

JOURNEY TO GREATER HEIGHTS

PHOENIX PETROLEUM PHILIPPINES, INC.
Annual Report 2010





Our Vision

As the first home-grown publicly listed independent company in the Philippine petroleum industry, we will be:

The market leader in the retail business among independent oil players by the end of 2012

Our Mission

Make "Phoenix Fuels Life" an experience.

- We value our customers by delivering excellent service
- We honor and develop business relations with our stakeholders
- We deliver attractive returns to our shareholders
- We enrich the quality of life of our people and their families, while creating opportunities to maximize the potential of each individual
- We take social responsibility to heart by building programs to nurture the environment and welfare of the communities we serve

Our Core Values

Integrity

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

Excellence

We strive to be better in everything we do.

Service

All stakeholders are our customers, thus we provide unrivaled customer experience.

Innovation

We believe that change is constant. We challenge convention with fresh, better, and more valuable products, services and ideas.

Teamwork

We value relationships. We achieve our goals through collaborative efforts, recognizing the contribution of team members and respecting each other's opinions and ideas.

Stewardship

We nurture our resources responsibly.

About the Cover

The journeys we remember are those that lift our emotions – whether from the warm smiles of new friends, views that take one's breath away, pleasant service on the road, or long-awaited embrace from loved ones. Throughout these journeys, Phoenix is at your side.

This report's theme describes the banner year that our Company achieved in 2010. It captures the optimism we feel as we work harder to make Phoenix bigger and better. Join us as we journey to greater heights.

Contents

2	Corporate Profile
3	Financial Highlights
4	Message to Shareholders from the Chairman and President and CEO
7	Operations Overview from the Chief Operating Officer
8	Product List
9	Review of Operations
18	Corporate Social Responsibility
22	Board of Directors
24	Corporate Governance
26	Management Team
28	Management's Discussion and Analysis of Financial Conditions
32	Statement of Management's Responsibility for Financial Statements
33	Report of Independent Auditors
34	Consolidated Financial Statements
40	Notes to Consolidated Financial Statements
77	Corporate Offices

Corporate Profile

Phoenix Petroleum Philippines, Inc. is the fastest growing independent oil company today with an expanding network of operations nationwide.

It was incorporated in May 2002 in Davao City as a family business under the name Davao Oil Terminal Services Corporation (DOTSCO). It began operations in its current form in January 2004, distributing petroleum products to various commercial entities in Mindanao. In August 2006, the company was officially renamed to Phoenix Petroleum Philippines, Inc.

Today, Phoenix Petroleum is engaged in the business of trading refined petroleum products and lubricants, operation of oil depots and storage facilities, and allied services. Its products and services are distributed and marketed under the "Phoenix Fuels Life" trademark.

The company has depots in Davao City, Davao del Norte, Aklan, Surigao, Zamboanga, and Batangas. The Davao and Batangas depots are ISO 9001-certified for quality system standards. The 50-million-liter Batangas depot is located at the Phoenix Petroterminal and Industrial Park, which was bought out from Bacnotan Industrial Park Corp. in 2009.

From these depots, the company's own fleet of trucks delivers products to a growing number of retail and commercial customers. In the next years, more depots will be constructed to serve as the backbone of the retail network and the terminaling and storage business of the company.

The first Phoenix retail station opened on June 2005 in Davao. The network gradually widened to over 50 stations in 2007, all in southern Mindanao. In 2008, Phoenix Petroleum began expanding to Luzon. At the end of 2010, Phoenix stations numbered 161 all over the country, with 123 in Mindanao, 5 in Visayas, and 33 in Luzon.

Phoenix Petroleum also supplies to commercial and industrial clients, primarily to the airline, shipping, fishing, mining, power and transportation sectors. Since September 2004, the company has been the exclusive logistics partner of Cebu Pacific, the largest national carrier in the Philippines. Phoenix services all refueling requirements of Cebu Pacific in Mindanao, as well as regional flights from Mactan, Cebu.

Phoenix has built up its brand to represent passion, vitality, and energy. The company was represented in past campaigns by world boxing champion Manny Pacquiao, who is also a Phoenix station dealer, and by popular actress Marian Rivera. Phoenix was the first in the industry to introduce a toll-free number for franchising, 1-800-10-PNX-FUEL, in 2009.

In July 11, 2007, Phoenix Petroleum under the symbol PNX launched its initial public offering, becoming the first independent oil company to be listed in the Philippine Stock Exchange after the oil deregulation law was passed in 1998.

Since 2009, government pension fund Social Security System has invested in the company by purchasing 9.6% of the capital outstanding stock.

Driven by passion and performance, Phoenix Petroleum is all set to become the leading independent oil company in the country by 2012.



Financial 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

Year 2007-2010

(All amounts expressed in millions, unless otherwise stated)

Income Statement Data:

	2007	2008	2009	2010
Revenues	2,364	4,615	5,873	14,792
Cost of Sales and Services	2,097	4,194	5,181	13,477
Net Income-TOTAL	122	150	751	427
Net Income-Excluding Non-Recurring Income	122	150	178	427
EBITDA	149	230	365	818

Balance Sheet Data:

Current Asset	763	1,457	2,919	4,871
Non-current Asset	430	911	2,085	2,771
Total Assets	1,192	2,368	5,003	7,641
Current Liabilities	532	1,582	2,661	4,394
Total Liabilities	626	1,677	3,475	5,180
Stockholders' Equity	567	691	1,529	2,461

Bank Debts

2007	450	2008	904	2009	2,277	2010	3,409
------	-----	------	-----	------	-------	------	-------

Financial Ratios

Current Ratio ¹	1.43 : 1	0.92 : 1	1.1 : 1	1.11 : 1
Debt to Equity ²	1.1 : 1	2.43 : 1	2.27 : 1	2.1 : 1
Return on Equity ³	32.19%	23.91%	67.71%	21.41%
Return on Assets ⁴	14.40%	8.44%	20.39%	6.76%
Return on Sales	5.18%	3.26%	12.80%	2.89%
Net Book Value Per Share ⁵	3.91	3.75	5.76	6.53
Earnings Per Share ⁶	0.94	0.91	3.48	1.43
Earnings Per Share-Core ⁷	0.94	0.91	0.83	1.43

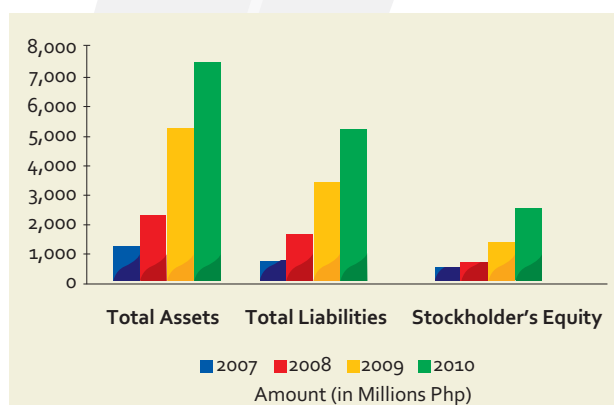
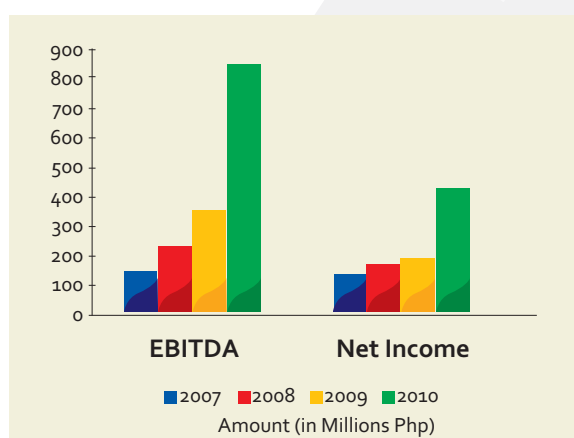
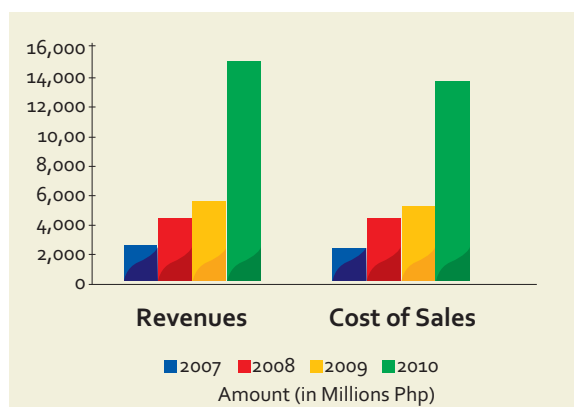
Stock Information:

(Figures in millions except per share)

Weighted Average No. of Shares	130.39	165.31	215.84	288.97
Number of Shares Issued	145.00	188.00	269.16	376.82
Total Number of Shares Outstanding- Year End	145.00	184.15	265.31	376.82
Market Capitalization-Year End	-	695.60	1,884.12	4,657.56
Stock Price-Closing (Year End)	-	3.70	7.00	12.36
Treasury Stock-Shares	-	3.85	3.85	0.00

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 divided by the total number of shares issued and outstanding
- 6 - Net income after tax divided by weighted average number of outstanding common shares
- 7 - Net income after tax (Excluding Non-Recurring Income) divided by weighted average number of outstanding common shares





Message to Shareholders

From the Chairman and President and CEO

Our successes as well as challenges inspire us to do more as we strive to become a significant player in the industry.

