst. Vice President for Retail Sales  
– North Luzon and North MM

**William M. Azarcon**

Asst. Vice President for Depot Operations and Engineering

**Richard C. Tiansay**

Asst. Vice President for Sales – Visayas



**Reynaldo A. Phala**

Asst. Vice President – Treasury

Phoenix Petroleum Philippines, Inc. believes in conducting its business activities in accordance with the utmost degree of governance and control to ensure that its vision and mission are achieved in the strictest standard of competence, excellence and integrity.

On March 7, 2008, during the regular meeting of the Board, the Manual of Corporate Governance which incorporated the best practices was approved and adopted to establish the principles of good corporate governance for the entire Corporation. The adoption of the new Manual of Corporate Governance replaces the old manual of corporate governance prescribed by the SEC which was then observed and followed by the Company.

Moreover, the adoption of the new Manual now complies with the SEC requirement that before assuming office, a director must attend a seminar on corporate governance conducted by a duly recognized government or private institution.

On April 1, 2011, the Company disclosed and submitted to the Commission and the Exchange a Revised Corporate Governance Manual pursuant to the SEC Memorandum Circular No. 6 Series of 2009 which shall now apply to registered corporation that have assets in excess of Fifty Million Pesos and whose equity securities are listed on an Exchange.

## BOARD STRUCTURE AND PROCESS

### KEY ROLES

Under the Revised Corporate Governance Code, corporate governance continues to rest on the Board of Directors. Not only should the terms and conditions as stated in the previously adopted Manual adhere to transparency and accountability to consequently enhance shareholder's value but likewise the Board of Directors will be primarily responsible for setting the policies for the accomplishment of the corporate objectives by providing an independent check on Management.

Consistent with the amendment of its Corporation's By-laws, the Revised Code now acknowledges the composition of the Board of Directors from 9 to 11 members with at least 20% consisting of independent directors. Currently, the Board has 2 independent directors which competently complies with the said Code.

The duties and functions of the Board of Directors more specifically lay out a detailed and minute management of the Corporation's affairs from providing for its mission, vision, policies, mechanism for effective monitoring of management's performances, establishment of programs that can sustain its long term viability and strength to effective implementation

in the selection of directors that can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, effective adoption of a system of check and balance within the Board and a regular review of such system to ensure the integrity of the decision-making.

Effectively the function of the Board of Directors has expanded to ensure a more comprehensive monitoring of the implementation of its policies to ensure and foster the success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and protects the best interest of its stakeholders.

Internal Control for the corporation is likewise emphasized from Chief Executive Officer who shall be ultimately accountable to the Corporation's organizational and operations control.

Practical management of the Corporation's governance standard is exercised through the Board's committees:

- **EXECUTIVE COMMITTEE.** The Executive Committee, in accordance with the Company's By-laws and by majority vote of all of its members, acts on specific matters within the competence of, or as may be delegated by the Board of Directors except as specifically limited by law to the Board of Directors.
- **COMPENSATION COMMITTEE.** The Compensation Committee shall ensure that levels of remuneration shall be sufficient to attract and retain the directors and officers needed to run the Company successfully. A proportion of executive directors' or officers' remuneration may be structured so as to link rewards to corporate and individual performance. It also establishes a formal procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers and provides oversight over remuneration of senior management and other key personnel.
- **NOMINATION COMMITTEE.** The Nomination committee shall review and evaluate the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board. The decision of the Nomination Committee as to the nominees to the Board of Directors, once confirmed by the Board of Directors, shall be final and binding upon the shareholders and may no longer be raised during the stockholder's meeting.

The Nomination Committee shall likewise promulgate the guidelines or criteria to govern the conduct of nominations; provided, that any such promulgated guidelines or criteria governing the conduct of the nomination of Independent Directors shall be properly disclosed in the Corporation's information or proxy statement or such other reports required by the Securities and Exchange Commission.

- **AUDIT COMMITTEE.** The Audit Committee provides oversight financial management function in managing credit, market, liquidity, operations, legal and other risks of the Corporation. The committee also oversees Phoenix Petroleum Philippines' internal control, financial reporting and risk management processes on behalf of the Board of Directors. Furthermore, the committee checks all financial reports against its compliance with both the internal financial management policies and pertinent accounting standards including regulatory requirements.

The Committee has given its recommendation on the appointment of Punongbayan and Araullo (P&A) as the Company's external auditors since 2008.

## COMPOSITION

Corporate powers and governance of the Company is exercised by the Board of Directors which consists of 11 members, two (2) of whom are independent directors. As a matter of policy and based on good corporate practice, unless a special meeting is called upon for a specific purpose, the Board regularly meets every quarter wherein which the relevant corporate issues may be raised for discussion and voted by the members of the Board.

On March 08, 2013, the stockholders elected the following stockholders to the Board of Directors namely: DOMINGOT. UY, DENNIS A. UY, ROMEO B. DE GUZMAN, J.V. EMMANUEL A. DE DIOS, SOCORRO ERMAC CABREROS, JOSE MANUEL R. QUIMSON, JOSEPH JOHN L. ONG, CHERYLYN C. UY, PAUL DOMINGUEZ, JUSTICE (RET.) CONSUELO YNARES-SANTIAGO, AND MONICO V. JACOB.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman presides at all meetings of the Board of Directors and of the stockholders. The Chairman shall have general supervision, administration and management of the business of the Corporation. The Chairman shall establish general administrative and operating policies and guidelines.

## INDEPENDENT DIRECTORS

As a publicly-listed Company, Phoenix Petroleum conforms to the requirement to have at least two independent directors or at least 20% of its board size, whichever is less. Of the 11 directors, two sit as independent directors, Monico V. Jacob and Justice (Ret.) Consuelo Ynares Santiago.

The Company defines an "Independent Director" as a person independent of management and free from any business or other relationship which could or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company. The Company complies with the rules of the Securities

& Exchange Commission with regard to the nomination and election of the independent director.

## BOARD PERFORMANCE

Regular Board Meetings are held at least once a quarter. The Board has separate and independent access to the Corporate Secretary who, among other functions, oversees the adequate flow of information to the Board prior to meetings and serves as an adviser to the directors on their responsibilities and obligations.

Discussions during Board meetings are open, and independent views are given due consideration.

In 2013, the Board conducted five meetings.

Board	Name	# of Meetings Attended (out of 5)	% Attendance
Chairman	Domingo T. Uy	4	80%
Member/President	Dennis A. Uy	5	100%
Member	Jose Manuel R. Quimson	5	100%
Member/COO	Romeo B. De Guzman	5	100%
Member/CFO	Joseph John L. Ong	5	100%
Member	Cherylyn C. Uy	5	100%
Member/Corp. Sec.	Socorro T. Ermac Cabrerros	5	100%
Member	Paul G. Dominguez	4	80%
Member	J.V. Emmanuel A. De Dios	2	40%
Independent Director	Consuelo Ynares Santiago	4	80%
Independent Director	Monico V. Jacob	4	80%

P = Present

A = Absent

N/A - Not Applicable (either not yet a member or no longer a member of the Board)

## COMMITTEE MEMBERS

The members of each Committee are set forth in the matrix below.

Name	Executive Committee	Nomination Committee	Audit Committee	Compenstion
Domingo T. Uy			M	C
Dennis A. Uy	C			M
Romeo B. de Guzman	M	C		
Jose Manuel R. Quimson		M		
J.V. Emmanuel A. de Dios		M		
Socorro Ermac Cabrerros				
Paul G. Dominguez			M	
Consuelo Ynares Santiago				M
Monico V. Jacob			C	
Cherylyn C. Uy		M		
Joseph John L. Ong	M			M
Chryss Alfonsus V. Damuy	M			
Ramon Edison C. Batacan	M			
Raymond T. Zorrilla	M			

C = Chairman

M = Member

N/A = Not Applicable



## ACCOUNTABILITY AND AUDIT

### INDEPENDENT PUBLIC ACCOUNTANTS

The principal accountants and external auditors of the Company is the accounting firm of Punongbayan and Araullo (P&A). Mr. Ramilito L. Nañola has been the Partner In-Charge since 2006.

The Audit Committee is empowered to independently review the integrity of the Company's financial reporting against compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.

Phoenix Petroleum Philippines paid or accrued the following fees, including VAT, to its external auditors in the past two years.

(in Thousands PHP)	Audit & Audit-related Fees (in Thousands Php)
2014	5,863.33
2013	5,912.02

Punongbayan & Araullo was engaged by the Company to audit its annual financial statements.

Phoenix Petroleum Philippines' financial statements comply with Philippine Accounting Standards and Philippine Financial Reporting standards which are in compliance with International Accounting Standards (IAS).

### COMPLIANCE SYSTEM

Phoenix Petroleum Philippines adheres to the highest corporate principles and best practices. On October 21, 2013, Atty. Ramon Edison C. Batacan was appointed as Chief Corporate Counsel and Chief Compliance Officer.

The responsibilities of the Compliance Officer include monitoring, identifying, and controlling compliance risks; monitoring compliance between the Company and the Securities and Exchange Commission (SEC) as well as the Philippine Stock Exchange (PSE) regarding the disclosures and for whatever summons; and determining and citing violations of the Company code of ethics and recommending penalty for review and approval by the Board of Directors.

### DISCLOSURE AND TRANSPARENCY

The Company complies with all disclosure requirements under the law. The most basic and all-encompassing disclosure requirement is that all material information, i.e., anything that could potentially affect share price, should be publicly disclosed in the manner provided by law. Such information would include earning results, acquisition or disposal of major assets, board

changes, related party transactions, shareholdings of directors and changes to ownership.

The Corporate Secretary regularly updates the SEC and PSE on any matters that affect the stock price of the company.