Gaining higher ground

After a volatile 2009, the global and local economy was on its way to recovery in 2010. Coming from just 0.9% growth in 2009, the Philippine economy expanded 7.3% in 2010, its strongest performance since 1986. The recovery was boosted by growth in the service sector, higher remittances from overseas workers, rise in private consumption, government consumption, and investments, and upturn in the agriculture sector.

The price of WTI crude at the start of the year was \$81.59 and ended at \$91.44. MOPS diesel initially traded at \$84.97 and reached \$103.75 at year's end, an increase of 22% of petroleum products year-on-year.

In the Philippines, more people bought cars. Vehicle sales grew 27.2% to around 169,000 units, exceeding the 1996 pre-Asian financial crisis high of 162,000 units. The auto industry expects further growth in 2011.

Record car sales helped push petroleum demand up at least 5.4% in 2010, from 53.3 million barrels (MMB) to 56.2 MMB, or an average daily requirement of 310.5 MB.

We took advantage of these positive factors to fuel our growth and bring us closer to our goal of becoming the leading independent oil company in retail by 2012. We focused on retail and logistics expansion, increasing bank credit lines, supply efficiency, organizational development, and brand awareness.

From opening our first station in 2005 to 120 stations in 2009, we now have 161 Phoenix stations around the country. 123 are located in Mindanao, 5 in Visayas, and 33 in Luzon. Our network market share in southern Mindanao has grown from 21% to 24%, making us the largest oil player in the region in terms of network, and approximately 3.8% nationwide. By volume, our share has grown from 1.21% to 2.5%. Together, independent oil companies account for 21.2% of the market.

Beyond opening more stations, we made sure of their improved efficiency. Consequently, volume per retail station increased. We also acquired more commercial and industrial customers. Volume per account has grown as well.

A bigger network and increased efficiency have resulted in a 127% increase in fuel sales volume. This, along with the 13% average increase in fuel selling prices compared to 2009, substantially contributed to our revenue growth.

In 2010 we made significant improvements to our supply chain. From less than 20% oil importation, 90% of our supply now is comprised of imports from the region, making our cost very competitive in the market.

We continue to expand our depots and terminals to support our wider network. In April we opened our Zamboanga depot, and are increasing capacities of our depots in Davao City and Calaca, Batangas. From a year ago, our total depot capacity has increased from 68.5 million liters to 95.6 million liters. In 2011, we will more than double our existing depot capacities including opening new ones in Luzon, Visayas, and Mindanao. All these will enable us to reach more customers.

The continuous investment in our retail stations, depot facilities, and logistics infrastructure brought up our company's total assets to P7.7 billion in 2010, up 53% from 2009.

We also intensified our brand and marketing initiatives through more promotions, multimedia exposures, and partnerships with sports leagues and motorcycle groups.

All these efforts have generated outstanding results for your company.

Consolidated revenues reached P14.79 billion, an increase of 152% over P5.87 billion in 2009, and up 526% from P2.36 billion in 2007, the year we went public. Sales to commercial accounts make up 55% of our revenue, with retail at 35% and sales to airlines at 10%.

Geographically, in 2010, revenue from Luzon, at 51%, overtook that of Visayas-Mindanao for the first time due to large growth on commercial and airline accounts. The growing retail business in Luzon also contributed to the increase. Our strategy to expand into the country's biggest market is bearing fruit. We will continue to expand our network in Luzon, where 71% of fuels in the country is consumed.

Operating expenses increased 65% in 2010 as a result of the increasing volume and ongoing expansion and growth of the Group's organizational build-out and business operations. Our capital expenditure reached P767 million, up 7% from P719 million of 2009 and 37% from P526 million of 2008.

All our efforts resulted in a substantial growth in net recurring income, which rose 140% to P427 million from P178 million in 2009.

Our financial ratios show our growth. Return on Equity in 2010 is 21.41% from 67.71% in 2009 inclusive of the non-recurring income booked in 2009. Debt to Equity improved to 2.1:1 from 2.27:1. Core earnings per share increased to P1.43 from P0.83, based on weighted average shares and accounting the 40% stock dividend distributed in October.

Total shareholder's equity grew to P2.461 billion at the end of the year as against P1.53 billion in 2009. This is a result of the successful sale of preferred shares worth P500 million in September, and the significant increase in core net earnings.

The stock market rewarded our performance with a substantial increase in our share price. From P7.00 at the start of the year, it moved up to P12.36 at year's end, giving a 76% return year-on-year. PNX market capitalization now stands at P4.66 billion from P1.88 billion the year before.

Consistent

Since we started, our growth has been consistent, with 2010 our biggest year yet. From 2007 onwards, volume and revenue have increased an average of 79% and 83% respectively. Core net income has grown an average of 61% over four years. From a ranking of 570th among the top corporations in the country, we moved up to 211th in 2009.

Our performance proves that we can execute on our plans and exceed our goals. It makes us more confident about the future of our company.

The demand for petroleum products is expected to grow from 4-5% each year over the next two to three years, with more vehicles sold and more cars registered. From 2011 to 2013, we are setting a P3.1 billion capital expenditure budget for our expansion. We will put up more retail stations and build more depots and expand current capacities. We will expand our market for lubricants and strengthen brand awareness.

As an independent oil company, we recognize the importance of establishing a brand. Through the years we have built up the *Phoenix Fuels Life* brand into one that represents passion, vitality, and energy. We are laying the groundwork for a more aggressive brand campaign in 2011 as we aim to make Phoenix a part of more Filipinos' lives.

Within the company, we continue to nurture talent. Our team has the passion to perform and the focus to reach our vision. It is also a team with a heart for service and the community. We are building up on the small successes of our corporate social responsibility programs, where we focus on education, environment, health, and outreach. Altogether, our projects touched the lives of at least 2,500 people in 2010.

This year the Board approved the Employee Stock Option Plan. We also welcomed the representative of the Social Security System to the board, Commissioner Diana Pardo-Aguilar. For 2011, we are moving our Annual Stockholders Meeting to March to enable shareholders to review the previous year's results at an earlier period and approve corporate actions for the year.

We thank all our financial institutions who have supported us since we started. They have increased our credit facility and credit lines to P7 billion this year from P590 million in 2007.

To our shareholders, we thank you for the trust and confidence you have given the company. We thank the Board of Directors for your guidance, and Team Phoenix for the passion, hard work and dedication to our company. We are grateful to our business partners, dealers, and customers for supporting our company throughout the year.

The pioneering spirit remains very strong in us. As we continue to soar, we remain hungry as always. Our successes as well as future challenges inspire us to do more as we strive to become a significant player in the industry.

Truly, the best is yet to come for Phoenix!

Sincerely,



Domingo T. Uy
Chairman



Dennis A. Uy
President and Chief
Executive Officer

Operations Overview

From the Chief Operating Officer

Positive momentum

The year 2010 has truly been exceptional for Phoenix Petroleum. We carried our positive momentum last year leading us to gain greater ground this year.

As your Chief Operating Officer, I am most cognizant of my primordial duties to all our stakeholders, business partners, and the employees, including our shareholders.

With these in mind, we implemented a critical structural reorganization and reformation in 2010. We started with organizational development by putting the right people in the right positions. We took bold steps. We removed employees who have questionable motives and integrity. We had to implement measures that will be in consonance with the three basic business principles I adhere to the most: Honesty, Integrity, and Respect for People.