The Company has a transparent ownership structure. It regularly discloses the top 20 stockholders of the common equity securities of the company. Other information disclosed includes total remuneration of all directors and senior management, corporate strategy, and off-balance sheet transactions.

### INTERNAL AUDIT

In 2010, the Company established the Internal Audit to assist 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.

The Internal Audit's role and responsibilities are defined in the Audit Charter approved by the Board of Directors. In fulfilling its role, the Internal Audit performs the following general functions:

- Evaluating the Company's governance processes including ethics-related programs;
- Performing an objective assessment of the effectiveness of risk management and internal control framework, identifying risk exposures and recommending strategies to mitigate them;
- Evaluating the reliability and integrity of financial statements and the financial reporting process;
- Analyzing and evaluating business processes and associated controls;
- Determining compliance with applicable laws and regulations.



The management of **P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries** (the Company), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014, 2013, and 2012 in accordance with Philippine Financial Reporting Standards, including the following additional supplementary information which is filed separately from the basic consolidated financial statements:

- a) Supplementary schedule required under Annex 68-E of the SRC
- b) Map showing the relationship between and among related entities
- c) Schedule of Philippine Financial Reporting Standards and Interpretations adopted by the Securities and Exchange Commission and the Financial Reporting Standards Councils as of 31 December 2014
- d) Schedule showing financial soundness indicators
- e) Schedule showing reconciliation of Retained Earnings available for dividend declaration

Management's responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders for the period December 31, 2014, 2013, and 2012, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing and, in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed on this 16th day of February 2015, Davao City

A handwritten signature in black ink, appearing to read "Domingo T. Uy".

DOMINGO T. UY  
Chairman of the Board

A handwritten signature in black ink, appearing to read "Dennis A. Uy".

DENNIS A. UY  
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Joseph John L. Ong".

JOSEPH JOHN L. ONG  
Chief Finance Officer

## REPORT OF INDEPENDENT AUDITORS

### The Board of Directors

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

Stella Hizon Reyes Road,  
Barrio Pampanga, Davao City

We have audited the accompanying consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

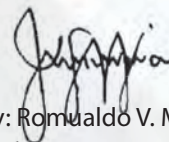
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries as of December 31, 2014 and 2013, and their consolidated financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO



By: Romualdo V. Murcia III  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 4748317, January 5, 2015, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-2 (until Sept. 5, 2016)  
Firm - No. 0002-FR-3 (until Mar. 31, 2015)  
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

February 11, 2015

Certified Public Accountants  
P&A is a member firm within Grant Thornton International Ltd.

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002  
SEC Group A Accreditation No. 0002-FR-3



► P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
DECEMBER 31, 2014 AND 2013  
*(Amounts in Philippine Pesos)*

	Notes	2014	2013
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	P 555,508,720	P 357,220,520
Trade and other receivables - net	7	7,832,712,191	7,343,793,926
Inventories	8	2,870,829,069	3,812,532,673
Land held for sale and land development costs	9	485,985,811	503,672,474
Due from related parties	26	10,373,356	2,747,994
Restricted deposits	10	70,406,743	95,419,646
Input value-added tax - net		603,608,784	448,838,093
Prepayments and other current assets	11	1,146,632,540	489,913,177
Total Current Assets		13,576,057,214	13,054,138,503
<b>NON-CURRENT ASSETS</b>			
Property and equipment - net	12	10,688,608,904	8,628,490,469
Land held for future development	14	312,617,496	297,942,281
Investment in an associate	13	2,250,000	2,250,000
Goodwill - net	16	84,516,663	84,516,663
Other non-current assets	15	336,110,518	270,215,050
Total Non-current Assets		11,424,103,581	9,283,414,463
<b>TOTAL ASSETS</b>		<b>P 25,000,160,795</b>	<b>P 22,337,552,966</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	17	P 8,479,025,750	P 8,207,229,484
Trade and other payables	18	3,734,569,995	1,570,427,327
Due to related parties	26	17,204,725	64,161,243
Total Current Liabilities		12,230,800,470	9,841,818,054
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	17	5,363,617,647	5,544,509,333
Deferred tax liabilities - net	25	71,872,184	76,530,691
Other non-current liabilities	19	283,644,395	376,789,584
Total Non-current Liabilities		5,719,134,226	5,997,829,608
Total Liabilities		17,949,934,696	15,839,647,662
<b>EQUITY</b>			
Preferred stock	27	5,000,000	5,000,000
Common stock		1,428,777,232	1,428,777,232
Additional paid-in capital		3,367,916,774	3,367,916,774
Revaluation reserves		372,138,419	272,621,771
Other reserves		( 622,952,239)	( 622,952,239)
Retained earnings		2,499,345,913	2,046,541,766
Total Equity		7,050,226,099	6,497,905,304
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 25,000,160,795</b>	<b>P 22,337,552,966</b>

For further Notes and discussions, see Audited FS Report at [www.phoenixfuels.ph/for-investors/disclosures/content/97-2015/](http://www.phoenixfuels.ph/for-investors/disclosures/content/97-2015/)

► P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
 FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012  
*(Amounts in Philippine Pesos)*

	Notes	2014	2013	2012
<b>REVENUES</b>				
Sale of goods	26	<b>P 34,100,287,928</b>	P 43,139,691,819	P 34,080,171,520
Charter fees	2	<b>392,681,626</b>	205,235,733	201,813,941
Rent and storage income	30	<b>100,583,267</b>	79,208,786	113,295,479
Port revenues	2	<b>84,647,031</b>	65,206,403	54,385,910
Fuel service and other revenues	2	<b>56,184,644</b>	62,643,613	135,885,455
		<b>34,734,384,496</b>	43,551,986,354	34,585,552,305
<b>COST AND EXPENSES</b>				
Cost of sales and services	20	<b>31,404,503,935</b>	40,248,166,084	31,961,749,413
Selling and administrative expenses	21	<b>1,916,826,177</b>	1,991,460,138	1,473,661,606
		<b>33,321,330,112</b>	42,239,626,222	33,435,411,019
<b>OTHER CHARGES (INCOME)</b>				
Finance costs	22	<b>804,137,896</b>	669,030,064	519,720,493
Finance income	22	( <b>3,394,843</b> )	( 8,481,577)	( 24,629,351)
Others		( <b>6,842,368</b> )	( 14,625,113)	( 16,133,556)
		<b>793,900,685</b>	645,923,374	478,957,586
<b>PROFIT BEFORE TAX</b>		<b>619,153,699</b>	666,436,758	671,183,700
<b>TAX EXPENSE</b>	25	<b>2,790,727</b>	1,379,153	19,873,548
<b>NET PROFIT</b>		<b>616,362,972</b>	665,057,605	651,310,152
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss				
Revaluation of tankers	27	<b>180,637,550</b>	6,847,358	331,807,097
Remeasurements of post-employment defined benefit obligation	23	( <b>31,217,753</b> )	( 3,147,836)	( 13,306,797)
Tax expense	25	( <b>29,334,251</b> )	( 1,109,855)	( 95,550,091)
<b>Other Comprehensive Income - net of tax</b>		<b>120,085,546</b>	2,589,667	222,950,209
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 736,448,518</b>	P 667,647,272	P 874,260,361
<b>Basic and Diluted Earnings per share</b>	28	<b>P 0.40</b>	P 0.45	P 0.48

For further Notes and discussions, see Audited FS Report at [www.phoenixfuels.ph/for-investors/disclosures/content/97-2015/](http://www.phoenixfuels.ph/for-investors/disclosures/content/97-2015/)

# **CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		<b>P 619,153,699</b>	P 666,436,758	P 671,183,700
Adjustments for:				
Interest expense	22	<b>728,178,099</b>	617,451,997	467,358,205
Depreciation and amortization	21	<b>660,281,915</b>	528,400,077	405,815,569
Impairment losses	22	<b>40,077,464</b>	17,959,002	37,851,057
Interest income	22	<b>( 3,394,843)</b>	( 8,481,577)	( 10,567,992)
Operating profit before working capital changes		<b>2,044,296,334</b>	1,821,766,257	1,571,640,539
Increase in trade and other receivables		<b>( 528,995,729)</b>	( 3,804,750,049)	( 729,368,304)
Decrease (increase) in inventories		<b>941,703,604</b>	( 123,772,997)	( 1,556,137,271)
Decrease (increase) in land held for sale and land development costs		<b>17,686,663</b>	( 1,641,915)	( 50,443,441)
Decrease (increase) in restricted deposits		<b>25,012,903</b>	( 12,725,617)	( 13,657,192)
Increase in input value-added tax		<b>( 154,770,691)</b>	( 55,869,471)	( 166,461,101)
Increase in prepayments and other current assets		<b>( 656,719,363)</b>	( 207,552,655)	( 76,150,578)
Decrease in installment contract receivable		-	-	9,002,788
Increase (decrease) in trade and other payables		<b>2,164,142,668</b>	23,322,143	( 1,536,482,533)
Cash generated from (used in) operations		<b>3,852,356,389</b>	( 2,361,224,304)	( 2,548,057,093)
Cash paid for income taxes		<b>( 610,696)</b>	( 1,635,260)	( 564,033)
Net Cash From (Used in) Operating Activities		<b>3,851,745,693</b>	( 2,362,859,564)	( 2,548,621,126)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property and equipment	12	<b>( 2,473,554,558)</b>	( 2,053,908,624)	( 1,401,021,187)
Increase in other non-current assets		<b>( 122,883,739)</b>	( 149,078,003)	( 184,693,102)
Increase in land held for future development		<b>( 14,675,215)</b>	( 8,864,054)	( 17,096,393)
Advances to related parties	26	<b>( 10,373,356)</b>	( 17,362,078)	( 9,467,416)
Interest received		<b>2,750,097</b>	7,831,603	9,406,440
Collections from related parties	26	<b>2,747,994</b>	22,914,084	27,479,102
Proceeds from disposal of property and equipment		<b>949,543</b>	1,834,386	2,734,603
Net Cash Used in Investing Activities		<b>( 2,615,039,234)</b>	( 2,196,632,686)	( 1,572,657,953)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from additional interest-bearing loans and borrowings		<b>35,866,969,673</b>	29,837,925,969	20,255,892,079
Repayments of interest-bearing loans and borrowings		<b>(35,776,065,093)</b>	( 26,001,508,949)	( 16,217,888,445)
Interest paid		<b>( 798,899,617)</b>	( 688,863,445)	( 545,207,465)
Payments of cash dividends	27	<b>( 184,127,723)</b>	( 161,105,942)	( 106,487,242)
Increase (decrease) in other non-current liabilities		<b>( 99,338,981)</b>	3,951,722	225,101,428
Repayments to related parties	26	<b>( 46,956,518)</b>	( 21,390,502)	( 153,064,039)
Proceeds from issuance of shares of stock	27	-	1,509,192,980	-
Proceeds from borrowings from related parties		-	-	177,435,185
Net Cash From (Used in) Financing Activities		<b>( 1,038,418,259)</b>	4,478,201,833	3,635,781,501
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<b>198,288,200</b>	( 81,290,417)	( 485,497,578)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<b>357,220,520</b>	438,510,937	924,008,515
CASH AND CASH EQUIVALENTS AT END OF YEAR		<b>P 555,508,720</b>	P 357,220,520	P 438,510,937