We then raised the morale of the employees through constant information management. All officers and employees are involved in decision-making and dissemination of information either through the weekly BU Heads' Meeting or the quarterly Staff Engagement. This was one way to motivate the Staff, by keeping them up-to-date of the events, activities, and developments in the Company. This instilled in their minds that they are important in the organization; that their respective personal efforts are the key drivers to the results that are being presented to them every quarter. The result? Better teamwork, coordination, and communication among our BU heads and the next-in-line. Thus I may say that Phoenix Petroleum's employees are working together as a unified team way better than before.

In preparing them for greater responsibilities, we initiated the training of our officers and employees. This led to better knowledge, information, and understanding of their key functions that brought about smoother operational procedures. Not to be left out, we trained our dealers and their forecourt attendants. This raised the notch higher when we speak of customer service compared to our competitors.

Commercial and Retail Sales had a new direction, a proven and tested one. This is borne by the fact that our sales reached way, way more than targets that we set. While the closure of the competitors' fuel pipeline in October boosted our sales, we cannot discount the fact that we already surpassed our declared targets on our third quarter of operations alone. We achieved strong operational and financial results primarily due to our unprecedented growth not only in retail network share but in fuels sales as well.



The strategic positioning of our core business that is Retail by having a vision of becoming "the leading local oil player in the retail business by 2012" is the most daring and challenging objective set in this organization. The same is true with Marketing where we established a baseline survey by a third party that will be the starting point for all events to boost the brand-name of Phoenix Petroleum. In so doing, we refined and redefined the process of how things are to be done.

Due to our collective efforts, Phoenix Petroleum grew aggressively this year. Our unparalleled performance has resulted in much interest in the stock market as well.

To constantly fuel our growth, Phoenix Petroleum will continue to bolster the organizational strengths of our Business and Support Units. This is essential to achieve a stable and exponential growth to the satisfaction of our shareholders, business partners, and employees.

This though will not be a walk in the park for Management and its various Units. However, the Company is favored to have valuable industry experience gained from other entities. We have resilience supported by a corporate culture that embraces change.

We are resolved to manage our operations based on sound business practices while at the same time charting the course needed to overcome the challenges we now face. We are determined to surpass our growth and increase profitability. We look at 2011 with a lot of optimism as we extend our sincere gratitude to our loyal customers, employees, partners and shareholders. We shall continue to keep you all aware of exciting and rewarding developments at Phoenix Petroleum.

A stylized, handwritten signature in black ink, consisting of a large loop followed by a horizontal line and a small upward stroke.

Romeo de Guzman
Chief Operating Officer

Product List



FUELS

Automotive Fuels
Magma Diesel
Glide Super Unleaded
Raptor Premium
Regular
Flame Kerosene

Aviation Fuel
Jet A1

LUBRICANTS & SPECIALTIES

Gasoline Engine Oils

Accelerate Plus (4L, 1L)
Accelerate Supreme (18L, 4L, 1L)

Diesel Engine Oils

ZOELO Extreme (200L, 18L, 4L, 1L)
ZOELO 40 (200L, 18L, 4L, 1L)
ZOELO 30 (18L)
ZOELO Diesel Oil 40 (200L, 20L, 4L, 1L)
ZOELO Diesel Oil 30 (200L, 20L)
ZOELO Diesel Oil 10W (200L, 20L)

Motorcycle Oils

Cyclomax Titan (1L)
Cyclomax Force (1L)
2T MAX (200ml)
2T TA (200L, 20L, 1L, 200ml)
Cycle Fork Oil (200ml)

Other Automotive Engine Oils

SMO 30, 40 (1L)

Transmission Oils

Gear Oil 90 (18L, 1L)
Gear Oil 140 (200L, 18L, 1L)
Automatic Transmission
& Power Steering Fluid (18L, 1L)

Automotive Greases

MP3 Grease (16KG, 0.5KG)
EP2 Grease (16KG)

Industrial Oils

Hydraulic Oil AW 68 (200L, 18L)
Manta Marine Engine Oils (Bulk, 200L)
Nautilus Cylinder Oils (Bulk, 200L)
Transformer Oil (200L)

Automotive Specialties

Brake & Clutch Fluid (900ml, 300ml, 170ml)
Tire Black (120ml)
All-purpose Oil (120ml)
Car Freshener in Lemon
and Apple Scents (80g)

GASOLINE ENGINE OILS



DIESEL ENGINE OILS



MOTORCYCLE OILS



OTHER AUTOMOTIVE ENGINE OILS



TRANSMISSION OILS



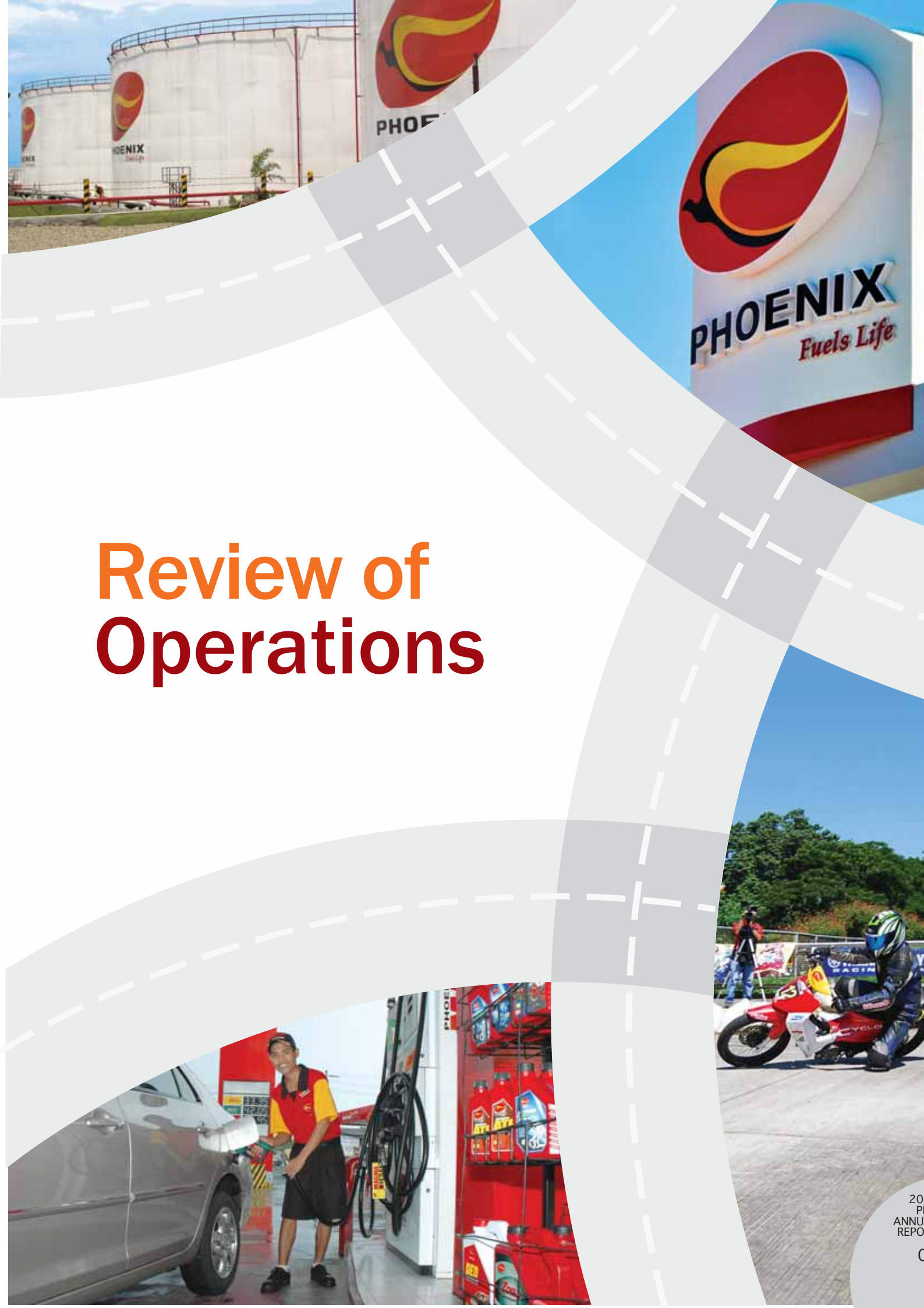
AUTOMOTIVE GREASES



AUTOMOTIVE SPECIALTIES



Review of Operations





The 150th Phoenix station rises in Liloan, Cebu

Going the distance

Sales

From south to north, we continuously expand our network to reach more customers. Altogether, a bigger network and increased efficiency yielded a 127% increase in fuel sales volume. Commercial accounts make up 55% of our revenue, with retail at 35% and airline at 10%.