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

- 1) Stock dividends declared and distributed by the Group amounted to nil in 2014, P329.7 million in 2013 and P244.9 million in 2012 (see Note 27.6).
- 2) On July 6, 2012, the Board of Directors of the Parent Company approved the acquisition of 100% shares of stock of Chelsea Shipping Corp. (CSC) via share-for-share swap. The agreed purchase price amounted to P1,578.0 million payable as 90% issuance of new common shares of the Parent Company and 10% cash. Accordingly, 171.35 million new common shares were issued in favor of Udenna Management & Resources Corp., a related party under common control. The acquisition of CSC is accounted for as business combination using pooling-of-interest method (see Note 1.3 and 27.3).
- 3) Certain hauling and heavy equipment with carrying amount of P19.5 million, P23.7 million and P25.5 million as of December 31, 2014, 2013 and 2012, respectively, are carried under finance leases (see Notes 12.5, 17.6 and 30.5).
- 4) The Group's tankers were revalued by an independent appraiser in each year from 2009. Revaluation reserves amounted to P407.9 million, P286.6 million and P294.1 million as of December 31, 2014, 2013 and 2012, respectively (see Notes 12.2 and 27.5).
- 5) Interest payments amounting to P70.7 million, P71.4 million and P77.8 million in 2014, 2013 and 2012, respectively, were capitalized as part of the cost of property and equipment (see Notes 12.3 and 17).



► P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
 FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012  
*(Amounts in Philippine Pesos)*

	<u>Note</u>	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>
Balance at January 1, 2014		<b>P 5,000,000</b>	<b>P1,428,777,232</b>	<b>P 3,367,916,774</b>
Cash dividends	27	-	-	-
Total comprehensive income for the year		-	-	-
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-
<b>Balance at December 31, 2014</b>		<b><u>P 5,000,000</u></b>	<b><u>P1,428,777,232</u></b>	<b><u>P 3,367,916,774</u></b>
Balance at January 1, 2013		P 5,000,000	P 906,059,416	P 2,051,723,794
Issuance of shares during the year		-	193,000,000	1,316,192,980
Stock dividends	27	-	329,717,816	-
Cash dividends	27	-	-	-
Total comprehensive income for the year		-	-	-
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-
<b>Balance at December 31, 2013</b>		<b><u>P 5,000,000</u></b>	<b><u>P 1,428,777,232</u></b>	<b><u>P 3,367,916,774</u></b>
Balance at January 1, 2012		P 5,000,000	P 661,123,014	P 2,051,723,794
Stock dividends	27	-	244,936,202	-
Cash dividends	27	-	-	-
Adjustments		-	200	-
Total comprehensive income for the year		-	-	-
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-
<b>Balance at December 31, 2012</b>		<b><u>P 5,000,000</u></b>	<b><u>P 906,059,416</u></b>	<b><u>P 2,051,723,794</u></b>

For further Notes and discussions, see Audited FS Report at [www.phoenixfuels.ph/for-investors/disclosures/content/97-2015/](http://www.phoenixfuels.ph/for-investors/disclosures/content/97-2015/)