Our number of retail stations increased from 120 in 2009 to 161 at the end of 2010. Of these, 123 are located in Mindanao, 5 in Visayas, and 33 in Luzon. Approximately 30% are company-owned and 70% dealer-owned. Aside from opening more stations, we worked on improving volume efficiency per station. As a result, retail volume increased 45%.

Sales to commercial accounts, primarily to the shipping, fishing, mining, power and transportation sectors, registered a 184% growth during the year. In Mindanao, we formed long-term supply agreements with transport companies.

Jet A1 volume increased 377% in 2010. We renewed our supply agreement with Cebu Pacific, the country's largest airline, as their exclusive logistics partner in Mindanao. In September we began into-plane service for Cebu Pacific's regional flights from Mactan, Cebu.



Phoenix Petroleum provides into-plane services to Cebu Pacific in all its Mindanao flights since 2004



A JAM Transit Bus plying Luzon promotes our line of lubricants. Sales to commercial accounts such as transport companies are on the rise.

We continue to develop our relationship with our dealers. In Luzon we organized the first Dealers' Convention, while in Vis-Min we held quarterly dealers dialogue. Our annual Business Partners Appreciation Night in 2010 was the grandest yet, highlighting our most outstanding dealers, distributors, and commercial partners.

To improve operational excellence and customer service, we provide regular trainings to sales team and forecourt personnel.

Our Lubricants business increased by 38% year-on-year due to the startup of new distributors. We signed up 8 new territory distributors for high street and industrial accounts in Luzon, Visayas, and Mindanao. Our top sellers are our Zoelo Heavy Duty Diesel Engine Oils, Cyclomax Motorcycle Oils, and industrial oils.

Our Lubes team will further improve distribution capabilities of our existing network, increase reach of mapped stores, and increase product distribution at the store level, to grow the business in 2011.



At the opening of the Phoenix station in Tienda Aplaya, Digos City. Phoenix ended the year with 161 stations nationwide.



Service is given with a smile at our Phoenix stations



Edylene and Estrella Villaflores of Phoenix Twenty20 Fuels Station in Davao City receive their 2010 Most Outstanding Retail Business Partner award



Our growing family of Luzon dealers with Team Phoenix at their first Sales Rally



Our Lubricants business continues to attract new distributors



The depot in Calaca, Batangas is Phoenix's largest with a capacity of 50 million liters, and more being built

On a steady ride

Supply, Depot and Engineering

The back-end of our operations ensures that our products arrive to clients and customers on time and without loss of quality.

This year, 90% of our supply was imported from the region, making our cost more competitive in the market. Supply is transported partly by our affiliate Chelsea Shipping Corporation from our suppliers to our terminals.

To support the growing retail and commercial network, we expanded our total depot capacity from 68.5 million liters in 2009 to 95.6 million liters in 2010. Our Zamboanga depot was inaugurated on April. These add to our existing sites in Davao City, Batangas, Aklan, Surigao del Sur, and Hijo, Davao del Norte. We are adding capacities to our depots in Davao City and Calaca, Batangas, which are scheduled to finish on 2011. We have started construction of our depot in Cagayan de Oro and Misamis Oriental, and plan to build in Bacolod and Subic.

Our depots in Davao City and Batangas are ISO 9001 certified. We follow standards and have improved efficiency on loading and discharging of products. This has resulted to zero misload, zero lost time accident, and zero contamination incident. To minimize product loss, we conduct regular calibration and checks of our equipment, meters, and accessories.

Our Davao depot successfully passed the Port Facility Inspection Audit of the Office of Transport Security, and our Statement of Compliance extended to three years.

We ensure that our products are delivered 24 hours after receipt of approved order, 24/7. Our own fleet of trucks delivers supply to our network. Our fleet has increased from 37 trucks to 41 this year, and volume capacity from 747 kl a year ago to 857 kl. Of this capacity, 57% is for Jet A1 fuel, while the rest is for commercial accounts. We continue to maximize utilization of tankers and provide regular tank trucks maintenance. In Luzon, we aim to expand our fleet and reduce use of third-party haulers.

Safety is a priority in our operations. We emphasize this by acquiring required equipment, providing staff training, having an emergency response plan and organization, following regulations, and conducting regular site inspections. We train our staff on pollution control, fire prevention, motor vehicle safety, and disaster preparedness and recovery.



Our depot in Zamboanga serves the northern Mindanao market



Expansion of the Davao City depot is ongoing until early 2011



The Calaca, Batangas depot will add more capacity in 2011



Our own fleet of trucks delivers products to clients 24/7



The pier deck is being extended to accommodate more vessels

Phoenix Petroterminal and Industrial Park

On March 2009, we acquired from the PHINMA Group the Bacnotan Industrial Park Corporation (BIPC), owner and operator of the Batangas Union Industrial Park. In July that year, we inaugurated the park into the renamed Phoenix Petroterminal and Industrial Park (PPIP). BIPC is in the process of amending its Articles of Incorporation to change its corporate name to "Phoenix Petroterminal and Industrial Park Corp."

We operate our biggest depot in the country within our 3.5 hectare property inside the Phoenix Petroterminal and Industrial Park. With a total capacity of more than 50 million liters and an additional 30 million liters in 2011, this depot serves as our central hub for retail and industrial accounts in Luzon.

PPIP has a total area of 87 hectares. Phase I, which has an area of 43 hectares, is fully developed. In 2010, PPIP sold close to 4 hectares, which leaves a balance of 7 hectares available for sale in Phase I. In November, Trans-Asia of the PHINMA Group exercised its option to purchase 13 hectares in Phase II of the Industrial Park for its proposed power plant project. Consolidation of other properties and development of Phase II is in full swing.




The Park covers a total of 87 hectares in Calaca, Batangas

At year's end, BIPC still has P339M book value for its remaining 51 hectares of land available for sale.

The Industrial Park has its own port facility which is capable of handling vessels of up to 14 meters draft. It is thus an ideal location for light to heavy industries especially those that are heavily reliant on water transport. In 2010, the Port handled more than 700,000 MT of various cargoes like steel billets, steel coils, salt, industrial chemicals and petroleum products. BIPC's consolidated revenues from lot sales and port operations reached P121 million in 2010.

In January 2011, BIPC completed its port expansion project which extended the existing pier deck and included the construction of dedicated berths for liquid cargoes. This project will allow the port facility to accommodate more vessels, making it more attractive to locators who may wish to put up their own manufacturing plants, warehouses, or tank farms inside the Phoenix Petroterminal and Industrial Park.



We are proud to have a team that embodies passion, excellence, and hard work.

Together on one road

Like a group on a journey together, we reach our goals collectively through teamwork, dedication, and focus.

Our people are our most valuable asset. We continue to develop their skills to prepare them for the challenges ahead as we pursue bigger plans.

Our staff count increased 29% from 248 to 321 this year. Trainings were conducted to develop our team's technical, professional, and service skills. Our Human Resources group enhanced employee professional development by providing career path, coaching, and mentoring assistance. We increased our presence in job fairs and improved brand awareness to make Phoenix an employer of choice.

We designed the Performance Management and Career Development Program (PACE-Pro) with the view of objectively managing work performance and expectations while providing a systematic approach for development and career plans of individuals. Employees are always made aware of how their work performance would be measured, how competencies can be improved as well as the consequences and rewards that go with the performance results. The PACE-Pro is a strategic tool with the goal of establishing a Pay-for-Performance culture in the organization.

Human Resources



Our annual sportsfests in Luzon and Davao build teamwork, fun, and camaraderie



Our Christmas party celebrates a successful year as well as showcases our team's talents



Team Phoenix dances to the new Phoenix jingle at its launch during the Business Partners Night in December



The Business Partners Night, organized by our own team, gathers all our partners and awards outstanding ones



Experts share their knowledge and experiences in workshops to our team



We are passionate Phoenix performers

We are committed to creating a workplace that values health and safety. Our health program includes regular screening of cholesterol, diabetes mellitus, blood sugar, and blood pressure, aside from annual physical exam and executive check-up. We also conducted cervical cancer and family planning orientation, and flu vaccination for employees. As well, trainings were held on First Aid, Basic Life Support, and Road Safety. In our offices, we provide free lunch and snacks as part of our employee wellness program.

This year we formalized our Health, Safety, and Environment Policy. We aim to make environmental protection, health, fire and safety considerations an integral part of all business planning and of equal importance with other key operational, business, and strategic objectives. At our Davao depot, we organized a Fire Brigade and Emergency Response Team, and conduct regular drills on them.

Our goal is "No Injuries, No Incidents, Every Day." We are proud to report that we achieved this goal in 2010.

One of the ways we continue to do this is by employee education. This year we started educating our employees regularly on environmental and safety hazards, programs, rules and practices. We aim to foster employee involvement in improving environmental and safety performance.

We started conducting a Basic Safety Course for Phoenix supervisors and employees. 182 employees have completed modules 1 and 2, while module 3 is ongoing. There are a total of 18 modules in the training. Topics include Accident Investigation and Reporting, Communications, Industrial Hygiene, Safety Inspection, Materials Handling Storage, Electrical Safety, and Safe Work Practices. Advance safety and environmental management courses shall also be offered.

We will continue to improve our safety and security measures in our commitment to maintain a safe working environment not only for our team but for our partners.



Phoenix Cyclomax Motorcycle Oil powered the JM Riders Club at the challenging Cyclomax Performance Run in April. They traveled around Bicol Region through rain, heat, mountains, and rivers

Exploring new horizons

Brand and Marketing

As a young company, we see an opportunity for us to grow the brand and make it more meaningful and relevant to consumers.

In 2010 we continued to boost our brand and marketing efforts through promotions, event and partner tie-ups, merchandising, product launchings, and exposures in print, broadcast, and radio. These are all geared towards promoting brand awareness, product usage, and business growth.

We created two successful fuel promotions in our retail stations, the "Phoenix Diskwento Promo" and "Trip Mo 'To" Phoenix Miniature Truck Promo that gave away mini-trucks for a minimum purchase. During the Christmas season, our dealers decorated their stations with glittering lights and colorful accessories for our first "Christmas Sparkles" contest. All these helped bring in more customers to our stations.

We intensified promotions of our line of lubricants through product launchings, partnership with motorcycle groups, and sponsorship of racing events. Our brand ambassadors, JM Riders Club of Valenzuela City and V-Man Racers of Davao City, attest to Phoenix motorcycle oils in their races and performance runs. Among our biggest activities in Luzon were the 2010 Cyclomax Performance Run in Bicol with JM Riders Club, sponsorship of the 1st & 2nd MDPPA Cups, and participation in the Bicol Bike Show 2010. In Mindanao, V-Man Racing Team reaped awards in various races. We organized the Kadayawan Cyclomax Motocross, Unity Ride from Davao City to Compostela Valley, and

the annual Ayuda sa Kadalanan roadside assistance program. In the last quarter, we launched "The Chase" TV ad on sports channels to promote our lube products.

We continued our partnership with the Philippine Basketball Association in its PBA-Phoenix Fuels On Tour events. The sponsorship generates wide brand exposure for us on TV, print, and regional venues where games are played.

After our successful "Raise a Phoenix" campaign to invite station dealers and lubes distributors, we are moving towards consumers through our "Ikaw Ano'ng Trip Mo?" brand campaign. We began rolling out it out in December with our partners. Nationwide roll-out will start on January 2011 through ads on primetime TV, cinemas, and sports channels. It will be our biggest multimedia campaign yet. We will launch print ads, radio commercials, and station and online promotions. These are all part of reaching more people so that whether it is literal travel by land, by air or sea, or personal quests, Phoenix is always with them.



'The Chase' TV ad promoting Phoenix lubricants



Print ad for Lubricant distributors featuring world boxing champion and Phoenix dealer Manny Pacquiao



Our first Christmas décor contest winner, Phoenix Arayat, Pampanga station, reminds motorists to care for the environment and remember the true meaning of Christmas



The JM Riders Club of Valenzuela City attests to Phoenix oils' performance



Brand ambassadors V-Man Racers of Davao City have won many races in the region powered by Phoenix Cyclomax



Our sponsorship of the PBA-Phoenix On Tour games has given us more exposure in media and regional venues



Motocross events that we organize or partner with are effective avenues to market our products

Ikaw Ano'ng Trip Mo?

The word "trip" literally means travel or journey as well as a colloquial definition referring to one's likes. We aim to fuel life by helping to move products, services and to get people to where they want to go. With this line "Ano'ng Trip Mo," we communicate that we provide the fuel that powers whatever journey a person embarks on. We are the steady and reliable partner on roads one takes to reach any destination in life.



Billboard design of the 'Ikaw Ano'ng Trip Mo?' brand campaign shows the many ways Phoenix fuels your journey

Corporate Social Responsibility

Phoenix Philippines Foundation continues to expand our service to the community through projects in education, environment, health, and outreach

Education

Environment

Outreach

Health





Phoenix Philippines Foundation Chairman Mr. Dennis Uy gives the endowment for the "Phoenix Petroleum/Domingo T. Uy Professorial Chair in International Trade" to Lyceum of the Philippines University President Mr. Roberto Laurel. With them are Phoenix Petroterminal & Industrial Park General Manager Manny Quimson and Ambassador Reynaldo Arcilla, Dean of the College of International Relations of Lyceum of the Philippines University. The signing was held on Sept. 15, 2010 at the boardroom of the executive office of Lyceum in Intramuros, Manila.

Education

Adopt-a-School Program

On our third year into the Adopt-a-School Program of two schools in Davao City, Phoenix Foundation built a small library for pre-school students at V. Hizon Elementary School. 98 pre-school students graduated as Phoenix scholars on March 2010, while 325 are expected to graduate on March 2011.

Alternative Learning System

We continued our Livelihood Training Program under the Adopt-a-School Alternative Learning System (ALS) at Doña Asuncion Hizon Elementary School. The free Sunday High School classes benefited 15 students, while a total of 25 students finished courses on Welding and Electricity, Food and Beverage, and Cosmetology. In August, we turned over the Phoenix Livelihood Training Center to the school, complete with tools and equipment for use during classes. Welding students also received on-the-job training with one of our contractors.

Computer and Book Donations

Aside from supporting these schools, we donated two computer sets each to the Doña Asuncion Hizon Elementary School and the Matanao Elementary School in Davao del Sur, and children's books to the San Roque Central Elementary School.

Endowment

In September, we gave an endowment of P500,000 to the College of International Relations of the Lyceum of the Philippines University to establish the "Phoenix Petroleum/Domingo T. Uy Professorial Chair on International Trade." It will provide assistance to the College of International Relations of Lyceum to develop and enhance its program towards producing Foreign Service Officers, commercial attaches and other international relations professionals.

Environment

Adopt-a-Riverbank – Save Davao River

Since 2009, we have conducted tree-planting and tilapia dispersal for the "Phoenix Adopt a Riverbank – Save Davao River Project" at least twice a year. The program is done in coordination with Brgy. 19-B, Protect Davao River Movement, Bureau of Fisheries and Aquatic Resources-XI, Solidarity of Multi-Sectoral Group in Davao City, and Gagmayng Kristohanong Katilingban. With our partners, we planted a total of 3,000 malibago seedlings, donated 1,500 for planting by students, and dispersed 25,000 tilapia fingerlings to the Davao River.

Pawikan Conservation

In partnership with the Department of Environment and Natural Resources, Department of Education, and the local government of Calaca, Batangas, we renewed our Pawikan Conservation program at the Phoenix Petroterminal and Industrial Park on April. Since 2005 up to the renewal, 891 eggs have been transplanted, 547 hatchlings released, and 34 adult turtles tagged and released to sea.

Coastal Clean-ups

We are on our third year of participation to the International Coastal Clean-Up. Phoenix employees help in cleaning the coastlines of our Calaca, Batangas and Davao City depots. In Davao, beneficiary students, teachers, and parents volunteer as well.

Earth Hour

On March, we joined Earth Hour, a worldwide campaign against global warming and climate change. Our involvement expresses the company's support to help shape a more sustainable future.



Our medical missions benefit adults and children by providing check-ups and medicine



Smiles from people we help inspire us to give back and give more



Our 4th Christmas Party for Kids gave joy to over 600 children in Davao City

Health and Safety

Bloodletting Program

Since 2007, we have held an annual bloodletting drive in our Davao office. Our people as well as beneficiary teachers and students donate blood to the Philippine National Red Cross. This year for the first time we held a bloodletting with our Manila employees.