Other Reserves	Other Comprehensive Income			Total Equity
	Revaluation Reserves	Retained Earnings	Total	
( P 622,952,239)	P 272,621,771	P 2,046,541,766	P 2,319,163,537	P 6,497,905,304
-	-	( 184,127,723)	( 184,127,723)	( 184,127,723)
-	120,085,546	616,362,972	736,448,518	736,448,518
-	( 20,568,898)	20,568,898	-	-
( P 622,952,239)	P 372,138,419	P 2,499,345,913	P 2,871,484,332	P 7,050,226,099
( P 622,952,239)	P 282,423,030	P 1,859,916,993	P 2,142,340,023	P 4,482,170,994
-	-	-	-	1,509,192,980
-	-	( 329,717,816)	( 329,717,816)	-
-	-	( 161,105,942)	( 161,105,942)	( 161,105,942)
-	2,589,667	665,057,605	667,647,272	667,647,272
-	( 12,390,926)	12,390,926	-	-
( P 622,952,239)	P 272,621,771	P 2,046,541,766	P 2,319,163,537	P 6,497,905,304
( P 622,952,239)	P 71,543,651	P 1,547,959,455	P 1,619,503,106	P 3,714,397,675
-	-	( 244,936,202)	( 244,936,202)	-
-	-	( 106,487,242)	( 106,487,242)	( 106,487,242)
-	-	-	-	200
-	222,950,209	651,310,152	874,260,361	874,260,361
-	( 12,070,830)	12,070,830	-	-
( P 622,952,239)	P 282,423,030	P 1,859,916,993	P 2,142,340,023	P 4,482,170,994

### **Revenues**

The Group generated total revenues of Php 34.734 billion in 2014, which is 20% lower than its 2013 level of Php 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 Php 43.14 billion in 2013 to Php 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 Parent 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 Parent Company has a number of retail stations undergoing various stages of construction that are projected to be opened early next year.

The Group generated Php 634 million from its fuels service, storage, port and other income in 2014 versus Php 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 Php 31.405 billion, a decline of 22% from its 2013 level of Php 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 Php 616 million versus 2013 net income of Php 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.

The Parent Company is registered with the Board of Investments 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 Parent Company obtained additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitles the Parent Company to an Income Tax Holiday (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 Parent 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 Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing, and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) 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 Parent Company also received new approvals from the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City facilities were registered and issued certification by the BOI on May 12, 2012. The registration entitles the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI registered entity.

### **Financial Condition**

*(As of December 31, 2014 versus December 31, 2013)*

Total resources of the Group as of December 31, 2014 stood at Php 25 billion, higher by 12% compared to the Php 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 Php 357 million in December 31, 2013 to Php 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 Php 7.344 billion as of December 31, 2013 to Php 7.832 billion as of December 31, 2014, due to an increase in credit sales to customers.

Inventories declined by 25% at Php 2.871 billion as of December 31, 2014 from Php 3.812 billion as of December 31, 2013. The volume year on year is comparably 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 Php 10.373 million and Php 2.748 million respectively. The decrease of Php 7.625 million or 277% is due to charges made during the year.

Input taxes-net decrease by 34% in December 31, 2014 is the result of offsetting of higher output taxes this year due to increased level of inventory, input taxes of capital expenditures, and increase in paid input taxes from higher inventory levels.

Other current assets amounted to Php 1,147 million and Php 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 Php 10.689 billion compared to Php 8.628 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 Php 13.752 billion as of December 31, 2013 to Php 13.843 billion as of December 31, 2014. The slight increase of Php 90 million was a result of the timing of availments of working capital lines.

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

Total Stockholders' Equity increased to Php 7.050 billion as of December 31, 2014 from Php 6.498 billion as of December 31, 2013 as a result of the period net income for the three quarters less the cash dividend declared and paid during the year for both common shares 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:

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

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 and Earnings 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 2014 is higher at 2.55 : 1 due to higher accounts payable trade. However, interest bearing DE this year improved to 1.96 : 1, compared to 2.12 : 1 in 2013.

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

### 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

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

A result of lower average price per unit by 37% in 2014.

#### 277% increase in Due from related parties

Various charges and billings during the period-net.

47% increase in other current assets

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

34% increase in Value Added Tax-net

Increase in Input VAT as a result of higher inventory plus accumulated Input Taxes on capital expenditures.

134% increase in other current assets

Increase in Prepayments, Creditable Withholding Taxes and Supplies Inventories.

24% increase in property, plant and equipment

Due to vessel acquisition, retail network expansion, storage expansions and other capital expenditures.

138% increase in Trade and other payables

Trade Payable to foreign suppliers for purchases of inventory.

73% decline on Due to related parties

Settlement of various advances from prior years.

6% decrease in deferred tax liability

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

25% reduction on non-current liability

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

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

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

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

20.2% increase in Finance Costs (net)

Due to 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

Due to periodic inventory losses recorded during the period plus other various costs.

102% increase in income tax

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.