Mindanao Heart Fund

Phoenix Foundation co-organized the "Race for the Heart" event with the Davao Region Tourism Council to benefit the Dr. Gerry Cunanan Mindanao Heart Fund. The fund is meant for indigent patients who cannot afford a heart operation. "Race for the Heart" featured a mini-adventure race and two days of blood-letting. Our donation of P100,000 to the Heart Fund eventually helped a young boy to be successfully operated on. We also pledged scholarship assistance to him.

Road Safety Project

In partnership with the Land Transportation Office, we initiated a Road Safety Project to drivers last June. The project comprised of a Defensive Driving Seminar and an Information and Education Campaign on traffic laws.

Outreach

Medical Missions

We conducted three medical missions – in Calaca, Batangas; Sasa, Davao City; and Digos City – that benefited some 1,600 patients. In these missions, we provided medical, dental, circumcision, and eye check-up services in partnership with volunteer doctors and nurses.

Christmas Day for Kids

The fourth annual Christmas Day for Kids in St. Joseph Parish, Davao City gave joy to over 600 children who received toys, school supplies, and snacks. As well, we conducted our first gift-giving in Calaca.

Phoenix Fundraising Events

Our CSR programs are supported by Phoenix Petroleum and by our generous partners who sponsor our fund-raising events. One of these is the Phoenix Open, held for the second year in March, where 243 golfers played, and which proceeds went to fund part of these projects. Our Business Partners Appreciation Night in December is another event that benefits our CSR projects.

We continue to build social responsibility as part of the company's culture. Our employees actively volunteer in CSR programs. We also thank our donors, business partners, and dealers who, through their donations, support our programs in service to the community.

Helping Hearts

Through the Mindanao Heart Fund, Phoenix Philippines Foundation helps a child with a congenital heart disease



Heart patient Almer Viniegas smiles after recovering from the operation

On June 8, 2010, the first beneficiary of Phoenix Philippines Foundation's donation to the Mindanao Heart Center was successfully operated on. Ten-year-old Almer Viniegas can now look forward to finishing his schooling and a healthy future for himself.

Phoenix Petroleum Philippines, Inc. through its foundation made the donation to the Dr. Gerry Cunanan Mindanao Heart Fund on March 24 through the Phoenix Race for the Hearts event. The Mindanao Heart Fund aims to help poor children with heart disease, whose families cannot afford the expensive heart operation.

Almer, from Sultan Kudarat, was born with a congenital heart disease. His family only learned about it when he was eight years old.

"He easily gets tired. We had to go the hospital every three months," said his mother Marites. Almer had to stop schooling at Grade 2 because of persistent pain when breathing and of pain in his heart.

The medical team of the Mindanao Heart Center led by Dr. Mark Maruya successfully operated on Almer on June 8. When Phoenix Foundation visited him a few days later, Almer was still feeling weak but happy that he can breathe normally. He said he wanted to go back to school when he returned home. Almer told Phoenix 'Thank you' with a smile on his tiny face. His mother was in tears as she thanked the doctors and Phoenix.

With his recovery, Almer was provided scholarship assistance by Phoenix Foundation to enable him to continue schooling.

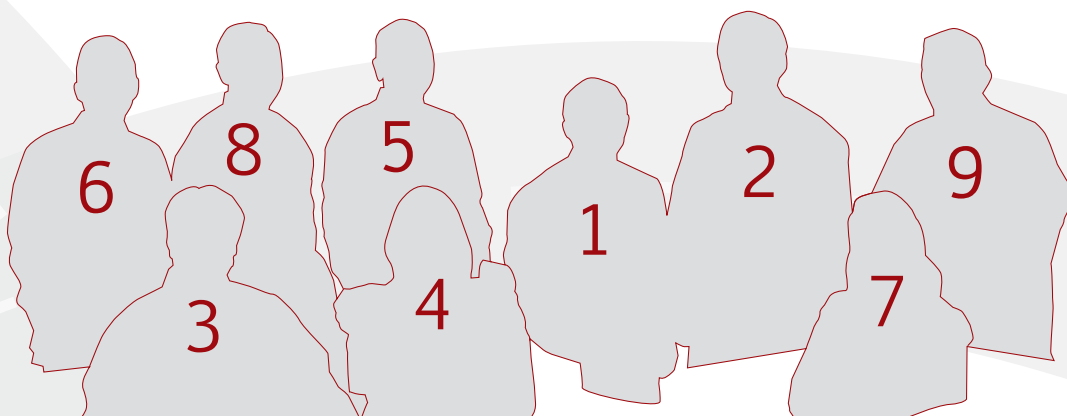
“Ten-year-old Almer Viniegas can now look forward to finishing his schooling and a healthy future for himself.”



Doctors at the Davao Medical Center carefully operate on Almer



Board of Directors



Domingo T. Uy
Chairman

1

Domingo T. Uy, Filipino, 64 years old, is a co-founder and has been a member of the Board of Directors of PPPI since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. He is the Chairman of Granscor Corporation, a holding company of the Uy family engaged in real estate, mining and commodities trading. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development, and Aquamines Philippines, a firm engaged in prawn farming. He is a director of the Philippine National Red Cross – Davao Chapter and is active in other socio-civic organizations.

Dennis A. Uy
Vice Chairman, President and Chief Executive Officer

2

Dennis A. Uy, Filipino, 36 years old, is the founder of PPPI 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 PPPI and Udenna Group, the ultimate parent company of PPPI. Among the subsidiaries of Udenna Group are Udenna Management & Resources Corp., Chelsea Shipping Corporation, Global Synergy Trade and Distribution Corp., Udenna Development Corporation, Value Leases, Inc., Udenna Environmental Solutions, and Udenna Energy Corporation. He is Chairman of F2 Logistics, Phoenix Philippines Foundation, Inc. and Udenna Foundation, Inc.

Romeo B. De Guzman
Director

3

Romeo B. De Guzman, Filipino, 61 years old, was elected Director of PPPI in 2009. He is Chief Operating Officer of the company, bringing with him 35 years of outstanding experience in the oil industry. Before joining PPPI, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific. He was with the said company holding various management and executive positions. He also worked with Getty Oil Philippines Inc. for 10 years.

Atty. Socorro T. Ermac-Cabrer
Corporate Secretary

4

Socorro T. Ermac-Cabrer, Filipino, 45 years old, was elected Director and appointed Corporate Secretary on February 15, 2007. She is concurrently Asst. Vice President for Corporate Legal of PPPI. She is also the Corporate Secretary and member of the Board of Directors of Udenna Corporation and its subsidiaries. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She is the immediate past Vice President for the Davao City Chapter of the Integrated Bar of the Philippines.

Jose Manuel R. Quimson
Director

5

Jose Manuel R. Quimson, Filipino, 62 years old, has been a Director of PPPI since February 15, 2007. He is concurrently General Manager of Phoenix Petroterminal and Industrial Park. He is also the Vice President & 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.

Atty. J.V. Emmanuel A. De Dios
Director

6

J.V. Emmanuel A. De Dios, Filipino, 45 years old, was initially elected as Independent Director of PPPI on February 15, 2007. He was elected regular director on March 7, 2008. He is President, CEO and Director of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He is Managing Director of Merritt Advisory Partners, Inc. and is a member of the Board of Directors of Davies Energy Systems, Inc. He is a Special Counsel at the Romulo Mabanta Buenaventura Sayoc & De Los Angeles Law Office. Atty. De Dios completed his Masters of Law at Harvard Law School and is its Alumni Association's Secretary. He was Chairman of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios took his Master of Laws at the Harvard Law School and completed his Bachelor of Laws at the Ateneo de Manila University School of Law.

Diana Pardo-Aguilar
Director

7

Diana Pardo-Aguilar, Filipino, 47 years old, was elected Director of PPPI on December 3, 2010 as the representative of the Social Security System. She was appointed Commissioner of SSS on August 2010. Ms. Pardo-Aguilar is a business management professional who has extensive experience in board directorships, entrepreneurship, and investment banking. She sits as Board Director in nine other firms and institutions engaged in asset and real property management, education, information technology, telecommunication and technology transfer, food, and retail. Ms. Pardo-Aguilar possesses a wide experience in investment banking, which she gained from her various stints such as in CLSA Exchange Capital Corporation, a leading Philippine investment house; and as Vice-President for Exchange Capital Corporation and Jardine Fleming Exchange Capital Corporation. She holds a Masters Degree in Business Administration major in International Business and graduated with academic citations from Pepperdine University in Sta. Monica California. She is also a Computer Science graduate from the De La Salle University.