## FUELS

### AUTOMOTIVE FUELS

Biodiesel B-2  
Regular 91 Gasoline  
Premium 95 Gasoline  
Premium Plus 97 Gasoline  
Premium 98 Gasoline

### AVIATION FUEL

Jet A1

## LUBRICANTS & SPECIALTIES

### GASOLINE ENGINE OILS

Accelerate VEGA Fully Synthetic SM 5w-40 24x1L  
Accelerate VEGA Fully Synthetic SM 5w-40 6x4L  
Accelerate Supreme SG/CD SAE 20W50 24X1L  
Accelerate Supreme SG/CD SAE 20W50 6X4L  
Accelerate Supreme SG/CD SAE 20W50 Pail 18L  
Accelerate Supreme SG/CD SAE 20W50 Drum 200L

### DIESEL ENGINE OILS

ZOELO Extreme API CI-4/SL SAE 15W40 24X1L  
ZOELO Extreme API CI-4/SL SAE 15W40 6X4L  
ZOELO Extreme API CI-4/SL SAE 15W40 Pail 18L  
ZOELO Extreme API CI-4/SL SAE 15W40 Drum 200L  
ZOELO 15w-40 Pail 18L  
ZOELO 15w-40 Drum 200L  
ZOELO API CF/SF SAE 40 24X1L  
ZOELO API CF/SF SAE 40 6X4L  
ZOELO API CF/SF SAE 40 Pail 18L  
ZOELO API CF/SF SAE 40 Drum 200L  
ZOELO API CF/SF SAE 30 Pail 18L  
ZOELO API CF/SF SAE 30 Drum 200L  
ZOELO Diesel Oil API CC/SC SAE 40 24x1L  
ZOELO Diesel Oil API CC/SC SAE 40 6x4L  
ZOELO Diesel Oil API CC/SC SAE 40 Pail 18L  
ZOELO Diesel Oil API CC/SC SAE 40 Drum 200L  
ZOELO Diesel Oil API CC/SC SAE 30 Pail 18L  
ZOELO Diesel Oil API CC/SC SAE 30 Drum 200L  
ZOELO Diesel Oil API CC/SC SAE 10W PAIL 18L  
ZOELO Diesel Oil API CC/SC SAE 10W Drum 200L  
Phoenix Oil 30 24x1L  
Phoenix Oil 40 24x1L

### AUTOMOTIVE GEAR OILS

Gear Oil API GL-4 SAE 90 24x1L  
Gear Oil API GL-4 SAE 90 Pail 18L  
Gear Oil API GL-4 SAE 90 Drum 200L  
Gear Oil API GL-4 SAE 140 24x1L  
Gear Oil API GL-4 SAE 140Pail 18L  
Gear Oil API GL-4 SAE 140 Drum 200L  
Automatic Transmission & Power Steering Fluid DIII 24x1L  
Automatic Transmission & Power Steering Fluid DIII Pail 18L  
Automatic Transmission & Power Steering Fluid DIII Drum 200L

### INDUSTRIAL OILS

Hydraulic Oil AW ISO VG 32 Pail 18L  
Hydraulic Oil AW ISO VG 32 Drum 200L  
Hydraulic Oil AW ISO VG 46 Pail 18L  
Hydraulic Oil AW ISO VG 46 Drum 200L  
Hydraulic Oil AW ISO VG 68 Pail 18L  
Hydraulic Oil AW ISO VG 68 Drum 200L  
Hydraulic Oil AW ISO VG 100 200L Drum  
Hydraulic Oil AW ISO VG 460 Drum 200L  
Industrial Gear Oil SP 150 Pail 18L  
Industrial Gear Oil SP 150 Drum 200L  
Industrial Gear Oil ISO VG 220 Pail 18L  
Industrial Gear Oil ISO VG 220 Drum 200L  
Industrial Gear Oil ISO VG 320 Pail 18L  
Industrial Gear Oil ISO VG 320 Drum 200L  
Industrial Gear Oil ISO VG 460 Pail 18L  
Industrial Gear Oil ISO VG 460 Drum 200L  
Compressor Oil 68 Pail 18L  
Compressor Oil 68 Drum 200L  
Compressor Oil 100 Pail 18L  
Compressor Oil 100 Drum 200L  
Compressor Oil 150 Pail 18L  
Compressor Oil 150 Drum 200L  
Straight Cutting Oil Pail 18L  
Straight Cutting Oil Drum 200L  
Heat Transfer Oil Pail 18L  
Heat Transfer Oil Drum 200L  
Knit Oil 22 Drum 200L  
Turbine Oil R&O 68 Drum 200L  
Rubber Process Oil Drum  
Transformer Oil Drum 200L

### MARINE OILS

Manta Marine Engine Oil TBN 10 SAE 30 Bulk  
Manta Marine Engine Oil TBN 10 SAE 30 Drum 200L  
Manta Marine Engine Oil TBN 10 SAE 40 Bulk  
Manta Marine Engine Oil TBN 10 SAE 40 Drum 200L  
Manta Marine Engine Oil TBN 12 SAE 40 Bulk  
Manta Marine Engine Oil TBN 12 SAE 40 Drum  
Manta Marine Engine Oil TBN 15 SAE 30 Bulk  
Manta Marine Engine Oil TBN 15 SAE 30 Drum 200L  
Manta Marine Engine Oil TBN 15 SAE 40 Bulk  
Manta Marine Engine Oil TBN 15 SAE 40 Drum 200L  
Manta Marine Engine Oil TBN 20 SAE 30 Bulk  
Manta Marine Engine Oil TBN 20 SAE 30 Drum 200L  
Manta Marine Engine Oil TBN 20 SAE 40 Bulk  
Manta Marine Engine Oil TBN 20 SAE 40 Drum  
Manta Marine Engine Oil TBN 30 SAE 40 Bulk  
Manta Marine Engine Oil TBN 30 SAE 40 Drum  
Manta Marine Engine Oil TBN 40 SAE 40 Bulk  
Manta Marine Engine Oil TBN 40 SAE 40 Drum  
Manta Marine Engine Oil TBN 50 SAE 40 Bulk  
Manta Marine Engine Oil TBN 50 SAE 40 Drum  
Nautilus Cylinder Oil TBN 70 Sae 50 Bulk  
Nautilus Cylinder Oil TBN 70 Sae 50 Drum 200L

### MOTORCYCLE OILS

4T Cyclomax Titan SAE 20W50 24x1L  
4T Cyclomax Titan SAE 20W50 Pail 18L  
4T Cyclomax Force 24x1L  
2T API TA 60X200ml  
2T API TA 24x1L  
2T API TA Pail 18L  
Cycle Fork Oil 60x200ml

### AUTOMOTIVE GREASES

MP 3 Grease NLGI 3 24X500g  
MP 3 Grease NLGI 3 Pail 16Kg  
MP 3 Grease NLGI 3 Drum 180Kg  
EP 2 Grease NLGI 2 Pail 16Kg  
EP 2 Grease NLGI 2 Drum 180Kg  
EP 2 Lithium Complex Drum 180Kg

### AUTOMOTIVE SPECIALTIES

Radiator Coolant 24x1L  
Tire Black 36 X 120 ml  
Tire Black 80 X 120 ml  
Brake & Clutch Fluid DOT-3 12x900ml  
Brake & Clutch Fluid DOT-3 36x170ml  
Brake & Clutch Fluid DOT-3 36x300ml  
Brake & Clutch Fluid DOT-3 Pail 18L  
Phoenix All Purpose Oil 36x120ml



PLDT Toll Free: 1-800-10-PNX FUEL (769-3835)  
Globe Toll Free: 1-800-8-PNXFUEL (769-3835)  
Globe Mobile Numbers: 0917-313-7011 to 18  
Smart Mobile Numbers: 0998-960-4246 to 53

E-mail: [info@phoenixfuels.ph](mailto:info@phoenixfuels.ph)  
Website: [www.phoenixfuels.ph](http://www.phoenixfuels.ph)  
Facebook: [www.facebook.com/phoenixfuels.ph](https://www.facebook.com/phoenixfuels.ph)  
Twitter: [twitter.com/phoenixfuels](https://twitter.com/phoenixfuels)

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## **CORPORATE OFFICES**

**DAVAO HEAD OFFICE:**  
Phoenix Bulk Depot,  
Lanang, Davao City 8000  
Tel: +63 (82) 235-8888  
Fax: +63 (82) 233-0168

**MANILA OFFICE:**  
25th Floor Fort Legend Towers  
3rd Avenue corner 31st Street,  
Fort Bonifacio Global City,  
Taguig City 1634  
Tel: (+632) 403-4013  
Fax: (+632) 403-4021

**CEBU CITY OFFICE:**  
Phoenix Maguikay Gasoline Station  
M.C. Briones St., National Highway,  
Maguikay, Mandaue City, Cebu 6014  
Tel: +63 (32) 236-8168, 236-8198

**BACOLOD CITY OFFICE:**  
Door 5-7, Ground Floor JFC Bldg., Palanca Avenue,  
BREDCO Reclamation Area, Bacolod City  
Telefax: +63 (034) 441-2683

**GENERAL SANTOS OFFICE:**  
2nd Floor JMP Building 1,  
South Osmena St.,  
General Santos City 9500  
Tel: +63 (83) 553-9207,  
+63 (83) 304-0046

**CAGAYAN DE ORO OFFICE:**  
Suite 1 & 2, 8th Floor Limketkai Gateway Center,  
Lapasan, Cagayan de Oro City 9000  
Tel: +63 (88) 855-4527  
Fax: +63 (88) 855-4528

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## **SHAREHOLDER SERVICES**

BANCO DE ORO  
Stock Transfer Office  
16F BDO South Tower Bldg.  
Makati Ave. corner H.V. Dela Costa St.  
Salcedo Village, Makati City  
1227 Philippines  
Tel: +63 (02) 840-7000 local 6975 to 6979

## **STOCK TRADING INFORMATION**

Phoenix Petroleum Philippines, Inc. is listed on the  
Philippine Stock Exchange. Ticker symbol: PNX