Ricardo S. Pascua
Independent Director

8

Ricardo S. Pascua, Filipino, 62 years old, has been Independent Director of PPPI since February 15, 2007. He also sits as Chairman of the Board and President of Happy Communications, Inc., a wireless broadband IP network operator and ITC applications services provider. He is Chairman of the Board of Caelum Developers, Facilities and Property Mgmt Technologies, and Lucena Biodiesel Energy Corporation. He is Chairman of the Executive Committee of Phoenix Land Inc., a farm-oriented and residential resort developer. He was formerly Vice Chairman, President and Chief Executive Officer of the Metro Pacific Corporation and the Fort Bonifacio Development Corporation.

Monico V. Jacob
Independent Director

9

Monico V. Jacob, 65 years old, has been Independent Director of PPPI since March 7, 2008. He is President and Chief Executive Officer of the STI Education Services Group and iAcademy. He is Chairman of Global Resource for Outsourced Workers (GROW), Inc., STI-Universal Workers, Inc., Accent Healthcare/STI Banawe, Inc., and Total Consolidated Asset Management, Inc. He is a Partner of the Jacob and Jacob Law Firm and is a member of the Board of Directors of Jollibee Foods, Inc. and Philippine Dealing Systems. He is Chairman and Managing Partner of CEOs Incorporated. He was formerly Associate Commissioner of the Securities and Exchange Commission, General Manager of National Housing Authority, and CEO of the Pag-Ibig Fund. He is a former Chairman and Chief Executive Officer of Petron Corporation and of the Philippine National Oil Company.

Corporate Governance

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.

BOARD STRUCTURE AND PROCESS

Key Roles

Under the Manual or Code, corporate governance shall rest on the Board of Directors. The terms and conditions as stated in the Manual adhere to transparency and accountability to consequently enhance shareholder's value. 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 of 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 nine (9) 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 July 15, 2010, the stockholders elected the following stockholders to the Board of Directors namely: DOMINGO T. UY, DENNIS A. UY, ROMEO B. DE GUZMAN, FE TIBAYAN PALILEO, J.V. EMMANUEL A. DE DIOS, MONICO V. JACOB AND RICARDO PASCUA. However on October 11, 2010, Fe Tibayan Palileo, being a nominee of Social Security System, tendered her resignation to the Board.

During the same stockholders' meeting, the stockholders likewise approved the amendment of the Company's Articles of Incorporation and By-laws increasing the composition of the Board of Directors from 7 to 9. Thus, when SEC or the Commission finally approved the amendment, the Company, on December 3, 2010, appointed the following to the Board of Directors to fill in the vacancy and complete the composition of the Board: DIANA PARDO AGUILAR, JOSE MANUEL R. QUIMSON and SOCORRO T. ERMAC CABREROS.

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 nine directors, two sit as independent directors, Monico V. Jacob and Ricardo S. Pascua.

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 2010, the Board conducted five meetings.

Names of Director	January 18, 2010	April 12, 2010	July 15, 2010	December 3, 2010	December 23, 2010
Domingo T. Uy	P	P	P	P	P
Dennis A. Uy	P	P	P	P	P
Jose Manuel R. Quimson	P	P	P	P	P
Romeo B. De Guzman	P	P	P	P	P
Socorro T. Ermac Cabreros	N/A	N/A	N/A	P	P
J.V. Emmanuel A. De Dios	P	P	A	A	P
Diana Pardo Aguilar	N/A	N/A	N/A	P	P
Ricardo S. Pascua	P	A	P	P	P
Monico V. Jacob	P	P	A	P	P

P = Present A = Absent N/A = Not Applicable

Committee Members

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

Name	Executive Committee	Nomination Committee	Audit Committee
Domingo T. Uy	C		M
Dennis A. Uy	M		
Romeo B. de Guzman	M	M	
Jose Manuel R. Quimson			
J.V. Emmanuel A. de Dios		C	M
Diana Pardo Aguilar	N/A	N/A	N/A
Socorro Ermac Cabreros	N/A	N/A	N/A
Monico V. Jacob			C
Ricardo S. Pascua		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
2010	2,098
2009	1,276

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. Socorro Ermac T. Cabreros, the Company's Corporate Secretary, is also the concurrent Acting Compliance Officer.

The responsibilities of the Compliance Officer include monitoring, identify, 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.

Management Team

EXECUTIVES



Dennis A. Uy
President and CEO



Romeo B. De Guzman
Chief Operating Officer



Joseph John L. Ong
Chief Finance Officer



Jose Manuel R. Quimson
VP and General Manager
for Phoenix Petroterminal
and Industrial Park



Chryss Alfonsus V. Damuy
VP Comptroller



Alan Raymond T. Zorrilla
AVP for HR & External Affairs



Reynaldo A. Phala
AVP for Treasury

SENIOR MANAGERS



Zeny B. Cua
Deputy Comptroller



Alejandro U. Suan
Depot Operations
and Logistics Manager



Beethoven N. Sur
Corporate Affairs Manager



Gigi Q. Fuensalida
Corporate Legal Counsel



Jay G. Delloso
Brand Manager

JUNIOR MANAGERS

Jonarest Z. Sibog, Purchasing Manager
Windy D. Dagsa, Assistant Accounting Manager
Alexander P. Salas, Assistant Treasury Manager

Michaelangelo J. Mendoza, Commercial Sales Manager
Desi Enrico V. Maala, Sales & Distribution Manager



Alberto D. Alcid
AVP for Lubricants



Edgardo A. Alerta
AVP for Fuel Sales - VisMin



Rebecca C. Caterio
AVP for Credit and Collection



Socorro Ermac-Cabreros
AVP for Corporate Legal



Carlito V. Cruz
AVP for Commercial Sales
- Luzon



Jose Victor L. Cruz
AVP for Retail Sales -
Luzon



William Azarcon
AVP for Depot Engineering
and Operations



John Henry C. Yap
Supply Manager



George V. Nifras
Sales Manager



Sonny Francis P. Cubillo
Sales Manager



Michael Jerome P. Vantomme
Non-Fuels-Related Business Manager

Ray S. Inocencio
Commercial Sales
Manager

Ernesto F. Tagudiña
Sales Manager

Horacio Ramos
Sales Manager

Management's Discussion and Analysis of Financial Conditions

The following is a discussion and analysis of the Parent Company (PPPI) and its Subsidiaries' financial performance for the years ended December 31, 2010, 2009, and 2008. The discussion should be read in conjunction with the audited consolidated financial statements and the accompanying notes. In the discussion of financial information, any reference to "the Company" means the Parent Company (PPPI) and its Subsidiaries.

The selected financial information set forth in the following table has been derived from the Company's audited consolidated financial statements for the years ended December 31, 2010, 2009 and 2008.

The Company's financial statements were audited by Punongbayan & Araullo for 2010, 2009 and 2008, in accordance with Philippine Financial Reporting Standards.

In P thousands, except for Per Share amounts	As of and for the years ended December 31		
	2008	2009	2010
Income Statement Data:			
Revenues.....	4,615,217	5,873,051	14,792,188
Cost of sales.....	4,194,196	5,181,074	13,476,620
Net income.....	150,289	751,477	427,214
Balance Sheet Data:			
Current Assets.....	1,457,228	2,918,843	4,870,681
Non-current Assets.....	910,853	2,084,570	2,770,591
Total Assets	2,368,081	5,003,413	7,641,272
Total Liabilities.....	1,677,323	2,661,182	5,180,064
Stockholders' Equity.....	690,758	1,528,860	2,461,208
Earnings per Share.....	0.91	3.48	1.43
Book Value per Share.....	3.75	5.76	6.53

Analysis of Results of Operations for 2010 and 2009

Revenues

The Group generated total revenues of P14.792 billion in 2010 which is 152% higher than its comparative 2009 level of P5.873 billion. This was brought about by the 126% and 44% increase in sales volume of Petroleum Products and Lubricants respectively. Service revenue also posted an increase by 17% in volume of fuels handled in year 2010 compared to immediately preceding year.

Sales revenues from trading and distribution of petroleum products increased by 158% from P5.489 billion in 2009 to P14.204 billion in 2010 resulting principally from a wider distribution network and expanded institutional customer base. The 127% increase in volume is complemented also by the increase in average selling price by 13%, from Php 27.46 per liter in 2009 to Php 31.16 per liter in 2010.

PPPI had one hundred nine (161) operating Phoenix Fuels Life retail service stations as of December 31, 2010 compared to one hundred twenty (120) retail stations as of the same period of last year. A substantial number of these additional stations have yet to fully realize their potential peak sales volume, having been in operation for less than a year.

The Group generated P153 million from its fuels service (i.e. hauling and into-plane), lease of its storage facilities, port revenue and other service revenue in 2010 versus P101 million in 2009, or a 94% increase compared to last year. It includes revenue from port operation of P45 million and P39 million for 2010 and 2009 respectively on BIPC, the 2009-acquired wholly-owned subsidiary.

Cost and expenses

The Group recorded this year cost of sales of P13.477 billion, an increase of only 160% compared to the 2009 figure of P5.181 billion. The increase was triggered by the 127% increase in volume plus the higher average cost by 17%. Year 2010 average costs is 28.76 per liter compared to 24.68 in 2009 driven by higher average crude prices and sales mix factor.

Selling and administrative expenses increased as a result of the increasing volume and the ongoing expansion and growth of the Group's organizational build-out and business operations. Major items that increased out of this retail network expansion and increasing volume are rental, depreciation, travel and transportation, repairs, taxes and licenses and other expenses. The Parent Company is also continuously doing branding and promotional campaign which resulted to higher advertising expenses to improve on brand awareness in the market.

Net Income

The Group's total net income is down to P427 million during year 2010 compared to P751.5 million for 2009. In 2009, the Parent Company recognized a P573 million one-time gain representing non-recurring income due to the booking of the "excess of fair value over acquisition costs," or negative goodwill arising from the Parent Company's purchase of 100% of the capital of BIPC in March 2009. Core operating net income increased by an impressive 140% from P178 million in 2009 to P427 million in 2010.

BOI Registrations

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. It has under application and has further plans to apply for new BOI incentives based on the additional investments in capacity it has made. Following are the recent registrations:

BOI Registration as New Industry Participant – Batangas Depot

The Company was registered with the BOI on February 26, 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 Calaca, Batangas. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987.

Under its registration, the Company is also entitled to certain tax and non-tax incentives as also mentioned in the previous page. The ITH will expire five years from February 26, 2010.

BOI Registration for the New Investment in Downstream Oil Industry Activities-Davao Depot Expansion

On May 14, 2010, the Company was registered with the BOI for the new investment in downstream oil industry activities under RA 8479 (Downstream Oil Industry Deregulation Act) for the additional two storage tanks for petroleum products with storage capacity of 7.4 million liters in Davao depot. Under its registration, the Company shall be entitled to avail of the incentives as cited in the previous page. However, ITH for five years from May 14, 2010 is subjected to the base figure of 148.2 million liters representing the Company's highest attained sales volume of its existing depot facilities (in Davao Depot) prior to the filing of application for registration of new investment.

BOI Registration as New Industry Participant – Zamboanga Depot

The Company was 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.

Under its registration, the Company is also entitled to certain tax and non-tax incentives as also mentioned in the above discussion.

Analysis of Financial Condition and Balance Sheet Accounts

(As of December 31, 2010 versus December 31, 2009)

Total resources of the Group as of December 31, 2010 stood at P7.641 billion, an increase of 111% over the P5.003 billion as of December 31, 2009.

Cash and cash equivalents increased by 65% from P365 million to P605 million due to higher revenue level during the current year.

The Group's liquidity position continued to hold strong with Current Assets reaching P4.871 billion as of December 31, 2010, up from P2.919 billion as of December 31, 2009.

Trade and other receivables increased by 130%, from P1.369 billion as of December 31, 2009 to P2.593 billion as of December 31, 2010 as a result of the 152% increase in sales revenue in this year compared to last year. The Company continues to exercise prudence in its credit policies in order to manage customer receivables risk. The receivable is spread over a number of industries and a number of clients.

Inventories increased by 130%, from P458 million as of December 31, 2009 to P1.052 billion as of December 31, 2010 as part of the Company's inventory management strategy. The Company maintains more or less one month

of inventory to ensure stable supply in retail stations and commercial/industrial clients. In addition, in a period of rising fuel prices, it would be necessary to build commensurate levels of inventory to improve potential margins.

Land Held for Sales are parcels of subdivided lots owned by BIPC, a wholly owned subsidiary of the PPPI. These lots are intended for sale to prospective buyers. The reduction by 15% was a result of land sale during the year. Further, there are existing memorandums of agreements for purchase of lots with corresponding option money paid. There are also ongoing negotiations with other prospective buyers.

Due from related parties net balance is negative P38.4 million as of December 31, 2010 which is almost the same level as that of December 31, 2009. The Company's parent holding company extended advances to support its cash requirement for its capital expenditures.

Other current assets as of December 31, 2010 are almost at the same level as that of December 31, 2009. These are prepayments on rentals on retail service stations and depot sites, creditable withholding tax and other various prepayments.

As of December 31, 2010, the Group's property and equipment, net of accumulated depreciation, increased to P2.358 billion compared to P1.7 billion as of December 31, 2009 as a result of the Company's continuous expansion of retail service stations, storage facilities and pier expansion.

Land held for future developments are parcels of subdivided lot owned by the wholly-owned subsidiary BIPC. These lots may be sold at its current state or be developed for better selling prices which will yield better returns to the Company.

Loans and Borrowings increased by 48% from total P2.318 billion as of December 31, 2009 to P3.427 billion as of December 31, 2010. The increase of short term loans and borrowings are related to the financing of the inventory build-up and accounts receivable trade gapping.

Trade and other payables increased by 55%, from P1.058 billion as of December 31, 2009 to P1.637 billion as of December 31, 2010 as a result of the inventory build-up of the Company using suppliers' credit. The increase in Other Payable was mostly payables to contractors and suppliers for construction of depots and retail stations.

Total Stockholders' Equity increased to P2.461 billion as of December 31, 2010 from P1.529 billion as of December 31, 2009 due to the P427 million net income and the P500 million worth of preferred shares issued in 2010. This however was minimized by P13.6 million cash dividend.

Top Five (5) Key Performance Indicators

The Company's top five (5) key performance indicators and how they are computed are listed below:

	2010	2009	2008
Current Ratio ¹	1.1	1.1	0.92
Debt to Equity ²	2.1	2.27	2.43
Return on Equity ³	21.41%	67.71%	24%
Net Book Value Per Share ⁴	6.53	5.76	3.75
Earnings Per Share ⁵	1.43	3.48	0.91

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 - Total stockholders' equity divided by the total number of shares issued and outstanding
- 5 - 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 current ratio for the last two years has been steady at 1.1:1 coming from 0.92:1 in the year ended December 31, 2008. The lower DE in 2008 was the result when the internally generated funds of the Company out of its Earnings Before Interest, Depreciation and Amortization (EBITDA) were utilized for its continuous expansion program. This however improved in 2009 and in current year with refinancing of these Capital Expenditures via medium term loan.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of P-H-O-E-N-I-X Petroleum Philippines, Inc. and Subsidiaries is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2010, 2009 and 2008. The financial statements have been prepared in accordance with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. Management likewise discloses the Group's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls, and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Group.

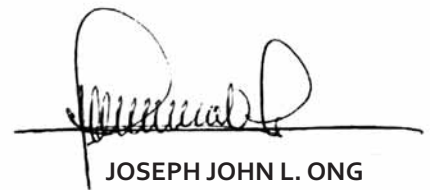
Punongbayan & Araullo, the independent auditors and appointed by the stockholders, has examined the financial statements of the Group in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to stockholders.



DOMINGO T. UY
Chairman of the Board



DENNIS A. UY
President and Chief Executive Officer



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,
Bo. 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, 2010 and 2009, and the consolidated statements of comprehensive income, changes in equity and cash flow for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, 2010 and 2009, and of their consolidated financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO



By: Ramilito L. Nañola
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 2641865, January 3, 2011, Makati City
SEC Accreditation No. 0395-AR-1
BIR AN 08-002511-19-2009 (Sept. 16, 2009 to 2012)

Certified Public Accountants
PL&A is a member of Grant Thornton International Ltd.

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-2

January 18, 2011

Corporate Offices

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

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

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

General Santos Office:

Mezzanine Floor, RD Plaza,
Daproza St., General Santos City 9500
Tel: +63 (83) 553-9207,
+63 (83) 304-0046

Cebu City Office:

12th Floor, Skyrise II Building,
Asia Town IT Park, Lahug, Cebu City 6000
Tel: +63 (32) 236-8168, 236-8198

Bacolod City Office:

Rm 210-212 A. Chan Building,
Mandalagan, Bacolod City 6100
Telefax: +63 (034) 441-2683

Email: info@phoenixphilippines.com

Website: www.phoenixphilippines.com

